

State of South Carolina ) In the Court of Common Pleas  
County of Hampton ) Case No: 2017-CP-25-355

Richard Lightsey, LeBrian )  
Cleckley, Phillip Cooper, et )  
al., on behalf of themselves )  
and all others similarly )  
situated, )

Plaintiff(s), )

Videotaped Deposition

vs. )

of

KEVIN KOCHEMS

South Carolina Electric & Gas )  
Company, a Wholly Owned )  
Subsidiary of SCANA, SCANA )  
Corporation, and the State of )  
South Carolina, )

Defendant(s). )

South Carolina Office of )  
Regulatory Staff, )

Intervenor. )

Deposition of KEVIN KOCHEMS, taken before  
Heather R. Landry, CVR, Nationally Certified Verbatim  
Court Reporter and Notary Public in and for the State  
of South Carolina, scheduled for 10:00 a.m. and  
commencing at the hour of 10:08 a.m., Monday, September  
24, 2018, at the office of Strom Law Firm, Columbia,  
South Carolina.

Reported by:

Heather R. Landry, CVR

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1 INDEX OF EXAMINATION

2 Stipulations .....5

3 Examination By Mr. Haltiwanger .....6

4 Examination By Mr. Richardson .....157

5 Examination By Mr. Chally .....360

6 Certificate .....373

7 Signature & Errata Pages .....374

7 INDEX OF EXHIBITS

8 [Exhibit No. 1](#) E-mail Correspondence .....106

9 [Exhibit No. 2](#) E-mail Correspondence .....116

10 [Exhibit No. 3](#) E-mail Correspondence .....118

11 [Exhibit No. 4](#) E-mail Correspondence and Attachment .....120

12 [Exhibit No. 5](#) E-mail Correspondence and Attachment .....127

13 [Exhibit No. 6](#) E-mail Correspondence .....131

14 [Exhibit No. 7](#) E-mail Correspondence .....142

15 [Exhibit No. 8](#) E-mail Correspondence and Attachments .....280

16 [Exhibit No. 9](#) E-mail Correspondence and Attachments .....293

17 [Exhibit No. 10](#) EAC Review Document .....306

18 [Exhibit No. 11](#) EAC Preliminary Update .....314

19 [Exhibit No. 12](#) Testimony of Stephen Byrne .....361

20 [Exhibit No. 13](#) Testimony of Carlette Walker .....366

18 **REPORTER'S LEGEND:**

19 -- [denotes interruption/change in thought]

20 ... [denotes trailing off/incomplete thought or statement]

21 [sic] [denotes word/phrase that may seem strange or incorrect; written verbatim]

22 (ph) [denotes phonetic spelling]

23 (unintelligible) [denotes not capable of being understood]

24 (indiscernible crosstalk) [denotes] multiple speakers at the same time, not capable of being understood]

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STIPULATIONS

This deposition is being taken pursuant to  
the South Carolina Rules of Civil Procedure.

- - - - -

The reading and signing of this deposition is  
reserved by the deponent and counsel for the  
respective parties.

- - - - -

Whereupon,

**KEVIN KOCHEMS**, being administered an oath of  
affirmation or duly sworn and cautioned to speak  
the truth, the whole truth, and nothing but the  
truth, testified as follows:

**Court Reporter:** State your full name for the  
record, please.

**Witness: Kevin Kochems.**

- - - - -

1 (Begin 10:08 a.m.)

2 (Whereupon, the case caption was  
3 published and counsel noted their  
4 appearances for the record.)

5 - - - - -

6 EXAMINATION

7 BY MR. HALTIWANGER:

8 Q Mr. Kochems, we got introduced before this began.  
9 My name is Dan Haltiwanger and I represent the  
10 rate payers in a lawsuit that's been brought  
11 against SCANA. And before we begin, there's --  
12 our civil rules require me to go over a few ground  
13 rules for today. I'm sure your lawyers have  
14 probably told you a little bit about what to  
15 expect. These are things I am required to go  
16 over. First of all, even though we do have a  
17 video going today, it's important to verbalize  
18 your answers, to say yes or no instead of uh-huh  
19 or huh-uh because we do have a court reporter who  
20 is going to try to write everything down. It's  
21 just easier to understand that way.

22 Second, we're probably going to go for a  
23 while today. So I try to schedule breaks as we go  
24 along. But if at any point you need to take a  
25 break whether it's to get some more water, use the

1           restroom, just stand up and stretch, it's not an  
2           endurance contest. So just let me know, okay?

3    A    Okay.

4    Q    Also, you are under oath today. So it's just like  
5           you would be testifying in a courtroom. And  
6           because of that reason, your attorneys or other  
7           attorneys in the room may object to some of the  
8           questions I ask. Unless they instruct you not to  
9           answer the question, I'm going to ask you to go  
10          ahead and answer the question as best as you can.  
11          You know, like I said, except if they tell you not  
12          to. But along those same lines, I may ask a  
13          question -- I'm not an accountant or an engineer  
14          or anything like that. So I may ask a question  
15          that is confusing. I may use a word that you  
16          don't understand what I'm saying. If it at any  
17          time you don't know what I'm asking you, you can  
18          ask me to repeat a question, rephrase a question,  
19          ask what I mean when I say to this term or that  
20          term, and I'll do my best to make sure that we  
21          we're all on the same page before you answer,  
22          okay?

23   A    Okay.

24   Q    Also, if at some point during the deposition you  
25          realize an answer you gave earlier was either

1 incorrect or incomplete, you can bring that to my  
2 attention and we'll go back and address it. For  
3 instance, if you don't remember something at the  
4 time I ask you the question and then later in the  
5 day you do remember it and you want to complete  
6 your answer from earlier, you have the right to do  
7 so, okay?

8 A Okay.

9 Q Have you ever had a deposition taken before?

10 A No.

11 Q Okay. And I don't want to know what the actual  
12 substance of any discussions you've had with your  
13 attorneys, but I am interested in finding out what  
14 you did to prepare for today; who you talked to  
15 and what documents you may have reviewed?

16 A I spoke with my personal lawyer and the company's  
17 lawyer. On a couple of occasions we reviewed  
18 previous e-mails that I had either sent or were  
19 copied on or received in addition to some previous  
20 PSC testimony.

21 Q All right. The e-mails that you reviewed, you  
22 said those were e-mails both you drafted and  
23 received?

24 A There was a mixture of them, yes.

25 Q Okay. And which e-mails in particular or what



1 were the topics of the e-mails?

2 A I don't remember the particular e-mail. I mean,  
3 they all centered around things that happened in  
4 2014 or 2015.

5 Q Okay. And what things would those have been?

6 A Basically, it would everything kind of leading up  
7 to the 2015 PSC hearing.

8 Q What was your role at that time in the company?

9 A I was the finance manager for the NND, New Nuclear  
10 Development project. So my primary responsibility  
11 in that capacity was to develop, analyze, and  
12 report out on owners' cost. So owners' cost was  
13 the scope of work that the owner was responsible  
14 for. My secondary responsibility related to the  
15 public disclosure, internal and external of the  
16 finances or the financial position of the project.

17 Q Okay. Did you talk to any nonlawyers, SCANA  
18 employees about preparing for your testimony  
19 today?

20 A No, sir.

21 Q Have you had an opportunity to read Carlette  
22 Walker's deposition in this case?

23 A No.

24 Q When was the last time you communicated with  
25 Carlette Walker?

1 A It was the day she left SCANA.

2 Q You haven't had any occasion to speak or e-mail or  
3 text?

4 A No, sir.

5 Q Well, I should've asked, did you work with  
6 Carlette Walker when she was at SCANA?

7 A Yes. I reported to her when she was assigned to  
8 the NND project.

9 Q And what would have been the time frame you had  
10 worked with her?

11 A I believe she was placed out there in 2010; 2011,  
12 thereabouts. So up until she left in 2016.

13 Q Did you know her before she came she can to work  
14 in that position?

15 A Yes. I mean, Carlette had been with SCANA  
16 forever. So within various roles in the  
17 accounting department and an internal audit. So I  
18 think I had several interactions with her prior to  
19 her being my official boss.

20 Q And when she was in the position after 2010 as  
21 your boss, how often would you interact with her?

22 A Pretty much every day.

23 Q And she was -- as your boss, she was your  
24 supervisor?

25 A Uh-huh.

1 Q And how would you describe Ms. Walker as a  
2 supervisor?

3

4 MR. CHALLY: Object to form.

5 THE WITNESS: Sorry?

6 MR. CHALLY: You can go ahead and answer.

7

8 A Carlette was very intelligent. I mean, she, when  
9 it came to accounting things, she knew things  
10 backwards and forwards for how SCANA did things.  
11 So I had a great deal of respect for Carlette in  
12 that capacity.

13 Q Have you heard of the -- well, let me ask you  
14 first. Have you been following the newspapers and  
15 the press coverage of the SCANA litigation?

16 A I honestly try not to. So unless somebody comes  
17 into my cube and says did you see this, I haven't  
18 seen it. But sometimes it's hard to avoid.

19 Q Well, there was some press coverage of the voice  
20 mail that Carlette Walker left for a Santee Cooper  
21 employer. Are you familiar with that?

22 A Yes, I am.

23 Q And did you read the newspaper story about that  
24 voice mail?

25 A Yes.

1 Q Okay.

2 A If you're referring to the one from the Post and  
3 Courier I think it was.

4 Q Yes.

5 A Yes.

6 Q Okay. What was your reaction upon reading about  
7 that voice mail?

8 A I'd say I was a little embarrassed.

9 Q And can you elaborate on that?

10 A I mean, it kind of seemed we were airing our dirty  
11 laundry in the public and that is embarrassing.

12 Q All right. And when you mean "airing dirty  
13 laundry," explain what you mean.

14 A Well, I mean the content of her voice mail and  
15 accusations that she made were pretty bad.

16 Q Had you ever heard Ms. Walker express concerns  
17 like those left on the voice mail before?

18 A I mean, yeah. She had issues with certain members  
19 of senior management and she was quite vocal about  
20 those, at least kind of at -- there at the  
21 project.

22 Q And what do you recall being some of the  
23 complaints that she had?

24 A She for whatever reason did not like Mr. Addison,  
25 and she was pretty vocal about that.

1 Q And what in particular would she be critical of?

2 A I don't know that there was anything specific. It  
3 was just -- she just didn't seem to like him so it  
4 kind of means everything.

5 Q Did she ever express any specific concerns about  
6 actions taken by Mr. Addison?

7 A I don't recall any specific issues that she had  
8 with him, no.

9 Q Are you aware that Ms. Walker signed a  
10 nondisclosure agreement when or after she had left  
11 employment?

12 A No. I did not know that.

13 Q Have you heard about that before?

14 A No.

15 Q Have you had the opportunity to read Margaret  
16 Felkel's deposition?

17 A No.

18 Q What about the deposition of Sheri Wicker?

19 A No, sir.

20 Q Have you had any discussions with any SCANA  
21 employees in which the topic of criminal  
22 prosecution came up?

23 A No.

24 Q Have you yourself had any discussions with any  
25 persons related to the South Carolina Law

1 Enforcement Division?

2

3 MR. CHALLY: Object to form. On a particular  
4 topic or just ever about any?

5

6 Q First of all, ever. Ever talked to SLED before?

7 A No. A traffic ticket or something like that.

8 Q Okay. What about the FBI?

9 A No. Never spoken to them, yeah.

10 Q Securities and Exchange Commission?

11 A No, sir.

12 Q What is your current occupation?

13 A I'm currently an employee of SCANA services.

14 Right now I reside in the -- SCANA's rates  
15 department.

16 Q And describe what your job -- or give us your  
17 description. What do you do?

18 A Well, for the past six months or so I've been  
19 assisting with the development of responding to  
20 ORS inquiries and preparing testimony for the PSC  
21 hearing that is in November.

22 Q In your current position, are you considered part  
23 of senior management?

24 A (Nonverbal response).

25 Q All right. I want to move back to before the

1 abandonment of the project. What was your  
2 position with SCANA?

3 A It was the previous one I mentioned. I was the  
4 manager of finance for NND.

5 Q And prior to abandonment, who at SCANA would you  
6 be interacting with on a daily basis?

7 A Since I had the primary responsibility for  
8 developing and monitoring and reporting the  
9 owners' costs, that kind of put me in contact with  
10 pretty much every manager at NND in one form or  
11 the other.

12 Q And I'm not going to -- if you forget one, that's  
13 fine. But just give me a list as best you can.

14 A Okay. Well, let me start at the top. So I guess  
15 the top would be Mr. Jeff Archie and then Ron  
16 Jones. And then underneath Ron was Brad Stokes,  
17 Alan Torres, April Rice, Roosevelt Word. And then  
18 there would've been Dave Levine. There was Howel  
19 Harris who was over operations. Walt Trombly.  
20 That's the -- I'm sure I missed a few of them, but  
21 that's the majority of the different departments  
22 that where at NND.

23 Q And you mentioned that your an actual employer is  
24 SCANA services?

25 A Yes, sir.

1 Q And has that always been while you were at SCANA?

2 A Uh-huh.

3 Q And I don't know if -- I want to talk about your  
4 employment history. I don't know if it's easier  
5 for you to go from current date backwards or maybe  
6 from when you finished school forward.

7 A Okay.

8 Q So whichever one is easiest for you to recall and  
9 put in context. Would you do that for us?

10 A Sure. You want me to go back to school?

11 Q Yeah. All the way back to . . .

12 A So I graduate from Canisius College which is in  
13 Buffalo, New York. At the time I had been working  
14 for a company called Laidlaw Environmental. Upon  
15 graduating, I moved to Columbia, South Carolina  
16 and worked -- Laidlaw was acquired by a company  
17 called Safety-Kleen. I worked for Safety-Kleen  
18 for a number of years. They declared bankruptcy.  
19 At that time I went to work for SCANA in their  
20 internal audit department in 2002. I stayed in  
21 their internal audit department until about  
22 September 2006 when I went out to the finance  
23 coordinator for NND. And I've been there since I  
24 guess January of this year; late last year when I  
25 got moved to the rates department.



1 Q And how is your personal compensation structured  
2 at SCANA services?

3 A I'm paid a base salary and there's a potential for  
4 a bonus payment if your personal goals are met as  
5 well as the company goals. I think half of your  
6 bonus is based on your departmental type  
7 objectives being met. The other half is based on  
8 an earnings-per-share calculation.

9 Q And that would be earnings-per-share of which  
10 stock?

11 A SCANA stock.

12 Q And who determines if you have met the  
13 requirements for getting a bonus?

14 A I guess for the department-level goals, we would,  
15 I'd say maybe quarterly, report on the progress of  
16 those goals. We've done 50 percent, 25 percent,  
17 75 percent, whatever the case may be. And when  
18 you get to the end of year and assuming you've met  
19 a hundred percent of that objective, you would  
20 submit that to, I don't know if it was senior  
21 management or HR, to basically agree that you did  
22 meet those goals. The earnings-per-share I'm  
23 not -- I honestly don't know how that's  
24 determined. I know it's the stock price at a  
25 certain point. What point that is, I honestly

1 don't know.

2 Q Okay. In light of that, while the VC Summer  
3 Units 2 and 3 were under construction, were there  
4 times whenever your bonus would be tied to  
5 milestones and progress of the construction?

6 A So I worked at -- when I was at VC Summer, I  
7 worked in the business and finance department. So  
8 the business and finance group would have a set of  
9 departmental goals, which again, would make up  
10 about half of our bonus. And whether we met those  
11 goals or not -- I mean, one of those goals  
12 typically was have we, you know, achieved the  
13 budget or met the budget for the year. I don't  
14 recall my goals ever being linked to a schedule  
15 though.

16 Q All right. Turning to the VC Summer Units 2 and 3  
17 project, I want to get as best as I can sort of a  
18 cast of characters of who was involved in the  
19 construction oversight for SCANA.

20 A Okay.

21 Q Just give me as best as you can, and I'll do my  
22 best to follow.

23 A Okay. So the NND project was kind of divided into  
24 two groups. There was the construction oversight  
25 and then there was the operational readiness. So

1           you want -- make sure I answer your question. You  
2           want just the construction oversight side?

3       Q     Well, we'll start with that.

4       A     Okay. So again, that all would've reported to Ron  
5           Jones who is the -- I mean this is not his  
6           official title, but the site VP. And then from a  
7           construction oversight group you have Alan Torres  
8           who is, I think, is the General Manager of  
9           Construction. He would have a whole bunch of  
10          people, managers, specialists, things of that  
11          nature, underneath him. And then you had Brad  
12          Stokes who is the General Manager of Engineering,  
13          and he would have a whole bunch of managers and  
14          engineers underneath him. And then you had April  
15          Rice. She was over the licensing department. So  
16          again, she would have managers and engineers  
17          underneath her. There was Roosevelt Word. He was  
18          over the -- I'm going to say QA/QC group. And  
19          again, same kind of thing, people underneath him.  
20          I think that's all the kind of construction  
21          oversight groups.

22       Q     And Roosevelt's last name, how do you --

23       A     Word, W-O-R-D.

24       Q     All right. Were you at SCANA whenever the  
25          decision was made to go with nuclear as opposed to

1 other base load generation options?

2 A Yeah.

3 Q And what role if any did you have in that process?

4 A So the decision to go with, you know, building a  
5 plant was made prior to that. I was still in  
6 internal audit, in the internal audit department  
7 at the time. I came out, like I said, in  
8 September of 2006. And at that time, I think we  
9 had already decided to pursue building a nuclear  
10 plant.

11 Q So the decision was already made to go with  
12 nuclear as opposed to other base load generation  
13 when you came to the project?

14 A Yeah. And there are, obviously, a bunch of  
15 approvals that needed to be met in order to do  
16 that. But, yeah, that was the avenue we were  
17 going down.

18 Q Okay. Can you tell me from your own knowledge who  
19 would've been involved in SCANA in making the  
20 decision to go nuclear versus other options?

21

22 MR. CHALLY: Object to form.

23

24 A I could tell you who I would assume would be that  
25 person, but I don't know that for a fact.

1 Q Okay. Who?

2 A I mean, Steve Byrne was the -- over all of  
3 SCANA's generation. So I would imagine he would  
4 play a significant role in that decision. But  
5 again, that's me speculating.

6 Q All right. One thing you mentioned earlier when  
7 we were talking was the term owners' cost. And I  
8 want to try to get as best of an explanation as I  
9 can from somebody who is completely new to this  
10 entire thing about what is owners' cost with  
11 respect to this project.

12 A Okay. So kind of big picture, we were, you know,  
13 tasked with billing to nuclear power plants. The  
14 vast majority of that work fell under the  
15 Consortium through an EPC contract. So quite  
16 simply everything that was not covered by that EPC  
17 contract was covered under the owners'  
18 responsibility. So for example, the hiring  
19 operators to operate the plants, get them  
20 qualified, getting them trained, you know, that  
21 would've been an owners' cost. I think you  
22 referenced earlier. The construction oversight,  
23 that was owners' cost. The training department  
24 that would obviously train the operators, that was  
25 the owners' responsibility. The maintenance

1 department that would ultimately take and maintain  
2 the plants, getting those maintenance personnel  
3 hired, trained, drafting procedures, that was  
4 owners' responsibility. The insurance, we had an  
5 OCIP in place, so that was owners' responsibility.  
6 IST, there was a lot of IST-related scopes of work  
7 and costs.

8 Q And what is IST?

9 A Information -- I mean, IT. I'm sorry.

10 Q All right.

11 A So all the computer programs. Not the computer  
12 programs that actually run the plant, but  
13 everything kind of outside of that was our  
14 responsibility. We also took the responsibility  
15 to build an administrative building, like a  
16 two-story office building. Called it the NOB,  
17 N-O-B. We did that. That was an owners' cost. We  
18 built a -- essentially a fire station for the  
19 support of all three existing, Unit 1 in addition  
20 to the two new ones. That was an owners' cost.  
21 We built a security range for the security  
22 operators to practice. That was an owners' cost.  
23 Those types of things.

24 Q So owners' cost would not include the actual  
25 payment of the money to build the plant. It would

1 be other things associated with the operation of  
2 the plant or . . .

3 A That's correct. Yeah. So it's essentially  
4 everything outside of that EPC contract.

5 Q And did you have any involvement in calculating  
6 the owners' cost for this project?

7 A Yes.

8 Q Describe for us what your role would've been.

9 A So every year we would meet with the individual  
10 department managers and develop a, from that day  
11 or to the next year or to the end of the project,  
12 an estimate of how much they think they were going  
13 to spend. And we did that annually.

14 Q Did that have to be filed anywhere or logged  
15 anywhere?

16 A You say logged, what . . .

17 Q Is that one element of what would be filed with  
18 the PSC?

19 A Yes. So if we expected to exceed the previously  
20 approved PSC budget, that would be something that  
21 would drive us back to the Public Service  
22 Commission.

23 Q And I know you weren't there whenever the decision  
24 was made to go with nuclear. But as part of that  
25 process, do you know if the owners' cost

1 calculations were developed for other options like  
2 natural gas as well as nuclear?

3 A I don't. I do not know. I'm sorry.

4 Q Do you know when the first calculation of owners'  
5 costs would have been submitted to the PSC?

6 A Yes. It would have been submitted with the  
7 original filing in 2008, 2009.

8 Q And do you know if that original figure has been  
9 amended?

10 A Yes.

11 Q And how often has it been amended?

12 A I think we amended it every time we went back to  
13 the Public Service Commission. So I can't  
14 remember if that's five or six times we went back.

15 Q And if I wanted to find that, that would all be in  
16 the PSC filings?

17 A Yes, sir.

18 Q How did the number take change over those four  
19 filings? Did it increase or decrease?

20 A It increased.

21 Q And not to the penny, but can you tell me about  
22 how much?

23 A It probably close to doubled or more.

24 Q What would've been responsible for that doubling?

25 A It was a lot of things. Each one of the increase



1 we would've detailed in the PSC filings. But the  
2 number of people that we needed to run the plant  
3 for the 60-year life, you know, that increased.  
4 So that obviously drove costs up. The schedule  
5 delays that we had, there would've been a cost  
6 associated with that.

7 Q How would the -- I mean, and I'm just asking this  
8 out of ignorance. The schedule delays, wouldn't  
9 that be part of the EPC side of this? How would  
10 fall under -- how would that impact owners' costs?

11

12 MR. BEVER: Objection to form.

13

14 A So if we had a year-long delay, all the people  
15 there on the project had to be there a year  
16 longer. So we kind of referred that to -- I think  
17 the -- term is hotel load.

18 Q Okay.

19 A So I'm there a year longer. So there's a year  
20 more of my salary that need to be carried.

21 Q All right. Besides hotel load, what else did the  
22 delay impact that would increase owners' costs?

23 A It was all pretty much related to that. So it's  
24 not just my salary. It's the computer that I use;  
25 it's the, you know, the office supplies I use; for

1 the operators, it would be the continued training,  
2 things like that.

3 Q Was Ron Clary involved in determining owners'  
4 costs?

5 A Yes. So Ron was -- I guess Ron had -- Ron Clary  
6 had Ron Jones' position prior to Ron Jones coming  
7 aboard. So yes, Ron Clary would've had that.

8 Q Would he have been responsible for the initial  
9 owners' costs calculation?

10 A He would've played a role in it, yes.

11 Q Who else would've been involved?

12 A At that time, the team was kind of small. So he  
13 would have -- there was a gentleman who used to be  
14 over licensing. He retired, Al Paglia. He played  
15 a role in it. We had a different QA/QC person  
16 there. He played part of it. So those are kind  
17 of the main players.

18 Q Who was the last guy you were talking about after  
19 Al Paglia?

20 A His name was Tim Framchuck (ph). So he was the  
21 QA/QC person for a while.

22 Q And earlier I believe we talked about since that  
23 initial owners' cost calculation by that group  
24 including Mr. Clary, since that time with the  
25 filing of the PSC, the owners' cost has

1 essentially doubled?

2 A Yeah. It had increased significantly. I don't  
3 know that it doubled. Without going back and  
4 looking at it, I wouldn't want to tell you exactly  
5 how much it increased, but it did increase.

6 Q About what is the current dollar figure -- or what  
7 was the current dollar figure at the time of  
8 abandonment for that projection?

9

10 MR. CHALLY: Object to form.

11

12 A I don't remember. It would be easy to find, I  
13 don't remember it off the top of my head. I'm  
14 hesitant to give you a number. I'd give you the  
15 wrong number. But it would be in our last PSC  
16 filing.

17 Q Do you recall ever having any conversations with  
18 Carlette Walker about the original calculation of  
19 owners' costs?

20 A The original calculations? I don't recall any  
21 specific conversations with her about that.

22 Q Do you recall any communications with Ms. Walker  
23 where she expressed concern that Mr. Clary did  
24 inappropriately calculate the owners' cost  
25 numbers?

1 A No. No, I don't.

2 Q Now, obviously, in addition to SCANA, Santee  
3 Cooper also was a participant in the construction  
4 of these plants. Is that your understanding?

5 A Yes, sir.

6 Q Do you know if Santee Cooper also did calculations  
7 of owners' costs with respect to the project?

8 A So Santee Cooper would've been one of the inputs  
9 into the calculation of that, yes. I do  
10 understand that they had their own calculation on  
11 their side. I'm not familiar with it. But I was  
12 told that they had their own.

13 Q And I'm trying to get an idea. Since they're  
14 partners on the project, I guess would Santee  
15 Cooper and SCE&G -- or I mean SCANA be calculating  
16 one number of owners' costs? This is what it's  
17 going to cost for us to do this. Or would it be  
18 SCANA doing this is what our portion is going to  
19 cost. And Santee Cooper would be doing this is  
20 what our portion is going to be. How did -- I'm  
21 just trying to get an idea of how that worked.

22 A So SCANA kind of, lack of a better term,  
23 administered all of the owners' costs. So we  
24 would -- you know, again, using myself as an  
25 example, my salary was paid by SCANA, and SCANA

1 would invoice Santee Cooper every month for  
2 45 percent of it if I spent my time on the  
3 project. I don't know if that answers your  
4 question or not.

5 Q Well, I'm trying to get an idea because,  
6 obviously, SCANA was filing these projections with  
7 the PSC. My understanding is Santee Cooper would  
8 not be required to do that. So was SCANA  
9 submitting a number and saying this is SCANA's  
10 number or this is SCANA's number and Santee  
11 Cooper's number for the owners' costs. Or how did  
12 that work?

13 A So any time that we presented to or filed anything  
14 with the Public Service Commission, whether it be  
15 an update docket or the quarterly report, we would  
16 only report our 55 percent amount.

17 Q Do you know if Santee Cooper had to report that  
18 figured to anyone?

19 A I do know that Santee Cooper had different bond  
20 issuances where they disclosed or talked about the  
21 financing side of NND. How often that was or who  
22 was involved in that I honestly don't know.

23 Q When working on the owners' costs for SCANA, did  
24 you ever each out or interact with Santee Cooper  
25 persons doing, you know, also doing the owners'

1 cost calculations?

2 A So we would interact with them on a monthly basis  
3 when we sent them a bill for their portion of the  
4 costs that we paid. I'm sure there were instances  
5 where they asked for information from us or from  
6 our team and we provided it to them. I don't  
7 remember any specific incidences that I want to  
8 change to -- especially my work with the owners'  
9 costs. I mean, Santee Cooper was paying  
10 45 percent of my salary. So anything I had was  
11 theirs too. So any question they had, I -- we  
12 certainly responded to.

13 Q And who at Santee Cooper would be, that you know  
14 of, if you know, who at Santee Cooper would've  
15 been handling the owners' costs issues for them?

16

17 MR. CHALLY: Object to form.

18

19 A It started out as Ken Browne. He was the Santee  
20 Cooper on-site rep. And then he actually retired.  
21 He actually came to work for SCANA at which time  
22 Santee Cooper brought on Marion Cherry. So Ken  
23 and Marion were the ones that we interacted with  
24 quite often.

25 Q So when you initially arrived on new nuclear, Ken

1 Browne was an employee of Santee Cooper?

2 A Yes, sir.

3 Q And then it's your understanding he retired?

4 A Yes.

5 Q And how did he come to be at SCANA if you know?

6

7 MR. CHALLY: Object to form.

8

9 A Again, I'm assuming he retired. I mean, I  
10 honestly don't -- I think he told me that. And  
11 then he, I think, applied for a position at -- I  
12 think he was an SCE&G employee. He had applied  
13 for a position at SCE&G and was hired.

14 Q Okay. And what was his role when he came onboard  
15 at SCE&G?

16 A He was also in the business and finance  
17 department. He would have reported to Skip Smith.

18 Q And just to be clear, Skip, that's not his  
19 original first name?

20 A His real name is Abney.

21

22 MR. HALTIWANGER: All right. We've had a  
23 request for a short break if we can go ahead and  
24 take our first one.

25 VIDEOGRAPHER: Off the record at 10:48.

1 (Off the Record)

2

3 BY VIDEOGRAPHER: Back on the record at  
4 10:59.

5

6 BY MR. HALTIWANGER (Continuing):

7 Q Mr. Kochems, I've got a couple of notes from other  
8 lawyers in the room. So I'm going to try to  
9 follow up so we don't get to the end of the day  
10 and I have a whole list of things that we haven't  
11 covered. Did SCANA services build the project for  
12 the services it was providing to the project?

13 A I'm sorry, one more time.

14 Q Did SCANA services submit a bill for the project  
15 for the services it performed at the VC Summer  
16 project?

17

18 MR. CHALLY: Object to form.

19

20 Q Or how did that work?

21

22 MR. CHALLY: Same objection.

23

24 A So the example I used earlier with the computer  
25 leases. The computers were -- SCANA services



1 provided those and basically charged the project  
2 every month for that, for that work. So, you  
3 know, a computer on somebody's desk would cost \$6  
4 a month. And the SCANA services IT Department  
5 would journal \$6 a month to the project every  
6 single month.

7 Q And how would SCANA's return on investment be  
8 calculated or impacted by that?

9

10 MR. CHALLY: Object to form.

11

12 A So that \$6 would get added to the cost of our work  
13 order. So any of that \$6 in addition to the  
14 million-dollar payment we made to Westinghouse for  
15 that month would kind of get pulled together and  
16 we call that CWIP. So that was the cost of the  
17 project for that particular month. So that would  
18 run through the Base Load Review act revised rates  
19 mechanism. And the AFUDC would be calculated  
20 against that CWIP and we would -- SCANA would earn  
21 a return on that AFUDC base amount.

22 Q Okay. You just used a couple of accounting terms.

23 A I'm sorry.

24 Q So I want to break it down for the -- for those  
25 who might be reading this that don't have an

1 accounting background. Explain what CWIP stands  
2 for and what it represents.

3 A See CWIP stands for Construction Work In Progress.  
4 So that was the costs that we incurred to build  
5 the plant that would stay in CWIP until the day  
6 that the plant was placed in service. At which  
7 point it would come out of CWIP and get placed  
8 into an accounting plant and service account.  
9 Hopefully, that made sense.

10 Q All right. And AFDUC?

11 A AFUDC.

12 Q UDC.

13 A Allowance for Funds Used During Construction. So  
14 that's essentially interest. That would be  
15 calculated a couple different times a year by our  
16 property accounting department. And so if we  
17 spent a million dollars in a month, they would do  
18 that calculation. Let's just say it was  
19 five percent. They would -- you know, we would do  
20 math on five percent of a million dollars is how  
21 much in AFUDC.

22 Q Okay.

23 A So that's the portion that got rolled into revised  
24 rates that were here, that five percent.

25 Q Okay.

1 A Again, the five percent is a made-up number.

2 Q Okay. Thank you. All right. Jumping back a  
3 little bit. Returning to the subject of owners'  
4 costs, I think it's fair to state that at the time  
5 this project was being done, a new nuclear plant  
6 hadn't been constructed in some decades. Is that  
7 correct?

8 A That's true.

9 Q And my understanding is also that there were some  
10 new federal regulations that had been enacted that  
11 were not in place the last time a nuclear plant  
12 was constructed. Is that accurate as well?

13 A Yes.

14

15 MR. CHALLY: Object to form.

16

17 Q Based on -- with those two facts as background,  
18 how would SCANA go about calculating the cost for  
19 this new nuclear development when there hadn't  
20 been one in years and it was being done under new  
21 regulations?

22

23 MR. BEVER: Object to form.

24

25 A It was --

1

2

MR. CHALLY: Just -- I'm sorry, Kevin. Real quick. Can we get an agreement that if Mr. Bever objects to form or I object to form, that will stand for both of us.

3

4

5

6

MR. HALTIWANGER: I'd give that to anybody in the room. Any objection to the form will stand for all.

7

8

9

MR. CHALLY: Thank you.

10

11

A Okay. Can you ask one more time. I'm sorry.

12

Q Maybe. In light of the fact that there had not been a new nuclear plant constructed either in recent years or under the new federal regulations, how did SCANA -- or did y'all, your department, go about figuring out what the owners' costs would be to the project. Is that fair?

13

14

15

16

17

18

A Okay. Is certainly was a challenge. But we talked with basically everybody in that group, in that organization. I think there were a couple of industry studies that we read and we leaned on especially when it came to staffing levels since we hadn't really started building the plant or assembling the staff that's going to operate the plant. There were certainly a lot that we didn't

19

20

21

22

23

24

25

1 know and we knew that. The original PSC filing  
2 included a contingency amount which the South  
3 Carolina Supreme Court took away from us. But  
4 that was really the intent of that contingency was  
5 to kind of cover those unknowns.

6 Q Okay. When you talk about industry studies, if I  
7 wanted to track those down, what would they be  
8 called? Who would be the authors?

9 A The only specific one I remember there was a  
10 staffing study that I think actually Dominion had  
11 done back in the late 90s on what it would take  
12 to staff a new generation nuclear plant. That's  
13 the only specific one I remember.

14 Q If was going to try to search for that, you got  
15 any keywords or terms that you would suggest --

16 A We always called it the Dominion study. But  
17 again, it related to staffing levels. But  
18 obviously, we would talk to the, you know, the  
19 engineering manager about how many engineers he  
20 needed. You know, I'm sure he had information he  
21 was pulling to tell me he needed a hundred  
22 engineers. I just don't know what that source  
23 was.

24 Q Did you have any role in the original application  
25 to the PSC for the approval of the nuclear plants?

1 A Yes.

2 Q Okay. Describe that for us.

3 A So I would've been one of the people that kind of  
4 helped kind of pull together the numbers, develop  
5 the financial exhibits within it.

6 Q And what would've been the time frame for that  
7 work?

8 A That would've been late 2008. It probably  
9 would've been 2007, 2008.

10 Q And in that application, did SCANA also put  
11 together what the different costs would be for  
12 other options like gas or coal?

13 A I don't remember. If they did, I wouldn't have  
14 been part of that, so I don't recall.

15 Q If I wanted to find that out, who would I -- who  
16 would you suggest I ask about that?

17

18 MR. CHALLY: Object to form. Go ahead.

19

20 A Probably the easiest place to look would be on the  
21 PSC website at our original application. There  
22 were -- there's probably 15 to 20 different  
23 exhibits in there. And one of them may be  
24 comparing nuclear to coal or gas.

25 Q And in your role on the original PSC application,

1 did you have any involvement with the calculation  
2 of base load needs going forward?

3 A No, sir.

4 Q Who would've handled that? Do you know?

5 A That would've been our resource planning  
6 department. It was headed by a gentleman named  
7 Bob Long. I think he's actually retired.

8 Q Do you know who has that position now?

9 A I believe that falls under Betty Best.

10 Q Under the original PSC application, when were the  
11 new nuclear power plants supposed to go online?

12 A The original projection for Unit 2 was April 2016,  
13 and Unit 3 I think was January 2019.

14 Q Going back to the original application for the  
15 plants, did you do any financial calculation work  
16 with respect to the impact of a potential carbon  
17 tax?

18 A No. That wouldn't have been my area.

19 Q What about projections with respect for the future  
20 costs of natural gas?

21 A No, sir.

22 Q Do you know if anyone did that work?

23 A I don't know if they did or they didn't. If it  
24 was done, it would've come in Bob Long's group.

25 Q All right. It's my understanding Westinghouse

1 declared bankruptcy in March of 2017. Is that  
2 your recollection about the approximate time?

3 A Yes, sir.

4 Q How did you find out Westinghouse was declaring  
5 bankruptcy?

6 A Geez, I'm having a hard time remembering exactly  
7 the first time I had heard about it. It was  
8 either in the paper or some kind of company e-mail  
9 I'm sure. I take that back. I had known a couple  
10 of days prior to that.

11 Q And how did you come to that knowledge?

12 A Through senior management.

13 Q And who at senior management?

14 A I guess it really would have come through Jimmy  
15 Addison.

16 Q And would this had been an e-mail, phone call,  
17 meeting?

18 A I think it started with a phone call.

19 Q Conference call or did he call you directly?

20 A I'm sure he just called me directly.

21 Q Okay. And describe for us as best you can your  
22 recollection of that call.

23 A That specific call, I think it was telling me to  
24 come to a meeting at a later date to talk about  
25 Westinghouse's bankruptcy.



1 Q When you got that phone call, what thoughts went  
2 through your head?

3 A Oh, no.

4 Q Can you explain why?

5 A Our contract was with Westinghouse. And if  
6 they're declaring bankruptcy, that can't be good  
7 for us.

8 Q Prior to getting that phone call from Mr. Addison,  
9 did you take part in any discussions about a  
10 potential bankruptcy of Westinghouse?

11 A No.

12 Q Had you ever heard a rumor that Westinghouse might  
13 go bankrupt?

14 A I know late December time frame, the year before,  
15 Toshiba who owns Westinghouse was having financial  
16 issues, accounting irregularities, things of that  
17 nature. I honestly didn't follow that very close.  
18 But, obviously, that would -- the thought of one  
19 of their subsidiaries going bankrupt would cross  
20 your mind, yeah, sure.

21 Q Are you aware of any actions undertaken at SCANA  
22 at that time to maybe prepare for a potential  
23 Westinghouse bankruptcy?

24 A I'm not aware of any. But it wouldn't have fallen  
25 under my responsibilities. So that's not

1 something I would be aware of.

2 Q Okay. If you wanted to find that out, who would  
3 you go talk to?

4 A Jimmy Addison would probably know better than  
5 anybody.

6 Q So your recollection as you got a phone call from  
7 Mr. Addison and that they were going to be setting  
8 up a later meeting to address the issue?

9 A Yes.

10 Q Okay. Where was that meeting held?

11 A In Jimmy's conference room.

12 Q And take me through your best recollection of how  
13 that meeting went.

14 A So it was myself and Jimmy, a member from Santee  
15 Cooper, and another member from the SCANA's  
16 finance team. And we had a conference call with  
17 the -- I want to say he was the controller of  
18 Westinghouse -- where they were providing us the  
19 financial information from the project as best  
20 they knew it.

21 Q Who was there from Santee Cooper?

22 A Marion Cherry.

23 Q And who was the member of the financial team?

24 A It was Iris Griffin.

25 Q Did Westinghouse provide you any materials at that

1 meeting, a PowerPoint or handouts?

2 A I think there was a PowerPoint presentation, yes.

3 Q And who put on the PowerPoint?

4 A Actually, there was just the -- the individuals I  
5 named were in the room and we had a conference  
6 call with Westinghouse.

7 Q Do you happen to recall who the Westinghouse  
8 person was that did it?

9 A I don't. I don't remember. It might come to me.  
10 I don't -- I want to say he was the controller.

11 Q Okay.

12 A Kind of a senior-level person at Westinghouse.

13 Q Do you know if anyone there on behalf of SCANA  
14 kept any meeting minutes or notes?

15 A I don't recall.

16 Q Did you take notes at that meeting?

17 A I'm sure I wrote on the PowerPoint presentation  
18 that we were given.

19 Q And where would you have kept your notes?

20 A It would've been in my office at the NND.

21 Q Okay. Do you know if those notes have been  
22 collected as part of this litigation?

23 A I honestly don't know.

24 Q After getting the word from Westinghouse and  
25 receiving this PowerPoint presentation, describe

1 for us what happened next at SCANA, anything that  
2 was undertaken by the company in response.

3 A So that phone call or that meeting kind of kicked  
4 off the EAC exercise that we had done where we  
5 just basically took Westinghouse's EAC numbers and  
6 embedded them. And we I think quite quickly  
7 realized that it was easier for us to build them  
8 up ourselves than try to vet their numbers. So in  
9 mid-2017 that was the three or four month long  
10 exercise that we undertook.

11 Q All right. We've had depositions with -- I always  
12 mispronounce it -- Ms. Felkel or Feckle --

13 A Felkel.

14 Q -- and Sheri Wicker. They were part of an EAC  
15 team that did its work in the 2014 time frame.

16 A Right.

17 Q This is a separate EAC team?

18 A Right.

19 Q I guess maybe, so we can avoid some confusion,  
20 let's just start at the beginning. When was the  
21 first EAC team put together for this project?

22

23 MR. CHALLY: Object to form.

24

25 A So that would've been in, I guess I'll say, the

1 fall of 2014.

2 Q Okay. And who would've been on that team?

3 A A gentleman Ken Browne would've kind of been the  
4 leader of that team, myself, Sheri Wicker,  
5 Margaret Felkel. And those are the kind of, I  
6 guess, the standing members of the team. And we  
7 obviously had a have lot of interaction with other  
8 individuals from, you know, SCANA and  
9 Westinghouse. But that would've been basically  
10 the team.

11 Q Okay. And in the fall of 2014, what was the  
12 purpose of the EAC meeting?

13 A So what kicked that off was the Westinghouse and  
14 CB&I at the time, the Consortium, came to us with  
15 a schedule delay and a price increase. So the  
16 purpose of that team was to, again, kind of vet  
17 the price increase that they had provided.

18 Q Okay. And then just take us through the, I guess,  
19 the history of the EAC projects on the nuclear  
20 plant project.

21 A So you want me to talk about the 2014 one?

22 Q Yeah. Let's start with the 2014 and then just  
23 keep going chronologically with what occurred.

24 A Okay. So, again, the Consortium provided us a  
25 schedule delay and a price increase. And we, the

1 team I had just perviously mentioned, spent  
2 several months going through that information and  
3 making sure that we, you know, agreed or disagreed  
4 with it. That's what led to the filing, the PSC  
5 filing, that we had in early 2015. And then the  
6 EAC exercise in 2017, again, upon Westinghouse  
7 declaring bankruptcy I think we knew they were  
8 going to have a lesser role in the project if not  
9 reject our contract. We needed to come up with  
10 what we thought was going to cost to finish the  
11 project. So an individual by the name of Kyle  
12 Young kind of led that effort. And he had -- he  
13 brought in contractors, consultants. He had a  
14 team of probably no less than 20 people for three  
15 or four months going through all of that data in  
16 developing, you know, our own EAC. I think that's  
17 the information that led to -- that fed into the  
18 decision to actually abandon the plant.

19 Q And who would've been on the 2017 EAC team besides  
20 Kyle Young?

21 A So Kyle led it. Again, there were about 20  
22 different people on there. I can probably name a  
23 few of them. I remember Chris Brinckley was in  
24 there, Finley (ph) -- I always get his last name  
25 wrong -- Saunders was in there. Everybody called

1           him Mack McKenzie. I don't know that Mack was his  
2           first name. Bernie Heidrick was in there.  
3           Richard Caldwell was in there. There are several  
4           other people I can picture their names, I just  
5           can't picture their face. I just can't remember  
6           their names at the moment.

7    Q       All right. How did the numbers of the -- oh, and  
8           we -- let me go ahead and get a little broader.  
9           We've been using the term EAC. What is EAC stand  
10          for?

11   A       Estimate At completion.

12   Q       And what would be the purpose of calculating an  
13          EAC number?

14

15                   MR. CHALLY: Object to form.

16

17   A       To determine how much it's going to cost to  
18          finish.

19   Q       And I want to make sure I get, again, all of the  
20          different iterations of EAC work done by SCANA  
21          here. We had a 2014 EAC team?

22   A       Yes.

23   Q       And then there's a 2017 EAC team?

24   A       Yes, sir.

25   Q       And were there any other EAC teams during the life

1 of the project you're aware of?

2 A The owners' EAC teams?

3 Q Yeah.

4 A No. I think that's it.

5 Q What about non-owners' EAC teams?

6 A Well, I mean the Consortium would've had a whole  
7 group of people that would be their  
8 responsibility.

9 Q And how did the EAC team number in 2017 compare  
10 with the EAC team number from 2014?

11 A It was higher.

12 Q Can you give -- I'm not going to hold you to a  
13 penny, but can you give us an idea of what we're  
14 talking about?

15 A I think the exercise we did in 2014 was at that  
16 time. So you would basically fast forward three  
17 years. So, I mean, even if you got two numbers, I  
18 think it can be apple and oranges. But the  
19 estimate in 201y was higher than we had previously  
20 estimated.

21 Q And I'm just trying to get my own mind around  
22 this. What would be different in 2017 from 2014  
23 as a result -- I mean what would trigger that  
24 difference in the two numbers?

25 A So in 2014 we still had an EPC contract. So the



1 cost increases we were looking at were just costs  
2 that were billable to us. So our contract had a  
3 fixed-firm portion to it. Which if there was a  
4 cost increase on those scopes of work, that was a  
5 Consortium's responsibility. That wasn't billable  
6 to us. Whereas in 2017, if they did indeed reject  
7 our contract, all those fixed firm scopes of work,  
8 if there was a cost increase to them that would  
9 be -- that would be for us to pay.

10 Q All right. Okay. I apologize if I get it -- if I  
11 sound confused. During 2014, this was before  
12 there was a fixed price contract, correct?

13 A Correct.

14 Q And so the number that the EAC team would've been  
15 calculating would've been off the original EPC  
16 contract?

17 A Yes.

18 Q Which was a mixture of fixed-firm and cost-plus  
19 work?

20 A Exactly.

21 Q And then prior to the 2017 EAC team, SCANA had  
22 exercised the fixed-price option for the project?

23 A Correct.

24 Q When Westinghouse declared bankruptcy, the  
25 fixed-price option disappeared. Is that fair to

1 say?

2 A Yes.

3 Q Wouldn't it then -- wouldn't the cost of  
4 completion then basically revert back to the 2014  
5 calculation?

6 A No.

7 Q Why not?

8 A So in 2014 when we still had the EPC contract, if  
9 they needed to pour 5,000 more yards of concrete,  
10 the labor to pour that was a costs to us. So we  
11 would've, you know, paid that increase cost. The  
12 cost of the actual concrete itself was  
13 Westinghouse's. We would have to pay them. So  
14 when we did the EAC in 2014 we focused on the  
15 labor to pour that concrete not the concrete  
16 itself. In 2017, if they said we need another  
17 5,000 yards of concrete, we would have looked at  
18 both buckets and said, "Okay, how much additional  
19 concrete? How much is that going to cost us in  
20 addition to how much labor is it going to take to  
21 pour that concrete?" Does that help.

22 Q Yeah. Yeah. It's helping me. I'm just -- I  
23 guess what I'm trying to make sure I understand is  
24 the estimate at completion in 2014 was based upon  
25 the EPC contract for which I guess a number of the

1 costs for being, you know, born by the Consortium  
2 that was during the project. You were paying them  
3 and they were going out and doing work themselves.  
4 Is that accurate?

5 A Yeah. So the only cost increase we focused on in  
6 2014 were the costs to the owner. Not the stuff  
7 that was not billable to us.

8 Q And then after Westinghouse's bankruptcy, the 2017  
9 EAC, the numbers included things that were not on  
10 the 2014 EAC because those things were taken into  
11 account as part of the contract with the  
12 Consortium?

13 A Yes. So the things in 2017 was everything whether  
14 it had previously been billable to us or not.

15 Q Earlier you brought up mentions of Toshiba as  
16 obviously as Westinghouse's parent company, the  
17 financial condition of Toshiba had a relationship  
18 to Westinghouse. I believe it was in  
19 February 2017 Toshiba announced it was writing off  
20 more than 6 billion dollars in losses by  
21 Westinghouse and actually was going to quit the  
22 nuclear construction business. Do you recall if  
23 that triggered any conversations at SCANA?

24

25 MR. BEVER: Objection to form.

1

2 A I don't recall any that would've been -- those  
3 conversations wouldn't have been at my level  
4 anyways, so.

5 Q All right. Jumping back to the 2017 EAC  
6 calculation work. If I understand your  
7 explanation, is it accurate the only costs that  
8 were not previously fixed were the cost of labor?  
9 And is that the only benefit that the fixed-price  
10 contract really gave y'all was sort of the cap on  
11 the labor?

12

13 MR. BEVER: Objection to form.

14 MR. CHALLY: Object to form.

15

16 A I'll make sure I understand your question. So  
17 prior to the fixed-price option, are you saying  
18 what was fixed versus what was cost-plus? Is that  
19 where you're going? I'm sorry.

20 Q Well, like using the concrete example. That  
21 would -- you had -- prior to the fixed-price  
22 contract, you had responsibility for the labor  
23 costs?

24 A Right.

25 Q But not the actual sand and everything that goes

1 into the concrete?

2 A Correct.

3 Q And then after the collapse of the fixed-price  
4 contract, you're saying you would be responsible  
5 for both?

6 A Everything.

7 Q For everything?

8 A Yes.

9 Q Okay. Turning back to the Westinghouse  
10 bankruptcy. Prior to Westinghouse declaring  
11 bankruptcy, I believe I've seen news reports where  
12 SCANA had stated that it was working with  
13 Westinghouse prior to the bankruptcy to have the  
14 construction work continue in light of the  
15 SCANA -- or in the Westinghouse bankruptcy. Did  
16 you have any part in any of those discussions?

17

18 MR. CHALLY: Object to form.

19

20 A So yeah, that would've been one of the  
21 conversations that would've led to that would have  
22 been the previously one I described with -- that I  
23 had with the conference call we had with Jimmy  
24 Addison and Westinghouse.

25 Q And did SCANA look at seeing whether it could

1 complete the project without Westinghouse?

2

3 MR. CHALLY: Object to form.

4

5 A Yeah, so that was really the EAC exercise that we  
6 did in 2017.

7 Q Let me ask, the 2017 EAC exercise -- I guess -- I  
8 just want to -- again, I'm trying to make sure I  
9 understand. You were looking at different things  
10 from the 2014 EAC exercise because you were going  
11 to have different costs that SCANA would be  
12 responsible for?

13 A Right.

14 Q Was there any information in the 2017 EAC exercise  
15 that SCANA didn't have access to prior to the  
16 Westinghouse bankruptcy?

17 A Yeah. Absolutely.

18 Q What type of information?

19 A In the 2017 EAC, Westinghouse showed us  
20 everything. Everything that we wanted to look at,  
21 they provided where previously that was not that  
22 open of a line of communication.

23 Q Well, can you give me some examples of what type  
24 of information you didn't -- or that SCANA didn't  
25 have prior to that?

1 A Like how many more yards of concrete is it going  
2 to take. I mean, if we had asked that previous to  
3 the Westinghouse declaring bankruptcy they would  
4 have quickly told us or their lawyers would have  
5 told us that that's fixed information, you don't  
6 need it, which made it difficult for us to  
7 calculate how many more labor hours when they  
8 wouldn't give us the quantity. Whereas after  
9 2017, they opened everything up to us.

10 Q Well prior at the 2014 EAC work, prior to the  
11 fixed-price contract, would SCANA have had access  
12 to that type of information since it wasn't on  
13 fixed price?

14 A No.

15 Q And why would it have it in 2014?

16 A Well, Westinghouse would've said it was  
17 fixed-price related and we didn't need to know it.

18 Q So that was that actually fixed-price prior to the  
19 fixed-price contract under the EPC?

20 A Uh-huh.

21 Q All right. Was the EAC team work part of a  
22 broader evaluation to see what SCANA should do  
23 following the Westinghouse bankruptcy?

24 A The 2017 EAC?

25 Q Yes.

1 A Yeah. That would be my understanding. I mean, we  
2 were focused on just the EAC piece of it. But  
3 what the other groups in SCANA did I don't know.  
4 I guess I assumed that they were doing something.

5 Q At the time of the Westinghouse bankruptcy, I'm  
6 trying to get an idea of the financial status  
7 between SCANA and Westinghouse. Did one party owe  
8 the other money or -- at the time?

9

10 MR. CHALLY: Object to form.

11

12 A So the day Westinghouse declared bankruptcy, we  
13 had about \$90 million of invoices from  
14 Westinghouse that we did not pay. We still  
15 haven't paid it.

16 Q Besides the PowerPoint presentation by  
17 Westinghouse at that meeting, have you yourself  
18 had any other discussions with Westinghouse  
19 employees about the bankruptcy?

20 A You mean after they declared bankruptcy?

21 Q Yeah.

22 A Yeah. We would have. That EAC team would have  
23 interacted with Westinghouse employees every day.

24 Q All right. What about Santee Cooper? I believe  
25 you said Santee Cooper would've had somebody in



1           that original meeting where Westinghouse went  
2           through the presentation?

3    A     Yes.

4    Q     Where they involved in the second EAC team in  
5           2017?

6    A     Yes, they were.

7    Q     And who from Santee Cooper would've been involved?

8    A     That would've been Marion Cherry and Mike Crosby.  
9           They weren't necessarily doing the day-to-day  
10          work, but they were plugged into the status of the  
11          EAC exercise.

12   Q     Okay. All right. Drilling down on you  
13          individually, describe for us your job, typical  
14          workweek type job work, prior to the Westinghouse  
15          bankruptcy and then what occurred after?

16   A     So prior to the Westinghouse bankruptcy, again,  
17          the bulk of my time was spend with the owners'  
18          costs. So every month we would look at what we  
19          spent compared to what we had budgeted to spend  
20          and report out on that. After the Westinghouse  
21          bankruptcy, I think we were all pretty much  
22          full-time dedicated to the EAC exercise.

23   Q     How did the numbers the 2017 EAC team came up with  
24          the estimate of completion, how did that compare  
25          to what had been currently on file at the PSC?

1 A So what would have been on file would've been the  
2 fixed-price option costs. So the estimate that  
3 the EAC team came up with exceeded that.

4 Q Can you give me rough ballparks?

5 A I knew you were going to ask me that. It was  
6 significant. I don't remember any specific  
7 numbers.

8 Q Do you know if the 2017 EAC team utilized the work  
9 from the 2014 EAC team for any purpose?

10 A I doubt it. I don't recall them using that.

11 Q In the following 2015, Fluor was brought onto the  
12 VC Summer project. Is that correct?

13 A That sounds about right.

14 Q Would your department would have had any role with  
15 on boarding Fluor?

16 A Huh-uh.

17 Q Would you yourself have had any regular  
18 interaction with Fluor?

19

20 MR. BEVER: Objection to the form.

21

22 A Just on invoicing related questions.

23 Q What is your understanding of the role that Fluor  
24 was going to be taking on at the VC Summer  
25 project?

1 A My understanding was that Fluor was going to take  
2 control of the craft labor.

3 Q And for somebody who doesn't speak the lingo, can  
4 you explain what that would mean?

5 A So that would be people actually out on the site  
6 turning the wrenches.

7 Q Okay. And who are they taking it over from?

8 A That would have been CB&I.

9 Q Prior to Fluor being brought on board, do you know  
10 if they performed any sort of estimate as what it  
11 would cause for their company to complete the  
12 project?

13 A There was some kind of exercise that Fluor  
14 participated in with the Consortium. I was not  
15 part of that, but I kind of heard secondhand that  
16 they were working with the Consortium prior to  
17 them coming on in an official capacity.

18 Q And what -- if Fluor was coming on in the fall of  
19 2015, when that work had been going on?

20 A I want to say it was right around that same time.

21 Q Okay. And if you wanted to find more information  
22 yourself about that work or discussions, who would  
23 you go to?

24 A The person I know hat was involved quite a bit was  
25 Kyle Young.

1 Q Do you know if that work ever came to produce a  
2 figure as a number for cost of completion?

3 A I don't know.

4 Q I think I saw in some reports, and I could be  
5 mixing this up, Fluor came to an estimate that was  
6 about 6.2 billion more than any of the previous  
7 estimates. Does that number --

8

9 MR. BEVER: Object to form.

10

11 Q Doe that number ring any bell to you?

12 A What was the number? Six point --

13 Q 6.2 billion.

14 A I don't recall that. Sorry.

15 Q Okay. And Fluor was coming on board about the  
16 same time that there was a switch over to the  
17 fixed-price contract. Is that correct?

18 A That's correct.

19 Q Explain for those not familiar with the project,  
20 how or if those two things were related?

21

22 MR. CHALLY: Object to form.

23

24 A So Fluor would've been taking the responsibility  
25 or some of the responsibility previously held by

1 CB&I. As part of the fixed-price option terms  
2 were that CB&I was going to be no longer a  
3 consortium member. So Fluor was not going to be a  
4 consortium member but they were going to be a  
5 subcontractor to Westinghouse. So as their  
6 subcontractor, they were going to assume part of  
7 that responsibility previously held by CB&I.

8 Q All right. We've talked a little bit -- or the  
9 topic of this fixed-price contract just come up.  
10 So I want to shift and talk about that for a  
11 minute. Approximately when did the fixed-price  
12 contract relationship start?

13 A When did the contract actually go into effect? Is  
14 that what you're asking?

15 Q Yeah.

16 A It was executed and it was effective different  
17 dates and I don't know.

18 Q Okay.

19 A Recall.

20 Q Give us those too.

21 A I think it was basically in place, whatever the  
22 proper term would be for that, January 1st of  
23 2016.

24 Q Okay. And when would it have actually gone into  
25 effect?

1 A That's what I meant.

2 Q Oh, that's when it went into effect?

3 A Yeah. That's kind of when it --

4 Q Okay.

5 A The fixed-price actually began from July 1, 2015,  
6 forward. But that contract itself actually didn't  
7 go into effect until January 1st. And there were  
8 some requirement or stipulation of PSC approval on  
9 it. So there was another legal term that  
10 triggered that happening. But our kind of  
11 day-in/day-out work, it started January 1st.

12 Q Okay. What role would you have had if any with  
13 the development of the fixed-price contract?

14 A So I was part of the team that helped perform the  
15 analysis in support of the fixed-price option.

16 Q Okay. And what were you analyzing?

17 A I mean, the main thing was is the price that  
18 they're offering to fix the contract from this  
19 point forward a good deal or a bad deal?

20 Q And take us through the steps -- well, let me ask,  
21 was it just you or was there a team of  
22 individuals?

23 A It was a team of individuals.

24 Q And who would that team have been?

25 A It would've been, again myself, Ken Browne, Marion

1 Cherry, Skip Smith, or -- sorry -- Abney Smith and  
2 Carlette Walker.

3 Q And take us through what that team would have done  
4 in analyzing the fixed-price?

5 A So that was a very iterative process. We gone  
6 into a conference room and developed spreadsheets  
7 and wrote on a board for three or four weeks.

8 Q What were the, I guess -- what were the different  
9 aspects of the fixed-price contract y'all were  
10 analyzing?

11 A So the portions that had previously been, again,  
12 kind of the price portion of it was our risk was  
13 mainly related to labor, craft labor. So we  
14 worked with the Westinghouse team that they had  
15 assigned to help us evaluate the fixed-price  
16 option and would've ran different evaluations and  
17 scenarios on what-ifs.

18 Q And what else?

19 A Another significant thing that the fixed-price  
20 option did was kind of settled all open commercial  
21 disputes. So we did a lot of analysis on  
22 justifying that and making sure that when we said  
23 the issue was settled that everybody knew exactly  
24 what we were settling.

25 Q And did the team have a name like the EAC team?

1 Was there any shorthand . . .

2 A No.

3 Q And you said that the team worked with  
4 spreadsheets?

5 A Yeah. A lot of it would've been on a spreadsheet,  
6 yeah.

7 Q Was there a final presentation made to the board  
8 or management?

9 A Not that I'm aware of, no.

10 Q And did the team make a recommendation one way or  
11 another with respect to the fixed-price option?

12 A Yeah. I think ultimately the team came to the  
13 conclusion that the fixed-price that they were  
14 offering was a good deal.

15 Q And I -- I mean I know the answer is probably in  
16 the long run would cost less money. But what  
17 about the fixed-price offer or option made it a  
18 better deal than what they had been proceeding  
19 under to that day?

20 A It was a matter of shifting risk to them, off of  
21 us onto them.

22 Q The risk -- and detail for me as much as you can  
23 what risk we're talking about.

24 A Again, it would be really risk related to labor.  
25 So the risk of more hours, price per hour going up



1           that was carried by us previously. And for the  
2           fixed-price that they were offering, we were able  
3           to shift that risk to them.

4    Q    In evaluating the fixed-price option and the  
5           shifting of the risk related to labor from SCANA  
6           onto Westinghouse, at that time were there any  
7           discussions about the financial impact on  
8           Westinghouse this would have?

9    A    Yeah. I don't remember any specific conversations  
10           but I'm sure it came up.

11   Q    And in general, I mean, not recalling word for  
12           word any particular conversations, but what  
13           would've the issues had been?

14   A    The gist of it would have been, you know, that we  
15           think they're going to lose a lot of money. If  
16           it's a good deal for us it's got to be them losing  
17           money somewhere.

18   Q    And, you know, as we've been discussing earlier,  
19           Westinghouse eventually went bankrupt. Were there  
20           discussions about that potential when you talked  
21           about or when it was discussed that Westinghouse  
22           might lose a lot of money?

23   A    Again, I don't remember any specific conversations  
24           about that. But I know one of the things that the  
25           fixed-price option did was had Toshiba reaffirm

1           their parental guarantee.

2       Q     And was that partly out of concern of the  
3           Westinghouse bankruptcy?

4

5                       MR. CHALLY: Object to form.

6

7       A     I would assume so. I mean, those -- again, we  
8           were kind of in a conference running numbers. All  
9           the negotiating was done at a higher level that I  
10          was not part of, so.

11      Q     Okay. Were there any discussions on the team  
12          about what Westinghouse's motivation would've been  
13          for switching from the EPC contractor to the  
14          fixed-price contract?

15      A     I know one of the Consortium members wanted out.  
16          Obviously, CB&I wanted out of the project.

17      Q     I guess what -- if your team had run the  
18          calculations and came to the conclusion that  
19          Westinghouse would be losing a lot of money on the  
20          switch, what did you understand to be  
21          Westinghouse's motivation for going forward with  
22          that approach?

23      A     At that time or after that time?

24      Q     At that time.

25      A     I don't know that I was ever given an explanation

1 of why they were doing it. Again, that wouldn't  
2 have been my role. So I wouldn't have a need to  
3 know that.

4 Q Well, were there any discussions about what it  
5 could be?

6 A I'm sure there where, I just wasn't part of any of  
7 those discussions.

8 Q Okay. And you had just said at that time. What  
9 about later?

10 A Afterwards, when we were trying to come up with  
11 the construction payment milestone schedule, that  
12 process took several months and we interacted with  
13 Westinghouse quite a bit on that. And at that  
14 time Westinghouse had shared, at least placed in  
15 one meeting that I was in, that they knew they  
16 were going to be losing money on this project but  
17 they were going to make it up on the next one.

18 Q And who would've shared that information with you?

19 A It would've been a name of Jeff Benjamin he was  
20 the Westinghouse VP of something.

21 Q And approximately when would that conversation had  
22 taken place?

23 A It would've been the February, March, April time  
24 frame of 2016.

25 Q If I understand you correctly, his impression he

1 gave to you was that they were going -- that the  
2 project, the VC Summer project, would become a  
3 financially negative investment for them but that  
4 it would be made up on a future project?

5 A Yes. So he actually wouldn't have been talking to  
6 me. I just happened to be in the room. But,  
7 yeah, they said that they were -- that they knew  
8 they were losing money on this project but they  
9 knew that the next one would be -- they would be  
10 better at building it. You kind of get that  
11 learning curve out of the way. And that they were  
12 betting their company on it, so.

13 Q They would've gone through the growing pains on  
14 this project. And by the time they got to the  
15 next one they feel they could have done a better  
16 job?

17 A Yeah. And we had seen that on the construction of  
18 Unit 3 was the second time they did something they  
19 were a lot better at doing it.

20 Q After the Westinghouse bankruptcy, have you heard  
21 anyone at SCANA make a comment or insinuate that  
22 the switch to the fixed-price contract contributed  
23 to Westinghouse's bankruptcy?

24 A I don't remember any specific conversations to  
25 that effect, no. But, I mean, that would've been

1 something I would have assumed. I mean they  
2 declared bankruptcy for a reason. I'd assume our  
3 contract and Vogtle's contract was part of that.

4 Q Prior to the fixed-price contract, I want to get  
5 from a broad perspective how did payments work  
6 between SCANA and Westinghouse? Was it a monthly  
7 billing process? Was it invoiced as we did the  
8 work? How did that operate?

9 A It would depend on which part of the contract  
10 you're talking about. So the cost-plus portion or  
11 the labor portion, both consortium members CB&I  
12 and Westinghouse separately would send us a bill  
13 once a month. If it was a fixed-firm price  
14 portion of the contract, again, CB&I and  
15 Westinghouse would have separately sent us a bill  
16 when that milestone was complete. So we would get  
17 one target invoice a month and we may get five  
18 fixed-firm milestones and may get one a week  
19 depending on when they completed the work.

20 Q And so would you have been familiar in your  
21 position with about how much every month SCANA was  
22 paying to Westinghouse whether it was under the  
23 fixed-firm side or the invoice side?

24 A Yeah.

25 Q And when the switch to fixed-price was done, how

1 did that amount change? Did it go up  
2 dramatically? Down dramatically?

3 A It would really depend. I mean, we had some  
4 milestones that were -- you know, completing one  
5 milestone may have been a \$10 million dollar  
6 payment. So that obviously would skew the number  
7 up or skew the number down depending on which  
8 milestones. But leading up to the fixed-price  
9 contract, I think we had calculated our average to  
10 be, you know, 80 or \$90 million a month. That  
11 would be a hundred percent number, not just  
12 SCE&G's portion. That would have been a total  
13 owners' portion.

14 Q So that would include 55 percent of SCANA and  
15 45 percent Santee Cooper for a total of 80 to 90  
16 million?

17 A Yes.

18 Q And that would've been in the period leading up to  
19 the switch to the fixed-price?

20 A Yes.

21 Q And then once the fixed-price started, what was  
22 the monthly number that was going to Westinghouse?

23 A So the fixed-price agreement called for a hundred  
24 million dollar payment per month until we could  
25 agree on a construction payment milestone

1 schedule. And then once we agreed on that  
2 milestone schedule, it would be however many  
3 milestones they completed that month.

4 Q When did you first become aware that SCANA was  
5 looking at changing from the EPC arrangement to  
6 the fixed-price option?

7 A That would've come up in the meetings we had in  
8 late 2015. You know, it was one of the -- I think  
9 when Westinghouse -- I think when Westinghouse  
10 initially came to us a fixed-price option may not  
11 even been one of the first offers that they made.

12 Q I guess when we're looking at late '15, what  
13 would've been the impetus for even looking at  
14 renegotiating the current situation?

15

16 MR. CHALLY: Object to form.

17

18 A I think the Consortium came to us asking to.

19 Q And what did they tell you about why they wanted  
20 to do that?

21 A They told us that CB&I wanted out of the contract.  
22 So that kind of drove all of.

23 Q And what is your understanding of why CB&I wanted  
24 out?

25 A I don't know that I was ever given a reason why

1           they wanted out.

2       Q     What is your personal suspicion?

3

4                   MR. BEVER: Object to the form.

5

6       A     I honestly don't know.

7       Q     In the group that you discuss analyzing the  
8           fixed-price option for the contract, was there  
9           anybody on the team that was opposed to pursuing  
10          that as an option?

11      A     I don't recall, so no.

12      Q     What about was there anyone who was an advocate, a  
13           strong advocate, for switching to the fixed-price  
14           option?

15

16                   MR. CHALLY: Object to form.

17

18      A     I think we all supported the fixed-price option.

19      Q     And going into the fixed-price option  
20           negotiations, if I've got it straight in my mind,  
21           this would've been within a year or so after the  
22           completion of the EAC teamwork. Is that  
23           approximately?

24      A     Yeah.

25      Q     And looking to figure out if the fixed-price



1 option was a good choice, did y'all utilize the  
2 work of the EAC team as far as numbers that they  
3 put on the estimate at completion?

4 A I don't recall specifically if we did or if we  
5 didn't. I speculate that we did. I just don't  
6 specifically remember.

7 Q You know, we talked about how when coming to the  
8 conclusion that the fixed-price option would be a  
9 better option from a total payment standpoint,  
10 what numbers were you using as far as the estimate  
11 at completion numbers for the nonfixed-price  
12 option?

13 A Can you say that one more time.

14 Q Yeah. If you're trying to compare, you know, do  
15 we do the fixed-price option or do we stick with  
16 what we have, what were you using as a number for  
17 sticking with what we have? Was that the EAC  
18 calculation? Was that the number that was on file  
19 at the PSC?

20 A It would've been some variation of the EAC number,  
21 yes, with some what-ifs or some different  
22 assumptions in it.

23 Q And what would've been the different assumptions?

24 A Again, there was a lot of -- one of the  
25 different assumptions was what if labor cost goes

1 up ten percent? You know, things like that. What  
2 if the hours go up ten percent? Things like that.

3

4 MR. HALTIWANGER: All right. We've been  
5 going a little more than an hour since last break.  
6 I always try to check at an hour to see where we  
7 stand. I know it's a little after noon. This is  
8 obviously going to go past lunch time. So just  
9 looking to poll the group. How do y'all want to  
10 handle lunch?

11 MR. CHALLY: Kevin, what do you think?

12 THE WITNESS: Doesn't matter to me. I'm  
13 flexible. I need to use the restroom, but I'm  
14 flexible on what we do for lunch.

15 MR. HALTIWANGER: All right.

16 MR. SMITH: You think you're going to go most  
17 of the afternoon?

18 MR. HALTIWANGER: I hope we're not here until  
19 five, but I think we'll be here after two or  
20 three. And I have no --

21 MR. SMITH: -- go to 5:00?

22 MR. HALTIWANGER: Yeah. I was going to say I  
23 have no idea what ORS has as far as --

24 MR. RICHARDSON: -- going until 2:00 or 3:00.

25 MR. SMITH: Suggest going until 12:30 or 1:00

1 maybe.

2 MR. HALTIWANGER: Okay. Let's take a  
3 bathroom break, come back and at 1:00 we'll break  
4 for lunch.

5 VIDEOGRAPHER: This concludes video number 1  
6 on the video deposition of Kevin Kochems. The  
7 time is 12:06. We're now off the record.

8

9 (Off the Record)

10

11 VIDEOGRAPHER: We're back on the record.  
12 Today's date is September 24, 2018. The time is  
13 12:24. This is the beginning of media number 2 in  
14 the video deposition of Kevin Kochems.

15

16 BY MR. HALTIWANGER (Continuing):

17 Q All right. Mr. Kochens, throughout the morning so  
18 far we've discussed that there were a number of  
19 times the cost of completion number was calculated  
20 or revised by SCANA. And I guess maybe I use that  
21 as background to set the context. I want to go  
22 back to after the original PSC filing with a cost  
23 of completion number included in it. After that  
24 point, when would've been the first time that  
25 SCANA modified the cost of completion number?

1

2

MR. CHALLY: Object to form.

3

4

A The first update we had with the Public Service  
Commission I think was in 2009.

5

6

Q And who would've been involved for SCANA in making  
that update?

7

8

9

MR. CHALLY: Same objection.

10

11

A Are you asking who decided to go ahead and have an  
update or who --

12

13

Q Yeah.

14

A Okay.

15

Q I'm just trying to get an idea of what happened.

16

A That would be our senior management would've  
decided to have an update.

17

18

Q Okay. Was it triggered by anything in particular?

19

20

MR. CHALLY: Object to form.

21

22

A I'm trying to remember what the nature of the 2009  
update was. I think it was schedule -- schedule  
related. I'm not positive about that.

23

24

25

Q But if we're -- and I just want to make sure we're

1 clear. When was the original number? Was that an  
2 '08 number or earlier? When would that have been?

3 A Yeah. So the original filing would have had a  
4 dollar amount in it. And that was pulled together  
5 in 2008, 2000 -- 2007, 2008 time frame.

6 Q Okay.

7 A I don't remember the timing of when we filed and  
8 when we actually got the order from the Public  
9 Service Commission. But shortly after we got that  
10 order, we got a different type of schedule, like  
11 an integrated schedule or something to that  
12 effect, and that drove another filing. I think  
13 that's right around the time that the Supreme  
14 Court ruled on the contingency issue. Which,  
15 again, I think that drove us back for filing as  
16 well. So it was right around the 2009 time frame.

17 Q And we've discussed a little bit, or more than  
18 just a little bit, about the EAC team. And I want  
19 to focus on what we early were calling the 2014  
20 EAC team. Why was that EAC team formed?

21 A That was in response to a schedule in cost. A  
22 schedule delay and a cost increase that the  
23 Consortium provided to us.

24 Q And give us as best you can a short description of  
25 the purpose of that EAC team.

1 A So at a high-level, the objective of that team was  
2 to vet the numbers, the dollars, that the  
3 Consortium had provided to us.

4 Q As part of that process was the EAC team to come  
5 up with a number that the EAC team believed would  
6 be the actual number of completion number?

7 A So part of that exercise included making sure that  
8 costs increase that the Consortium had provided us  
9 were actually billable to us. Again, going back  
10 to that fixed versus firm. And make sure that we  
11 understood and could describe the assumptions that  
12 they had baked into that EAC.

13 Q Besides the EAC team, do you know if there are any  
14 other teams or SCANA groups that looked at the  
15 topic of cost to completion evaluations?

16 A Not to my knowledge.

17 Q And as part of that 2014 EAC team work, was  
18 Westinghouse asked to make a projection about the  
19 cost of completion?

20

21 MR. CHALLY: Object to form.

22

23 A So we're still talking about the 2014?

24 Q 2014, yeah.

25 A So the 2014 EAC was Westinghouse's costs. It was

1           their projection of what it was going to cost to  
2           complete.

3       Q     And then --

4       A     And we vetted that.

5       Q     Okay. As part of that vetting, did the team come  
6           up with a number different from what  
7           Westinghouse's number was?

8       A     Yes.

9

10                   MR. CHALLY: Object to form.

11

12       Q     And was the EAC team's number?

13

14                   MR. CHALLY: Object to form.

15

16       A     I don't remember the number exactly. I mean,  
17           there were a lot of different pushes and pulls in  
18           there. I'm certain the number was different than  
19           what Westinghouse had provided to us. I just  
20           don't -- I don't remember the number.

21       Q     Was it higher or lower than the Westinghouse  
22           number?

23

24                   MR. CHALLY: Object to form.

25

1 A I want to say it was higher.

2 Q Do you recall by how much, roughly?

3 A I don't. One of the big things that -- one of the  
4 biggest assumptions we made was the what if some  
5 of those costs were billable to us or not? So,  
6 you know, within our EAC, we make the assumption  
7 that certain portions of what they considered  
8 billable even though in their mind were legitimate  
9 costs that we were not going to pay those. So  
10 that obviously drew our version of the EAC below  
11 what theirs were. But there were also things that  
12 we, you know, had in there that increased it. So  
13 where it actually landed in relation to  
14 Westinghouse's number, I don't remember.

15 Q What were some of the areas or factors that y'all  
16 believed would cause an increase in that number?

17 A So let me make sure I understand your question.

18 Q Yeah.

19 A What were some of the things that -- some of the  
20 assumptions that Westinghouse made that -- okay.  
21 So going back to the concrete example. You know,  
22 they said they needed to put in, you know, more  
23 concrete. You know, their quantities changed;  
24 more concrete, more steel, more pipe, whatever the  
25 case may be. And they had hours associated with



1 that. So that would've driven the costs up.

2 Q Okay. How did Westinghouse provide its  
3 information about cost projections to the EAC  
4 team?

5 A So the initial meeting is a fairly large meeting.  
6 They delivered, they being the Consortium,  
7 delivered a -- it was a PowerPoint presentation  
8 which included some financial schedules. And from  
9 there over the course of several months we met  
10 with individual members of the Consortium as well  
11 as individual members of the owners' team and  
12 there was verbal information given. There were  
13 hard copies. I'm sure they sent us spreadsheets.  
14 I'm sure there's a mix of different types of  
15 information they gave, these forms.

16 Q Okay. After the EAC team completed its  
17 evaluation, did it make a presentation to SCANA  
18 management?

19 A We made a presentation to management before we  
20 were finished. I honestly don't recall if we did  
21 one after we were done or not.

22 Q Who made that presentation?

23 A So that would've been Ken Browne. I was in the  
24 meeting as well. I don't know that there any  
25 other members of the EAC team in the meeting or

1 not. I do remember Ken and myself though.

2 Q And who from SCANA management was present?

3 A I remember Steve Byrne being there. I'm certain  
4 there were other people there. I just don't  
5 recall exactly. I'm sure there was somebody from  
6 Santee Cooper there as well. I just don't  
7 specifically remember anybody but Steve.

8 Q Okay. And so Ken, he made a PowerPoint  
9 presentation?

10 A Yes, sir.

11 Q After the meeting was over, what if any feedback  
12 did you get on the presentation?

13 A I don't remember any specific feedback whether  
14 they liked it, disliked it. You know, I'm sure we  
15 got a pat on the back saying good job. But I  
16 don't specifically remember that.

17 Q Was there any request for follow-up or additional  
18 work at the time?

19 A Well again, we weren't done. So I'm sure there  
20 was additional work done after the presentation.  
21 I just -- I don't remember if they specifically  
22 directed us to do something or not. I don't  
23 recall.

24 Q Do you recall if it was part of the presentation a  
25 number was given to the management of what the EAC

1 team believed would be the cost of completion?

2

3 MR. CHALLY: Object to form.

4

5 A I'm sure that presentation had a lot of different  
6 numbers in it. It was probably guessing 20 pages  
7 long. And I would imagine there were numbers  
8 baked in throughout it.

9 Q Did you review that presentation in preparation  
10 for today?

11 A In preparation for today?

12 Q Yeah.

13 A Yeah, I have seen it.

14 Q When was the last time you looked at it?

15 A A week ago or so.

16 Q Do you recall whether or not Carlette Walker was  
17 in that meeting when the EAC team presented its  
18 material?

19 A I don't remember her being there or not being  
20 there. I don't remember.

21 Q Do you recall if you ever had any discussions with  
22 Ms. Walker about the EAC numbers versus the  
23 Westinghouse numbers that had been given?

24 A I do remember the EAC team was kind of put off.  
25 We did most of our work in a different building

1           just kind of so we would be left alone. And we  
2           were in a conference room. I do remember Carlette  
3           coming over almost every day with -- it was pretty  
4           frequent that she would pop in and pop out just to  
5           kind of see how it was going and make sure that we  
6           were still on task.

7    Q       But you don't recall if she was in the actual  
8           meeting where the presentation was made?

9    A       I don't remember, no.

10   Q       Do you remember any conversations you had with  
11           Ms. Walker about the conclusions of the EAC team?

12   A       Yes. So one of the assumptions that the EAC made  
13           in developing their number related to the  
14           productivity factor. And I know that was a topic  
15           that Carlette had a strong opinion on.

16   Q       And what was her opinion?

17   A       Her opinion was that it should've been higher.  
18           The productivity factor would've been higher --  
19           should've been higher. You know, higher  
20           productivity factor means more money just so you  
21           know the relation.

22   Q       And did Ms. Walker ever relay to you what she was  
23           basing that belief on?

24   A       I don't remember any specific discussions with her  
25           about that. But I imagine it was based on the

1 historical PF, the PF that the Consortium had been  
2 performing to that date.

3 Q And that historical PF, would that had been  
4 information readily available to SCANA?

5 A Uh-huh.

6 Q How?

7 A Every month there was what they call a project --  
8 meeting. And that would've been -- I didn't go to  
9 those meetings, but that was a fairly large  
10 meeting with a hundred people in it both from the  
11 Consortium side and from the owners' side. And I  
12 understand that that PF factor was discussed in  
13 those meetings. They provided the -- the  
14 Consortium provided a presentation for each one of  
15 those monthly meetings, and I'm certain it was  
16 disclosed in there too.

17 Q And for somebody who's not worked on a  
18 construction project like this or dealt with it  
19 before, give us your best explanation of what the  
20 PF, productivity -- what does that stand for? Or  
21 what does it represent?

22 A Okay. I can give you the 50,000 foot level  
23 because that's basically all I understand. So it  
24 relates to the amount of hours or the amount of  
25 cost that they had budgeted compared to what they

1           actually took to do. Since they had budgeted ten  
2           hours to install ten feet of pipe and it took them  
3           20 hours to do that ten feet of pipe, they have a  
4           productivity factor of two.

5    Q       So the PF would be based upon the original  
6           estimation of what time it would take to complete  
7           something?

8    A       Yes.

9    Q       And then the PF factor calculation would look at  
10           what did it actually take in comparison to what  
11           was previously budgeted for?

12   A       Yes.

13   Q       And the higher the PF number, the longer it took  
14           than expected to do that task?

15   A       Yes. That's how the Consortium calculated it.

16   Q       And I just want to be clear. Your testimony is  
17           that Ms. Walker had some concerns about the PF  
18           factor that was being utilized in the Westinghouse  
19           projections?

20   A       Yes.

21   Q       And her concerns were that the PF factor being  
22           utilized was too low?

23   A       Correct.

24   Q       Based on the EAC team's work, was she correct  
25           about that?

1

2

MR. CHALLY: Object to form.

3

4

A I'm not sure I understand the question.

5

Q Did the EAC team agree with Ms. Walker that

6

Westinghouse's PF projection was inaccurate?

7

8

MR. CHALLY: Object to form.

9

10

A So the -- I'll answer it this way just to make

11

sure I answer the question. So the EAC team

12

recommended a higher PF than Westinghouse had

13

proposed, yes.

14

Q Okay. And that was the position Ms. Walker had

15

taken?

16

A Yes.

17

Q Did she ever express an opinion about whether she

18

thought the EAC team's number was high enough or

19

it if should be higher?

20

A That's why I answered the previous question the

21

way I did. I don't remember exactly if she had a

22

specific number she wanted or if it was the one

23

that we presented in EAC team. I don't recall.

24

Q Okay. And you said Ms. Walker, it sounded like

25

she fairly regularly interacted with the EAC team?

1 A Yeah. She wasn't an active participating member,  
2 but she was actively involved in what we did.

3 Q Besides the PF issue, any other issues you recall  
4 Ms. Walker raising concerns about?

5 A I don't remember any other issues that she had  
6 with the EAC. I don't recall.

7 Q As part of your employment at SCANA, have you  
8 helped work on the presentations or testimony  
9 before the South Carolina Public Service  
10 Commission?

11 A Yes.

12 Q And did you ever help Carlette Walker prepare her  
13 testimony before the PSC?

14 A Uh-huh.

15 Q Because I know since this project began there's  
16 been a number of PSC presentations. And I just  
17 want to get an idea of which presentation since  
18 the inception of the project have you had  
19 involvement with?

20 A When you say presentations, you mean?

21 Q Testimony.

22 A Update dockets?

23 Q Yeah.

24 A So I had some involvement I think in pretty much  
25 all of them.



1 Q And what would your role be in those?

2

3 MR. CHALLY: Object to form.

4

5 A So any type of financial schedule that would be in  
6 there, I would have helped develop that.

7 Q And who would you work with to do that?

8

9 MR. CHALLY: Object to form.

10

11 A I guess it would be whoever's testimony it was in  
12 addition to the SCANA lawyers.

13 Q And you said that you had helped Ms. Walker  
14 prepare her testimony before the PSC?

15 A Yes.

16 Q Was that specifically in the 2015 testimony she  
17 gave?

18 A Yes. I helped her with that.

19 Q And what did you undertake to help with in the  
20 2015 preparation for Ms. Walker's testimony?

21

22 MR. BEVER: Object to form.

23

24 A So within her testimony was a series of tables and  
25 charts and financial exhibits. So I would've

1           helped her pull together those charts and  
2           financial exhibits, tables. I mean not charts,  
3           tables.

4       Q     And besides yourself, who else would've assisted  
5           Ms. Walker in preparing for that testimony?

6       A     You mean who would've helped me develop those  
7           numbers or . . .

8       Q     Either helped you or helped Ms. Walker, that  
9           you're aware of, in preparing her testimony?

10      A     So we had a business and finance team. So it  
11           would've been several analysts type level people  
12           that, you know, reported to me that helped develop  
13           those financial schedules.

14      Q     And who would that have been?

15      A     So my direct reports at the time were Meagan Waits  
16           (ph) and Jason Priester.

17      Q     Okay. Was there -- I'm just asking -- was there a  
18           name or anything for the team that would help  
19           prepare testimony in front of PSC?

20      A     I don't know that there was a name for it, no.

21      Q     As part of the 2015 testimony by Carlette Walker  
22           for the PSC, where their updates to the cost of  
23           completion number for the project?

24

25                   MR. CHALLY: Object to form.

1

2 A I don't know that I understand the question.

3 Q Yeah. As part of the 2015 case was one of the  
4 things that SCANA was petitioning for was an  
5 increase in the cost of completion of the project?

6 A Yes.

7 Q And do you recall roughly from what price to what  
8 price?

9 A I don't recall, no.

10 Q Did you recall roughly what the increase was?

11 A No.

12 Q But is it your recollection that part of Carlette  
13 Walker's testimony was that she was going to be  
14 testifying that the cost of completion number was  
15 going to be higher than what had previously been  
16 submitted to the PSC?

17 A Yes, it was higher.

18 Q Back in 2015 in preparation for the testimony, did  
19 Carlette Walker ever tell you she believed the  
20 cost of completion number that was being submitted  
21 was not accurate?

22 A Again, Carlette did think that the number that  
23 Westinghouse had provided us was low. So, yeah,  
24 she was quite vocal about that.

25 Q But what about the numbers that SCANA was now

1 providing to the PSC?

2

3 MR. CHALLY: Object to form.

4

5 Q Did she also think that was low?

6 A I don't remember her ever telling me that. I  
7 remember her challenging the filing that we made.  
8 But once that decision was made, I don't ever  
9 remember her or recall her saying that she didn't  
10 agree with it after that point.

11 Q When would that point have been?

12 A It would've been some time during the preparation  
13 of the written prefiled testimony.

14 Q Okay. For somebody who wasn't there, take me  
15 through what you recall that disagreement being  
16 prior to the resolution?

17 A So again, Westinghouse had provided us an EAC that  
18 was based on -- one of the assumptions was based  
19 on a certain productivity factor. Carlette felt  
20 that that productivity factor was low and should  
21 be higher. The EAC team did provide an analysis  
22 to senior management that showed a higher  
23 productivity factor. Again, I don't recall if  
24 that's the number Carlette wanted us to use and  
25 what relation that would've been to Carlette's

1 number if that's the term you want to use. And  
2 over the course of probably weeks, it was decided  
3 that we were going to file with the Westinghouse  
4 number. But after that point, I don't recall  
5 Carlette ever saying that she continued to  
6 disagree with it.

7 Q Okay. So Westinghouse had provided number and one  
8 of the issues in that number that Ms. Walker  
9 expressed disagreement with was their productivity  
10 factor?

11 A Yes.

12 Q And the EAC team when it had done its review had  
13 agreed with Ms. Walker's position that the  
14 productivity factor she expected -- or that was  
15 expected would be higher?

16 A Yes.

17 Q And when it came time to filing in front of the  
18 PSC, did SCANA use the numbers provided by  
19 Westinghouse?

20 A Yes.

21

22 MR. CHALLY: Object to form.

23

24 Q Can you explain or do you recall receiving any  
25 explanation why SCANA would use the Westinghouse

1 numbers as opposed to the numbers the EAC team had  
2 come up with?

3

4 MR. CHALLY: Object to form.

5

6 A I don't recall any specific conversations or  
7 justification that was given to me of why we did  
8 it that way. But that wouldn't have been, you  
9 know, something that they would have had to  
10 justify to me.

11 Q Okay. Who would've been involved in that ultimate  
12 decision to use the Westinghouse numbers instead  
13 of the EAC numbers?

14 A I mean, that would've been a senior management  
15 decision.

16 Q And at the time that would've been Mr. Byrne. Who  
17 else?

18 A I guess I looked at senior management as, you  
19 know, Carlette, Steve Byrne, Kevin Marsh, and  
20 Jimmy Addison.

21 Q In light of what occurred after 2015, do you have  
22 a belief about whether the EAC team's numbers were  
23 more accurate than the Westinghouse numbers?

24

25 MR. BEVER: Object to the form.

1 MR. CHALLY: Object to form.

2

3 A In hindsight, the PF did exceed the performance  
4 factor that was presented by Westinghouse during  
5 that period.

6 Q And how close was it to what the EAC team had  
7 recommended?

8

9 MR. CHALLY: Object to form.

10

11 A I honestly don't remember. Productivity factor  
12 wasn't something I tracked or reported on.

13 Q Who would've been tracking it?

14

15 MR. CHALLY: Object to form.

16

17 A I guess that probably would've been somebody under  
18 Alan Torres' responsibility in the construction  
19 group.

20 Q In hindsight, do you believe the numbers that  
21 SCANA gave the PSC in 2015 were accurate?

22 A In hindsight?

23 Q Yeah.

24 A I guess it's hard to answer that question. At the  
25 time we -- I certainly believed that they were, in

1 the context they were given, truthful. One of the  
2 challenges with productivity is that -- especially  
3 when Unit 3 is better than Unit 2, you can have an  
4 uptick there and then you make it up on the back  
5 end. So having an assumption that the overall was  
6 going to be, you know, 1.15 or whatever it was,  
7 you'd really have to wait until the end of the  
8 project to really have true hindsight on that. We  
9 obviously didn't get there. So it's kind of hard  
10 for me to answer that question.

11 Q But at the end of the day the cost of completion  
12 ended up not being what was submitted in 2015?

13

14 MR. CHALLY: Object to form.

15 MR. BEVER: Object to the form.

16

17 A Correct. That's correct.

18 Q There's been a lot -- earlier I mentioned press  
19 coverage. And one of the things that has been  
20 covered in the press a good bit has been a report  
21 by the Bechtel Company. Were you aware at the  
22 time that Bechtel was doing any work for SCANA out  
23 on the project?

24 A Yeah. So we had Bechtel on the project from  
25 almost the beginning. They played a significant



1 role in our development of the COLA.

2 Q And when you say COLA, what does that represent?

3 A Sorry. That's the Combined Operating License  
4 Application. That would've been the application  
5 that we had submitted to the NRC asking to build a  
6 nuclear plant. And they played a significant role  
7 in that because. And I guess the way I knew that  
8 was because of the review and the processing of  
9 their invoices.

10 Q Okay. What other roles were you familiar with  
11 Bechtel fulfilling on there?

12 A So again, I know that they came in kind of towards  
13 the end of the project just because I saw their  
14 invoices.

15 Q Okay. When somebody submits an invoice, does it  
16 have to be tied to some -- I mean, is there like a  
17 code or something that indicates what it's being  
18 done for?

19 A Well, that would be part of what we would do is  
20 figure out where it's suppose to go.

21 Q And what was the Bechtel work that was being done  
22 near the end of the project? What was it being  
23 coded for?

24 A Well, it was being coded to CWIP -- that term I  
25 used earlier -- to the project.

1 Q When you code something like that, if it is being  
2 done for legal litigation purposes, is there a  
3 coding that can be assigned to it?

4 A Yeah, there is.

5 Q And was that coding ever assigned to the Bechtel  
6 work?

7 A The latter Bechtel work?

8 Q Yeah.

9 A I don't recall exactly where we coded it to, to be  
10 honest.

11 Q But if it was -- in the coding department it was  
12 your understanding that it was being done for  
13 litigation or legal purposes, there was the  
14 opportunity to code it for that?

15 A If there was any costs that came to us that was  
16 for, you know, legal, any kind of legal-related  
17 cost, we would code it to the legal cost center.

18 Q Okay.

19 A Yes.

20 Q Besides just seeing the invoices for the work, did  
21 you have any other involvement with Bechtel when  
22 they were on the site towards the end of the  
23 project?

24 A No. I never spoke to Bechtel when they were on  
25 the site.

1 Q So you were not interviewed?

2 A No, sir.

3 Q At the time -- again, in the press it's been  
4 referred to as the Bechtel report. At the time,  
5 were you aware that that report existed inside  
6 SCANA?

7 A No.

8 Q SCANA eventually decided to abandon construction  
9 of the VC Summer Nuclear Project. Do you remember  
10 where you were when you first learned the project  
11 was being abandoned?

12 A I was at the end of the office.

13 Q And when was that in relationship to the public  
14 announcement of that?

15 A I think it was the Thursday beforehand.

16 Q And describe for us what you remember about the  
17 details of receiving that information.

18 A I think I had met with Alan Torres who is the  
19 construction general manager. And he was making  
20 preparations to -- what they were going to do,  
21 actually close down the site that Monday morning.  
22 And he needed my help getting some things paid or  
23 things of that nature.

24 Q Did your department have any role in the  
25 decision to terminate?

1 A (Nonverbal response.)

2

3 MR. CHALLY: You need to give a verbal  
4 answer.

5

6 A I'm sorry. No.

7 Q Were you asked to do any financial calculations  
8 about the cost to cancel the project?

9 A At some point we were, yes. I don't know that  
10 that was prior to the decision to abandon. But  
11 after the decision, even today, we have an  
12 estimate of how much it's costing us to close out  
13 the project.

14 Q Is that something like a spreadsheet where you  
15 updated the costs?

16 A Yes, it is.

17 Q When would you have started -- or when you or your  
18 debarment started that spreadsheet?

19 A Right around the time we abandoned it.

20 Q Have you ever been asked to do any financial  
21 calculations with respect to the impact on the  
22 ratepayers of terminating the project?

23 A No.

24 Q Are you aware of anyone else at SCANA being asked  
25 to look into that information?

1 A Yeah. That would've been something our rates  
2 department would've done.

3 Q If you wanted to find out that information, who  
4 would you go ask?

5 A I mean, the head of the rates department is Byron  
6 Henson.

7 Q Prior to the Thursday before the official  
8 announcement of the abandonment, had your team  
9 ever looked at the possibility that the project  
10 would be abandoned?

11 A Back in 2007, 2008 we had looked at the  
12 possibility of -- before the EPC contract was  
13 executed, we looked at the possibility of  
14 canceling it then. Since then, I don't recall  
15 doing any analysis on canceling the project up  
16 until the point we decided to abandon it.

17 Q Prior to the Thursday before the public  
18 announcement for abandoning the project, had you  
19 yourself ever thought that the plants would not  
20 get completed?

21 A I mean, certainly the thought crossed my mind.  
22 Sure.

23 Q And what would've been foremost in your mind as  
24 far as why that would happen?

25 A Why it would happen?

1 Q Yeah.

2 A That they actually -- geez, I don't know. The  
3 actual constructability of the plant. I mean,  
4 there was a pretty well-documented reactor coolant  
5 pump issue. And that's pretty -- I don't know  
6 what a reactor coolant pump is short of it's  
7 important to run the plant. And they had, you  
8 know, issues with that. So when you have an issue  
9 that significant that goes on for that long,  
10 obviously the thought crosses your mind of what if  
11 they can't figure it out, what happens next?

12 Q What would've been the time frame of that?

13 A 2014, 2015 I think was when the reactor coolant  
14 pump issue came up.

15 Q And was it your understanding that this was an  
16 issue for which there was a design problem?

17 A I don't know if it was a design or an execution  
18 problem. I don't know.

19 Q But either way it was --

20 A Technical issue. It was a technical issue with  
21 the pump.

22 Q It caused you enough concern that you thought if  
23 they can't get this figured out, this may not  
24 happen?

25

1 MR. BEVER: Objection to the form.

2

3 A Yes.

4 Q During your time at SCANA, have you ever worked  
5 with Marty Phalen (ph)?

6 A No. I think I had been in one meeting with Marty  
7 Phalen, maybe two.

8 Q What about Mark Cannon?

9 A Yeah. I worked a little bit with Mark Cannon.

10 Q Did you know if he's still employed by SCANA?

11 A I believe -- no, he's not employed by SCANA  
12 anymore.

13 Q What have you heard about the reasons for his  
14 departure?

15 A I understood he retired.

16 Q And Marty Phalen, do you know if he's still  
17 employed by SCANA?

18 A No. He's not employed by SCANA.

19 Q And what if anything have you heard about his  
20 departure?

21 A Again, I heard he retired.

22 Q In your work related to analyzing the EPC  
23 contract, do you recall if the EPC contract had  
24 any provision for the possibility of a  
25 Westinghouse bankruptcy?

1 A There was the parental guarantee portion of that  
2 contract. There was also a letter of credit.  
3 Should Westinghouse's credit rating go to a  
4 certain level, we could execute a letter of credit  
5 and they can do the same on us and in addition to  
6 CB&I.

7 Q And what was the amount of the letter of credit?

8 A I think it was -- it wasn't a designated amount.  
9 It was a calculation based on estimated future  
10 payments. So I don't remember specifically. But  
11 it was -- for example, it was 25 percent of the  
12 next six months worth of payments. Something to  
13 that degree.

14 Q In your time at SCANA, have you ever been a part  
15 of any discussions about whether a performance  
16 bond should've been on the project?

17 A Well, I just used the word letter of credit. I  
18 think that's the same -- well, in my mind, that's  
19 the same thing. Maybe there's a big distinction  
20 between the two, but I kind of thought those were  
21 one in the same.

22 Q Okay.

23

24 MR. HALTIWANGER: Blown a little past  
25 one o'clock time. So why don't we go ahead and



1 when we got a break.

2 MR. RICHARDSON: Off the record at 13:04.

3

4 (Off the Record)

5

6 MR. HALTIWANGER: I've been asked because we  
7 have a number of counsel from out of state to  
8 remind the witness under or civil rules that since  
9 the deposition is ongoing, he's not allowed to  
10 testify -- or discuss his testimony with anyone  
11 including his attorneys since there is not a  
12 question pending, without waiving the claim of  
13 attorney-client privilege to those discussions.  
14 And I'll just ask to put that on the record.

15 MR. BEVER: Correct. That's fine.

16

17 (Lunch break taken from 1:08 p.m. until  
18 2:18 p.m.)

19

20 VIDEOGRAPHER: Back on the record at 14:18.

21

22 BY MR. HALTIWANGER (Continuing):

23 Q Mr. Kochems, we're going to take a second and go  
24 through some documents now. And I'm going to hand  
25 them to the court reporter and she's going to mark

1           them. And I want to make sure you have the  
2           opportunity to look over them. Some documents  
3           that are longer, I may only have a particular  
4           portion that I want to draw your attention. But I  
5           want you to know that you always have the right to  
6           say, "Stop. I want to read this or that or this  
7           portion of it before I answer."

8    A    Okay.

9    Q    And with that, I'm going to hand you Exhibit  
10       No. 1.

11

12                           (Whereupon, E-mail Correspondence was  
13                           marked Exhibit No. 1 for  
14                           identification.)

15

16   Q    And I should say, once you've had a chance to  
17       review, if you'll just give me some indication  
18       you're ready, I'll start the --

19   A    Okay. (Witness reviews document.)

20

21                   MR. CHALLY: So we haven't -- the exhibits  
22       you used in the deposition haven't been  
23       pre-identified.

24                   MR. HALTIWANGER: Right.

25                   MR. CHALLY: So under the rules, we have the

1 ability to talk to Mr. Kochems in the event we  
2 have any questions or in the event we need to  
3 discuss the documents before they're testified to.  
4 We'll try to do that as sparingly throughout the  
5 day as we can. But let's take a quick break so  
6 that we can talk about the particular document you  
7 showed to him.

8 MR. HALTIWANGER: Okay.

9 VIDEOGRAPHER: Off the record at 14:20.

10

11 (Off the Record)

12

13 VIDEOGRAPHER: Back on the record at 14:23.

14

15 BY MR. HALTIWANGER (Continuing):

16 Q All right. Mr. Kochems, I've handed you what's  
17 been marked as Exhibit No. 1, which I'll represent  
18 is a string of e-mails that begins with a July 31,  
19 2012, e-mail from Margaret Felkel sent to a number  
20 of recipients of which you were one. And then  
21 there's a reply from you on Tuesday July 31, 2012,  
22 at 4:51 p.m. And I want to start with looking at  
23 that particular response. And I'm just going to  
24 read it for the record then ask you a question.  
25 It says, "Margaret, I hate that we have to pay

1 milestones like this early given that we don't see  
2 any escalation savings. And now we have to incur  
3 nine months extra of AFUDC. I understand that we  
4 want to keep WEC cash neutral, but I don't think  
5 this should result in it costing us more." I'm  
6 going to stop right there. And kind of want to  
7 get you to walk through what you were telling  
8 Margaret and the others in this e-mail beginning  
9 with what are escalation savings?

10 A So the contract for the firm-price portion of the  
11 contract, the cost was in 2007 dollars. So there  
12 was an escalation table. There were different  
13 escalation tables, actually, which dictated how  
14 much escalation we put on top of that 2007 dollar  
15 number. So if the milestone in the contract said  
16 it was for a million dollars, it was subject to,  
17 you know, a Handy-Whitman. We would get the  
18 Handy-Whitman report that said escalation for  
19 Handy-Whitman has gone up from 2007 to 2012, I  
20 don't know, five percent. We would add  
21 five percent to that million-dollar payment. So  
22 we would actually pay Westinghouse the million  
23 dollars and the additional five percent.

24 Q And for somebody who doesn't know, explain what  
25 the Handy-Whitman reference is.

1 A There were three different escalation schedules  
2 within the contract. There was a stated 5.2  
3 percent escalation. There was a stated  
4 6.5 percent escalation. And then there was a, I  
5 think they called it like a market escalation  
6 rate. And we agreed that, in the contract, that  
7 we would use -- there's a company that puts out a  
8 Handy-Whitman Index and it's got a whole bunch of  
9 different categories to it. But it basically  
10 represents inflation for lack of a better term.

11 Q Okay. For this particular milestone, why would  
12 there not be any escalation savings with an early  
13 payment?

14 A So I don't remember this particular milestone, but  
15 kind of given the context of the e-mail it appears  
16 it was either the 5.2 or the 6.5 percent  
17 escalation. So those didn't change every month.  
18 They only changed once a year. So I believe it  
19 was April. So April 1st until a filing in March,  
20 the escalation rate was exactly the same. Whether  
21 we paid it April 1st or the following March 31st,  
22 you paid the same amount.

23 Q Okay.

24 A So I would assume that what I'm referring to, you  
25 know, we're not in an earlier step, escalation

1 step. Does that make sense?

2 Q Yeah. I think I follow you. The next statement,  
3 "And now we have to incur nine months extra of  
4 AFUDC." Can you kind of put in layman terms what  
5 that means?

6 A So we weren't saving any money on the escalation,  
7 but yet were paying it earlier so that we have --  
8 we're carrying it with AFUDC just that much  
9 longer.

10 Q And what is the impact carrying it that much  
11 longer?

12 A Additional cost, additional AFUDC cost. That five  
13 percent I was referring to earlier this morning,  
14 interest essentially, we carried that for I guess  
15 nine months.

16 Q And the next sentence, "I understand that we want  
17 to keep WEC cash neutral, but I don't think this  
18 should result in a costing us more." What does it  
19 mean when you use the phrase "keep WEC cash  
20 neutral"?

21 A One of the, I guess, principal assumptions  
22 especially that Westinghouse claimed was of the  
23 EPC contract was that they'd be cash neutral. So  
24 when they paid -- for example, if they brought in  
25 a subcontractor to do work, when they paid it, we

1 reimbursed them right after that so that they  
2 weren't floating us the money for a period of  
3 time.

4 Q Okay. And in order to do that in this particular  
5 situation to keep WEC cash neutral by paying them  
6 the milestone as it was completed ahead of time,  
7 that ended up costing SCANA more?

8 A Yes. In the form of additional AFUDC.

9 Q Okay. Then moving up the e-mail chain  
10 following -- there's a question from Abney Smith  
11 who I believe goes by Skip?

12 A Uh-huh.

13 Q And he asked a question, "What is income impact?"  
14 And, then again, at the top of Exhibit No. 1 there  
15 is a August 1, 2012, 1:54 p.m. e-mail that you  
16 relay back to him. And I'm just going to again  
17 just read part of it and ask you a question. It  
18 says, "Skip, calculating the impact on income  
19 would be complicated and maybe misleading since  
20 the more we spend the more our income goes up."  
21 First, let me just ask you, if you could, what do  
22 you mean by the phrase, "the more we spend, the  
23 more our income goes up"?

24 A So the simple calculation of AFUDC, our inclusion  
25 of that under the Base Load Review Act is the more

1 AFUDC we incur, the more we've got to include it  
2 in rates. Yeah, it's just math.

3 Q And there would be a return on income -- ROI on  
4 that? Return on investment?

5 A On the AFUDC portion, yes.

6 Q And is it accurate to say then that the more that  
7 SCANA spends on an early milestone payment like  
8 this the more the ratepayers is going to  
9 eventually pay for that accomplishment of the  
10 early milestone?

11 A Yeah. I think that's the point I'm trying to  
12 make, yeah.

13 Q Okay. And that is actually the point you do make  
14 in the next paragraph, the second sentence, when  
15 it says, "So without a decrease escalation to  
16 offset the increased AFUDC, it is in fact costing  
17 our ratepayers more." That's the concern you were  
18 sending to Mr. Abney?

19 A Yes.

20 Q And the next sentence there, you use an acronym,  
21 PZR. What is that?

22 A That's a technical component. It's part of the  
23 plant. It's one of the systems within the plant.  
24 I want to say it's maybe the pressurizer. I just  
25 don't know that for fact.



1 Q Okay. So in the statement in which that's  
2 included, it says, "The current AFUDC rate is  
3 about 5.28. So the simple calculation of carrying  
4 this in the new one (PZR) will cost our WO about  
5 \$140,000 more." All right. What does the WO  
6 stand for?

7 A Work order.

8 Q Okay.

9 A That's the CWIP term I used before.

10 Q All right. And then you state, "Now with our  
11 ROI," which would be return on investment. So  
12 that would say, "Now with our," and the "our"  
13 would be SCANA, correct?

14 A Yes.

15 Q "Now with our return on investment, it will  
16 actually cost our ratepayers even more than this  
17 over the life of the plants. Note this does not  
18 include potential additional storage maintenance,  
19 etc. cost." Again, I want to make sure I  
20 understand the flow here. So you have a  
21 subcontractor finishing a milestone early. They  
22 get paid by Westinghouse. Westinghouse then bills  
23 SCANA. SCANA then pays the invoice in order to  
24 remain cash neutral with Westinghouse.

25 A We pay the invoice because that's what the

1 contract said we had to do.

2 Q Okay. So you pay that. That cost then goes into  
3 AFUDC?

4 A There is an AFUDC carrying cost on that price of  
5 the milestone, yes.

6 Q And for this particular, or in this particular  
7 e-mail it appears you calculate that plus this  
8 other work order that appears to be finished  
9 earlier to cost about \$140,000 more than the  
10 budget would've been?

11 A Well, I don't know that we had a budget for AFUDC.  
12 But yeah, the cost would've been \$140,000 more  
13 than it otherwise would have had they completed  
14 the milestone and billed it to us when they were  
15 supposed to.

16 Q Okay. And then elaborate if you can on where that  
17 \$140,000 -- how does that -- because you mentioned  
18 the ROI and then the life of the plants. What  
19 impact does that 140 -- how does that \$140,000  
20 increase impact on the ratepayers?

21 A That's kind of where I started out with saying  
22 that that's a pretty complicated topic going from  
23 we wrote a check, it included a million dollars to  
24 CWIP, to how much does that result in a customer's  
25 bill? I honestly don't know how that calculation

1 works. I just know it's complicated enough that  
2 there's a department that that's all they do is do  
3 that math. So I don't know that I can answer your  
4 question exactly on how much this really impacted  
5 the ratepayer. But certainly it cost more than  
6 what we had hoped it would.

7 Q Okay. But in that increase in cost with the  
8 return on investment, SCANA is making a larger  
9 return on investment than if it had been paid when  
10 originally scheduled?

11 A Yes.

12 Q Is there any negative financial impact on SCANA  
13 itself, the company, from an early payment in this  
14 situation?

15 A On this particular one?

16 Q Yeah.

17 A I don't know. I mean, theoretically, there could  
18 be one if we had paid a milestone early and they  
19 hadn't borrowed for it properly. I mean, that  
20 theoretically would have a negative impact on  
21 SCANA. I just don't know if this particular one  
22 did or not.

23 Q Okay. Is it accurate to say in a typical  
24 situation the early payment of a milestone will  
25 result in SCANA receiving a higher return on

1 investment on that particular milestone activity?

2

3 MR. CHALLY: Object to form.

4

5 A Yeah. I mean that's jus the way the math works,  
6 yes.

7

8 (Whereupon, E-mail Correspondence was  
9 marked Exhibit No. 2 for  
10 identification.)

11

12 Q And just let me know when you've had a chance to  
13 look it over.

14 A (Witness reviews document.) Okay.

15 Q Okay. Well, let me ask you, before today, have  
16 you seen Exhibit No. 2? Or did you review in  
17 preparation for your testimony today?

18 A No. I mean, I replied to it, so I'm assuming at  
19 some point I saw it. I just don't recall it.

20 Q Okay. All right. Again, this e-mail or this  
21 exhibit is a chain of e-mails that starts with an  
22 e-mail from Margaret Felkel informing of the early  
23 milestone payment. And then the e-mail I want to  
24 ask you about is the September 27, 2012, e-mail  
25 you sent in response. And I want to draw your

1 attention to -- well, I'll just read you the first  
2 paragraph. It says, "Margaret, hate to sound like  
3 a broken record, but since we don't see any  
4 escalation savings and we now have to incur six  
5 months extra of AFUDC, I don't see how this is  
6 keeping everyone cash neutral. I see how it is  
7 helping WEC but at our cost. I don't see it being  
8 unreasonable to deny this if it is costing us more  
9 money." First of all, let me ask, the statement  
10 that you began with, "Hate to sound like a broken  
11 record," it gives me the impression this isn't the  
12 first time you had brought this issue up. Is that  
13 accurate?

14 A I may have been referring to this one right here  
15 with the similar topic.

16 Q Well, let me ask you, do you recall it being more  
17 than just one or two occasions? Was this  
18 something that occurred that you recall more than  
19 just once or twice?

20 A I think prior to seeing these two e-mails right  
21 now, I don't remember this topic but obviously it  
22 happened. I just don't specifically remember it.

23 Q Okay. And if you could, elaborate on the  
24 statement, "I see how it is helping WEC but at our  
25 cost." Is that where we were just talking about

1 in the previous exhibit where the -- well,  
2 actually, let me ask you, explain what you meant  
3 by that.

4 A Okay. Well, I think that Westinghouse is  
5 obviously getting their money quickly which is a  
6 benefit to them. And we're incurring additional  
7 AFUDC cost which is kind of detrimental to our  
8 ratepayers.

9 Q So is it all detrimental to SCANA?

10 A No. But I don't think that was the point of the  
11 e-mail.

12 Q Your concern was the impact on the ratepayers?

13 A Yeah.

14 Q Then you say, "I don't see it being unreasonable  
15 to deny this if it's costing us more money." Do  
16 you know if any of these early milestone payments  
17 were ever denied?

18 A I don't recall whether they were or they weren't.

19

20 (Whereupon, E-mail Correspondence was  
21 marked Exhibit No. 3 for  
22 identification.)

23

24 A (Witness reviews document.) Okay.

25 Q Okay. I've handed you what has been marked as

1 Exhibit No. 3 which is, again, this time is a pair  
2 of e-mails both of which appear to be from you.

3 And I want to look at the bottom e-mail there, the  
4 September 12, 2017, at 4:04 p.m. It says -- the  
5 subject is "Bonus." And the body is, "How much  
6 was the bonus payment Crosby had said he won't  
7 approve?" Who is Crosby?

8 A I think I'm referring to Michael Crosby from  
9 Santee Cooper.

10 Q And what bonus payment is being discussed?

11 A So this was in late 2017. So there was -- part of  
12 the monthly bill we sent to Santee Cooper would  
13 include salaries, things of that nature, for the  
14 SCANA and SCE&G employees project. Once a year  
15 when we actually paid out bonuses, if we paid them  
16 out, we sent 45 percent of that to Santee Cooper  
17 as well. And towards the end of the project,  
18 Santee Cooper said that they weren't going to pay  
19 that bonus, that portion of the bill. So I think  
20 that's what I'm referring to here.

21 Q Okay. And who would be the employees receiving  
22 that type of bonus? Is that company-wide, the  
23 entire bonus plan? Or is that executive  
24 compensation or do you recall?

25 A So in this particular instance, this is September

1 of '17. So for all of the work that was done on  
2 the project up to that point, it would have been  
3 them. So, you know, that would be the operators  
4 that worked on the project. You know, the  
5 janitors that worked on the project all the way up  
6 to, you know, the execs, some of the executives.

7 Q Did Crosby ever provide a reason why he wasn't  
8 approving the bonus?

9 A I'm sure he did. But he wouldn't have provided  
10 that to me. That would have been an executive  
11 level discussion.

12

13 (Whereupon, E-mail Correspondence and  
14 Attachment was marked Exhibit No. 4 for  
15 identification.)

16

17 Q This got copied incorrectly. It's an e-mail and  
18 then attached to it is the attachment associated  
19 with that e-mail. So that's the -- explains the  
20 paperclip and then the staple behind it.

21 A Okay.

22 Q In case anybody was trying to figure out what I  
23 was doing.

24 A Okay. (Witness reviews document.)

25 Q Mr. Kochems, have you had a chance to look at



1 Exhibit No. 4?

2 A I didn't look at it in great detail, but I think I  
3 looked at it enough. I'll let you know if you  
4 have a question I can't answer and need to look at  
5 it some more.

6 Q Okay. Well, can you tell us what Exhibit No. 4  
7 is?

8 A It appears to be a sunk cost estimate that we did  
9 in 2012.

10 Q And what is a sunk cost estimate?

11 A So that would be how much we've paid to date up to  
12 a certain point.

13 Q And who is Mr. Kenneth Browne?

14 A So that would be Ken Browne. We spoke about him  
15 earlier. He was the individual that used to work  
16 for Santee Cooper and I think retired and then  
17 came to work for SCE&G on the project.

18 Q And why was this sunk cost -- let me ask you, the  
19 subject is "Sunk Cost Est." What is the "Est"  
20 abbreviation for?

21 A Estimate.

22 Q Estimate. Why was this -- or let me ask you, did  
23 you prepare the sunk cost estimate?

24 A I'm assuming I did, yes.

25 Q And why would you be -- or creating a sunk cost

1 estimate?

2 A I honestly don't recall.

3 Q Well, if you would, if you would turn to the  
4 second page of Exhibit No. 4 and just tell me,  
5 this appears to be an Excel spreadsheet?

6 A Yes. That would be my guess.

7 Q Let me ask you, this sunk estimate spreadsheet  
8 we're looking at, do you recall if this was a  
9 one-time undertaking or did you -- was there a  
10 sunk cost estimate spreadsheet maintained that had  
11 to be updated occasionally?

12 A I don't recall having to maintain sunk cost  
13 estimate. Now, what would we do every quarter for  
14 a Public Service Commission filing, we would  
15 include the cost we paid to that particular  
16 quarter and then layer on the projection going  
17 forward. So this very well could have been  
18 something that we pulled together in support of  
19 that PSC filing, and we used it for the sunk cost  
20 estimate exercise that we did.

21 Q And besides you and Mr. Browne, do you recall who  
22 else would've been involved in sunk cost estimate  
23 exercise?

24 A I honestly don't remember doing it, so I don't  
25 remember why we did it or who was involved in it.

1 Q Okay. Looking at the first page of the  
2 spreadsheet -- and I think some of this is fairly  
3 self-explanatory as far as what is Unit 2 and Unit  
4 3 and total mean. But I do have a question as far  
5 as the -- where you would've gotten the  
6 information to include that in the spreadsheet?

7 A All of the information or are you looking at a  
8 particular line or . . .

9 Q Well, in general, what would you have used to put  
10 this together?

11 A So the normal process would be for every quarter  
12 we would go and pull out the actual paid cost  
13 from -- we call our cost repository. So  
14 everything that SCANA pays goes through  
15 PeopleSoft. So this information would've been  
16 captured in SCANA's accounting system. And we  
17 would every quarter pull that out to generate that  
18 quarterly PSC filing or report. So I think the  
19 long way to answer your question is all of this  
20 data came from this SCANA accounting system.

21 Q Okay. Well, let me ask you about the projection  
22 columns there. Where would the information for  
23 the projected cost come from?

24 A So again, with the quarterly report, we took the  
25 actual dollars that we had spent and added to it

1 the forecasted dollars. So we would get a report  
2 from the Consortium every quarter where they would  
3 project by EPC contract category how much they  
4 were going to spend and when they were going to  
5 spend it.

6 Q Okay. Well, in looking at the numbers, I may not  
7 be correct for every one, but it seems that --  
8 let's just look at the first section under Unit 2.  
9 And it seems to me that the paid number appears  
10 always higher than the projected number. What is  
11 that a projection of? Is that the projection of  
12 -- let me just ask you that. When it says  
13 projection, what does that column represent?

14 A So I guess I'll just use the third line down, the  
15 RV or the reactor vessel.

16 Q Okay.

17 A So the EPC contract within the F.1.1 -- you can  
18 see that on the top left corner, F.1.1.

19 Q Uh-huh.

20 A Then the EPC contract, there was a payment  
21 schedule, a milestone schedule, called F.1.1. And  
22 I'm making up numbers here, so don't hold me to  
23 them. But there may have been ten reactor vessel  
24 milestones for Unit 2. And let's just say we  
25 completed, you know, eight of the ten. So I

1 would've taken the dates and the dollars  
2 associated with those eight out of our accounting  
3 system. Westinghouse would have said the  
4 remaining two are going to be completed in this  
5 month in this year and they would've kind of  
6 projected that out. So what we were doing here is  
7 taking those two protected milestone, calculating  
8 escalation on them, added them to the actual paid  
9 portion, and you know, listing \$21 million and  
10 \$3.4 million in this particular example.

11 Q This is new to me. I may have lost you there. So  
12 to date, if we're looking at that what you were  
13 just talking about, the third line down, RV, the  
14 \$21,279,750, that would've been gathered from  
15 invoices already paid by SCANA?

16 A Uh-huh.

17 Q Then the \$3.4 million projection, what does that  
18 number represent?

19 A So that would've been a report that Westinghouse  
20 gave us every quarter that said for these however  
21 many number reactor vessel milestones that remain  
22 to be paid in the contract, they will provide us  
23 with a projected date that they thought they were  
24 going to accomplish those milestones.

25 Q So that's the To-Go cost on that?

1 A Yep. The projection side of it.

2 Q Okay. On this particular exhibit the line --  
3 several below the RV we were just looking at says  
4 "Project". And just looking at it, is that the  
5 total project cost or is that project, something  
6 else being referenced?

7 A So again, within the F.1.1 schedule of the EPC  
8 contract there were some milestones that they just  
9 labeled "Project".

10 Q Okay.

11 A Could be engineering complete milestones, things  
12 like that. They just -- it wasn't tied to a  
13 specific component so they labeled it "Project".

14 Q Okay. Do you know why the projections for that  
15 line are highlighted in the spreadsheet?

16 A I don't. I don't recall. It looks  
17 like they're -- I don't remember.

18 Q Let me ask you, the phrase "sunk cost," and I'm  
19 not an economist or have an economic background,  
20 in what context are you using the term "sunk cost"  
21 with respect to the project?

22 A I think the way I've always used the term "sunk  
23 cost" is how much money have we have paid in to  
24 date.

25 Q Okay.

1

2

(Whereupon, E-mail Correspondence and  
Attachment was marked Exhibit No. 5 for  
identification.)

3

4

5

6 A Okay.

7 Q

Exhibit No. 5 I've handed to you is an e-mail  
again with an attachment to it. I want to begin  
by asking -- we've discussed who Carlette Walker  
is and who Ken Browne is. Who is William Hudson?

10

11 A

William Hudson is in our -- in SCANA's financial  
planning group. He would typically help with  
anything PSC related.

12

13

14 Q

All right. And let me just ask you in general,  
can you tell me what Exhibit No. 5 is?

15

16 A

It looks like a cancellation cost estimate that we  
produced in 2012.

17

18 Q

And why would a cancellation cost estimate have  
been produced in 2012?

19

20

21

MR. CHALLY: Object to the form.

22

23 A

I honestly don't remember why we did this. It  
could've been in response to an ORS request or in  
preparation to some kind of PSC filing. I just --

24

25

1           now that I look at it, I remember doing it, I just  
2           don't remember why we did.

3       Q     Do you remember who asked you to do it?

4       A     No.

5       Q     The attachment is entitled "CancelCostEst  
6           9-24-12-Rev4." Why would you use Rev4 in titling  
7           the attachment?

8       A     Obviously it's a revision, revision 4 to a  
9           previous one we did.

10      Q     And I'm just asking to understand your process of  
11           how you would have titled these attachments. If  
12           you were doing -- if you were going to update  
13           after say this particular attachment, if you were  
14           going to do work on an update, would it then be  
15           cancel cost estimate, the date you worked on it  
16           and then revision five? Is that how you would do  
17           it or . . .

18      A     I don't know that we had like a standard  
19           nomenclature on how we titled these things. It  
20           could be that or, you know, we may have just put a  
21           new date on there and not put a revision on there.  
22           But the previous revisions may not have been  
23           complete. I honestly don't remember.

24      Q     All right. The e-mail there begins addressed to  
25           William as we talked about. Attached is a



1 revision to the cancellation cost assuming that  
2 would cancel July 1, 2013. Do you recall any  
3 discussions about the potential of canceling the  
4 project on January 1, 2013?

5 A No.

6 Q The second sentence is, "You will note that the  
7 831 million, 100 percent amount has decreased to  
8 698,036,310, 100 percent. What is that number  
9 decreasing?

10 A I think that \$698 million is at the bottom of the  
11 page of the attached exhibit. It would appear  
12 that some of the assumptions that built up that  
13 \$698 million changed.

14 Q Well, let me -- let me see if I understand. And  
15 I'm just trying to read behind the lines. It  
16 appears that, you know, if this is revision for --  
17 I read that as if there were prior versions of  
18 this cancellation cost. And looking at the text  
19 of the e-mail, it seems that you're saying in a  
20 previous iteration, the cancellation cost was  
21 \$831 million. And this current provision, that  
22 number has decreased to a little over \$698  
23 million. Am I reading that correct?

24 A Yep. Yes, you are.

25 Q And then it says, "We kept all the remaining

1           assumptions the same and feel taking 55 percent of  
2           this number, \$383,919,970, is appropriate." And  
3           so that would be the -- represent the 55 percent  
4           ownership of SCANA?

5    A       That's what we're referring to there, yes.

6    Q       And based on the e-mail in Exhibit No. 5 and the  
7           attachment, it appears that as of September of  
8           2012 the cost to the SCANA ratepayers -- or excuse  
9           me -- to the SCANA, if it were to cancel, the New  
10          Nuclear Development project would've been  
11          \$383,919,970?

12   A       Yes. For SCE&G's portion of it, yes.

13   Q       Okay. And as we go through this document, you  
14          don't have a recollection of who asked you to  
15          prepare this?

16   A       The reason I was thinking it had something to do  
17          with the ORS or the PSC is that's what William's  
18          role within the NND project was. So if a request  
19          came from the ORS, it would go through William and  
20          down to us, and we work with him to do that. So  
21          it's usually the topic that we had William  
22          involved in.

23   Q       Okay. If you could turn to the first page of the  
24          attachment.

25   A       Uh-huh.

1 Q And I just wan to ask a couple of questions to  
2 make sure I understand abbreviations. In the  
3 first paragraph there, there's the abbreviation  
4 "FNTP." What does that stand for?

5 A That is "Full Notice To Proceed."

6 Q And as I understand it, the rest of page 1 of the  
7 attachment is an attempt to walk through what cost  
8 would be associated with termination and use those  
9 costs to finally determine what you come up with  
10 as a total project cancellation cost?

11 A Yeah. That appears to be the purpose of the  
12 exercise.

13 Q Okay. Who would have input on the revisions that  
14 we're looking at for attachment in Exhibit No. 5?

15 A I don't remember who exactly, you know, pulled  
16 this together. But I could assume that it would  
17 be, you know, Ken, myself, or Carlette based on  
18 the e-mail distribution.

19

20 (Whereupon, E-mail Correspondence was  
21 marked Exhibit No. 6 for  
22 identification.)

23

24 MR. CHALLY: Let's take a quick break on this  
25 one.

1 MR. HALTIWANGER: Okay.

2 VIDEOGRAPHER: Off the record at 15:05.

3

4 (Off the Record)

5

6 VIDEOGRAPHER: Back on the record at 15:18.

7

8 BY MR. HALTIWANGER (Continuing):

9 Q All right. Mr. Kochems, have you had a chance to  
10 review the exhibit?

11 A I have.

12 Q And can you identify for us -- I think the only  
13 person we haven't discussed in this list is  
14 William Cherry?

15 A That's Marion Cherry.

16 Q Oh, that is Marion Cherry?

17 A Yeah. I'm sorry.

18 Q Okay. And was he an employee of SCANA?

19 A No. He was a Santee Cooper employee.

20 Q And the reason I ask is he has what appears to be  
21 a SCANA e-mail address?

22 A Yes. So he was actually -- he had an office at  
23 the -- in the NND NOB. I believe he had a SCANA  
24 issued computer. So I think he had a SCANA e-mail  
25 address so he could use that computer, log in as a

1 -- log in that way.

2 Q Anyone besides Marion Cherry have that set up?

3 A I don't know if Ken did when he was a Santee  
4 Cooper employer. He may have. I'm not -- I don't  
5 recall. There may of been different contractors  
6 that we had brought in. Sometimes we would bring  
7 in a contractor for a day, sometimes they would be  
8 there for several months. And if there was a  
9 need, we would set them up with a SCANA e-mail  
10 address for several months. But I don't remember  
11 any specifics.

12 Q Okay. All right. Looking at Exhibit No. 6, it  
13 again is an e-mail chain. And the first e-mail  
14 from the bottom there is in August of 25, 2014,  
15 e-mail at 8:24 a.m. from Ken Browne. The subject  
16 is, "Preparation for Getting and Reviewing the  
17 EAC." And my understanding is that this would be  
18 the EAC team work that was completed by SCANA?

19 A Yes.

20 Q And you were on that EAC team?

21 A Yes.

22 Q And this would be the SCANA employees plus Marion  
23 Cherry who would be I guess receiving that EAC  
24 team review work and taking it from there?

25 A Yes. So we would've reported to Marion similar to

1 Carlette or senior management.

2 Q Okay. Who ended up being on -- did this team have  
3 a name that followed the EAC team?

4 A So this was the EAC evaluation we did in 2014. So  
5 it's the same one we were talking about earlier?

6 Q Yeah.

7 A Okay. No. I don't think it had a name.

8 Q So whenever you're talking about if we're going to  
9 get together, have a meeting, it wasn't let's get  
10 the blank together to do this?

11 A I don't recall a name, no.

12 Q And that e-mail I referenced from Ken Browne sets  
13 fourth an eight-item list that he put together in  
14 anticipation of getting the EAC team report. Is  
15 that accurate?

16 A Yes. That appears to be right.

17 Q And then the top of Exhibit No. 6 is an e-mail you  
18 sent August 25, 2014, at 9:37 a.m. Do you see  
19 that?

20 A Yes.

21 Q And is this e-mail your response to the eight-item  
22 list that Mr. Browne had sent earlier?

23 A It appears to be, yes.

24 Q Okay. Who would ended up actually being on the,  
25 you know, on the team here?

1 A So the team was led by Ken Browne. It was myself,  
2 Shirley -- myself, Sheri Wicker, and Margaret  
3 Felkel. And then Kyle Young who is copied on  
4 this, he played a role as well. I don't think I  
5 mentioned him earlier this morning, but Kyle was  
6 part of it as well.

7 Q Okay. And who was on the -- who ended up -- and I  
8 guess I was asking not who was on the EAC team in  
9 2014. Who was on the team that then received the  
10 EAC team's work and took it from there? Or is it  
11 the same group or . . .

12 A I don't know that I understand the question.

13 Q Okay. Number two on Ken Browne's list of eight,  
14 it says, "The team composition needs to be  
15 determined and people assigned to participate as  
16 full time members," and then he lists some  
17 suggestions.

18 A Uh-huh.

19 Q That's the team I'm asking about. Who ended up  
20 being team members that, you know, related to the  
21 number two item Mr. Browne puts there?

22 A That would've been the group I previous referred  
23 to. I'm calling that the EAC team. I don't know  
24 that we ever called ourselves that. But that  
25 would've been Ken, myself, Sheri Wicker, Margaret

1 Felkel and Kyle Young.

2 Q Okay. Was anybody from Santee Cooper included?

3 A No. So Marion played I guess I'll say a similar  
4 role like as what Carlette did where he would come  
5 over and, you know, check on us and help where he  
6 could. But he wasn't a "full-time member."

7 Q And when Ken references "Shirley and/or somebody  
8 from her team," who would Shirley have been?

9 A So that would be Shirley Johnson. So Margaret  
10 Felkel reported to Shirley.

11 Q Okay. And the reference to a Christina?

12 A Uh-huh.

13 Q Who was Christina?

14 A That was Christina Perez. She reported to Skip  
15 Smith. She was an analyst that reported to Skip.

16 Q And it indicates here, it says, "To extract  
17 Shawtrac data as needed for comparison full  
18 time/part time?" What do you understand -- or  
19 what did you understand that to mean?

20 A So Shawtrac was a piece of software that the  
21 Consortium used to track I want to say labor and  
22 labor related things. I never had access to it.  
23 I don't know that I ever saw it. But we would  
24 typically get labor related reports and the  
25 Consortium would tell us were generated in



1 Shawtrac.

2 Q Okay. And lastly, it says, "Somebody from  
3 construction." Was there anybody from  
4 construction involved?

5 A That would've been Kyle Young.

6 Q Kyle Young. Okay. All right. Going back then to  
7 the e-mail you wrote. Going through the response  
8 to their suggestions, number four, which was  
9 originally put out by Ken Browne as, "Need to  
10 define our mission and goals for the EAC review.  
11 Validate cost estimate, cut cost, identify  
12 structural module delay costs, etc." You  
13 responded that, "While this is Carlette/Skip's  
14 call, I would think our goal should be to put a  
15 price on the schedule we plan to accept. This may  
16 be higher or lower than the EAC delivered." Was  
17 that ultimately something done?

18 A So, yes. As part of the vetting process, we did  
19 things like determining whether we thought the  
20 Consortium was entitled to certain payments,  
21 things like that. So, you know, one of the things  
22 that we did was we assumed any schedule-related  
23 cost that the Consortium projected to incur that  
24 was a result of their delay that we would dispute  
25 those costs and only pay 90 percent of them. So

1           that would've been an example of what I'm  
2           referring to there.

3       Q     Okay.  And I'm just asking because I'm trying to  
4           get context to understand some of the statements  
5           in that particular sentence.  When you say "I  
6           would think our goal should be to put a price on  
7           the schedule we plan to accept," as an outsider, I  
8           read that and I say well, they have a schedule.  
9           What do you mean when you say that schedule we're  
10          going to accept?

11       A     So the EAC that was delivered in 2014 had a couple  
12          of different schedule options.  Whether it was --  
13          and I honestly don't remember the specific dates.  
14          But there was an option to accelerate the  
15          schedule.  There would've been a price increase to  
16          do that.  So for example, set up a night shift,  
17          there would be a price to set up and pay for  
18          people to be there at night.  Although you would  
19          achieve, you know, a better schedule.  So I think  
20          that's what I'm referring to there is, you know,  
21          which schedule do we want as opposed to trying to  
22          do them both.

23       Q     Would these be schedules that were based on the  
24          information you got from Westinghouse?

25       A     Yes.  They would be Westinghouse's schedules.

1 Q Okay. The next number there, number five, says,  
2 "I think this needs to be the schedule we planned  
3 to file with the PSC whether we think it is  
4 achievable or not." The "this" there, "I think  
5 this needs to be the schedule," what is the "this"  
6 you're referring to there?

7 A The EAC price.

8 Q "And we plan to file with the PSC." Wasn't there  
9 already a schedule on file with the PSC?

10 A Yes. There would've been a schedule on file with  
11 PSC at that time.

12 Q So this is in discussion about filing a revision  
13 to that schedule?

14 A Yes.

15 Q And what did you mean by the phrase, "Whether we  
16 think it is achievable or not?"

17 A So I think what I meant by that, if you jump down  
18 to bullet number seven, I think we had known we  
19 were getting a EAC which included a price change  
20 and a schedule change. Our senior management had  
21 said in August that we have to file with PSC by  
22 November. And that's kind of what I'm saying in  
23 number seven. And number five, I'm trying to get  
24 away from the EAC team bickering over whether the  
25 schedule is right or wrong. If this is the

1 schedule that Westinghouse gave us, let's not  
2 waste time on debating whether it's right or  
3 wrong; let's go ahead and put a price to it.

4 Q All right. And I want to make sure I'm  
5 understanding clearly there. There's a schedule  
6 in place that's already been approved by the PSC  
7 that was going to have a November filing to  
8 update?

9 A So, yes. There was a schedule already in place  
10 with the PSC. We knew we were getting an EAC  
11 which would drive a schedule change. So we knew  
12 that the goal was by November to file with the PSC  
13 to change that schedule and change that price.

14 Q Okay. And I guess I'm a little confused about,  
15 still, with the statement, "whether we think it's  
16 achievable or not." Was there a discussion to  
17 file a plan with the PSC that may or may not know  
18 whether it was achievable?

19 A I think what I'm referring to there is that it  
20 wasn't the objective of the EAC team to evaluate  
21 the schedule. The objective of the EAC team was  
22 to vet the assumptions and deliver, you know, some  
23 kind of opinion on the EAC based on that schedule.  
24 So given the tight time frame we had, it was my  
25 opinion we didn't waste time worrying about the

1 schedule. That was another team's responsibility.

2 Our responsibility was to focus on the cost.

3 Q Okay. So there's a -- you've got the information  
4 from Westinghouse now that is going to result in  
5 an update of filing with the PSC. They've given  
6 you this is our new schedule. The EAC team is  
7 going to go vet that. And you're anticipating  
8 they're going to come up with something different  
9 probably from the Westinghouse schedule. But due  
10 to the time constraints and what the purpose of  
11 the EAC team was, you're suggestion is we go ahead  
12 and file the Westinghouse schedule with the PSC?

13

14 MR. CHALLY: Object to form.

15

16 A No, not quite.

17 Q Okay.

18 A So I don't think I was rendering an opinion on  
19 whether the schedule would be achievable or not.

20 Q Okay.

21 A But my point, or at least the point I was trying  
22 to make, was is that the schedule wasn't the EAC  
23 team's responsibility. And given the short amount  
24 of time we had to do a lot of work, I didn't want  
25 the team, that EAC team, to waste time worrying

1 about the schedule. There was a schedule team  
2 that looked at the schedule. Let the schedule  
3 team look at the schedule, let us look at the cost  
4 piece so that we can get it done and meet the  
5 November filing deadline.

6 Q Okay. And who would've been the schedule team?

7 A That would've been led by Alan Torres. I don't  
8 know who was on that team or quite frankly what  
9 they did.

10 Q Okay.

11

12 (Whereupon, E-mail Correspondence was  
13 marked Exhibit No. 7 for  
14 identification.)

15

16 A (Witness reviews document.) Okay.

17 Q All right. Can you tell us what Exhibit No. 7 is?

18 A It's an e-mail from myself to William Hudson.

19 Q And the subject is "Fixed Price Option  
20 Assumptions." Looking at the subject and the date  
21 in which this was sent, what -- I guess what's  
22 going on that led to this e-mail being drafted by  
23 you?

24 A I don't recall what prompted me to send him this  
25 e-mail.

1 Q Okay. Well, the e-mail seems to talk about  
2 different elements of the fixed-price option?

3 A Yes.

4 Q And with the dated January 12, 2016, where are we  
5 on the chronology of where we stood with the  
6 fixed-price option contract?

7 A So by then we had executed it. It was already in  
8 place.

9 Q Okay. And I want to just draw you attention to  
10 the third paragraph, "construction milestone  
11 payments."

12 A Okay.

13 Q About halfway through that paragraph is the  
14 following: "Included in the agreement is a  
15 provision that requires the interim \$55 million  
16 payments to be trued up to parallel invoices which  
17 represent what we would have paid had this  
18 agreement not been executed. This true up was  
19 assumed to occur before the revised rates cutoffs,  
20 so I don't think that the method of these payments  
21 should impact revised rates. However, we did  
22 assume that the parallel invoices would equal to  
23 \$55 million dollar amounts." Do you see where I  
24 read that?

25 A Uh-huh.

1 Q Where they actually trued up with parallel  
2 invoices?

3 A No.

4 Q If they weren't, what did happen?

5 A So we -- that was a point that we took to the  
6 Dispute Resolution Board. And the Dispute  
7 Resolution Board ruled that they should not be  
8 trued up.

9 Q So what ended up happening as a result of that  
10 decision?

11 A The Dispute Resolution Board in about the  
12 November 2016 time frame provided us a ruling that  
13 said here's your new construction payment  
14 milestone schedule with values associated with it.  
15 And that, you know, there wasn't a true up  
16 necessary.

17 Q As a result, if the true up didn't occur, did --  
18 and I ask this because -- the e-mail you wrote, it  
19 seems to assume that the true up is going to occur  
20 before the revised rates cut off. And it sounds  
21 like that true up didn't happen.

22 A That was the original intent of the true up.  
23 That's why we set it up that way so that the true  
24 up would occur before the revised rates filing.  
25 So the original agreement called for seven months



1 of working on a construction payment milestone  
2 schedule. The owner and the Consortium could not  
3 come to an agreement on that, and it got deferred  
4 to the Dispute Resolution Board who in November  
5 ruled.

6 Q Okay. So that -- if I extrapolate from the e-mail  
7 then those payments did actually end up impacting  
8 the revised rates?

9 A Well, no. So we had -- although we didn't  
10 actually perform a true up -- and I guess in my  
11 mind a true up with Westinghouse would be we write  
12 them a check, they write us a check. That did not  
13 happen. But what did happen is in that revised  
14 rates filing, we had a liability that we accrued.  
15 So I'm making up numbers here, but if we got a  
16 hundred million dollar invoice for a particular  
17 month and we got parallel invoices for \$90  
18 million, on SCE&G books, we accrued a liability  
19 for \$10 million which basically lowered our  
20 revised rates filing by that amount. So when we  
21 filed for revised rates in 2016, which was the  
22 last time we did it, there was a negative number  
23 in there that represented the true up.

24 Q Meaning that that would be money owed to SCANA  
25 from Westinghouse?

1 A Yes.

2 Q Or just the money that would be credited forward?

3 A That was -- the intent of that would be that  
4 either Westinghouse would write us a check or we  
5 would say okay if the amount was \$20 million that  
6 they owed us, we would either get a check from  
7 them or not pay the first \$20 million worth of  
8 invoices. We were hoping that the Dispute  
9 Resolution Board would tell us how to administer  
10 that, but they said it wasn't necessary.

11 Q And did that get resolved before the Westinghouse  
12 bankruptcy?

13 A Yes.

14 Q How did it get resolved?

15 A The Dispute Resolution Board in November of 2016  
16 gave us a ruling.

17 Q The last sentence there about assuming the  
18 parallel invoices would equal the \$55 million  
19 amounts, is that what actually occurred?

20 A No.

21 Q What did occur?

22 A We felt we were owed a true up. I don't remember  
23 the number, but it was tens of millions of dollars  
24 that we felt Westinghouse owed us back.

25 Q All right. And just so I can see if I can

1 understand this for me. SCANA and Santee Cooper  
2 would be paying to Westinghouse a hundred million  
3 dollars a month?

4 A Yeah.

5 Q The plan was that during that month Westinghouse  
6 would do the work and create invoices that would  
7 then be sent to SCANA to be trued up. And if in  
8 that month it was less than a hundred million  
9 dollars, SCANA would get a credit and maybe a  
10 check; if it was more than a hundred million  
11 dollars, Westinghouse would get a credit or a  
12 check?

13 A At the end.

14 Q At the end?

15 A Yeah. At the end of the construction payment  
16 milestone schedule negotiation for lack of a  
17 better term.

18 Q And that was a seven month?

19 A It was originally scheduled to be that. But yes,  
20 it took until November.

21 Q Okay. And at the end of the process it's your  
22 recollection that Westinghouse actually owed SCANA  
23 tens of millions of dollars?

24 A Yes.

25 Q And that's because it was not costing them a

1 hundred million dollars a month. They were not  
2 invoicing a hundred million dollars a month?

3 A Based on the old EPC contract, they did not  
4 invoice us a hundred million dollars a month,  
5 correct.

6 Q Do you recall just in the neighborhood of what  
7 they were billing?

8 A I mean it was -- some months were higher, some  
9 months were lower. But I think the net of that --  
10 I want to say they only sent us parallel invoices  
11 for five months. After that their position was  
12 that there was no true up, which is ultimately  
13 what the DRB ruled in favor of. So they stopped  
14 sending us parallel invoices, so.

15 Q Well, for those five months what are the numbers  
16 we're looking at?

17 A I think we felt we were owed tens of millions of  
18 dollars back from Westinghouse.

19 Q So instead of a hundred million dollars invoiced  
20 in a month, were they coming in at 50, 20, 80?

21 A Eighty, 90, something around there.

22 Q Okay. Let me just ask if you know during the --  
23 prior to the fixed-price option, were there months  
24 where SCANA would be invoiced over a hundred  
25 million dollars?

1 A I'm sure there's months we were, yes. I just  
2 don't remember how many or . . .

3 Q I'm just trying -- I'm just trying to figure out  
4 where the -- I mean, a hundred million is so  
5 round. I didn't know if it was just we need to  
6 pick a number so let's pick a round number, or is  
7 that historically what was done?

8 A That number was one of those negotiated things  
9 that our senior management negotiated. How they  
10 came up with that, I truly don't know.

11 Q Okay. Okay.

12

13 MR. HALTIWANGER: Go ahead and chance the  
14 DVD.

15 VIDEOGRAPHER: This concludes media number  
16 two in the video deposition of Kevin Kochems. The  
17 time is 15:44. We're now off the record.

18

19 (Off the Record)

20

21 VIDEOGRAPHER: We're back on the record.  
22 Today's date is September 24, 2018. The time is  
23 15:49. This is the beginning of media number  
24 three in the video deposition of Kevin Kochems.

25

1 BY MR. HALTIWANGER (Continuing):

2 Q All right. This is going to be random jumping  
3 around a little bit. Did Bechtel ever perform an  
4 estimate at completion analysis?

5

6 MR. CHALLY: Object to form.

7

8 A Not that I'm aware of.

9 Q Did CB&I or Shaw ever issue performance guarantees  
10 or performance bonds?

11

12 MR. CHALLY: Object to form.

13

14 A If by performance bond you mean the same thing as  
15 a letter of credit, could be. I want to say that  
16 we did get a letter of credit from the Consortium  
17 there at the end. When exactly that happened I  
18 don't recall off the top of my head. But I seem  
19 to recall us executing that portion of the  
20 contract at some point.

21 Q So it's your recollection that you believe there  
22 some sort of guarantee executed with either CB&I  
23 or Shaw?

24 A I know that there was the parental guarantee that  
25 we executed with Toshiba resulted in a billion

1 dollars coming back. But the letter of credit  
2 piece, I do believe that was executed. I just  
3 don't recall if it was prior to Westinghouse's  
4 bankruptcy or after.

5 Q In any of your analysis of both the EPC contract  
6 and later the fixed-price amendment, did you or  
7 anyone you know of analyze the liquidated damages  
8 clause?

9  
10 (Brief disruption.)

11  
12 A I'm sorry. One more time.

13 Q Yeah --

14  
15 VIDEOGRAPHER: One second. I just went off  
16 real quick with that sound. One moment. Back on  
17 the record at 15:51.

18  
19 Q All right. In your analysis of the EPC contract  
20 and the fixed-price amendment, did you or anyone  
21 else at SCANA analyze the liquidated damages  
22 clause?

23 A Yes.

24 Q And who did that analysis?

25 A I know I did at some point.

1 Q Did you say you did?

2 A I did, yes. I'm sorry.

3 Q Okay. And what did you look at with respect to  
4 the liquidated damages?

5 A So in our, I think, our 2015 filing, the schedule  
6 that the Consortium had provided exceeded what the  
7 guarantee substantial completion date would be  
8 which would drive liquidated damages. So, I mean,  
9 the liquidated damages was a table in the contract  
10 that said on day one it's this amount, on day, you  
11 know, 265 it's this amount. So you just kind of  
12 do the math.

13 Q Okay. So that would -- so for the liquidated  
14 damages provision, you're calculating okay,  
15 they've given us the new schedule. It's going to  
16 go X day past the original date. This is what we  
17 get under the liquidated damages?

18 A Yes.

19 Q And did you determine if the amount of those  
20 liquidated damages would be adequate to cover the  
21 impact of the schedule overrun?

22 A I don't know that we ever did analysis to say that  
23 that would cover the cost overruns, no. I don't  
24 think that they were ever intended to do that.  
25 But I don't think we ever did that type of



1 analysis.

2 Q Okay. What were they intended to do then?

3 A I honestly don't know. I just know in the 2015  
4 filing that we had a negative number in there that  
5 represented what we thought were liquidated  
6 damages that should be owed back to us based on  
7 the new schedule that the Consortium had  
8 delivered. So if you look at the 2015 testimony  
9 you'd see a negative \$34 million or something like  
10 that in order to cover that.

11 Q And that's money that you believed were owed to  
12 SCANA from Westinghouse or the Consortium under  
13 the liquidated damages provision?

14 A Yes.

15 Q At the time of the 2014 EAC team, what triggered  
16 the creation of the EAC team?

17 A It would be the delivery of the EAC from the  
18 Consortium.

19 Q I guess what triggered SCANA asking Westinghouse  
20 to perform that work? Were they not pleased with  
21 the progress being made?

22

23 MR. CHALLY: Object to form.

24

25 A I don't know that SCANA asked the Consortium to

1 deliver us a new EAC. I think the Consortium came  
2 to us and said, you know, they had a schedule  
3 delay, they had a cost increase and they needed to  
4 share it with us. I don't think we asked for  
5 that.

6 Q Okay. So the EAC team that you were a part of in  
7 2014 came about because Westinghouse came to SCANA  
8 and said hey, we're going to be behind schedule  
9 and over budget and we're going to get that  
10 updated to you. And SCANA's response was to put  
11 the EAC team together to vet that?

12 A Yes. That's right.

13 Q Earlier we discussed that prior to the fixed-price  
14 contract, SCANA was responsible for the craft  
15 labor. Is that correct?

16 A Yes. So the craft labor would've fallen under  
17 the target portion of the EPC contract.

18 Q What other aspects of the project was SCANA  
19 responsible for?

20 A Do you mean what other portion -- what other  
21 scopes of work were under the target portion?

22 Q Yeah.

23 A The biggest one was labor. There was small tools,  
24 things like that up into a certain point that they  
25 were target. There were some consumables that

1           were underneath that target portion of work.  
2           There was also -- we had target and we had TNM  
3           which was similar to targeted. They're both  
4           cost-plus under the TNM. Things like scaffolding  
5           would've been under that. Support -- licensing  
6           support, sales tax, import duties, things of that  
7           nature. I'm sure there's a lot that I'm just not  
8           recalling off the top of my head, but . . .

9    Q       Okay. When was the first time SCANA assessed  
10           whether abandoning the project was the most  
11           financially reasonable decision?

12   A       I don't know the answer to that question.

13   Q       When did you first become aware yourself that that  
14           analysis would be done?

15   A       Are you talking about the analysis we did in 2017?

16   Q       Just in general.

17   A       I don't know when we started doing it. But in the  
18           later PSC filings we would have a gentleman -- a  
19           SCANA employee by the name of Dr. Lynch that would  
20           do an analysis to evaluate whether we continue  
21           construction or we stop. That was certainly in  
22           the last, I want to say, two or three PSC filings.  
23           But it may have been in there since day one. I  
24           just don't recall it off the top of my head.

25   Q       We've talked a good bit about PF factor today.

1 Was the actual or the historical PF number lower  
2 or higher than the 2014 EAC committee used for its  
3 estimate?

4 A I think the PF factor started out lower, but it  
5 gradually increased to exceed the 2014 one.

6 Q Did you ever have any conversations with  
7 anybody at Toshiba concerning the project?

8 A (Nonverbal response.)

9 Q Before we broke and we were talking about looking  
10 at the cost of cancellation of the project, and I  
11 think you referenced, and I don't want to put  
12 words in your mouth, having looked at it in 2008.  
13 Is that correct?

14 A Yeah.

15 Q Why were you looking at the cost of cancellation  
16 in 2008?

17 A So as we were negotiating the EPC contract with  
18 the Consortium, I guess things were progressing  
19 like we had hoped. And we basically sent them  
20 home, said nevermind. I don't know if that was a  
21 negotiating tactic or what. But at that point we  
22 pulled together how much had we spent and how much  
23 would it cost to get out of this.

24 Q So that's after an EPC contract had been entered  
25 into?

1 A No. It was as we were negotiating the contract.

2 Q Negotiating. Okay.

3

4 MR. HALTIWANGER: All right. I think I'll  
5 pass the witness.

6 VIDEOGRAPHER: Off the record at 15:59.

7

8 (Off the Record)

9

10 VIDEOGRAPHER: Back on the record at 16:03.

11 - - - - -

12 EXAMINATION

13 BY MR. RICHARDSON:

14 Q Thank you. Good afternoon, Mr. Kochems.

15 A Good afternoon.

16 Q Matthew Richardson. I wanted to ask you a few  
17 follow-up questions from your discussions with  
18 Mr. Haltiwanger. You took over presenting the  
19 company's numbers publicly and to the Public  
20 Service Commission in filings and testimony from  
21 Carlette Walker?

22

23 MR. CHALLY: Object to form.

24

25 Q Hold on one second.

1

2

MR. RICHARDSON: What's the objection of the  
form of that question?

3

4

MR. CHALLY: It's compound. You're asking  
about every single filing, every single financial  
disclosure. And I don't think he actually . . .

5

6

MR. RICHARDSON: Okay.

7

8

9

Q Let me ask it again then. Mr. Kochems, did you  
take over presenting the company's numbers to the  
Public Service Commission in filings in testimony  
after Ms. Walker?

10

11

12

13

14

MR. CHALLY: Same objection.

15

16

A Are you asking me did I testify before the PSC?

17

Q Did you take over her role in testifying to the  
PSC about the numbers?

18

19

A Yes. I testified before the PSC in 2016, yes.

20

Q And more specifically, though, you took over her  
role that she had in 2015 when she left?

21

22

23

MR. CHALLY: Object to form.

24

25

Q Isn't that right?

1 A Yes. So in 2015, she testified. In 2016, I  
2 testified, yes.

3 Q And in 2015 you were in the preceding when she  
4 testified, weren't you? In the hearing room.

5 A Yes.

6 Q And you had prepared her for that testimony?

7 A I had helped prepare some of the financial  
8 schedules in her testimony, yes, sir.

9 Q You had done some of the work that she then  
10 testified in 2015 to the PSC about?

11 A Yeah, I assisted. I mean, I reported to Carlette.  
12 So I assisted her, yes.

13 Q And you would agree that Carlette Walker's 2015  
14 testimony was incorrect based on the EAC's work in  
15 2014. Isn't that right?

16 A I don't know that I would say that, no.

17 Q Is was certainly different than the EAC's  
18 conclusions, wasn't it?

19 A So the -- yes. It was different than the EAC  
20 team's conclusion.

21 Q And you -- I believe you told us earlier, and tell  
22 me if I'm wrong, that the reason is was different  
23 was because senior management made a different  
24 decision about what to present to the Public  
25 Service Commission. Isn't that right?

1

2

MR. CHALLY: Object to form.

3

4

A Well, yeah. I mean, yes and no. So the decision

5

on what to file in the 2015 case relating to

6

performance factor was senior management's

7

decision, yes.

8

Q And more specifically, the estimate at completion,

9

the actual cost that you would submit to the

10

Public Service Commission in 2015, was also

11

determined differently from what the EAC committee

12

or team had determined. Isn't that right?

13

14

MR. CHALLY: Object to form.

15

16

A Yes. So both those are two different numbers,

17

yes.

18

Q And in both cases, the productivity factors and

19

the estimate at completion, the cost presented to

20

the PSC in 2015 by SCE&G were different than what

21

the EAC team had concluded. Isn't that right?

22

23

MR. CHALLY: Object to form.

24

25

A I mean, I don't know if you asked me the same



1 question twice now.

2 Q I did.

3 A But yeah, the EAC team's analysis was different  
4 than what was presented to the Public Service  
5 Commission, yes.

6 Q And did you have any responsibility in what was  
7 presented to the Public Service Commission being  
8 different than what the EAC team had concluded?

9 A No. That would've been a senior management  
10 decision.

11 Q And earlier you told us senior management -- you  
12 consider senior management to be four people  
13 during this time period?

14 A In that particular instance that we're talking  
15 about, yes. But there's more people in senior  
16 management than four.

17 Q On the issue that we're talking about?

18 A Okay.

19 Q In the PSC filing in 2015 it was Carlette walker,  
20 Steve Byrne, Kevin Marsh, and Jimmy Addison,  
21 right?

22 A Yeah.

23 Q And we know it wasn't Carlette Walker that changed  
24 the EAC's recommendations to what got filed with  
25 the PSC, don't we?

1

2

MR. CHALLY: Object to form.

3

4

A I don't know who made that decision.

5

Q You worked with her every day. And you knew how she felt about the EAC recommendation versus what got filed in 2015 to the PSC, don't you?

6

7

8

9

MR. CHALLY: Object to form.

10

11

A Yes. I knew leading up to the decision to file that she felt that a higher performance factor should be filed. But ultimately that's the decision that they made. I'm assuming she was part of that decision.

12

13

14

15

16

Q Do you still believe that she was part of that decision?

17

18

A I don't know what to believe anymore.

19

20

Q But do you know who made the decision out of the group to change the testimony?

21

A I don't know. No, sir.

22

23

Q Okay. Do you know that Carlette Walker was right about the performance factor too, don't you?

24

25

MR. CHALLY: Object to form.

1

2 A When you say she was right about it, what exactly  
3 do you mean?

4 Q Well, she was agreeing with your team's  
5 conclusion, wasn't she?

6

7 MR. CHALLY: Object to form.

8

9 A She did think that the performance factor should  
10 be higher than what Westinghouse had provided to  
11 us, yes.

12 Q And she had concerns that the owners' numbers  
13 presented to the PST -- PSC in 2015 were not the  
14 best information from the EAC team?

15

16 MR. CHALLY: Object to form.

17

18 Q Isn't that right?

19 A Well, I mean, so I'm trying not to -- give you the  
20 same answer every time. I want to make sure I  
21 understand your question. I mean, yes, she did  
22 not -- she thought that the EAC that Westinghouse  
23 had prepared that it should be filed at a higher  
24 number, yes.

25 Q And it wasn't like Mr. Byrne and Mr. Addison and

1 Mr. Marsh were doing their own analysis of the  
2 productivity factors or the estimate at  
3 completion, were they?  
4

5 MR. CHALLY: Object to form.  
6

7 A Well, I mean, I know that especially Mr. Byrne  
8 would've had a lot of different meetings with the  
9 Consortium. The Consortium had a team of, you  
10 know, 50 to 80 people that prepared that EAC. He  
11 would've had some insight into, you know, what was  
12 the assumptions that they made and how they  
13 produced it. So I don't know that I would call  
14 Westinghouse Mr. Byrne's team. He obviously got  
15 information from Westinghouse that the EAC team  
16 may or may not have gotten.

17 Q Part of the EAC review was to both vet and test  
18 the assumptions that Westinghouse used in  
19 providing the schedule?

20 A Yes. Yeah.

21 Q And so as far as who was working for Mr. Byrne or  
22 Mr. Addison or Mr. Marsh, it was the EAC team,  
23 wasn't it?

24 A Yes. We reported directly or indirectly to  
25 Mr. Byrne's.

1 Q And are you -- I think you've already told us,  
2 you're not aware of any other SCE&G or even Santee  
3 Cooper team that was working on the EAC?

4 A No, I'm not.

5 Q And you agree with Ms. Walker about her concerns  
6 that the productivity factor submitted in the 2015  
7 testimony was too low, don't you?

8

9 MR. CHALLY: Object to form.

10

11 A Based on my limited knowledge of productivity  
12 factors, yes.

13 Q But isn't your knowledge about the productivity  
14 factors in this project complete as to the  
15 historical numbers?

16 A No.

17 Q In the EAC team review, didn't y'all go back and  
18 get all of the productivity factors that had been  
19 reported by -- I forget what you call it -- but  
20 essentially a monthly report?

21 A So the productivity factors is a very complex  
22 topic that I can understand and explain at a 5,000  
23 foot level. Ken Browne actually had with his  
24 construction experience and his knowledge of  
25 building power plants kind of led that effort or

1 that portion of the EAC project. So any kind of  
2 conclusion that the EAC team reached was really  
3 Ken's conclusion. And I had no reason to, you  
4 know, disagree with it. So I defer to Mr. Browne  
5 on that topic. I certainly wouldn't call myself  
6 any kind of expert in productivity factor.

7 Q Wasn't any equivocation in the EAC team's  
8 conclusion about the productivity factor, was  
9 there?

10

11 MR. CHALLY: Object to form.

12

13 A What do you mean? I don't know I understand the  
14 question.

15 Q The EAC team made a clear recommendation based on  
16 productivity factors as to what the estimate at  
17 completion should be in 2015.

18

19 MR. CHALLY: Object to form.

20

21 A I believe we said based on the current structure  
22 of the Consortium that we felt that -- the EAC  
23 team felt that whatever productivity factor we  
24 stated was the one we should go with.

25 Q And you thought that the EAC recommendations were

1 correct in early 2015, didn't you?

2 A Again, I had no reason to disagree with  
3 Mr. Browne.

4 Q Well, the EAC recommendations were broader than  
5 just what Mr. Browne's additional insight on the  
6 productivity factors. Isn't that right?

7 A Well, I mean, when it comes to productivity  
8 factors, I mean, Mr. Browne was the EAC team.

9 Q Sure. But you also talked about your own concerns  
10 about the constructability of the design and the  
11 problems that persisted for years that went into  
12 the EAC review, didn't it?

13 A I'm not sure I understand the question.

14 Q The EAC review had more concerns about the cost to  
15 completion than just productivity factors. Isn't  
16 that right?

17 A Yeah. There were many different aspects of the  
18 cost to complete that we looked at outside of the  
19 productivity factor. That's a true statement.

20 Q And the EAC team vetted the Westinghouse numbers  
21 and gave to senior management its best  
22 recommendation for the schedule modification filed  
23 with the PSC. Isn't that right?

24

25 MR. CHALLY: Object to form.

1

2 A I don't know that the EAC team gave an opinion on  
3 the schedule. I don't know if that's what you  
4 meant.

5 Q Well, for the cost to complete?

6 A Cost portion.

7 Q There's a cost schedule, right?

8 A Yeah. That's -- yeah, in that sense.

9 Q You can also call it the estimate at completion?

10 A Yeah.

11 Q Okay. So the EAC team reviewed the Westinghouse  
12 numbers and gave senior management the best  
13 information for the estimate at completion for the  
14 cost for the modification with the PSC. Isn't  
15 that right?

16

17 MR. CHALLY: Object to form.

18

19 A So, yes. It's based on the two-month evaluation  
20 that we performed, that the EAC team performed.  
21 We provided senior management with what we felt  
22 was the most accurate information. Yes, sir.

23 Q And senior management chose to ignore that EAC  
24 recommendation in filling with the PSC in 2015.  
25 Isn't that right?



1

2

MR. CHALLY: Object to form.

3

4

A I don't know that I would use the word ignore.

5

Q What word would you use?

6

A I would say they decided to go with Westinghouse's

7

assumptions. Ignore kind of implies that they

8

wouldn't even listen to us. They certainly did

9

listen to us.

10

Q They just didn't follow your recommendation?

11

A True.

12

13

MR. CHALLY: Object to form.

14

15

Q So senior management chose to file the

16

Westinghouse's numbers instead of the EAC review

17

in-house in making its 2015 filing with the PSC?

18

A That's correct.

19

Q When SCANA services charges the project for -- you

20

used the example computers but also personnel.

21

Does SCANA services or SCE&G make a return on

22

those billings to the NND project?

23

A No. Any kind of return that SCANA would make on

24

that \$6 computer -- or not \$6. I think it's \$28.

25

I'm sorry if I said \$6 earlier. That \$28 computer

1 every month would come through the BLRA mechanism.

2 Q Which means SCE&G would make the return instead of  
3 SCANA services?

4 A Yes, through the BLRA.

5 Q Which is the only place revenue is collected under  
6 this scenario, right?

7 A That's the only place that revenue was collected  
8 for the nuclear project. That's true.

9 Q And SCE&G would essentially pay SCANA services the  
10 \$28 that is charged to the project. Is that  
11 right?

12 A Yeah.

13 Q Eventually, once it collects it.

14 A Yeah. I hesitate to use pay because I don't know  
15 that money was exchanged. But from an accounting  
16 standpoint, a journal entry for \$28 came from  
17 SCANA services to the work order or to CWIP, yeah.

18 Q And do you know that if SCANA services actually  
19 got paid for that charge at the time because SCE&G  
20 was just collecting the financing costs?

21

22 MR.BEVER: Object to the form.

23

24 A I don't know. Again, I hesitate to use the word  
25 paid because that kind of implies that somebody

1 wrote somebody a check, and I don't know that that  
2 happens.

3 Q You don't know that it doesn't happen, though,  
4 between SCANA services and SCE&G, do you?

5 A No, I don't.

6 Q What were -- you talked about getting a  
7 compensation bonus based on department goals.  
8 Were there goals other than meeting the budget for  
9 your department in NND?

10 A Yes.

11 Q What were some of the other department goals?

12 A There would've been goals to establish policies or  
13 procedures. I think that was one of our goals one  
14 year. We would have a goal to file our quarterly  
15 Public Service Commission filings timely. That  
16 would've been a goal. Geez, I know there were  
17 more of them, jut off the top of my head I  
18 can't -- I'm struggling to remember what they  
19 were, but there were more. Goals that our  
20 department had direct control over. So writing  
21 the procedure, we have direct control over whether  
22 we write that procedure and get it done properly  
23 or not.

24 Q On the goal of meeting the budget, what did that  
25 mean?

1 A So at the beginning of the year, we would set in  
2 owners' cost budget. All of NND would have pretty  
3 much the same goal. And if that was the owners'  
4 cost projection based on if the Public Service  
5 Commission approved filing for 2013 was  
6 \$50 million, you know, we would either -- you  
7 know, we would track and report every single month  
8 whether we were on track to meet that goal or not.  
9 And at the end of the year if we -- if it truly  
10 was \$50 million and we spent 51, we didn't meet  
11 it; if we spent 49 then we met it.

12 Q So meeting the goal meant coming in or under  
13 budget?

14 A Yes.

15 Q And in early years of the project, it was under  
16 budget, generally?

17 A Yeah.

18 Q Do you remember when it got close to matching or  
19 meeting the budget?

20 A I don't recall. But again, it was just based on  
21 the owners' cost portion.

22 Q What were some of the personal goals you had to  
23 achieve a compensation bonus?

24 A So that was what I was talking about before.  
25 Developing policies and procedures, making, you

1 know, regulatory filings timely, things of that  
2 nature. So that would've been -- it wouldn't had  
3 been me personally. It would've been the  
4 department that I was in. Everybody would have  
5 the same set of goals.

6 Q You didn't have individual goals separate from  
7 department goals?

8 A No. We would have individual goals that would  
9 drive our performance review, but not necessarily  
10 tied to compensation.

11 Q And what were some of those?

12 A What were some of the personal goals?

13 Q Yeah. Performance review goals.

14 A You would get certain training, things of that  
15 nature. Improve, things of that nature.

16 Q Show up to work? Follow procedures?

17 A Yeah. It was never that basic, but essentially  
18 yes.

19 Q You all talked about part of the owners' scope and  
20 the cost with construction oversight. Tell me  
21 more about what went into that aspect of the  
22 owners' cost?

23 A So I guess the single biggest piece of owners'  
24 cost was labor. So the labor for the construction  
25 oversight group, the labor associated with the

1 operational readiness departments. That was the  
2 single biggest piece. You got labor and you got  
3 the PB&Ts that follow along with all the other  
4 nonlabor cost that are kind of tied to labor like  
5 computers and things of that nature.

6 Q And how expansive was the construction oversight?  
7 I mean, were there limits to the construction  
8 oversight as part of the owners' cost?

9 A I don't know that I understand the question.

10 Q Part of your testimony when the Public Service  
11 Commission talks about how, you know, it's  
12 reasonable, prudent expenditures. And so I'm  
13 asking you what are the parameters? Where does it  
14 get unreasonable or imprudent to be spending  
15 owner, you know, money on construction oversight?

16

17 MR. CHALLY: Object to form.

18

19 A So I think the construction oversight group had a  
20 -- it would go by department. So, for example,  
21 the construction department, they had a budget for  
22 the current year and every single year after that  
23 until construction schedule was to be completed.  
24 So that budget was built up from, you know, for  
25 labor again. You know, the employees, they had

1 the salaries, they were paid. All the things that  
2 were tied to salary and the people that they  
3 planned on hiring in the future, when they planned  
4 on hiring them. The rate we expected to pay those  
5 new employees, travel, you know, contractors they  
6 needed to bring in. All that other -- you know,  
7 trucks that were on-site. All that other kind of  
8 stuff. So as long as that department met the  
9 budget goal within their department, it was  
10 acceptable. Now, that doesn't mean that if they  
11 went over on labor they couldn't save somewhere  
12 else as long as the bottom line for that  
13 individual department was met, it was considered a  
14 success.

15 Q And more than just the budget, what about the  
16 scope of work? You talked about that's one of the  
17 drivers of the owners' cost. What is the scope of  
18 the construction oversight being reasonable and  
19 prudent in a project like this?

20  
21 MR. CHALLY: Object to form.

22  
23 A I guess you'd have to look at each of those groups  
24 individually. And I don't know that I'm qualified  
25 to speak to what an engineering group, what scopes

1 of work is prudent for them to do and not. I'm  
2 not an engineer, so that I don't know that I can  
3 answer that question accurately for you.

4 Q What about having an owner's engineer on a project  
5 like this? You know of any -- do you know whether  
6 that would be reasonable or prudent?

7 A What do you mean by owner's engineer?

8 Q Like a representative who would be experienced and  
9 have sufficient training in nuclear construction  
10 to ensure adequate construction oversight for, you  
11 know, the Consortium?

12 A I don't know that I could -- I could give you a  
13 good opinion on whether that's a good thing or a  
14 bad thing, but that's not my area.

15 Q Did you know if it -- the project ever had an  
16 owners' engineer?

17 A We certainly had a construction oversight group  
18 whether we would call them an owners' engineer or  
19 not. I guess I don't appreciate the topic enough  
20 to differentiate the semantics of it. I honestly  
21 can't help you.

22 Q What about if I asked specifics about IST,  
23 insurance maintenance training, any of these other  
24 aspects of owners' scope of work? You're largely  
25 relying on other people to tell you whether or not



1 the scope of the owners' work in those areas is  
2 reasonable and prudent under the circumstances of  
3 this project?

4 A Yes. That's true. So if IST determined that they  
5 needed to buy a program to do a certain task, it  
6 wasn't my job to say you need that program or not.  
7 As long as they approved it and the site VP  
8 approved it, my job came into, okay, how much is  
9 it going to cost and when are we going to spend  
10 the money.

11 Q And so in preparing your testimony, did you look  
12 beyond what the budget for the owners' cost was  
13 set at in order to present it to the Public  
14 Service Commission?

15 A When you say look beyond, I don't know . . .

16 Q Well, the things that I'm asking, did you go and  
17 talk to people about whether there should be a  
18 separate owners' engineer that's not in-house, for  
19 example, for construction oversight?

20

21 MR. CHALLY: Object to form.

22

23 A I don't know that I ever asked anybody should we  
24 have an owners' engineer or not.

25 Q What about the level of insurance coverage or the

1 types of coverages for a project like this?

2 A So we had an insurance department where we  
3 actually had a person on-site full-time dedicated  
4 to our insurance oversight, at least the scopes of  
5 work that we were responsible for. So, you know,  
6 we would receive budget information from them and  
7 they would provide -- they would come up with the  
8 assumptions and work with the different insurance  
9 carriers to come up with a budget and provide that  
10 information to me. I would take that and compile  
11 it with all the other financial information.

12 Q And so you weren't auditing the scope of the  
13 owners' scope of work with the respect to these  
14 owners' cost, were you?

15 A So, I mean, one of the reviews we would do -- I  
16 mean, the insurance department couldn't say I  
17 needed \$300 million and we would just increase his  
18 budget \$300 million. No, that certainly didn't  
19 happen. What we do is we would take this money in  
20 addition to everybody else's money and we would  
21 provide that to senior management kind of at the  
22 VP level and then the senior vice president and  
23 CEO level. And we would review that with them in  
24 detail. That would be several hours of going  
25 through the individual components of the budget

1 and make sure that they were comfortable with it.

2 Q And who was that that you go through it with? Who  
3 was the senior vice president and senior  
4 management?

5 A So the initial review would be somebody like a Ron  
6 Jones who was the site VP and a Marion Cherry who  
7 was Santee Cooper's representative. And following  
8 that meeting, we would meet with like a Jeff  
9 Archie and Steve Byrne.

10 Q And so you would have to rely on them to tell you  
11 whether it was reasonable and prudent to have a  
12 \$300 million insurance policy for a greater scope  
13 of IT support?

14 A Yes.

15 Q And is it fair to say that your work in presenting  
16 the materials, EAC so to speak, to the PSC was  
17 limited to essentially compiling numbers provided  
18 by the various departments and the inputs for the  
19 owners' cost?

20

21 MR. CHALLY: Object to form.

22

23 A Okay. I want to make sure I understand the  
24 question. Because are you talking about the EAC  
25 or are you still talking about the owners' cost?

1 Q I meant to say owners' cost and not EAC.

2 A Okay. So one more time.

3 Q Sure. So is it fair to say that your role in  
4 presenting the owners' cost to the Public Service  
5 Commission was really limited to getting the  
6 various inputs for the owners' cost from the  
7 various departments and not determining the  
8 appropriate scope of the owners' work?

9 A So that would be a true statement. Now, I would  
10 add to it. You know, part of my responsibility  
11 was to make sure that the people who could say  
12 whether the scope is appropriate or not, approved  
13 it. So that would've been like a Mr. Byrne.

14 Q And as long as Mr. Byrne signed off on it that in  
15 your mind meant you were able to present it to the  
16 Public Service Commission as owners' cost?

17

18 MR. CHALLY: Object to form.

19

20 A Yes.

21 Q And the owners' cost, you talked about earlier  
22 having essentially doubled from the original  
23 petition. Do you know when that happened?

24 A I'm talking from the beginning to the end, and I  
25 want to say it doubled, it increased

1 significantly, hundreds of millions of dollars.  
2 Whether it actually doubled or it actually  
3 exceeded that, I don't know sitting here right  
4 now. But I can tell you that it did increase  
5 significantly.

6 Q Are you aware of all the inputs to owners' cost?

7 A Am I aware of all the inputs to owners' cost? I  
8 don't know that I understand that question.

9 Q You presented all the owners' cost to the Public  
10 Service Commission. So you compiled all of that  
11 and submitted it as part of your testimony?

12 A Yes.

13 Q I was curious if you were aware -- I want to ask  
14 you about some -- potential inputs to owners'  
15 cost. And I was wondering if you can verify for  
16 us that you're aware of all the different inputs  
17 to owners' cost?

18 A I know that owners' cost was compiled with --  
19 there was over a hundred different departments.  
20 Each department had -- was budgeted at a resource  
21 code level. There is, I think, 900 different  
22 resource codes. And we would have compiled it by  
23 month for the current month and then annually  
24 after that. So you're talking hundreds of  
25 thousands of line items. I can't sit here and

1 tell you I'm familiar with every single one of  
2 them. But at a high-level, I was familiar with  
3 them, yes.

4 Q Okay. What about Santee Cooper? Did they provide  
5 a single number plug-in?

6 A So they were kind of too -- yeah. So Santee  
7 Cooper provided us with what they thought they  
8 were gong to spend mostly from a labor oversight  
9 perspective. So like Marion's labor. And he had  
10 support people back in Santee that would help him,  
11 So, yeah.

12 Q And what's the other Santee Cooper portion?

13 A There was travel and kind of ancillary type costs  
14 like that.

15 Q Was there anything else Santee Cooper contributed  
16 to owners' cost that was submitted to the PSC?

17 A Not that was submitted to the PSC. The other big  
18 portion of the Santee Cooper cost was the  
19 electricity cost out on-site. But that would be a  
20 Santee Cooper only cost, so we wouldn't present  
21 that to the PSC.

22 Q All right. How about allocation of senior  
23 management time and expenses to the NND project?

24 A Santee Cooper's?

25 Q No. SCE&G or SCANA for that matter.

1 A Yeah. So that would've been its own budget.

2 Senior management or executive management would  
3 have had a budget that would have included in  
4 owners' cost.

5 Q And who reviewed the allocation of their time to  
6 the project?

7 A Whoever approved their time sheets.

8 Q And who would've approved Kevin Marsh's time  
9 sheets?

10 A I don't know who approves Kevin's time sheets.

11 Q What about Steve Byrne?

12 A I would assume that Kevin approved Steve's time  
13 sheet. I don't know.

14 Q And Jimmy Addison?

15 A Again, I would assume Kevin approved Jimmy's time  
16 sheet.

17 Q And so did you have any responsibility at all in  
18 that aspect of owners' cost whether it was  
19 reasonable or prudent?

20 A No. I wouldn't have much insight into how much  
21 time Kevin Marsh really spent on the project.

22 Q You would accept whatever was sent to you on that  
23 particular input to owners' cost?

24 A So Kevin and Jimmy charged very little time to the  
25 project. Steve charged a portion of his. It

1 varied by year I'm sure. But it was accorded  
2 two-third or one-third of his time came to the  
3 project for Steve. But Kevin and Jimmy charged  
4 very little time to the project.

5 Q And how about expenses for senior management?

6 A Right. So if Kevin Marsh filled out an expense  
7 report and charged to the project, I didn't go  
8 back and question him.

9 Q Same for Steve Byrne and Jimmy Addison?

10 A Yes.

11 Q And did they charge jet airplane trips to the  
12 project?

13 A Yeah. So there's a company aircraft. And if  
14 Steve when on a trip to the NRC for Units 2, 3,  
15 for example, that the company air -- aviation  
16 department would charge that flight to the work  
17 order, yes.

18 Q And did you just accept all of those types of  
19 expenses and pass them along to the PSC for  
20 approval?

21 A I mean, so -- I mean, somebody approved that  
22 before it got to the work order. So yes, if it  
23 was approved, then yes, it would been included in  
24 rates.

25 Q And you didn't do any analysis of whether they're



1 reasonable and prudent for the project?

2 A Well, I mean, we would look to make sure it wasn't  
3 completely out in left field. And if we had any  
4 question, we certainly have the option to call the  
5 aviation department and question why, you know, a  
6 trip to, you know, Washington or New York or  
7 whatever was charged to the project. That  
8 happened quite a bit.

9 Q That you had to follow-up and ask questions about  
10 the nature of the trip?

11 A Yeah. If it seemed out of the ordinary, yes. Or  
12 if the ORS picked it in their review and their  
13 evaluation, we certainly asked.

14 Q Are you aware of any unusual and unexpected  
15 requests that were actually submitted as part of  
16 owners' cost?

17 A I don't know. I mean, I don't know what you mean  
18 by unusual or unexpected.

19 Q I thought that's what you just said. You said if  
20 it was unusual or unexpected, I might follow-up  
21 and ask about it.

22

23 MR. CHALLY: I'll object to the form of the  
24 question.

25

1 A We would obviously get an answer. And if it  
2 was -- if it truly was not related to the NND  
3 project then we move it out, or we would move it  
4 below the line, one of the two.

5 Q And do you remember any -- that were unusual that  
6 were actually put into and submitted as part of  
7 owners' cost?

8 A No.

9 Q Are you aware that executive bonuses were included  
10 as part of owners' cost and submitted to the PSC?

11 A Yes. I was aware of that.

12 Q And we saw an e-mail earlier about that when  
13 Santee Cooper refused to pay it in 2017 after  
14 abandonment?

15 A Yep.

16 Q And did anybody question the executive bonuses as  
17 part of the owners' cost prior to that e-mail?

18 A Anybody questioned it? I mean, the amount of  
19 bonus that came to the work order was a  
20 calculation that my colleague in my department  
21 did. So I don't know that we would've questioned  
22 the calculation. The actual amount that came over  
23 was driven by the amount of bonus they got paid.  
24 And no, we didn't question that.

25 Q And who is the colleague that did those

1 calculations?

2 A So Sheri Wicker was the one who would take Steve  
3 Byrne's bonus and if he had charged 20 percent of  
4 his labor to the project, 20 percent of his bonus  
5 came to the project. So she would do that math.

6 Q Did anybody question or challenge the inclusion of  
7 executive bonuses in the owners' cost for the  
8 project?

9 A Is that a different question than the one you just  
10 asked me? I want to make sure I'm -- I'm trying  
11 not to be . . .

12 Q I'm just covering all the ground I think haven't  
13 been plowed yet.

14 A So again, Sheri would've been the one that did  
15 that calculation. Somebody would've reviewed it  
16 and approved it prior to it actually happening.  
17 So in that sense, yes, we did review and question  
18 the executive bonuses that came to the project.

19 Q I followed you until you got to the conclusion.  
20 Who questioned the executive bonuses being  
21 included in the owners' cost for the project?

22 A So our group as the group that did the math to  
23 figure out how much should come to the work order,  
24 that would've done by one person and reviewed by  
25 another. So if there was problems with the math,

1 it would've been questioned and corrected.

2 Q Beyond just the mathematical calculations, did  
3 anybody question the propriety or the prudence of  
4 including executive bonuses in the NND project as  
5 owners' cost?

6 A No. I mean, that was an executive decision that  
7 was made.

8 Q Are you familiar with the consulting  
9 contract given to Bill Timmerman?

10 A Yes.

11 Q How long was that in effect?

12 A I don't remember the specifics of it. It went  
13 until 2016 I think.

14 Q And he left around 2011?

15 A Somewhere around there, yeah.

16 Q And are you aware of the work he did for that  
17 consulting contract?

18 A No. I mean, he wouldn't have done things for me.  
19 So no, I'm not aware of what he did.

20 Q Are you aware that he did any work for anyone for  
21 the consulting contracts?

22 A That would be something you would have to ask  
23 senior management.

24 Q Are you aware of bonuses for Bill Timmerman after  
25 retirement being included in owners' cost for the

1 project?

2 A Is that different than the topic you were just  
3 referring to?

4 Q Yes. I'm not -- I'm saying that the bonuses as  
5 opposed to just the consulting contract?

6 A I'm not sure exactly what month he left, but if he  
7 left at a point in time where he had earned a  
8 bonus and not been paid it then yes, there would  
9 be something owed to him.

10 Q You're just speaking in general terms?

11 A Yes.

12 Q You're not specifically talking about Bill  
13 Timmerman's bonuses that he received after  
14 retirement?

15 A No.

16 Q Okay. Are you aware of Bill Timmerman receiving  
17 bonuses after retirement?

18 A No, I'm don't.

19 Q Okay. I may have missed it. But there was a lot  
20 more detail about the 2014 EAC than the 2017 EAC  
21 exercise. Why did you not use the same approach  
22 in 2017 as you did in 2014 for the EAC?

23 A The biggest reason is that in 2014 we were limited  
24 to a little information the Consortium was willing  
25 to share with us. In 2017 they opened the books

1 on everything. So we had a much better view of  
2 the situation in 2017.

3 Q But I thought you said it was more difficult to  
4 verify the WEC numbers in 2017. You decided to  
5 just build it up instead of doing a verification  
6 of the Westinghouse numbers in 2017.

7 A That's right.

8 Q Even though you had more information in 2017?

9 A So in 2017, Westinghouse provided us with they  
10 concluded as the EAC that was provided to us prior  
11 to them declaring bankruptcy. And again, Kyle  
12 would've been the one that had led this exercise  
13 when we started getting into that and we found  
14 that it would be easier just to take their  
15 underlying assumptions and the underlying data and  
16 develop our own EAC from that as opposed to having  
17 them done the calculation on those underlying  
18 assumptions. Does that make sense?

19 Q Yes. But I want to know why. Were their  
20 calculations that unreliable?

21 A I think that they had noted enough errors in that  
22 Westinghouse calculation that they decided not to  
23 rely on any of it and just do it themselves.

24 Q Is it fair to say they pretty quickly determined  
25 that the Westinghouse numbers were just wrong?

1

2

MR. CHALLY: Object to form.

3

4

A For the 2017 EAC, yes, they determined that. It

5

would be easier to do their own calculation.

6

Q And you keep saying they. But weren't you part of

7

the EAC team in 2017?

8

A Yes, I was. But . . .

9

Q Somebody else was doing the calculations?

10

A Well, no. I mean, my piece was there was --

11

again, we kind of talked about it earlier. But

12

there was 20-some-odd people that were going

13

through the minutia of all those underlying

14

assumptions and all that underlying data for

15

months at a time. So when they finished their

16

evaluation and said for this, you know, for

17

construction equipment, this is how much money I'm

18

going to spend on construction equipment and

19

here's where I'm going to spend it, that's kind of

20

where I would've come in and taken that cash flow

21

and, you know, added it to all the other ones.

22

Q Why did Westinghouse provide so much more

23

information after -- for the 2017 EAC review?

24

25

MR. CHALLY: Object to form.

1

2 A At that point they I guess were acknowledging that  
3 our EPC contract was going to be rejected. So  
4 they really didn't have anything to hide.

5 Q Has the EPC contract as amended been rejected by  
6 Westinghouse?

7 A I believe the bankruptcy court acknowledged that  
8 like a month or so ago, yes. I think it's  
9 officially gone.

10 Q Talking about like in July or August of 2018,  
11 right?

12 A Yes.

13 Q After the confirmation plan?

14 A Yeah. I don't want to -- I know that's a legal  
15 thing and I don't want to try to speak to that.  
16 But I know Westinghouse had earlier in 2018 said  
17 they wanted to reject it and it took the  
18 bankruptcy court to agree, stamp it approved,  
19 whatever they do. And that happened a couple of  
20 months ago.

21 Q And so back in April, May of 2017, the EPC  
22 contract had not been rejected yet, had it?

23 A That's true.

24 Q So explain to me again why after bankruptcy but  
25 before the contract had been rejected or a plan



1 had even be proposed yet in bankruptcy, why did  
2 Westinghouse all of sudden give the EAC more  
3 information than they got in 2014?  
4

5 MR.BEVER: Object to the form.

6 MR. CHALLY: Object to form.  
7

8 A Well, I think it was pretty well known or accepted  
9 that they were going to reject our contract. It  
10 was just a matter of going through the legal steps  
11 to get that done. So, I mean, once they declared  
12 bankruptcy, I think they acknowledged that, you  
13 know, we would no longer have a contract with them  
14 and they opened up books for us.

15 Q Was that done under a confidentiality agreement or  
16 some other contract?

17 A I don't know if there was a confidentiality  
18 agreement or not. Knowing Westinghouse, there  
19 probably was. I guess I'm not familiar with it.

20 Q And how did the EAC team that you were a part of  
21 access the books that got opened up by  
22 Westinghouse?

23 A So the individual, kind of working-level person,  
24 from SCANA or a contractor worked directly with  
25 their what equivalent at the Consortium.

1 Q And who were those people?

2 A I mean, there was a team of 20-some-odd people on  
3 our side and probably just as many on the  
4 Westinghouse side. So whoever was building up the  
5 EAC for construction equipment, that person would  
6 talk with the person or the people on CB&I and  
7 Westinghouse that would show them, okay, I need  
8 this many bulldozers for this many months, and I  
9 need this many cranes for this many months, and go  
10 through all that kind of level of detail with  
11 them. So it was kind of working level teams.

12 Q Who told you that Westinghouse was just going to  
13 open their books and make it available to SCE&G  
14 because they thought the contract was going to be  
15 gone away?

16 A I don't know that anybody ever told me that. I  
17 mean, Westinghouse did open up their books and it  
18 didn't take too much insight to realize they were  
19 probably going to reject our contract. That was  
20 maybe an assumption or conclusion that I drew.

21 Q When you had -- you had been in NND for SCE&G  
22 since 2006, right?

23 A So I had been with SCANA since 2002.

24 Q And I asked about NND.

25 A Oh, I'm sorry.

1 Q That was the short half of the new nuclear --

2 A I'm sorry. Yeah, yeah, yeah, I'm sorry. I  
3 misunderstood your question. Yes.

4 Q So you had been working with new nuclear at SCE&G  
5 since 2006?

6 A Yes, sir.

7 Q And Westinghouse was actually in negotiations with  
8 SCE&G in 2006 even though it took three years to  
9 get the contract signed, right?

10 A I guess you can use the word negotiations, yes.

11 Q So SCE&G had been working with Westinghouse for  
12 over ten years. And within a month of them filing  
13 bankruptcy in March of 2017, they all of sudden  
14 opened their books up to the EAC review at SCE&G  
15 for the first time?

16 A Yes.

17 Q And you don't know why that is other than you  
18 think it's because they were going to repudiate  
19 the contract?

20

21 MR.BEVER: Object to the form.

22 MR. CHALLY: Object to form.

23

24 A Yeah. I mean, that's the -- I can tell you what  
25 they did. And why they did it, I'm making the

1 assumption that they did it because the contract  
2 was going to be rejected, yes.

3 Q Ever strike you as strange enough to ask why are  
4 we getting this information now?

5 A I think we were just so happy to get it that maybe  
6 we didn't question it.

7 Q All right. What efforts did EAC team make to get  
8 access to this more detailed information earlier  
9 like in 2014?

10 A So, I mean, we I'm sure asked for additional  
11 information and we were typically -- I mean,  
12 anytime that -- and it wasn't just in 2014.  
13 Anytime that we had any type of change order, we  
14 would, you know, try to get down to the lowest  
15 level of detail that we could. And if we  
16 approached the fixed portion or fixed scope of  
17 work, the door was typically shut pretty quick by  
18 either Westinghouse or CB&I or Shaw.

19 Q And as you pointed out, when you get to  
20 negotiating about payment withholdings and  
21 ultimately the EPC amendment in 2015, was this a  
22 topic of discussion that we would greatly benefit  
23 from having more detailed information for our EAC  
24 reviews?

25

1 MR. CHALLY: Object to form.

2

3 A I'm not sure I understand the question. I'm  
4 sorry.

5 Q It's still about why or what did you do to get  
6 this information earlier than 2017.

7 A Okay, so . . .

8 Q What did you do? Did you ask for it? Did you ask  
9 senior management that we could give you a lot  
10 better information in these EAC review if you got  
11 us more detailed information from Westinghouse?

12 A So a lot of the information that Westinghouse  
13 would not share with us would relate to fixed-firm  
14 cost and we didn't care. We didn't care if their  
15 fixed-firm cost went up or went down. That wasn't  
16 our responsibility.

17 Q And you gave the example earlier about pouring  
18 yards of concrete that that was part of the  
19 fixed-firm price, right? It was really the  
20 responsibility of the Consortium. But part of  
21 your EAC review had to determine the amount and  
22 estimate of labor to pour that concrete or at  
23 least or oversee it, right?

24 A Right.

25 Q Would it be a lot more meaningful and accurate if

1           you actually knew how much concrete needed to be  
2           poured to determine how much labor would be needed  
3           to oversee that?

4    A       Well, certainly we would need to know how many  
5           more yards of concrete needed to be poured, yeah.  
6           Again, the labor portion would've been our  
7           responsibility.

8    Q       Right. And so that's details that Westinghouse  
9           had that you got in 2017 but that you apparently  
10          didn't have in 2014?

11   A       Some of that we would've had in 2014 as well.

12   Q       Okay. I just want to make sure that it wasn't, you  
13          know, all or nothing between 2014 at 2015?

14   A       Yeah. So again, in 2014 the information that was  
15          shared with us related to target TNM scopes of  
16          work. In 2017 it was full open book.

17   Q       And how were you informed that there would be this  
18          full open book in 2017 after the bankruptcy?

19   A       I don't remember exactly who told me or how I was  
20          told. I don't remember that. And to be honest  
21          with you, I wasn't the one looking inside all the  
22          detailed books. I just know that was that  
23          feedback that I got from the working level team is  
24          that they were finally getting to see a lot of  
25          information that previously had not been seen.

1 Q And it was obvious to you from having been part of  
2 EAC reviews before that this was a different type  
3 of review because of that?

4 A Westinghouse had a different attitude in 2017 than  
5 in 2016 -- or 2014.

6 Q As Mr. Haltiwanger might say, if you wanted to go  
7 find out the answer to why there was all of a  
8 sudden open book in 2017, who would you go ask?

9 A I'd say go ask Westinghouse.

10 Q Seems like they were cooperating a lot differently  
11 after bankruptcy, right?

12 A Yeah. They had a different attitude after they  
13 declared bankruptcy that's for sure.

14 Q And who would you ask at Westinghouse?

15 A I guess you could start with Jeff Benjamin. He's  
16 the -- kind of the highest level Westinghouse  
17 person that we dealt with kind of at the project.  
18 He think he was over the Vogtle and the VC Summer  
19 project. He was the top guy.

20 Q And who at SCE&G would you go ask?

21 A I would say Steve Byrne but he's not with the  
22 company anymore.

23 Q He was there in April of 2017?

24 A Uh-huh, yeah.

25 Q What about Kyle Young?

1 A Kyle may have some insight into that as well. I'm  
2 not sure.

3 Q You get the Consortium's schedule delay and price  
4 increase in August of 2014?

5 A Yes.

6 Q Do you remember if got it on the 1st or the 29th?

7 A It was the end of August. I don't remember what  
8 day it was. But I think that previous e-mail  
9 referenced a Friday.

10 Q And who did you get it from?

11 A It would've been delivered by the Consortium. So  
12 it would've been -- it was a fairly large meeting.  
13 I would say Jeff Benjamin was probably the main  
14 guy there if we was around back then.

15 Q And what was the product?

16 A I'm sorry. It was like a PowerPoint presentation  
17 that they gave people copies of.

18 Q Okay. Do you remember what it was called?

19 A 2014 EAC. I'm not -- I don't remember a specific  
20 title.

21 Q And was there any negotiations or pushing and  
22 pulling before you started the EAC review?

23 A So there was a lot of discussion at the meetings  
24 of, you know, more of a Alan Torres, Steve Byrne  
25 type level.



1 Q Those discussions happened at the meetings with a  
2 large group?

3 A I think they started at the meetings, yeah.

4 Q And how many meetings were there about the  
5 Consortium's schedule delay in price increase in  
6 2014?

7 A I mean, the meaning I'm referencing was kind of  
8 the kickoff to that. So again, I don't know what  
9 from a schedule side was done. From an EAC side  
10 we had months worth of back and forth with kind of  
11 working level CB&I and Westinghouse people.

12 Q And did they change -- did Westinghouse ever  
13 change their schedule delay in price increase that  
14 they presented in August?

15 A I do think that they acknowledged that there were  
16 several, for lack of a better term, mathematical  
17 errors in there. They did acknowledge that they  
18 were wrong. Whether they actually changed it or  
19 not, I don't recall.

20 Q And were those material errors?

21 A They were enough that we wanted to document them  
22 and track them. Did it mean tens of millions of  
23 dollars? I don't think so.

24 Q Did those errors get corrected before Mr. Byrne at  
25 SCE&G presented that schedule and cost to the PSC?

1 A Yes.

2 Q Did all the errors that y'all found get corrected  
3 in the Westinghouse schedule?

4 A Again, I'm not sure what they did on the schedule  
5 side. So I don't know if they found error so the  
6 schedule side or not.

7 Q How about the cost?

8 A So again, I don't know that Westinghouse ever, you  
9 know, changed the EAC but they did agree with some  
10 of the errors we found in it, yes.

11 Q Do you know if the EAC presented by Westinghouse  
12 in August was the same EAC presented Mr. Byrne and  
13 Mr. Marsh in to the PSC in 2015?

14 A So there were differences between them. So again,  
15 fixing the errors. There was some things that we  
16 didn't think the Consortium was entitled to  
17 collect. That would've been removed from what was  
18 presented to the PSC. There may have been one or  
19 two other types of pushes and pulls that I can't  
20 recall off the top of my head that did get changed  
21 between what was handed to us by Westinghouse and  
22 what was presented to the Public Service  
23 Commission.

24 Q But other than fixing those errors that you found  
25 and a few disallowances that y'all had, it was

1 largely the Westinghouse EAC that was presented to  
2 the Public Service Commission?

3 A Yes.

4 Q In the 2017 EAC review, what assumption did y'all  
5 make about the production tax credits?

6 A I don't remember what schedules that we assumed  
7 with the 2017 EAC. I want to say we assumed that  
8 Unit 2 would get and Unit 3 would not. But I  
9 don't recall off the top of my head.

10 Q Do you recall part of that 2017 EAC review  
11 including a number of scenarios, alternative  
12 scenarios?

13 A Yes.

14 Q And did that 2017 EAC review lead to the multiple  
15 alternative scenarios that were used to then  
16 determine the future of the project in the summer  
17 of 2017?

18 A Yes. So the 2017 EAC would've been in input  
19 probably the single biggest input into that  
20 decision that was made to ultimately abandon the  
21 project, yes.

22 Q And what I'm curious is, is was there a different  
23 EAC or a different analysis that went in for the  
24 cost of the project to that decision to abandon or  
25 not in 2017?

1 A The decision to abandon it or not, I'm not sure  
2 who made that decision or when it was made. I do  
3 know that the EAC team did multiple presentations.  
4 Even though we weren't finished, they wanted,  
5 senior management, wanted updates on what it  
6 looked like as of that particular date under this  
7 particular, you know, scenario. So we had several  
8 meetings with senior management and provided them  
9 financial information as of that date.

10 Q And there wasn't any other group or team doing  
11 this analysis for the estimate at completion in  
12 the summer of 2017, was it?

13 A Not that I'm aware of, no.

14 Q And when did the 2017 EAC review, when was it  
15 completed?

16 A I don't know that we ever completed it. Complete  
17 implies that we put a bow on it and sent it up.  
18 And I don't know that we ever -- I think the  
19 decision to abandon was made prior to that  
20 happening.

21 Q At which stage were you in the compiling the  
22 results of the review when you sent it up to  
23 senior management?

24 A So that -- Kyle Young would be better suited to  
25 answer that question. But we were in the latter

1 stages of our review. I just don't know were we  
2 90 percent done or 93 percent done or 98 percent  
3 done. I don't know where we would be in that.  
4 But Kyle Young would be able to answer that.

5 Q Why did you stop the EAC review?

6 A Because we decided to abandon plant.

7 Q Was it that the decision came down that you don't  
8 need to work on this anymore because we're going  
9 to abandon or was there a different reason?

10 A To my knowledge, it was you don't need to work on  
11 anything anymore. We've abandoned. That's kind  
12 of my recollection.

13 Q And do you remember when that was?

14 A So again, I found out about it the Thursday before  
15 we announced it on that Monday morning.

16 Q Are you aware of any other owners' EAC teams in  
17 2014, 2017?

18 A I'm not aware of any other ones.

19 Q Were you ever involved with Santee Cooper as part  
20 of the EAC review?

21

22 MR. CHALLY: Object to form.

23

24 A So in 2017, again, Santee Cooper kind of played an  
25 oversight role. So they would've been involved in

1           that to some degree.

2       Q     I meant other than the 2014 and 2017 EAC teams  
3           that you were on, did you ever participate with  
4           Santee Cooper in an estimate -- estimate EAC?

5       A     I guess not that I'm aware of.  But again, if  
6           somebody from Santee Cooper asked me for a piece  
7           of information that they were using for an EAC  
8           estimate report, I would've provided it to them.

9       Q     Did they ask you?

10      A     Well, I mean, Marion would ask us questions every  
11           week something financial related.  I mean, we were  
12           sharing information quite frequently.

13      Q     Is there anything y'all did not share with Santee  
14           Cooper?

15      A     Not to my knowledge, no.

16      Q     Anybody ever tell you not to share certain  
17           information with them?

18      A     No.  No.  A lot of what we did from a PSC side,  
19           PSC filing and things like that, that didn't  
20           affect Santee Cooper and we wouldn't charge Santee  
21           Cooper for that time.  So the time I spent pulling  
22           together a PSC filing or something to that effect,  
23           I wouldn't have gotten Santee Cooper's approval on  
24           that whereas if we were just pulling together a  
25           budget I would have.

1 Q I want to clarify something you -- I think you  
2 testified earlier. You said that the 2017 EAC was  
3 actually higher than the 2014 EAC?

4 A I think so, yes.

5 Q And did that -- was that true even controlling for  
6 the three years of construction between the two  
7 reviews?

8 A Again, that goes back to, you know, if you compare  
9 the '14 to the '17 EAC, you're kind of mixing  
10 apples and oranges with the fact that the '17  
11 including increases in fixed-price scopes of work  
12 whereas the '14 did not. So it's hard to kind of  
13 take those two numbers and say is one higher than  
14 the other because it really represents two  
15 different scopes of work.

16 Q One of the things that you can agree, though, is  
17 that the 2017 estimate at completion should have  
18 be closer to completion, right?

19

20 MR. CHALLY: Object to form.

21

22 A I'm not sure I follow --

23 Q In 2017 the project should have been closer to  
24 completion, shouldn't it?

25 A Yeah.

1 Q Are you familiar with the IAA or Interim  
2 Assessment Agreement?

3 A Yes.

4 Q What do you understand about that?

5 A So that was the agreement we entered into with  
6 Westinghouse upon them declaring bankruptcy that  
7 allowed us to continue construction while we  
8 evaluated the EAC.

9 Q And did that have any bearing on the information  
10 shared by Westinghouse?

11 A I'm not sure I understand what you mean.

12 Q Were there protections for Westinghouse that gave  
13 them comfort to share more information after it  
14 was signed, for example, on the 2014 EAC review?

15 A You mean like legal disclosures and things like  
16 that?

17 Q Yeah. More importantly the EAC underlying  
18 details.

19

20 MR. CHALLY: Object to the form of the  
21 question.

22

23 A I don't know that -- and again -- like I say, I  
24 appreciate all the legal nuances of the IAA, but I  
25 don't know that that the IAA allowed them to share



1 more information with us.

2 Q I think you said that the 2014 EAC team  
3 recommended that the fixed-price option was a good  
4 deal for the owners. Did y'all conclude that?

5 A So, I'm sorry. So that the -- I mean, the  
6 fixed-price option happened in 2015.

7 Q That's right.

8 A So, I'm sorry, what was the question again?

9 Q Did the 2014 EAC do an analysis of the fixed-price  
10 option for the 2015 amendment to the EPC?

11

12 MR. CHALLY: Object to form.

13

14 A So the exercise and the evaluation that we did to  
15 support the fixed-price option was different than  
16 what we had done in 2014.

17 Q When did you do a fixed-price option analysis?

18 A I want to say it started in September of 2015.

19 Q And y'all ultimately recommended that the  
20 fixed-price option was a good deal for the owners?

21 A That's true.

22 Q And what was the basis for the cost estimates in  
23 your 2016 testimony?

24 A The basis of the cost estimates in 2016 testimony?  
25 Are you referring to the fixed-price option?

1 Q That's part of it, I'm sure.

2 A So the testimony that we submitted in 2016, I  
3 mean, the EPC side of the cost would've come  
4 directly from fixed-price option. The owners'  
5 cost piece would have come similar to how we had  
6 prepared it in the past, kind of building it up at  
7 the cost center resource level. So that would've  
8 been the basis of what we submitted to the PSC in  
9 2016.

10 Q Was there any discussion leading up to that  
11 testimony about telling the PSC the risk of  
12 Westinghouse repudiating the contract?

13 A Repudiating?

14

15 MR. CHALLY: Object to form.

16

17 A Somebody needs to help me with the word  
18 repudiating.

19 Q Is there a discussion leading up to the 2016  
20 testimony about telling the PSC that the WEC,  
21 Westinghouse, they reject the fixed-price option  
22 in the contract?

23

24 MR. CHALLY: Object to form.

25

1 A Not that I'm aware of. But that -- not that I'm  
2 aware of.

3 Q Did you ever discuss in presenting and preparing  
4 the testimony for 2016 about telling the PSC that  
5 SCE&G had estimated the actual cost to complete  
6 would be greater than the fixed-price option under  
7 the contract?

8 A So one of the individuals that filed testimony in  
9 2016 case again was Dr. Lynch. So within his  
10 testimony is a table and/or exhibit the talks  
11 about different scenarios on what it prices went  
12 up, things of that nature.

13 Q And so did y'all have discussions about,  
14 specifically about, the fact that you knew the  
15 estimate at completion would be substantially  
16 greater than fixed-price option cost?

17 A Well, we knew that that risk associated with that  
18 was being shifted to Westinghouse and that there  
19 was the possibility that those costs would go up,  
20 yeah.

21 Q But did y'all know before your 2016 testimony that  
22 under every scenario that you ran the cost to  
23 complete would be greater than the fixed-price  
24 option?

25

1 MR. CHALLY: Object to form.

2

3 A I don't know that we could say every scenario that  
4 we would've run would've given us a positive  
5 outcome. Positive meaning it's more beneficial  
6 for us. I mean, we ran several different  
7 scenarios of what would happen if quantities went  
8 up or prices went up and things of that nature.  
9 And most of them showed that the fixed-price  
10 option was a good deal.

11 Q And did any of the analyses show the fixed-price  
12 option was a bad deal for SCE&G and the owners?

13 A I'm sure there were some, yeah.

14 Q Do you remember any scenario in which that was the  
15 case?

16 A I don't remember any specific scenario of whether  
17 that was the case or not. But I'm fairly certain  
18 that some of them did.

19 Q Why are you fairly certain about that?

20 A Well, I mean, if you kind of assume plus or minus  
21 one or two standard deviations, something is going  
22 to come out on the other end. You know, whether  
23 we ran that through the spreadsheet through all  
24 the different models that we had or not, I don't  
25 specifically remember that. Although, I don't

1 specifically remember not. But again, if you  
2 looked at Dr. Lynch's testimony, I think he boiled  
3 it down to a matrix the kind of has a breakeven  
4 analysis on it. And I want to say one or two of  
5 his 18 or, you know, results showed that it would  
6 be a bad deal.

7 Q Do you remember what that scenario was?

8 A I don't remember, no. But again, if you looked at  
9 Dr. Lynch's testimony you could see that quite  
10 easily.

11 Q And we know one scenario where it was a bad deal  
12 for the owners, don't we?

13 A Which one?

14

15 MR. CHALLY: Object to form.

16

17 A I don't know what you mean.

18 Q When Westinghouse rejects the contract.

19 A Yeah. I don't know that we ever ran a scenario  
20 assuming Westinghouse rejected the contract,  
21 though.

22 Q And did y'all do an analysis of that risk, in  
23 particular the bankruptcy risk?

24 A Not that I'm aware, no.

25 Q And how did you know what were the labor cost

1 risks at the time of evaluating the fixed-price  
2 option?

3 A I don't know that we knew exactly what they were,  
4 but you could make some assumptions on, you know,  
5 quantity and rate changing. You know, the math on  
6 that isn't that difficult.

7 Q How did y'all determine that Westinghouse would  
8 lose, and how much money they would lose under the  
9 fixed-price option?

10 A Again, I don't know that we ever said that we knew  
11 exactly how much money they were going to lose.  
12 We ran a lot of different serious. And when you  
13 look at the outcome of all those scenarios, any  
14 assumptions that go into it and the possibility of  
15 shifting that risk, I think those were the things  
16 that when you look at them together allowed senior  
17 management to get comfortable that the fixed-price  
18 option was a good deal.

19 Q And was there any analysis or concern about  
20 Westinghouse, for example, saying we know we'll  
21 lose money on this one and that being a risk that  
22 the owners were taking on?

23

24 MR. CHALLY: Object to the form.

25

1 A I want to make sure I answer your question. Can  
2 you one more time?

3 Q Sure. Was there any analysis that Westinghouse  
4 was going to lose a significant amount of money in  
5 it and that was a risk that the owners were  
6 actually taking on?

7

8 MR. CHALLY: Object to form.

9

10 A So I don't know that we did an analysis around  
11 that, no.

12 Q And did y'all take that fact that this was a good  
13 deal for the owners being under the fixed-price  
14 option just as absolute positive for the owners?

15

16 MR. CHALLY: Object to form.

17

18 A So I think -- again, I think the thought of  
19 Westinghouse, you know, not finishing it was what  
20 led them, them being the Consortium, reaffirming  
21 the Toshiba parental guarantee. But again, that  
22 would've -- those would've been discussions that I  
23 wasn't included in.

24 Q When the team evaluated the fixed-price option,  
25 how did it evaluate that Toshiba guarantee?

1 A Again, I don't think that we from an analysis  
2 standpoint did any kind of scenario where  
3 Westinghouse declared bankruptcy.

4 Q All right. But I was asking how did y'all -- did  
5 y'all evaluate the Toshiba guarantee at all?

6 A I wouldn't have been one of the people that  
7 evaluated that. That would've been our senior  
8 management or our credit department.

9 Q And who is that?

10 A Who is our senior management?

11 Q For the credit department?

12 A Well, the senior management or credit department.

13 Q Okay. Okay. Who would the senior management had  
14 been on this issue?

15 A That would've been Jimmy Addison, Steve Byrne and  
16 Kevin Marsh from the SCANA side. And then, you  
17 now, Santee Cooper would've had their equivalents.  
18 And then SCANA's credit department at the time was  
19 headed by an individual named Dan Brown. I don't  
20 think he's with the company anymore. I know he's  
21 not with the company anymore.

22 Q We talked about Westinghouse vetting the company  
23 on this design and getting another project. Were  
24 you aware of them having another project in late  
25 2015?



1 A So 2015, I know at certain points they were -- and  
2 it was even publically talked in newspapers and  
3 such that they were actively trying to sell these  
4 to the UK and in India. I don't remember what  
5 years those were. But I know that they were, you  
6 know, actively selling those in those two places  
7 at least.

8 Q Right. They were trying to get another project.  
9 But were you aware of when they got another  
10 project for nuclear construction?

11 A I don't know that they have. So I guess I don't  
12 know.

13 Q Okay. Do you know that for the fixed-price option  
14 to be a good deal for the owners that the cost of  
15 the project needed to be more than the cost  
16 estimates that were on file with the PSC?

17 A So I guess I'll answer your question this way. So  
18 the filing we had in 2016 was an increase over  
19 what was approved in 2015. So, yes.

20 Q And even then that for the fixed-price option to  
21 be a good deal for the owners that the cost of the  
22 project had to be more than what was on file with  
23 the PSC even in -- after 2016?

24 A I don't know that I follow your question.

25 Q When y'all did an analysis that the fixed-price

1 option was a good deal -- and that's largely based  
2 on whether it cost more to construct, right?

3 Estimate at completion.

4 A Yeah.

5 Q Versus the fixed-price option cost.

6 A Right. That's true.

7 Q And I'm asking are you aware that for the  
8 fixed-price option to be a good deal for the  
9 owners that the cost of the project had to be more  
10 than what was on file with the Public Service  
11 Commission after the 2016 filing?

12 A Oh, I see what you're saying. Yeah. So, yeah.  
13 I'm sorry.

14 Q In 2015 we know that the Consortium wanted to  
15 renegotiate their contract. And I think you told  
16 me that CB&I -- you told us that CB&I wanted out  
17 and that drove the EPC amendment process. Is that  
18 right?

19 A That's my understanding.

20 Q Okay. And how long did that process take?

21 A I'm not sure. I don't know when it started. I  
22 was brought in September of 2015. And I think we  
23 signed the amendment in late October.

24 Q All right. And when did the interim payment  
25 start?

1 A The hundred million dollar payments?

2 Q That's right.

3 A They started in January.

4 Q Of 2016?

5 A 2016. Yes, sir.

6 Q And do you know how many they were supposed to be  
7 in the contract?

8 A I think originally it was supposed to be five.

9 Q And do you know how many were actually paid?

10 A We paid them until November. So that's 11.

11 Q And do you know when the Dispute Resolution Board  
12 got up and running?

13 A That was right around the May/June time frame.

14 Q And do you know when they made a decision?

15 A November.

16 Q And do you know why there were additional payments  
17 beyond the contract, what the contract called for,  
18 and with the interim payments?

19 A I think the Dispute Resolution Board told us to do  
20 it.

21 Q Before November?

22 A So are you talking about between -- the time  
23 between May and November?

24 Q Uh-huh.

25 A Are you asking me why we made those payments?

1 Q That's right.

2 A Yeah. So the Dispute Resolution Board essentially  
3 told us to. That was my understanding.

4 Q I thought the Dispute Resolution Board didn't  
5 crank up until November 2016?

6 A No. We started the dispute resolution process in  
7 May and they didn't make a decision until  
8 November.

9 Q And I may be missing something. But if they  
10 didn't make a decision until November, what caused  
11 the owners to continue paying a hundred million  
12 dollars a month after the contract no longer  
13 called for it?

14 A I think the Dispute Resolution Board told us keep  
15 on making the interim payments until we make our  
16 decision. It was obviously a long process.

17 Q Do you agree that the owners' costs are dependent  
18 on the schedule, the time it would take to  
19 complete the project?

20 A Yes.

21 Q And that the schedule mattered to both the EAC's  
22 and to testimony about the cost of the project?

23 A Yes. So the schedule would drive how long we kept  
24 people around for. So, yes, it would certainly  
25 have an impact on that.

1 Q And the modification of the schedule and cost in  
2 2015 was based on productivity factors and other  
3 performance issues like the constructability that  
4 you raised earlier?

5

6 MR. CHALLY: Object to the form.

7

8 A I'm not sure I understand. I don't know that I  
9 understand the question.

10 Q Why was there a need for modification of the  
11 schedule and cost in 2015?

12 A I can't speak to why they needed to change the  
13 schedule.

14 Q All right. And it seemed like near the end of  
15 your testimony you were talking about a  
16 productivity factor that started lower but  
17 gradually increased. Isn't true that the  
18 productivity, the factor was actually multiples  
19 higher in fact than what Westinghouse was claiming  
20 in the --

21

22 MR. CHALLY: Object to form.

23

24 Q -- in the cost schedule that they provided in  
25 2014?

1 A I don't remember the exact monthly productivity  
2 factors that they reported every month. Again,  
3 that wasn't something that was my responsibility.  
4 But I do know they went up and they went down  
5 every single month, so.

6 Q Well, isn't it true that after Fluor got on-site  
7 that the productivity factor actually went up not  
8 down?

9 A Again, I'm not sure.

10 Q I may have misheard you. But I thought you just  
11 said they went down every month.

12 A No, I'm sorry. I said they went up and they went  
13 down every month. So the Consortium would report  
14 out every month a productivity factor of what they  
15 achieved that, you know, preceding month. And I  
16 do know it went up one month and went down the  
17 next month. You know, the swing in there --  
18 again, I wasn't in those meetings. That wasn't my  
19 responsibly. I don't know.

20 Q But as part of the 2014 EAC, you know that the  
21 productivity factors were multiples higher than  
22 what was being told to the owners by Westinghouse?

23

24 MR. CHALLY: Object to form.

25

1 Q Isn't that right?

2 A Well, I do know that the EAC team recommended an  
3 EAC with a 1.4 or thereabouts productivity factor,  
4 and Westinghouse was recommending a 1.15. I do  
5 know that.

6 Q And you know the actual historical never even came  
7 close to the 1.4?

8

9 MR. CHALLY: Object to form.

10

11 Q Isn't that right?

12 A I don't -- I don't know that.

13 Q Okay. Did you ever see the trend lines and the  
14 graphs that Mr. Crosby came up with based on the  
15 actual productivity factors?

16 A I'm sure at some point I have seen those. But  
17 what the numbers were, I can't tell you sitting  
18 here right now.

19 Q In the 2014 estimate at completion there were --  
20 we talked about the productivity factors. Did  
21 y'all also consider the labor ratios as a  
22 contributing factor to a higher cost?

23 A Yes.

24 Q And was that another area where the EAC by SCE&G  
25 disagreed with the Westinghouse numbers?

1 A Geez, I don't recall whether we agreed or  
2 disagreed with their productivity factors.

3 Q Is it true that the labor ratios were much worse  
4 than anticipated and never got better. Isn't that  
5 right?

6 A I do recall hearing that the ratios were higher  
7 than what they originally budgeted, yes.

8 Q And the labor ratios being higher is a significant  
9 driver in increase costs?

10 A Yeah. Higher ratios mean more cost, yes.

11 Q And didn't Westinghouse's cost modification that  
12 they provided in August of 2014 require the  
13 implementation and success of other mitigation  
14 plans as well?

15 A Yes. So there was I think several different  
16 things that they in 2014 said they were going to  
17 improve.

18 Q Like what?

19 A That wouldn't have been a discussion I would've  
20 been part of. It was more of a technical  
21 discussion. That would've been something Alan  
22 Torres would've been kind of been the lead over.

23 Q But two of those mitigation efforts, are, you  
24 know, improving the labor rations and productivity  
25 factors. Isn't that right?



1 A Yeah. I would imagine that the improvement plans  
2 they laid out would result in what you just  
3 described, yes. But again, that's a very  
4 technical discussion that I wouldn't understand  
5 even if I was in the room.

6 Q And are you aware that in 2015 when SCE&G  
7 presented its modification to the schedule and the  
8 costs to the PSC, those numbers depended on  
9 mitigation plans being both implemented and  
10 successful?

11 A Yes. That's a true statement.

12 Q And that without those mitigation plans being  
13 implemented and also being successful that the  
14 numbers provided by SCE&G to the PSC in 2015 were  
15 inaccurate?

16

17 MR. CHALLY: Object to form.

18

19 Q Isn't that right?

20 A If they did not improve like they said they were  
21 going to improve, yes, the cost would've been  
22 higher.

23 Q Do you know why the Westinghouse productivity  
24 factors were lower than the actual?

25

1 MR. CHALLY: Object to form.

2

3 Q Do you know why they were, and SCE&G for that  
4 matter, presented lower productivity factors than  
5 the actual productivity factors for the project?

6 A My understanding was that they had assumed some  
7 level of improvement, those mitigating things that  
8 you had just discussed.

9 Q And do you know why they had to include the  
10 mitigation plans as part of the scheduling cost  
11 changes to the Public Service Commission?

12 A So, I'm sorry. So when you said they, who do you  
13 mean?

14 Q Well, for example, Carlette Walker presented in  
15 2015 the -- you know, essentially the request for  
16 modification based in part on these mitigation  
17 plans and the success of those plans.

18 A Right.

19 Q I'm just wondering if y'all had discussions about  
20 why that was necessary?

21

22 MR. CHALLY: Object to form.

23

24 A I guess we would -- and when I say we, it wouldn't  
25 have been me. It would've been the construction

1 oversight group. You know, had continuously, you  
2 know, pushed Westinghouse to and CB&I to improve.  
3 So any kind of improvements would, you know,  
4 result in cost savings. So I don't think it would  
5 be unusual for us to ask them to get better at  
6 what they did. I guess I -- I guess I'd add to  
7 that that we assumed in the filing that we would  
8 withhold a lot of cost that we thought that,  
9 delay-related costs for example, that we thought  
10 that they were responsible for, we would not pay  
11 those. That would've been another reason why they  
12 would want to get better.

13 Q To provide incentive for the Consortium to  
14 complete the project sooner and with less cost?

15 A To not penalize them as much, yes.

16 Q Wasn't part of the need to accelerate the schedule  
17 require more cost for things like mitigation plans  
18 like night shifts and support for the night shift?

19

20 MR. CHALLY: Object to form.

21

22 A Yeah. So the implementation of a night shift  
23 would accelerate the schedule and would cost more  
24 money, yes.

25 Q And did that occur?

1

2

MR. CHALLY: At what time are we talking  
about?

3

4

MR. RICHARDSON: In 2014 or 2015.

5

6

A I don't know.

7

Q I gave you now a fourth example of mitigation  
plans. Do you know of about any other mitigation  
plans for the schedule or for the cost?

8

9

10

A Again, I don't know what mitigation plans the  
Consortium provided to our construction oversight  
group.

11

12

13

Q Are you aware of any other mitigation plans for  
the EAC or the actual cost schedule that was  
submitted to the Public Service Commission in  
2015?

14

15

16

17

A Well, I mean, any kind of construction oversight  
mitigation or improvement would result in less  
cost. So I don't know if those are two separate  
topics. I think it's one in the same.

18

19

20

21

Q And, obviously, there's some tension in, for  
example, the night shift because that's both a  
benefit in shortening the schedule if it works,  
which would lower the cost, but it's an additional  
cost to implement. Did y'all do an analysis of

22

23

24

25

1 the night shift and whether that would be a net  
2 positive of the cost schedule?

3 A I did not, no.

4 Q I think you testified earlier that one of the  
5 things that justified being more aggressive on the  
6 cost and the schedule modification with the PSC is  
7 that you could make it up on the back end. Do you  
8 remember -- I mean, is that a fair statement of  
9 what you -- reasoning of the filing?

10 A Again, one of the things that is obvious is when  
11 you do something the second time, you're better at  
12 it. Takes you less time, you're more efficient.  
13 You know, that was one of the things that, you  
14 know, play into the overall productivity, you  
15 know, from this point to the end. I think  
16 Mr. Byrne talked about that in his testimony in  
17 2015. That's really the only reason why I know  
18 about it.

19 Q Okay. And do you know if the productivity factor,  
20 overall productivity factor for the project, ever  
21 went down a single month during the life of the  
22 project?

23

24 MR. CHALLY: Object to form.

25

1 A I would imagine that -- again, I don't know the  
2 productivity numbers. But if I was a betting  
3 person, I would say, yeah, there would be one  
4 month lower that was lower than the previous  
5 month. Again, it went kind of up and down.

6 Q But if you were betting, you would only bet on one  
7 month being lower?

8 A Well, since it was not my area of expertise and  
9 that wasn't something I tracked routinely, I  
10 wouldn't want to -- I wouldn't to state it as a  
11 fact.

12 Q Part of your testimony you said that at the time  
13 and in the context that the 2015 testimony was  
14 truthful?

15 A Uh-huh.

16 Q And I was curious as what context you thought  
17 justified ignoring the need -- you know, you had  
18 to qualify the testimony that you had to have  
19 mitigation plans, had to be successful, for it to  
20 even be accurate in the first instance. And I was  
21 wondering is that the context you were talking  
22 about that the 2015 testimony could be seen as  
23 truth?

24

25 MR. CHALLY: Object to form.

1 MR.BEVER: Objection to the form.

2

3 A I guess what I'm meant by that was that if you  
4 read Mr. Byrne's testimony and Mr. Walker's  
5 testimony, you know, particularly Mr. Byrne went  
6 quite a bit to talk about the EAC and the  
7 underlying assumptions on it where Westinghouse's  
8 numbers. And he acknowledged that it was going to  
9 be a challenge for them. And that if they, you  
10 know, did not meet that challenge, it would result  
11 in additional cost. I think he also pointed out  
12 that if they had come to us with one level of  
13 productivity factor and we said no, we want to  
14 increase it, the prudence of that position could  
15 be called in question as well.

16 Q Say that again. I'm sorry.

17 A If Westinghouse came to us and said we can meet a  
18 1.15 and they have a hundred different  
19 productivity specialists that say they can meet  
20 that with this mitigation plan and we had filed  
21 with a 1.5 or whatever the number would be, I  
22 think we'd have a difficult time defending that.  
23 So it's that in addition to the context he put the  
24 EAC in is what I ultimately got comfortable with.

25 Q Even though you had participated in EAC review

1           which found very different numbers that were not  
2           used in the testimony?

3

4                   MR. CHALLY: Object to form.

5

6    A        Again, the context that he and Ms. Walker put the  
7           EAC in is what got me comfortable that we were  
8           presenting the right information.

9    Q        So even though they were picking different numbers  
10           in the EAC review, you got comfortable because of  
11           the way they hedged their testimony. Is that what  
12           you're saying?

13

14                   MR. CHALLY: Object to form. Asked and  
15           answered.

16                   MR. BEVER: Objection to form.

17                   MR. CHALLY: And that's not what he said.

18

19    Q        I'm just trying to understand this context that he  
20           used in his testimony.

21    A        I wouldn't use the word hedged. I would think in  
22           any number you're putting out there in the public,  
23           as long as you put it in the correct context, I  
24           think that's okay. Now, if we had represented  
25           that number as something completely different of



1           what it was not, then I would've personally had a  
2           problem with that.

3       Q     And isn't that really true about the productivity  
4           factors? That those numbers put in the testimony  
5           didn't have any basis in reality, in either an  
6           actual or in practical?

7

8                       MR. CHALLY: Object to form.

9                       MR. BEVER: Object to form.

10

11       A     No. That was a set of numbers that -- that was  
12           the set of numbers that the Westinghouse team  
13           believed in. That was the set of numbers that  
14           they told us that they could achieve. And again,  
15           not being a productivity expert, I had no reason  
16           to prove that they were wrong.

17       Q     But you didn't believe they were right, did you?

18

19                       MR. CHALLY: Object to form.

20

21       A     I mean, I guess I know my limitations, and I know  
22           that I'm not a productivity expert. So that  
23           wouldn't have been an argument I would've really  
24           got into whether it was right or wrong.

25       Q     And the EAC team's conclusion didn't think that

1 was accurate either, did they?

2

3 MR. CHALLY: Object to form.

4

5 A Again, the EAC team recommended a different  
6 productivity factor than what was recommended by  
7 Westinghouse. That is a true statement.

8 Q And you're not aware of any evidence at the time  
9 of the submission of the testimony in 2015 that  
10 the productivity factors would be -- could meet  
11 either -- either of the more -- what Westinghouse  
12 said that they would like to meet or what SCE&G  
13 filed as part of their testimony?

14

15 MR. CHALLY: You mean other than what  
16 Westinghouse said?

17

18 Q You don't think that there is any evidence -- you  
19 don't know of any evidence at the time of the 2015  
20 filing that the productivity factors would  
21 actually be what Westinghouse said they would like  
22 to achieve?

23

24 MR. CHALLY: Object to form.

25

1 A I'm not sure. When you say aware of any evidence,  
2 I'm not sure exactly what you're referring to  
3 there.

4 Q The EAC as we've said repeatedly came up with a  
5 very different conclusion after its months worth  
6 of work?

7 A Correct.

8 Q And we know that Carlette Walker didn't agree with  
9 those numbers.

10

11 MR. CHALLY: Object to form.

12

13 Q So the question is are you aware of any evidence  
14 at the time of the PSC filing in 2015 to modify  
15 the schedule and the cost that the productivity  
16 factors could or would be what Westinghouse  
17 claimed that they would be?

18

19 MR. CHALLY: Same objection.

20

21 A I'm struggling to answer because I'm not sure I  
22 completely understand the question.

23 Q Well, the -- let me try to help. The productivity  
24 factors never got close to the numbers that SCE&G  
25 submitted to the Public Service Commission in

1           2015, did they?

2

3                   MR. CHALLY: Object to form.

4

5   A    If you're telling me that, I'll believe you. I  
6       honestly don't --

7   Q    Do you have any reason to dispute it?

8   A    No.

9   Q    And, in fact, you participated in this EAC review  
10       which concluded differently from the testimony  
11       submitted to the Public Service Commission  
12       specifically on this point, of the productivity  
13       factors.

14

15                   MR.BEVER: Objection to form.

16                   MR. CHALLY: Object to form.

17

18   Q    Right?

19   A    So again, the EAC team recommended giving, you  
20       know, no changes, that we recommended a higher  
21       productivity be used. And that is a true  
22       statement.

23   Q    And did the EAC review take the schedule -- you  
24       know, we've talked about EAC being the cost. But  
25       did they take the schedule as it was given by

1 Westinghouse?

2 A So the EAC team that we've been talking about all  
3 day, to my knowledge, that team didn't do anything  
4 with the schedule. I guess my recollection is  
5 there was a schedule team that reviewed the  
6 schedule.

7 Q And did the schedule team -- and did the schedule  
8 team provide the EAC team any different  
9 information about the schedule in that 2014  
10 review?

11 A I don't recall if they or they didn't. I mean,  
12 I'm kind of assuming there was a schedule team  
13 that did something. I just -- I don't know that  
14 for a fact, though.

15 Q And the EAC review depended on knowing what the  
16 schedule was because the labor costs and how long  
17 you needed somebody to have a computer figured  
18 into the cost of the EAC review, right?

19 A Yes.

20 Q And so did y'all take the schedule given by WEC  
21 and use that for purposes of the EAC review?

22 A I do believe that's what we did, yes.

23 Q And then did you just add in the additional costs  
24 that would be required by that schedule?

25 A So the schedule did drive some additional cost,

1           yes.

2       Q     And let me ask you, if you and the EAC review team  
3           knew what the real schedule was actually years  
4           later than what you were being told, would the EAC  
5           have been higher?

6       A     So if we added years to the schedule, yes, an EAC  
7           would be higher.

8       Q     And if the schedule, real schedule, was years  
9           later than what you were told, your EAC review  
10          could have been more accurate too, right?

11      A     More accurate? I mean, I think the EAC we -- the  
12          fundamental assumption was a particular schedule  
13          for that EAC. So I don't that I would say it  
14          would be more accurate. It would be more accurate  
15          for that particular schedule, yes.

16      Q     Right. If the schedule is much longer and you  
17          knew that, you could have a more accurate schedule  
18          for the -- I mean a more accurate EAC for the real  
19          schedule?

20      A     Yes. So if they had provided us with a schedule  
21          like you said that had a three-year delay, we  
22          would've developed an EAC for an additional three  
23          years or reflecting an additional three years.

24      Q     All right. Thanks very much.

25

1 MR. RICHARDSON: Let's take a break.

2 VIDEOGRAPHER: This concludes video number  
3 three in the video deposition of Kevin Kochems.  
4 The time is 17:45 and we're off the record.

5

6 (Off the Record)

7

8 VIDEOGRAPHER: Back on the record. Today's  
9 date is September 24, 2018. The time is 17:56.  
10 This is the beginning of media number four in the  
11 deposition of Kevin Kochems.

12

13 BY MR. RICHARDSON (Continuing):

14 Q Mr. Kochems, did you know about the Bechtel Report  
15 in 2015 or 2016?

16 A No.

17 Q When is the first time you heard about Bechtel  
18 doing an assessment of the project?

19 A So again, when they were actually out there doing  
20 their work, I knew they were there. Again, having  
21 the responsibility of processing invoices, I  
22 recognized the name just from the work they had  
23 done early on in the project.

24 Q What was their work early on in the project?

25 A That related to the helping with the COLA,

1 Combined Operative License Application for the  
2 NRC.

3 Q And during 2015 and 2016, did you process invoices  
4 approximately of a million dollars for Bechtel's  
5 assessment?

6 A I think that's about right, yes.

7 Q And did you inquire or hear what their assessment  
8 and work was related to?

9 A I guess I had the general understanding that they  
10 were doing some kind of project evaluation. We  
11 had a number of companies doing similar things  
12 like that during the course of the project, so.

13 Q What other companies were doing assessments of the  
14 project?

15 A I mean, you can go to the QA group. The QA group  
16 would have brought in, you know companies to do  
17 peer evaluations. The engineering group would've  
18 done, you know, similar things like that.

19 Q Nothing on the scale of this Bechtel assessment?  
20

21 MR. CHALLY: Object to form.  
22

23 A When you say the scale, you mean the price? The  
24 million dollars?

25 Q Well, do you know other aspects of the assessment



1 to assess?

2 A Well, no. That's why I wanted to -- that's why I  
3 guess why I asked. Do you mean -- I don't know  
4 that we had another contractor on-site that did  
5 any kind of evaluation that we paid over a million  
6 dollars to, no.

7 Q And so that made it a pretty big contractor as far  
8 as the invoices that your processing goes coming  
9 off the project, third-party?

10 A I'm not sure I understand what you mean.

11 Q Well, you talked about other assessments of the  
12 project. And I asked if anything of this scale in  
13 terms of a million dollars being paid in a fairly  
14 short time to a third-party vendor. That stands  
15 out to you as the person processing invoices,  
16 wouldn't it?

17 A Yes.

18 Q And particular because you heard it was for an  
19 assessment of the project, right?

20 A They didn't give particulars to me again. Because  
21 I recognized the company name and the invoices  
22 themselves were kind of round numbers like  
23 \$250,000. We got an invoice for that.

24 Q And you're doing estimates on a completion and you  
25 were aware of not only productivity factors but

1           also constructability concerns. So this could be  
2           relevant to the project that you just finished or  
3           were still going on, actually; the estimate of  
4           completion feeding into this testimony that you're  
5           sitting in the PSC when your boss is testifying in  
6           2015, right?

7

8                   MR.BEVER: Object to form.

9                   MR. CHALLY: Object to form.

10

11    A       I don't remember the timing of when Bechtel came  
12           if that was when they were testifying or prior to  
13           their testimony or after it. I don't remember  
14           time-wise when they were there off the top of my  
15           head.

16    Q       But the question is given the size and nature of  
17           the invoices and the familiarity you had with the  
18           one of the world's largest engineering firms that  
19           has nuclear experience, did it cross you mind that  
20           the assessment might be relevant to the work that  
21           you were being asked to do in the EAC review?

22    A       Well, again, I think the EAC review was done prior  
23           to Bechtel, to Bechtel's evaluation. I don't  
24           remember the exact timing of it, but I think we  
25           did the EAC evaluation prior to Bechtel coming in

1 and doing their evaluation. I just don't know  
2 when Bechtel's evaluation was done in relation to  
3 the submission of testimony and, you know, actual  
4 hearing.

5 Q Given the EAC review that you were a part of, you  
6 had the context to know the potential significance  
7 of the Bechtel assessment. Isn't that right?

8

9 MR. CHALLY: Object to form.

10 MR. BEVER: Object to form.

11

12 A I didn't know exactly what Bechtel was doing. So  
13 I guess I'd have a hard time putting that in  
14 context.

15 Q Did you ask anybody about the Bechtel assessment?

16 A Not that I can recall.

17 Q Did anybody talk to you about the Bechtel  
18 assessment?

19 A I think I had known Bechtel was there doing an  
20 assessment because of, you know, processing their  
21 invoices. And they physically sat close to where  
22 I sat so I knew that they were there. I just  
23 didn't have any real insight into what they were  
24 doing or why. I figured if it had anything to do  
25 with me they would've talked to me.

1 Q Did you talk to anybody about the Bechtel  
2 assessment?

3 A I mean, again, I had a general awareness that they  
4 were there, but I never talked to Bechtel, no.

5 Q You can answer the question. Did you talk to  
6 anybody about the Bechtel assessment in 2015 or  
7 2016?

8

9 MR. CHALLY: Object to form.

10

11 A I mean, when we got an invoice for \$250,000, yeah,  
12 we would've asked -- you know, we would had to  
13 have that approved, but doesn't mean that they  
14 told me what Bechtel was doing.

15 Q I know. But I'm asking what you were told about  
16 it or what you asked about it. So let's start  
17 with who did you ask about the invoice?

18 A I think the invoices were approved by Jeff Archie.

19 Q And what did you ask him about the invoice?

20 A I think he actually handed us the invoice and  
21 said -- he signed it and said this needs to get  
22 paid. We paid it.

23 Q Did you ask him anything about the invoice?

24 A No. No.

25 Q Did he tell you anything about the invoice?

1 A Short of it needing to get paid, no.

2 Q Really in addition to it getting paid, needing to  
3 get paid?

4 A No.

5 Q Did anybody else say anything about the Bechtel  
6 assessment to you?

7 A Again, I mean, I knew that they were there. I  
8 knew they were doing some kind of assessment. I  
9 don't remember -- I don't recall any specific  
10 conversations that I had with anybody about that.  
11 If I did have a conversation, I'm not recalling  
12 it, it would've been the lunchroom kind of  
13 conversation. So, again, I figured if they needed  
14 to talk to me, they knew where I sat or could find  
15 me.

16 Q You didn't feel the need to check on the  
17 reasonableness of the cost or the prudence of the  
18 incurring cost of a million dollars as long as  
19 Jeff Archie signed off on it?

20 A So SCANA has an approval matrix where depending on  
21 your title and your position of the company,  
22 you're allowed to approve up to a certain dollar  
23 amount. As long as it's within that matrix and  
24 it's following the controls that SCANA has in  
25 place to control those, you know, types of

1           approvals, as long as it's within that approved  
2           matrix and the CEO was designated Jeff Archie as  
3           the authority to approve a \$250,000 invoice, then  
4           no, I wouldn't have questioned it.

5    Q       Does he have that authority?

6    A       I believe he has that authority, yes.

7    Q       Did he have it then?

8    A       Yes.

9    Q       And part of your job even in 2015, but certainly  
10           in 2016 when you were the one testifying under  
11           oath, was to prepare testimony to provide to the  
12           PSC about expenses and whether they were  
13           reasonable and prudent, right?

14   A       Correct.

15   Q       And so did you do any investigation or ask anybody  
16           any questions at all about the \$1 million being  
17           spent on the Bechtel assessment in 2015 and 2016?

18

19                   MR. CHALLY: Object to form.

20

21   A       Did I ask anybody why Bechtel was there? Is that  
22           what you're asking me?

23   Q       Did you do any investigation or inquiry at all to  
24           determine whether that expenditure was reasonable  
25           and prudent within the nuclear project?

1 A Yeah. So again, we would make sure that that  
2 expense or that cost that was incurred followed  
3 the procedures, the policies and procedures that  
4 SCANA had established, yes.

5 Q And did you do any other inquiry or investigation  
6 into whether that assessment should have -- was  
7 appropriately done in the context of the project?

8 A So again, it was an invoice for the project so I  
9 knew it was related to the project and it fell  
10 within the approved guidelines that SCANA -- that  
11 SCANA established, so.

12 Q Well, you offered that they sat near you. Tell me  
13 about the proximity of which they were sitting?

14 A They sat, I don't know, 30 feet from me.

15 Q Were there walls between you?

16 A Uh-huh.

17 Q And is this in a building out on-site?

18 A It would've been in the second floor of the NOB,  
19 the Nuclear Operations Building.

20 Q You interact with them in the break room or coming  
21 in and out?

22 A No. There was probably 250 to 300 people in that  
23 building. I didn't -- especially the ones that  
24 were related to Unit 1. I didn't know most of  
25 them. So I saw people I didn't know and didn't

1 talk to every day.

2 Q And did you identify the Bechtel folks?

3 A How did I identify them?

4 Q How did you know they were from Bechtel?

5 A I was told they were sitting in this conference or  
6 whatever.

7 Q Who told you that?

8 A I believe it was Skip Smith or Marion Cherry.  
9 They sat right next to Marion.

10 Q And did y'all have any -- you have any discussion  
11 with either one of those two about what they were  
12 doing, what Bechtel was doing?

13 A No. Short of they're doing some type of  
14 assessment.

15 Q Did anybody tell you not to inquire about Bechtel  
16 and what they were doing?

17 A No.

18 Q Do you think -- have you ever seen the Bechtel  
19 Report?

20 A I have seen it, yes.

21 Q When was that?

22 A I think the first time I actually saw it and spent  
23 more than two seconds with it was when I saw it  
24 Anthony James' testimony.

25 Q You mean in the current proceedings?



1 A Yes, sir.

2 Q So in the 2015 EAC you never asked for nor  
3 received anything relating to the Bechtel report  
4 or assessment?

5 A Me, personally, no.

6 Q Are you aware of anybody on that team receiving  
7 any information about the Bechtel assessment or  
8 report?

9 A I'm not aware of it, no.

10 Q Do you think that senior management should've told  
11 you about the Bechtel assessment and report?

12 A I don't know that senior management even could  
13 tell me about that, no.

14 Q I'm sorry. Say that again.

15 A I don't think senior management would be able to  
16 tell me about that. Whatever Bechtel looked at,  
17 they should have told the person that was looking  
18 at that portion of or that scope of work during  
19 the 2017. And they may have, it wasn't me.

20 Q And you don't think they should've told you about  
21 it?

22 A I don't think they needed to tell me. If they  
23 needed to tell anybody, they needed to tell the  
24 people who were actually looking at that scope of  
25 work.

1 Q Okay.

2 A Sorry.

3 Q And are you aware that the Bechtel report has new  
4 completion dates than what was filed with the PSC?  
5 Or different I should say.

6

7 MR. CHALLY: Object to form.

8

9 A I think I've become aware of that, everything  
10 that's been out there, yes.

11 Q And do you remember your sworn testimony in 2016  
12 about the completion dates?

13 A Not off the top of my head, no.

14 Q And do you know from the 2017 EAC review that the  
15 completion dates filed by the group that you were  
16 part of put the completion dates at least as far  
17 out as Bechtel had concluded?

18

19 MR. CHALLY: Object to form.

20

21 Q Did you know that?

22 A I do not know that, no.

23 Q You didn't know that until I just told you?

24 A Correct. I may have known it at the time,  
25 but . . .

1 Q And you testified under oath that the completion  
2 dates in 2016 were August 31, 2019, for Unit 2 and  
3 August 31, 2020, for Unit 3. Do you remember  
4 that?

5 A Those sound like the correct dates. Yes, sir.

6 Q Those sound like what your testimony was?

7 A Yeah. I don't remember. I don't remember the  
8 dates off the top of my head. But yeah, that  
9 sounds about right.

10 Q And do you know if those dates were accurate in  
11 2016?

12 A I believe that --

13

14 MR. CHALLY: Object to form.

15

16 A There was a schedule provided to us with those  
17 dates in it, yes.

18 Q And who provided you that schedule?

19 A Westinghouse would've provided our scheduling  
20 people that schedule. They wouldn't have provided  
21 that to me.

22 Q You got it from the scheduling people at SCE&G?

23 A I don't know that I've ever gotten a schedule, no.

24 Q Well, where did you get the testimony from 2016?

25 A So that would've been something -- at least the

1 schedule side of it would've been something that  
2 Westinghouse had provided through Steve Byrne and  
3 Alan Torres' construction group schedule.

4 Q All right. And for your testimony, you were  
5 provided it by Alan Torres or Steve Byrne?

6 A Again, I don't know that I was never provided a  
7 schedule.

8 Q Okay. Let's just talk about the completion dates  
9 because that's what you're testifying about --

10 A Okay.

11 Q -- in 2016.

12 A Okay. I'm sorry. Yes. So they would've provided  
13 me the completion dates. I wouldn't have gotten  
14 the schedule.

15 Q All right. And who gave you the completion dates  
16 for your 2016 testimony?

17 A I mean, again, that would've come ultimately  
18 through Alan Torres' group.

19 Q But you don't remember specifically who gave it to  
20 you?

21 A No, I don't.

22 Q And did you do anything to determine whether those  
23 dates were correct or not?

24 A So those were the dates that are in the  
25 fixed-price option. Is that right?

1 Q I think so, I don't know.

2 A I think so.

3 Q Let's assume they are.

4 A Okay. I guess I'm going back. That's where I  
5 would've gotten the dates from is the contract  
6 that Westinghouse signed.

7 Q You were relying on the contract from actually  
8 signed in October of 2015?

9 A Yes.

10 Q And did you do anything in 2016 before entering  
11 and testifying to inquire about the accuracy of  
12 these completion dates?

13 A The schedule? No, sir.

14 Q And now that you know about the 2017 review and  
15 the Bechtel assessment, I guess my question was do  
16 you feel like you need to go back and modify your  
17 testimony that you gave in 2016?

18

19 MR.BEVER: Objection to the form.

20 MR. CHALLY: Same objection.

21

22 A I don't know how to answer that question. I mean,  
23 I don't know that we can go back and modify our  
24 testimony from 2016.

25 Q Do you know if your testimony in 2016 as to the

1 completion dates was accurate?

2

3 MR. CHALLY: Object to form.

4 MR. BEVER: Object to form.

5

6 A At the time, that was the completion days that  
7 Westinghouse provided us. So that would've  
8 been -- again, they would've provided that through  
9 Alan Torres. Alan Torres' group would've vetted  
10 that and agreed to it prior to me, Steve Byrne,  
11 anybody testifying to it.

12 Q Is it fair to say you just weren't aware of what  
13 the completion dates were from a construction  
14 standpoint in 2016?

15

16 MR. CHALLY: Object to form.

17

18 A Well, I would've gotten those dates from the  
19 contract that Westinghouse signed with us.

20 Q I understand. But you didn't testify that these  
21 are the contract completion dates. You testified  
22 that these are the CODs, the CODS for the two  
23 units, right?

24

25 MR. CHALLY: Object to form.

1

2 Q Do you remember that?

3 A I don't remember that.

4 Q Okay. Do you have any other basis for your  
5 testimony of the completion dates in 2016 other  
6 than the EPC amendment, amended contract, from  
7 late 2015?

8 A It would've been the evaluation that Alan Torres'  
9 group had done.

10 Q And how did you get that information from Alan  
11 Torres' group?

12 A They wouldn't have provided me that information.  
13 They would've provided Steve Byrne that  
14 information.

15 Q Okay. So you would've gotten it from Steve Byrne?

16 A I wouldn't have gotten the information. I  
17 would've gotten the agreement that those were the  
18 dates that we were going to file for, yes.

19 Q And did you get the direction that those are the  
20 dates we're going to file for?

21 A Yes, I guess I did.

22 Q Okay. Who did you get that from?

23 A I guess that would've come from the, you know, the  
24 direction that senior management sent.

25 Q Okay. And how did they send that to you?

1 A I mean, the direction that senior management set.  
2 So they would've said these are the dates we're  
3 going to file for. We would've built, particular  
4 to the owners' cost, we would've built an owners'  
5 cost projection based on those dates.

6 Q All right. Relying on those completion dates?

7 A Yes, sir.

8 Q Regardless of whether they were accurate or not?

9 A Correct.

10 Q Regardless of whether they were achievable or not?

11

12 MR. CHALLY: Object to form.

13

14 A (No response.)

15 Q And I'm trying to understand, did you testify to  
16 these completion dates in 2016 because nobody told  
17 you a different date or because you were  
18 affirmatively told these dates should be your  
19 testimony?

20

21 MR. CHALLY: Object form. He's answered this  
22 question four times.

23

24 A I guess those are the dates that senior management  
25 set. So those are the dates we testified to. How



1           they got comfortable with those dates, I don't  
2           know. You'd have to ask them.

3       Q     All right. And for the purposes of your 2016  
4           testimony about the completion dates, who was  
5           senior management?

6       A     Well, that would've Alan Torres, Jeff Archie, and  
7           Steve Byrne.

8       Q     Is it fair to say that you just don't know what  
9           all of that information was available to SCE&G  
10          about the completion dates in October of 2016 when  
11          you filed your testimony?

12      A     So again, any kind of schedule vetting would've  
13          been done by a different group that I was not part  
14          of.

15      Q     Were there any -- are you aware of any discussions  
16          about disclosing to the Public Service Commission  
17          or ORS about the Bechtel assessment or report?

18      A     No.

19      Q     Are you aware of any discussions about disclosing  
20          to the Public Service Commission or ORS about the  
21          EAC review that was done in 2014?

22

23                   MR. CHALLY: Object to form. Are you talking  
24           about discussions among business people or  
25           discussions among -- involving the lawyers?

1 MR. RICHARDSON: Well, I'm just asking him if  
2 he's aware of any discussions. So I haven't asked  
3 him what the substance of them are yet. So I  
4 think I can -- he can answer.

5 MR. CHALLY: Well, you've asked him the  
6 substance because your question assumes that it's  
7 disclosure of the EAC. So are you asking about  
8 discussions among business people or are you  
9 asking discussions among lawyers?

10 MR. RICHARDSON: I'm asking him if he is  
11 aware of any discussions about disclosure to the  
12 Public Service Commission or ORS of the EAC review  
13 in 2014.

14 MR. CHALLY: Okay. Mr. Kochems, I instruct  
15 you not to answer except the precise question that  
16 was asked. Are you aware of discussions on this  
17 topic?

18  
19 A Ask the question one more time. I'm sorry.

20 Q Are you aware of any discussions about the  
21 disclosure to Public Service Commission and/or to  
22 ORS about the 2014 EAC review?

23 A Yes.

24 Q Okay. And who were those discussions with?

25 A So the 2014 EAC evaluation basically drove --

1

2

MR. CHALLY: Hold on. So who is the  
discussions with. You can answer that question.

4

5

A So that would've been internal to SCANA  
management.

6

7

Q And part of the EAC team?

8

A Yeah, within the EAC team. Yes, sir.

9

Q Okay. And what were those discussions?

10

A I think the discussion would've been that we have  
a schedule change and a price change and we need  
to file with the PSC. I think we went over the  
e-mail earlier where we talked about that even  
before we started that EAC review.

11

12

13

14

15

Q In preparing that testimony would kind of be the  
output of the EAC review?

16

17

A We would certainly prepare testimony prior to  
filing or prior to testifying with the PSC.

18

19

Q All right. And was there any discussions about  
disclosing to the PSC or ORS about the EAC review  
from 2014 that wasn't included in the filing by  
SCE&G?

20

21

22

23

24

MR. CHALLY: Object to form.

25

1 A Let me make sure I answer the question. Was  
2 there -- can you say it one more time? I'm having  
3 a hard time following you. I'm sorry.

4 Q I apologize. Was there any discussion about  
5 disclosing to the Public Service Commission or ORS  
6 the parts of the EAC review that weren't included  
7 in the filing?

8  
9 MR. CHALLY: Mr. Kochems, I believe  
10 Mr. Richardson is asking you to characterize  
11 discussions that you earlier identified as  
12 occurring outside the -- outside the involvement  
13 of lawyers. And so if you can limit your answer  
14 to those circumstances, feel free to answer his  
15 question.

16  
17 A I don't recall any conversations we had to not  
18 disclose certain things.

19 Q And how about discussions that you had to disclose  
20 the results of the EAC review that were not  
21 included in the SCE&G filing?

22  
23 MR. CHALLY: Object to the form and same  
24 instruction as to the privilege.

25

1 A Okay. I thought that was the answer -- or I  
2 thought that was the question I just answered. I  
3 don't recall any conversations where we discussed  
4 not disclosing things.

5 Q All right. You're just reversing my question.  
6 And that's one way to answer, but it just doesn't  
7 answer the full question. My question is not did  
8 y'all have any discussions not to disclose it. My  
9 question is did you have any discussions about  
10 disclosing to the PSC or ORS the EAC review  
11 results that weren't included in the filing?

12

13 MR. CHALLY: Object to form.

14

15 A I'm not sure how to answer that short of what I  
16 just said. It's a long question. I'm not sure.

17 Q You didn't have any discussions with any attorney  
18 about this issue, did you? The EAC review in  
19 2014.

20 A So prior to us filing with the Public Service  
21 Commission, we would certainly, you know, seek  
22 direction from attorneys on what to do.

23 Q Sure. To prepare the testimony.

24 A Or the fact to file or not, yes.

25 Q And there was a suggestion in the e-mails y'all

1 looked at before that you were very close to the  
2 November filing deadline. What was that filing  
3 supposed to be?

4 A The objective when we got the EAC in August was to  
5 file with the Public Service Commission in  
6 November.

7 Q A schedule and cost modification?

8 A Yes, sir.

9 Q And why didn't that happen?

10 A I don't recall exactly why it didn't happen. I  
11 mean, I could speculate that we just weren't  
12 ready. We hadn't done enough work.

13 Q And that filing that you referred to in the e-mail  
14 as the November filing actually became the  
15 March 12, 2015, filing, right?

16 A Yes, sir.

17 Q Not a different filing. You know, in your  
18 testimony you thought -- you said you thought in  
19 2015 that the project may never be completed  
20 because of this design or execution problems with  
21 the constructability. Do you remember that?

22

23 MR. CHALLY: Object to form.

24 MR. BEVER: Object to the form.

25

1 A Yeah. What we were discussing earlier about the  
2 issues with the -- the technical issues with the  
3 reactor coolant pumps, yeah.

4 Q Right. My question is are there any other reasons  
5 that you thought in 2014 or 2015 that the project  
6 may never be completed?

7 A Not that I can recall.

8 Q And you know, we talked about the labor ratios and  
9 the productivity factors and the increased EAC  
10 costs because of schedule delays. Is that part  
11 of, you know, your concern about constructability  
12 as one those factors?

13

14 MR. CHALLY: Object to form.

15

16 A No. I wouldn't characterize this -- the things  
17 you just described as technical issues.

18 Q Where those things that certainly threatened the  
19 completion, the potential completion of the  
20 project?

21 A What types of things?

22 Q Well, let's go back straight to the completion  
23 dates. Because in both the Bechtel report and in  
24 the 2017 EAC, the completion dates are well beyond  
25 the time for the production tax credits, for

1 example.

2 A Okay.

3 Q And would that have affected, in your mind, the  
4 possibility or likelihood that the project was  
5 completed?

6 A So, yeah. Any kind of protection where we didn't  
7 expect to get the production tax credits would've  
8 been a concern. Certainly.

9 Q One of the things I think you said was that the  
10 fixed-price option fixed a majority of the EPC  
11 cost concerns?

12 A Uh-huh.

13 Q It did not freeze the owners' cost, right?

14 A That's correct.

15 Q And in 2015, do you remember that there was a  
16 balance of the 3.3 of the fixed price? You  
17 remember the fixed price was 3.345?

18 A That was SCE&G's portion, yes.

19 Q SCE&G's portion. And that there was approximately  
20 1.4 billion remaining of that balance in 2015. It  
21 could be 2016. Whatever you testified.

22 A So say that one more time make sure I'm with you.

23 Q I thought in your testimony in front of PSC you  
24 stated that approximately 1.4 billion of the  
25 remaining balance of the fixed-price that had been



1 paid at that point. Do you remember that? That  
2 there was a balance.

3 A So yeah, there certainly would've been -- I mean,  
4 the fixed-price option, the 6.082 is the hundred  
5 percent number. I mean, that began as of July 1,  
6 2015.

7 Q Okay.

8 A So with us not testifying until 2016, there was  
9 some portion of that that was already paid.

10 Q Okay. And do you remember that the remaining  
11 balance at that point would've been sufficient to  
12 cover the price of the project? Do you remember  
13 that being part of the testimony?

14 A So whatever was left was, you know, whatever  
15 remained unpaid as of that date would've been the  
16 additional funds we would've had to give  
17 Westinghouse. Yes, that's a true statement.

18 Q And if you knew then that the completion dates  
19 were much further out by years, wouldn't that mean  
20 that the remaining balance wouldn't be sufficient  
21 to construct the owners' cost portion? Wouldn't  
22 be sufficient to finish construction?

23 A For the owners' cost portion, that would be a true  
24 statement, yes.

25 Q They would have to increase and by a lot if it was

1 years into the future?

2 A Yes. Assuming no other litigation, it would've  
3 increased significantly.

4 Q When did you become aware that Westinghouse was  
5 having cash flow problems?

6 A Cash flow problems?

7 Q Uh-huh.

8 A I don't know that I was ever aware that  
9 Westinghouse was cash flow problems.

10 Q Well, certainly by the time they filed bankruptcy,  
11 right?

12 A Yeah. I don't know that it was a cash flow  
13 problem, I mean . . .

14 Q Can't pay their debts.

15 A Yeah.

16 Q One of the ways that you file -- reasons you file  
17 bankruptcy.

18 A Yeah. That's true, yeah.

19 Q So you're saying right now, even today, you're not  
20 aware Westinghouse had cash flow problems?

21 A No. I mean, that wouldn't have been something I  
22 would've been aware of. I mean, like you said,  
23 there's a lot of different reasons people file  
24 bankruptcy. I mean, cash flow would be one of  
25 them. That very well may be a fact. I just was

1 not aware of it.

2 Q All right. Let's see. In October 13, 2016, that  
3 was roughly when you testified in the preceding,  
4 modification proceeding?

5 A Sounds about right.

6 Q And you testified that the amendment to the EPC  
7 contract would benefit the customers and it was  
8 substantial benefits, and that the amendment  
9 resolved most of the outstanding disputes for the  
10 contract. You told us that earlier. You remember  
11 this testimony?

12 A Yes, sir.

13 Q And then it also resolved the milestone and  
14 progress payments. And that it resolved because  
15 of the fixed-price option the disputes about poor  
16 labor productivity and the project delays. Do you  
17 remember that testimony too?

18 A Yes.

19 Q And that part of your testimony was that all  
20 future pavements would be tied to the construction  
21 milestones?

22 A Yes.

23 Q And also you remember testifying that because all  
24 those fixed-price option dollars would be tied to  
25 construction milestones, you didn't anticipate

1 many disputes or as many disputes?

2 A That's true.

3 Q And you pointed out to the Public Service  
4 Commission that going forward you felt that the  
5 only real dispute would be that whether they  
6 completed the milestone or not. If they did, they  
7 get paid; if they didn't, they wouldn't.

8 A That's -- yeah.

9 Q Excuse me. And then the months before, you  
10 testified the EPC amendment was actually not  
11 resolving the poor labor productivity issues, was  
12 it?

13

14 MR. CHALLY: Object to form.

15

16 A So, say that one more time.

17 Q Well, I mean, one of the problems is the EPC  
18 amendment, the amended contract, did not solve the  
19 poor labor productivity.

20 A Okay.

21 Q Do you agree with that?

22 A As I sit here, I don't know if they fixed the poor  
23 labor productivity or not. I don't know.

24 Q It kept getting worse. Even when Fluor came on  
25 board in 2016, right?

1 A I don't know if that's true or not. I mean, at  
2 this point, I don't recall whether that's true or  
3 not.

4 Q And the EPC amended contract didn't fix the  
5 constructability problems that was causing delays  
6 on the pump?

7

8 MR. CHALLY: Object to form. You mean fix  
9 the delay itself?

10 MR. RICHARDSON: Fix the problems.

11 MR. CHALLY: Including the costs?

12 MR. RICHARDSON: Including the delay.

13 Including the cost of delay against cost.

14

15 A It alleviated the financial implications on the  
16 EPC side of the contract for sure.

17 Q Temporarily, right?

18 A Yeah. I mean, until Westinghouse declared  
19 bankruptcy, yes.

20 Q So in fact, it did not alleviate the cost concerns  
21 for the owners, did it?

22 A At the time we felt it did.

23 Q You sponsored the 2016 updated schedule for  
24 capital costs in the PSC, right?

25 A I think that's what it's called. I don't remember

1 exactly what it's called.

2 Q Okay. And do you remember you testified or  
3 presented that the gross construction costs for  
4 the units was projected to increase by  
5 approximately \$850 million in current dollars?

6 A That sounds about right. I'll trust you if you're  
7 reading it.

8 Q I am. Was that accurate based on what you knew  
9 from the 2014 EAC review of the construction  
10 schedule and the real construction costs?

11 A So I think what -- you're talking about the  
12 testimony we submitted in 2016, correct?

13 Q That's right.

14 A So that fixed the price. So any issues we had  
15 with the EAC we developed in 2014 would've been  
16 fixed.

17 Q So you're saying that the \$850 million in increase  
18 was purely fixed-price option cost?

19 A Well, there were some small amounts we carved out  
20 for time -- T&M allowances. But the vast majority  
21 of it was the fixed-price option, yes.

22 Q And you testified that the budgets being presented  
23 here were reviewed and approved by SCE&G's project  
24 management team. Who is that in 2016?

25 A So that would start with Ron Jones, again who was

1 the site VP, Jeff Archie and Steve Byrne.

2 Q Ron Jones, Jeff Archie, and Steve Byrne?

3 A Yes, sir.

4 Q And so 2016 when you testified, did you know that  
5 the productivity factors got worse and not better  
6 after the 2015 modification of the schedule and  
7 cost?

8 A I did not know that.

9 Q So you didn't take that into account when  
10 submitting your testimony to the PSC in 2016?

11

12 MR. CHALLY: Object to form.

13

14 A The increased productivity factor after we had the  
15 fixed-price option was no longer our problem from  
16 an financial implication.

17 Q Okay. And did you take into account the  
18 continuing constructability problems that were  
19 affecting the schedule and thus the owners' cost  
20 in your 2016 testimony?

21

22 MR. CHALLY: Object to form.

23

24 A Any kind of constructability or technical issue  
25 was certainly not my area of expertise. So that

1           wouldn't be something I would have any substantial  
2           knowledge on.

3       Q     But it would've effected owners' cost, wouldn't  
4           it?  It extended the schedule?

5

6                       MR. CHALLY:  Object to form.

7

8       A     The schedule extended then the owners' cost would  
9           increase, yes.

10      Q     Okay.  And you didn't take into account the  
11           continuing constructability problems that were  
12           affecting the schedule in 2016?

13

14                      MR. CHALLY:  Object to form.

15

16      A     So in 2016 the schedule they provided us that was  
17           vetted by Alan Torres was given to us and that's  
18           what we filed on.

19      Q     And you didn't take into account the continuing  
20           constructability problems that were affecting the  
21           schedule in 2016?

22

23                      MR. CHALLY:  Object to form.

24

25      A     Okay.  I'm not -- I'm obviously not communicating



1 well here. I'm not sure. Any kind of  
2 constructability issue that --

3 Q Did you take it into account? You know the  
4 answer. You can tell us.

5

6 MR. CHALLY: No. Object to form.

7 MR. BEVER: Object to form.

8 MR. CHALLY: That's inaccurate based on the  
9 testimony that he submitted and the testimony he  
10 provided today. You've asked him the question  
11 five times. You want to ask him again, I'll  
12 object to the form and he can answer it the same  
13 way he's had before. But you're not going to  
14 testify for him.

15 MR. RICHARDSON: I just want him to feel  
16 comfortable answering the question rather than  
17 what he wants to say.

18 MR. CHALLY: No. He can answer the question  
19 how he wants to answer the question. And the fact  
20 that you have ignored the enormous financial cost  
21 and burden that was imposed on Westinghouse if  
22 they failed to meet the deadline, which is more  
23 than enough reason to take that into account --

24 MR. RICHARDSON: I tell you what, we'll start  
25 your deposition tomorrow. But let me finish today

1 with Mr. Kochems.

2

3 BY MR. RICHARDSON (Continuing):

4 Q In relying on the schedule you were given by  
5 Mr. Torres, did you take into account any  
6 constructability problems with your testimony in  
7 2016?

8 A I did not personally do anything to vet the  
9 schedule that we were . . .

10 Q Okay. And was there someone who told you to make  
11 the conclusion in your testimony in 2016 that  
12 those costs were reasonable and necessary and  
13 prudent project costs based on information  
14 available to SCE&G?

15 A Is there somebody that told me that -- I mean, I  
16 don't know that anybody told me to say that. I'm  
17 sure -- those sound like lawyer words. So I don't  
18 know that I came up with those. But I'm sure  
19 that's the standard by which were measured against  
20 under the Base Load Review Act.

21 Q Okay. For example, we talked about the schedule  
22 and that we figured out came from Alan Torres'  
23 group and Steve Byrne. And what I'm asking about  
24 on the cost, you know, you compiled it from a lot  
25 of different -- a hundred different departments.

1 And I was wondering if there was somebody else you  
2 were relying on to testify that all of those costs  
3 were reasonable, necessary, and prudent project  
4 costs based on the information currently available  
5 to SCE&G?

6 A Yes.

7 Q And who was that that you were relying on?

8 A So that would be pretty much everybody in the NND  
9 organization.

10 Q They gave you the numbers. That meant that they  
11 were reasonable, necessary, and prudent?

12 A They gave me the underlying assumptions. Those  
13 assumptions were vetted and approved by senior  
14 management and that's what I relied on.

15 Q All right. So you deferred to senior management  
16 kind of like you did in 2015 with Carlette  
17 Walker's testimony?

18

19 MR.BEVER: Objection to the form of the  
20 question.

21 MR. CHALLY: Object to the form.

22

23 A So if the engineering group tells me they need to  
24 hire an engineer, I'm not the qualified person to  
25 say yes, you do or no, you don't. That

1 engineering manager is, that engineering manager's  
2 supervisor is, the VP is, and the senior VP is.

3 So I relied on their approval of that.

4 Q All right. And who were those two people again by  
5 name instead of title?

6 A So in that particular example it would be one of  
7 the several engineering managers. So the general  
8 manager of engineering was Brad Stokes. His boss  
9 was Ron Jones; his boss was Jeff Archie; and his  
10 boss was Steve Byrne. So every single one of  
11 those approved that additional engineering, you  
12 know, junior engineer that they wanted to hire.  
13 So that's what I would've been relying on.

14 Q Okay. That's fine. Thank you. Did Ken Browne  
15 ever ask -- excuse me. Did Ken Browne ever  
16 indicate to you he believed the owners' cost  
17 budget was unrealistic?

18 A Not that I can recall, no.

19 Q And did Carlette Walker ever indicate to you that  
20 she believed the owners' cost budget was  
21 unrealistic?

22 A Again, not that I can recall, no.

23 Q Did anyone else ever indicate to you that he or  
24 she had concerns that the owners' cost numbers  
25 were unrealistic?

1 A Again, not that I can recall, no.

2 Q Okay. You often got e-mails from Marion Cherry,  
3 didn't you?

4 A Yes.

5 Q Do you remember the EPC amended target cost and  
6 percentage completion charts being forwarded to  
7 you in April of 2015?

8 A Not off the top of my head. No, sir.

9

10 MR. RICHARDSON: I'm a lot worse than  
11 Mr. Haltiwanger. I have one copy.

12 MR. SMITH: Can y'all give us the Bates  
13 numbers of what you're looking at.

14 MR. RICHARDSON: I'm looking at  
15 CEPCI-SC\_000395142517.

16 MR. CHALLY: Where was this produced?

17 MR. RICHARDSON: I don't know.

18 MR. CHALLY: Where was this produced?

19 MR. BELL: Santee Cooper produced it to us.

20 MR. CHALLY: In the PSC?

21 MR. RICHARDSON: So this is -- so the actual  
22 document that I'm going to give to him and let  
23 y'all see it is a cover e-mail that is  
24 SCANA\_RP0020794.

25 MR. BEVER: What's the number again?

1 MR. RICHARDSON: 20794.

2 MR. CHALLY: Can I see it?

3 MR. RICHARDSON: This is the same thing that  
4 this is. This is the same thing.

5 MR. CHALLY: All right. Back up a second.  
6 So what are we -- you're going to hand him SCANA  
7 RP 0020794?

8 MR. RICHARDSON: With the forwarded e-mail  
9 which is see CEPCI-SC\_00039514 to 517.

10 MR. CHALLY: Are you giving him the  
11 attachments to the forward? Or are you giving him  
12 the attachments to the CEP?

13 MR. RICHARDSON: Well, they are one in the  
14 same.

15 MR. CHALLY: Well, do you know that?

16 MR. RICHARDSON: Yeah.

17 MR. CHALLY: You've compared them?

18 MR. RICHARDSON: Yeah. The name, the same.  
19 It's forwarded, they're the same.

20 MR. CHALLY: Okay.

21 MR. RICHARDSON: You'd certainly be able to  
22 cross-examine him on it.

23 MR. CHALLY: Just trying to make sure we're  
24 clear enough. All right. So --

25 MR. RICHARDSON: I'll just take that sheet

1 back.

2 MR. CHALLY: (Reviews documents.) Okay. So  
3 what is this?

4 MR. COX: The attachment to the e-mail.

5 MR. CHALLY: It's got a different Bates  
6 number.

7 MR. RICHARDSON: Yep.

8 MR. CHALLY: And the --

9 MR. RICHARDSON: It says Bates number  
10 CEPCI-SC\_00015640. And that is the native format  
11 document number and Bates number for the  
12 attachment itself.

13 MR. BEVER: You said 156 what?

14 MR. RICHARDSON: 640. That's just one 6,  
15 though.

16 MR. CHALLY: So I understand, Matthew, you're  
17 representing all that. But it's for the witness  
18 to testify as to whether this is what they recall.  
19 So if you want to show that to Kevin and see if he  
20 can recall in the forward receiving the  
21 attachments either in the form of the document you  
22 first gave to me or the document you second gave  
23 to me, that's fine. But --

24 MR. RICHARDSON: All right. What exhibit  
25 number are we on? I'm ready to proceed.

1 COURT REPORTER: Exhibit 8. Yes, sir. You  
2 want me to mark it?

3 MR. RICHARDSON: Yep.

4 COURT REPORTER: Okay.

5 MR. CHALLY: We're going to take a quick  
6 break and talk about this one.

7  
8 (Whereupon, E-mail Correspondence and  
9 Attachments was marked Exhibit No. 8 for  
10 identification.)

11  
12 VIDEOGRAPHER: Off the record at 18:45.

13  
14 (Off the Record)

15  
16 VIDEOGRAPHER: Back on the record at 18:55.

17 MR. CHALLY: All right. Just for the record,  
18 I'll object to the use of this document as an  
19 exhibit because of the way it's been compiled as  
20 is reflected on the Bates labels. And if  
21 Mr. Kochems has any memory of the document . . .

22 MR. RICHARDSON: All right. You're  
23 protected.

24 MR. BEVER: I join the objection.

25



1

2 BY MR. RICHARDSON (Continuing):

3 Q Mr. Kochems, do you recognize this April 6, 2015,  
4 e-mail to you and Ron Jones and many of the EAC  
5 team members from Marion Cherry?

6 A No. No, I don't.

7 Q Do you recognize your e-mail on the document?

8 A I recognize I was copied on it. I don't recognize  
9 or remember the e-mail or the content of it.

10 Q You have any reason to dispute that you received  
11 this e-mail?

12 A I guess if you told me I got it, then I did.

13 Q Do you have a problem with receiving e-mails that  
14 are addressed to you at your SCANA e-mail address?

15 A Typically not, no.

16 Q Do you, as part of a nuclear construction project  
17 in April of 2014 -- 2015, you ever have any IT  
18 problems that you became aware of that you didn't  
19 receive e-mails?

20 A Not that I can recall, no.

21 Q And if you were in a situation with your  
22 responsibility in a project like this that you  
23 weren't getting e-mails that would be a big  
24 problem for SCANA, wouldn't it?

25

1 MR. CHALLY: Object to form.

2

3 A Sure. Yes.

4 Q It would be a big problem for you too, wouldn't  
5 it?

6

7 MR. CHALLY: Object to form.

8

9 A I guess it would make my job a little bit easier  
10 if I stopped getting e-mails. Yes.

11 Q At least that day, right?

12 A Yeah.

13 Q Well, let's see what you were forwarded on  
14 April 6, 2015. You see that Mr. Crosby is --  
15 excuse me -- Mr. Cherry is forwarding you an  
16 e-mail that Mr. Crosby had sent to Steve Byrne  
17 earlier that day and to Jeff Archie and copied  
18 Jeff Archie, Marion Cherry, two different e-mail  
19 addresses. Do you see the below?

20 A I do, yes.

21 Q Okay. And do you see near the bottom there is a  
22 section called "Additional Details" on the new  
23 chart. You see number three on the second line?

24 A Number three on the second lines.

25 Q Right.

1 A The one that says "Field Non-Manual to Direct"?

2 Q No. It's -- if you go even below that into the  
3 text it's actually additional details on the new  
4 chart. Number three, starts Entitlement curve.

5 A Oh, yes. I'm sorry. I was on the wrong page.

6 Q Maybe it's on page 2.

7 A I'm sorry.

8 Q And do you see that's there an entry on there  
9 about -- talking about \$72 million for design  
10 finalization?

11 A Yes.

12 Q And it says that that is filed in the current PSC  
13 petition. Do you see that?

14 A I see where it says that, yes.

15 Q Is that true?

16

17 MR. CHALLY: Object to form.

18

19 A I don't remember.

20 Q You have any reason to dispute Mr. Crosby saying  
21 that there was \$72 million in design finalization  
22 in the current PSC petition in April 2015?

23

24 MR. CHALLY: Object to form.

25

1 A I don't have any reason to think he made that up,  
2 no. Although, I'm not sure. Mr. Crosby would  
3 have too in-depth knowledge of what SCE&G filed  
4 with the PSC either. So --

5 Q Well, it's public knowledge, isn't it?

6 A It is. But something of this level of detail  
7 would be pretty granular and buried in, you know,  
8 one number showing up on one chart in somebody's  
9 testimony. So I'm not saying it's correct or  
10 incorrect. As I sit here today, I can't answer  
11 whether it is or not. I'm sorry.

12 Q And we talked about how a million dollars for the  
13 Bechtel assessment was enough to get attention.  
14 This is \$72 million for design finalization in  
15 2015. You don't find that to be more than just  
16 granular?

17

18 MR.BEVER: Objection to the form.

19 MR. CHALLY: Object to form.

20

21 A I guess what I was saying is that when you asked  
22 me if that statement Mr. Crosby made was true or  
23 not, I'm saying I can't tell whether it is or it  
24 isn't as I sit here today.

25 Q Okay. And my question was do you have any reason

1 to think that it's not true?

2 A I have no reason to think it's not true.

3 Q And are you familiar with the term "target cost"?

4 A Yes, sir.

5 Q And are you familiar with direct craft  
6 productivity? We talked about that already,  
7 right?

8 A Uh-huh.

9 Q And this comparison of indirect to direct craft  
10 labor ratio, that's a more specific term of the  
11 labor ratios we were talking about earlier?

12 A Yeah.

13 Q Okay. And the field "Non-manual To Direct Craft  
14 Labor Ratio," that's another labor ratio that is  
15 significant to productivity and the cost of a job?

16 A It's significant to the cost, yeah. I don't know  
17 that it impacts productivity, though.

18 Q Well, having less folks and direct craft labor  
19 would mean, you know, less construction going on,  
20 right? Compared to the cost I guess.

21 A It could, yes.

22 Q Okay. And if you'll turn to the attachments to  
23 this e-mail that was forwarded to you on April 6,  
24 2015. You remember looking at the productivity  
25 charts sent to you by Mr. Crosby?

1

2

MR. CHALLY: Object to the form.

3

4

Q Actually, Mr. Cherry?

5

6

MR. CHALLY: Object to form and object to the  
characterization of this exhibit. We don't know  
what's attached to this. But you can go ahead.

7

8

9

10

A Are you referring to this one?

11

Q Well, there's actually I think three. But, you  
know, I'm talking about all three of them.

12

13

A So what was your question?

14

Q Do you remember seeing the charts that Mr. Cherry  
sent you on April 6, 2015?

15

16

A I don't remember seeing them. No, sir.

17

Q Do you remember ever having any conversation about  
some of the quantification of the cost factors  
that you were participating in in the EAC review  
that are shown on these charts?

18

19

20

21

22

MR. CHALLY: Object to form.

23

24

Q I mean, these are the same issues you were dealing  
with, right?

25

1

2

MR. CHALLY: Object to form.

3

4

A So if you're asking me if was PF part of the EAC calculation, the answer is yes. I don't know if I'm answering your question.

5

6

7

Q And not just that, but the total target cost too. Maybe not in this format, but that's part of what you did in the EAC review for SCE&G, right?

8

9

10

A Correct.

11

Q And these charts as both in illustration and in information would be directly relevant to the EAC work that was being done by SCE&G, right?

12

13

14

15

MR. CHALLY: Object to form.

16

17

A So, yeah. They would be related to it, certainly.

18

Q And that's probably why Mr. Cherry sent it to you and your team, EAC team, right?

19

20

21

MR. BEVER: Object to form.

22

MR. CHALLY: Object to form.

23

24

Q Didn't he send it to you and your EAC team?

25

A He sent it to Ron Jones, Carlette Walker, Ken

1 Browne and myself, Sheri and Shirley. Yes.

2 Q So the EAC team and y'all's supervisors,  
3 essentially?

4 A Yeah. I mean, it appears that it was something  
5 that was going to be discussed at an executive  
6 steering committee meeting.

7 Q Is that what that group is? Basically an  
8 executive steering committee?

9 A No. Certain members of that group that was copied  
10 are on the executive steering committee.

11 Q All right. Do you remember any of the discussions  
12 about these illustrations of the factors that go  
13 into estimate at completion costs?

14 A I did not go to the executive steering committee  
15 meetings, so I'm not sure if they discussed it or  
16 not.

17 Q Are you aware of any discussions about these  
18 regardless of whether it was at the executive  
19 steering committee or not?

20 A I don't recall.

21 Q Do you have any reason -- I mean, take your time  
22 to look at them -- but do you have any reason to  
23 believe that the numbers and information on these  
24 charts are not accurate?

25



1 MR. CHALLY: Object to form.

2

3 A I mean, I don't know what information that Marion  
4 used to generate these charts, especially the ones  
5 where he has different scenarios in it. But I  
6 have no reason to believe that or have no  
7 knowledge that it's wrong.

8 Q If you'll turn to the very last page, it's this  
9 curvy graph, Total Target Cost.

10 A (Witness complies.)

11 Q Do you see in the Labor Productivity and Ratio  
12 Inputs on the top left, the PF entitlement is  
13 1.15. Do you recognize that as part of the EAC?  
14 See the second from the bottom?

15 A Yes, sir.

16 Q And is that number a number that y'all came up  
17 with or that was given by Westinghouse?

18

19 MR. CHALLY: Object to the form. You're  
20 asking him to talk about the exhibit? Or are you  
21 asking him to talk about the 1-1-5 that the team  
22 developed separate from what's reflected in the  
23 exhibit?

24 MR. RICHARDSON: I'm asking under -- in this  
25 chart, does he -- was that 1-1-5 the number that

1 EAC came up with, the 2014 EAC, or was it what  
2 Westinghouse provided.

3 MR. CHALLY: I'm going to object to the form.  
4 You're asking him to interpret a document that he  
5 doesn't recall seeing.

6 MR. RICHARDSON: I' not asking him to  
7 interpret the document. I'm asking him to tell me  
8 is this the number or not. I think he's already  
9 testified to it. I just can't remember which one  
10 it was.

11

12 Q Is the 1-15 -- is the 1.15 the productivity factor  
13 for the EAC review or for Westinghouse?

14 A So Westinghouse used a 1.15 productivity factor in  
15 the data they provided us.

16 Q And what did the EAC conclude?

17 A I'm sorry?

18 Q And what did the EAC conclude?

19 A I don't recall the number off the top of my head,  
20 but --

21 Q I thought you said 1.4 earlier.

22 A I want to say it was about 1.4 something.

23 Q Okay. All right. So closer to scenario two on  
24 this Total Target Cost chart than the one that's  
25 labeled EAC?

1

2

MR. CHALLY: Object to form.

3

4

Q Isn't that right?

5

A 1.4 is close to 1.5 than 1.15, yes.

6

Q And do you see on the dotted line on the far right

7

where all of the curves end, do you see that

8

there's a dot for PFC filing -- PSC filing?

9

A Dot for PSC filing? Oh, yes. Uh-huh.

10

Q And do you see how that's above the baseline. Can

11

you tell us if that is approximately just under

12

3.5, probably 3.3? Is that what the total CWIP

13

was in the 2015 filing?

14

A Again, I don't recall exactly what the 2015 PSC

15

filing total CWIP was. I just don't remember.

16

Q All right. There's a page with the three graphs.

17

One is Direct Craft Productivity, one is Indirect

18

To Direct Craft Labor Ratio, and one is Field

19

Non-Manual to Direct Craft Labor Ratio. Do you

20

see that page?

21

A Are you looking at this one here?

22

Q Yes. And at the very top, you see there's text

23

that starts "Target Cost"?

24

A Yeah.

25

Q Do you know what it is -- what that says? What is

1 the EAC basis?

2

3 MR. CHALLY: Object to form.

4

5 A I'm not -- I'm sorry. What was the question?

6 Q They use a term "EAC Basis" as like a term of art.

7 And do you agree with me that that is the

8 Westinghouse EAC basis that was provided five

9 months earlier --

10

11 MR. BEVER: Object to form.

12

13 Q -- in October?

14 A That's what it appears to be, yes.

15 Q Okay. Let's move on from that exhibit.

16

17 MR. RICHARDSON: There's our one copy,

18 Exhibit No. 9.

19 MR. CHALLY: Let's take a quick break on

20 this.

21 MR. RICHARDSON: Well, give us the Bates

22 number, if you don't mind.

23 MR. CHALLY: SCANA\_RP 0021575. SCANA --

24 VIDEOGRAPHER: Go ahead.

25 MR. CHALLY: SCANA\_RP 0021575.

1

2

(Whereupon, E-mail Correspondence and  
Attachments was marked Exhibit No. 9 for  
identification.)

3

4

5

VIDEOGRAPHER: Off the record at 19:12.

6

7

(Off the Record)

8

9

VIDEOGRAPHER: Back on the record at 19:18.

10

11

BY MR. RICHARDSON (Continuing):

12

Q Mr. Kochems, as you've been handed what's been  
marked as Plaintiff's or ORS Exhibit No. 9. It's  
May 5, 2015, e-mail from Ms. Wicker to essentially  
you and Kevin, Ken Browne and others. Can you  
read who else was copied on this e-mail?

13

14

A I think it went from Sheri Wicker to Carlette  
Walker, myself, and Ken Browne.

15

16

Q Okay. Do you remember receiving this e-mail?

17

A I don't remember receiving this specific e-mail,  
no.

18

19

Q Do you remember it actually has two attachments  
which was really the purpose of the e-mail. Do  
you remember these two attachments? One is the

20

21

1 EAC review team Action Items dated November 11,  
2 2014. And the other attachment is the EAC  
3 Validation Report from May of 2014. Actually, May  
4 of 2015.

5 A I don't remember this specific action item list.  
6 I think that was something that we updated weekly  
7 if not multiple times a week. So I can't say that  
8 I remember this exact version of it.

9 Q But you recognize the document. Your name is on  
10 it. You're assigned various action items  
11 following the EAC review?

12 A Yes.

13 Q Or what was part of the EAC review team.

14 A Uh-huh.

15 Q And in the first attachment on page 5 out of 7 is  
16 number 16.

17 A Uh-huh.

18 Q Do you see where it says, "WEC, Westinghouse  
19 resubmitted the EAC in October and would resubmit  
20 it in October 2014"?

21 A Which -- you're on 9?

22 Q Forth column on the right. There's a note.

23 A 16?

24 Q Yeah, number 16.

25 A Okay. I'm sorry. All right. So which set of

1 notes?

2 Q I think it's the second from the right. It should  
3 say, "Westinghouse would resubmit the EAC in  
4 October 2014."

5 A Yes, I see it.

6 Q And is that consistent with your memory that there  
7 were some discussions and then they resubmitted in  
8 October 2014?

9 A I don't remember this specific action item, but I  
10 don't know that Westinghouse resubmitted a whole  
11 new EAC. They may have just an update to the  
12 particular topic we're talking about here.

13 Q Okay. And that's -- number 16 is an item, a  
14 review item, that's essentially you've been  
15 assigned responsibility for?

16 A Yeah. I was kind of the coordinator for it.

17 Q And when they either updated and resubmitted the  
18 EAC, what format would that have been in?

19 A I mean, it could've been an e-mail. It could have  
20 been a spreadsheet. It could have been a phone  
21 call. I don't recall.

22 Q How much detail would've been in the EAC provided  
23 by Westinghouse?

24 A The total EAC or this particular topic that we're  
25 talking about?

1 Q Well, the whole EAC.

2 A I mean, the whole EAC was essentially, you know,  
3 PowerPoint presentations. There would've been a  
4 lot of documents behind that to support it and  
5 bringing -- you know, to total it up.

6 Q And how many slides would've been in that  
7 PowerPoint presentation with Westinghouse EAC?

8 A Say there was maybe 20 slides.

9 Q Okay. Now if you'll turn to page 6 of that first  
10 attachment, number 25.

11 A Okay.

12 Q Do you see where it says that that was deferred as  
13 of May 5, 2015?

14 A Uh-huh.

15 Q All right. And that that was specifically for the  
16 item that is the detailed schedule needed for  
17 individual detail milestones?

18 A Yeah, related to the quarterly breakdown of the  
19 cash flow.

20 Q Right. And that, actually, part of the notes say  
21 that there is no cash flow on a monthly basis  
22 because of the current level of detail in the  
23 schedule, right?

24 A Hold on second. Yes. So, I'm sorry. Ask the  
25 question one more time.



1 Q Yeah. I'm just wanting to verify that the notes  
2 essentially say there's no cash flow that can be  
3 provided on a monthly basis because of the current  
4 level of detail on the schedule.

5 A I think what it's saying is for Westinghouse for  
6 that schedule they only had that level of detail  
7 for the June COD schedule.

8 Q Right.

9 A Yes.

10 Q And the June COD schedule is what unit? You're  
11 talking but the COD for Unit 2, June of 2019, or  
12 something different?

13 A So when Westinghouse and CB&I provided us the EAC  
14 in 2014, they had two different scheduled options.  
15 One, I guess I'd call it accelerated and the other  
16 one was not accelerated. I can't remember which  
17 one was which. But obviously they had that level  
18 of detail for one of those two schedules and we  
19 were trying to price the other one.

20 Q And you couldn't?

21 A Yeah. For these Westinghouse milestones, that's  
22 correct.

23 Q Will you turn to page 7, number 26. Can you just  
24 explain what the escalation and de-escalation  
25 meant?

1 A Sure. So you just want kind of the concept?

2 Q Yeah.

3 A So any kind of estimate that Westinghouse had  
4 given us we would have to understand kind of what  
5 year dollars those are in. So I don't remember  
6 exactly for this EAC, but just to use an example  
7 to kind of demonstrate it. They may have given us  
8 an EAC in August 2014 dollars. Our contract is in  
9 2007 dollars. So we would have to de-escalate  
10 those August dollars back to 2007, and then  
11 re-escalate them based on whatever that cash flow  
12 showed.

13 Q And did that just have to do with the cost in  
14 making sure you were comparing the same year  
15 dollars to other numbers, or did this have  
16 something to do with the completion dates and the  
17 schedule?

18 A I mean, we would do that because when we would  
19 file -- when SCE&G would file with the Public  
20 Service Commission, we would document the  
21 estimated escalation that we thought we would  
22 incur. So it was part of -- the escalation line  
23 was part of the cash flow. That's why we would do  
24 it.

25 Q And the escalation is essentially dealing with the

1 amount of money would be required in current  
2 dollars?

3 A Yes.

4 Q Or is it an acceleration if getting paid quicker  
5 or completing the project sooner?

6 A You can look at it as inflation.

7 Q Just a time value of money?

8 A Yeah.

9 Q Is it more than just the time value of money?

10 A Well, it depends. I mean, some of the escalation  
11 factors were 5.2 percent a year; some of them were  
12 6.5 percent; some were based on Handy-Whitman. So  
13 it really depended on which specific milestone  
14 you're referring to.

15 Q And so you'd actually have a different escalation  
16 multiple, for lack of a better term, interest rate  
17 essentially, which could end up being its own cost  
18 driver?

19 A Yes.

20 Q And what would cause it to be different for  
21 different milestones?

22 A The time of when that milestone was scheduled to  
23 be completed.

24 Q If you see the second attachment, the EAC  
25 validation report.

1 A Uh-huh.

2 Q Is it based on completion dates of December 2018  
3 and December 2019?

4 A Yes. December 2018, December 2019.

5 Q If you turn to page 2 at the bottom you'll see  
6 number 5.0, Productivity Factors and Labor Ratios.

7 A Yep.

8 Q And if you would just glance at it and confirm  
9 what I think I've asked you earlier which is it's  
10 increasing from the EPC in late 2014 and through  
11 the first four months since receiving the EAC from  
12 Westinghouse?

13 A That's correct.

14 Q Okay. Meaning it was getting more expensive for  
15 the project even after Westinghouse said they were  
16 going to achieve certain mitigation of  
17 productivity factors and labor ratios. Is that  
18 right?

19 A So, yeah. It's a higher productivity factor,  
20 means more money.

21 Q If you don't mind, turn to page 3, at the top, the  
22 very first three sentences.

23 A Okay.

24 Q Do you agree that the EAC validation report says  
25 that SCE&G does not believe the mitigation targets

1 of Westinghouse are achievable?

2 A Where does it say that?

3 Q I think in the first three sentences.

4 A I think what it says is that within the first six  
5 months, this does not appear to be achievable,  
6 yes.

7 Q And does it go on to say as a result, the  
8 recalculated cost -- as a result, you recalculated  
9 the cost. The EAC did that. But left the  
10 schedule and the completion dates because that was  
11 just a given for the EAC's review. Is that right?

12 A One more time. I'm sorry.

13 Q Yeah. As a result of that EAC review, had to  
14 recalculate the cost in order to be -- do its job,  
15 right? If those productivity gains aren't  
16 achievable, we need to recalculate the cost based  
17 on what we know to be actually achievable.

18

19 MR. CHALLY: Object to form.

20 MR. BEVER: Object to the form.

21

22 Q Right? Isn't that the purpose of the EAC review?

23

24 MR. CHALLY: Object to the form.

25

1 A I don't know that the purpose of the EAC team was  
2 to recalculate or change Westinghouse's underlying  
3 assumptions.

4 Q Well, it's to vet the numbers and when they aren't  
5 achievable to then give the real numbers. That's  
6 the purpose of the EAC review, right?

7

8 MR. CHALLY: Object to form.

9

10 A Well, I think what it says is that we, assuming no  
11 changes with the current CB&I organization, we  
12 recalculated with a PF of 1.4 To-Go. That's what  
13 it says.

14 Q Because Westinghouse/CB&I's 1.5 wasn't achievable.  
15 That's what EAC concluded, right? And you  
16 recalculated those costs because it wasn't  
17 achievable, right?

18 A I don't think it says that. I think it says the  
19 owner does not believe the assumed PF of 1.5 is  
20 achievable with the current CB&I organization. So  
21 that's basically saying no mitigation has taken  
22 place. So the EAC team recalculated the cost with  
23 a 1.4 To-Go.

24 Q Okay. And on page 3, there's a 6.0 about CB&I.

25 A Okay.

1 Q If you look at the second paragraph at the bottom.

2 A The CB&I target or CB&I time and materials?

3 Q Well, that's a good question. Excuse me a second.

4 I think it's the last sentence in the first

5 paragraph and also the second sentence in the

6 second paragraph where it shows that the EAC team

7 identified there were delays caused by design

8 engineering issues of Westinghouse, right?

9 A You're referring to, it says, "delays due to

10 design engineered issues that were the

11 responsibility of Westinghouse."

12 Q Yes. And then the second sentence in the second

13 paragraph.

14 A The second sentence . . . Okay. So what was the

15 question again? I'm sorry.

16 Q Doesn't that show that the EAC validation report

17 found that SCE&G knew that there were delays that

18 had been caused by Westinghouse's design

19 engineering issues? Just like you testified

20 earlier.

21 A Well, I think one of the categories of cost

22 increases that Westinghouse provided us was

23 scheduled delays for various reasons. That's what

24 we're alluding to here.

25 Q Right. And those paragraphs are actually talking

1 about design and engineering issues of  
2 Westinghouse, right?

3 A Yes.

4 Q Okay. Of the consortium. Will you turn to page  
5 6. This 12.0, I think, is the acceleration costs?

6 A 12.0. Okay.

7 Q I was just wondering if you can explain that too.  
8 And is it related to or different to the  
9 escalation and de-escalation?

10 A Explain acceleration or . . .

11 Q Right. What are the acceleration costs as, you  
12 know, is different than this escalation we were  
13 just talking about?

14 A At high-level, I think what they refer to as  
15 acceleration was accelerating the completion of  
16 the schedule and any cost associated like we  
17 talked earlier about a night shift.

18 Q Okay.

19 A Those types of costs.

20 Q And it's talking there about mitigation to meet  
21 the completion dates and the Westinghouse's EAC?

22 A I believe so, yes.

23 Q And it even uses the night shift and support for  
24 the night shift as one of the examples, right?

25 A Yes, it does.



1 Q And then it actually gives -- the EAC validation  
2 report gives a cost figure of \$171 million as the  
3 cost for acceleration needed in its analysis of  
4 the Westinghouse EAC that was provided to the  
5 owners, right?

6 A Are you asking did -- yes, Westinghouse provided  
7 us the \$171 million.

8 Q That was Westinghouse provided that number saying  
9 we will or asking for that?

10 A I don't remember that specific number. But given  
11 the context of what we're reading here, yes, that  
12 would've been something that Westinghouse or CB&I  
13 had provided to us.

14 Q And as separate and independent from anything, the  
15 EAC review would've calculated or determined to be  
16 the acceleration cost needed to actually achieve  
17 the schedule provided by Westinghouse?

18 A Again, I don't if the \$171 was the number we were  
19 provided were or it if was adjusted in one way or  
20 another by the EAC team. I don't remember that.

21 Q Okay. Mr. Kochems, I've handed you what's been  
22 marked as Plaintiff's or ORS Exhibit No. 10, which  
23 has a Bates number on the bottom right as  
24 SCANA\_RP0258896. You see that? Is that what I  
25 handed you?

1 A Yeah. I didn't follow the number you were reading  
2 off of. I'm sorry.

3

4 (Whereupon, EAC Review Document was  
5 marked Exhibit No. 10 for  
6 identification.)

7

8 Q That's all right. At the top it says "EAC  
9 Review"?

10 A Yes, sir.

11 Q Are you familiar with this document?

12 A I don't recall it sitting here today.

13 Q Do you remember in August of 2014 when you and Ken  
14 Browne were kind of designing and developing the  
15 2014 EAC review process, that y'all had a series  
16 of e-mails back and forth about the -- he called  
17 this the EAC Summary. But it was his initial  
18 thoughts about how to structure the 2014 EAC --

19

20 MR. CHALLY: Object to form. Do you have any  
21 of those documents to show him?

22 MR. RICHARDSON: I think I got one copy. I  
23 can show it to you.

24

25 Q Would -- does that refresh your memory -- okay.

1           It's -- Exhibit No. 6 is the response by  
2           Mr. Kochems to Ken Browne's e-mail on August 25,  
3           2014, at 8:24 p.m. which is had attached the EAC  
4           Review Summary that we're now talking about.

5

6           MR. CHALLY: So you're saying --

7           MR. RICHARDSON: Can we give him Exhibit  
8           No. 6?

9           COURT REPORTER: Just give me a second,  
10          y'all.

11          MR. CHALLY: So you're saying that Exhibit  
12          No. 10 is an attachment to Ken Brown's original  
13          e-mail in Exhibit No. 6?

14          MR. RICHARDSON: Yeah.

15          MR. CHALLY: Okay. I have no clue whether it  
16          is. So, Mr. Kochems, if you --

17          MR. RICHARDSON: You're not the witness so  
18          I'm not sure that really matters.

19          MR. CHALLY: Well, you represented that it  
20          is, and I'm saying I have no clue. So you can ask  
21          him.

22          MR. RICHARDSON: And it's my deposition. I  
23          agree.

24          MR. CHALLY: You can ask him.

25

1 Q Now, are you ready, Mr. Kochems? Would you look  
2 at Exhibit No. 6 of the Ken Brown e-mail and look  
3 at the last paragraph.

4 A Last paragraph. Okay.

5 Q I guess this -- paragraph if you count his request  
6 for thoughts on this. Do you see where he talks  
7 about a review summary where he says that this  
8 group that is that EAC review team worked on this  
9 a couple weeks ago and it needs a few tweaks but  
10 it is a good start?

11 A Yeah, I see that paragraph.

12 Q And do you remember reviewing or working from this  
13 review summary to develop the plan and program for  
14 the EAC review in 2014?

15 A I don't specifically remember this document, no.

16 Q You worked on the EAC review team with all the  
17 folks copied on that e-mail in Exhibit No. 6,  
18 didn't you?

19 A Yes, sir.

20 Q And these communications were part of the EAC  
21 review plan that y'all developed as part of the,  
22 basically, the re-baselining and the project  
23 management of the NND project?

24

25 MR. CHALLY: What --

1 MR.BEVER: Object to form.

2 MR. CHALLY: Exhibit No. 6 or Exhibit No. 10?

3 MR. RICHARDSON: Exhibit No. 6.

4

5 A Okay. So, I'm sorry. Ask the question.

6 Q I mean, this communications among your EAC review  
7 team --

8 A Right.

9 Q -- here initiated by Ken Browne but responded to  
10 by yourself an hour later. Includes as part of --  
11 includes the EAC review team in both e-mails,  
12 right?

13 A Correct.

14 Q And as a part of the EAC plan in developing that  
15 as part of, you know, the EAC review itself, y'all  
16 had a starting point that you apparently started  
17 earlier August because you actually received  
18 Westinghouse's EAC in August 1st. I think you  
19 testified you first received it on August 29th.  
20 But in any event, we know it was that month of  
21 2014, right?

22

23 MR.BEVER: Object to the form.

24 MR. CHALLY: I'm going to object to form.

25

1 Q Some of this refreshing your memory?

2 A I don't remember getting an EAC at the beginning  
3 of August, no.

4 Q Okay. That's fine. But you got it in August and  
5 it's within days of this e-mail, this Exhibit No.  
6 6, right?

7 A Yes. I think what this was is the brainstorming  
8 to be ready to do whatever we decided or were  
9 directed to do for the EAC review.

10 Q Yeah. And my question is was there anything  
11 before this that the EAC team did to get ready for  
12 the EAC review in 2014?

13 A I don't even remember this to be honest. I don't  
14 remember anything prior to this.

15 Q Okay. Do you remember the e-mails in Exhibit  
16 No. 6 that you received and responded to?

17 A Before I was shown them, no, I don't.

18 Q And now that you see your e-mail back to the EAC  
19 review team about preparation for getting and  
20 reviewing the EAC, I mean, does this sound like  
21 you? Is this your e-mail?

22 A Yes.

23 Q Okay. And this was part of the process of  
24 developing the EAC review with the entire team,  
25 right?

1 A I think, again, this was a brainstorming prior to  
2 actually being given the EAC on having a plan of  
3 what to do.

4 Q Right. And on line number 1, I just want you to  
5 explain to me what the, you know, the different  
6 levels of schedule you were expecting to get.

7

8 MR. CHALLY: I'm sorry. This is Exhibit  
9 No. 10? Line number 1 on Exhibit No. 10?

10 MR. RICHARDSON: Yeah.

11 MR. CHALLY: I'll object to the form of the  
12 question.

13

14 A I'm not a schedule person, but I know there's  
15 different levels of scheduling. A level kind of  
16 implies the amount of detail behind it.

17 Q Right.

18 A So I want to say it starts at one and goes to five  
19 or something like that. So I think that -- Ken is  
20 referring -- Ken would've been a schedule-type  
21 person. I think that's what he's referring to  
22 there.

23 Q Okay. And you remember what level of schedule  
24 y'all got from Westinghouse?

25 A I do not remember, no.

1 Q We're going to mark as Plaintiff's or ORS Exhibit  
2 No. 11 the October 6 draft of the EAC review team  
3 preliminary update with Bates numbers  
4 SCANA\_RP0024674. This is an extra copy?

5

6 MR. CHALLY: All right. So before we start,  
7 how much longer do you have? It's a quarter to  
8 eight.

9 MR. RICHARDSON: This is the last exhibit  
10 unless we -- I just got to ask him about his  
11 testimony, that's it, in this case.

12 MR. CHALLY: In this case. What do you mean?

13 MR. RICHARDSON: In these proceeding, he  
14 filed testimony a month or so ago. And I got some  
15 questions on some of those things.

16 MR. CHALLY: Okay. So what do you think?

17 MR. RICHARDSON: Some of them have already  
18 been asked. I just haven't been able to go back  
19 through it.

20 MR. CHALLY: How much testimonial time do we  
21 have?

22 VIDEOGRAPHER: I need to go off the record --  
23 we're on the fourth DVD.

24 MR. CHALLY: And they're two hours each?

25 VIDEOGRAPHER: Not everyone has been two



1 hours. Two have been close to it; one of them is  
2 like 18 minutes short.

3 MR. CHALLY: All right.

4 MR. SMITH: Is there an option -- doesn't  
5 matter to me -- but is there an option of resuming  
6 this deposition at 9:00 a.m. tomorrow morning  
7 before the Bennett's deposition and finishing it  
8 up then? Since I'm guessing most people are going  
9 to be staying in Columbia tonight.

10 MR. CHALLY: Bennett is not tomorrow but Ken  
11 Browne is.

12 MR. SMITH: Whoever is tomorrow.

13 MR. CHALLY: At this point, I mean, any  
14 lawyer here could say it's primarily up to the  
15 witness and his counsel as to whether he wants to  
16 continue on this path. Maybe you guys want to  
17 talk about it.

18 MR. RICHARDSON: This is the last exhibit.

19 MR. SMITH: But the question that John has,  
20 it sounds like we might go another hour. Just  
21 guessing.

22 MR. CHALLY: Well, if he's got -- okay.  
23 Let's keep going.

24 THE WITNESS: You said half-an-hour an hour  
25 ago.

1

2 BY MR. RICHARDSON (Continuing):

3 Q Mr. Kochems, you've been provided what is  
4 Plaintiff's ORS Exhibit No. 11. What is this?

5

6 (Whereupon, EAC Preliminary Update was  
7 marked Exhibit No. 11 for  
8 identification.)

9

10 A This is an EAC preliminary update from  
11 October 2014.

12 Q All right. And was this developed from the  
13 August 2014 EAC planning?

14 A Yes.

15 Q Is it part of the EAC review process in 2014?

16 A Yes. It's a preliminary update.

17 Q Was there another update or report?

18 A I don't recall whether there was a file after this  
19 one or not.

20 Q And who was this provided to?

21 A Again, I think we talked about this earlier. This  
22 would've been the presentation that we had given  
23 to senior management. Again, I specifically  
24 remember Steve Byrne being there. I just don't  
25 remember. I'm sure there were people, I just

1 don't recall who else was there.

2 Q No problem. If you would turn to page 3, I think  
3 it's entitled CB&I Direct Craft.

4 A Page . . .

5 Q Three is the top of, say CB&I Direct Craft?

6 A Schedule impact? CB&I Direct Craft Productivity.

7 Q Yep. And I forget which bullet point it is, but  
8 does it show that the EAC did not believe the  
9 Consortium's statements about productivity factors  
10 and that identified and calculated the associated  
11 cost with that?

12 A It says the EAC team anticipates a To-Go PF closer  
13 to 1.4 and recalculated the costs resulting in an  
14 additional increase approximately a hundred  
15 million dollars.

16 Q And that page also shows that they owe additional  
17 excessive cost that were identified by the EAC  
18 review?

19 A It says, "This does not address excessive indirect  
20 craft present on-site and an additional  
21 opportunity exists to challenge these costs above  
22 established direct/indirect ratios," yeah.

23 Q Okay. And if you'll flip to the slide that's  
24 titled CB&I Field Non-Manual. The second bullet  
25 point.

1 A CB&I Field Non-Manual, second bullet point. Okay.

2 Q And does that show that the EAC team does not  
3 believe the Consortium plan?

4

5 MR. CHALLY: Object to form.

6

7 A It says, "The EAC does not anticipate that CB&I  
8 will be able to comply with this plan," yes.

9 Q And if you'll turn to the CB&I Acceleration slide?

10 A Okay.

11 Q See bullet three?

12 A Yes, sir.

13 Q Does that confirm that EAC fault that there were  
14 additional costs needed to meet the completion  
15 dates and the EAC believed there were additional  
16 costs needed by the Consortium to meet completion  
17 dates?

18

19 MR. CHALLY: Object to form.

20

21 A You're talking about the third bullet?

22 Q Uh-huh.

23 A The EAC was based on a December '18 and '19. What  
24 the third bullet says if we moved it, if we  
25 accelerated it additionally to September '18 and

1 November '19 three would be an additional cost to  
2 that, yes.

3 Q And, basically, that means that the proposed  
4 schedule by Westinghouse would result in  
5 additional acceleration cost impacts that had not  
6 yet been quantified, right?

7 A No.

8 Q Doesn't mean that?

9 A No. It says that the December '18 and December  
10 '19 had a cost. If we were going to accelerate it  
11 beyond December to September and November, there  
12 would be an additional cost on top of that that  
13 were not quantified.

14 Q Okay. Of the same years?

15 A Of the same years; of September '18 and November  
16 '19.

17 Q Okay. Are you -- and in just review of that, I  
18 mean, is there anything in that preliminary report  
19 that you disagree with or think it was different  
20 than what you remember? Is there any of that that  
21 you disagree with?

22

23 MR. CHALLY: Object to form.

24

25 A I haven't gone back and reread the whole thing,

1 but --

2 Q What about just the ones that we've identified and  
3 actually looked at?

4

5 MR. CHALLY: Same objection.

6

7 A I think we just read what was on there, so I don't  
8 know that I . . .

9 Q I know. But I'm asking do you disagree with any  
10 of that?

11 A No. That was certainly what the EAC team  
12 recommended or documented.

13 Q Okay. Thank you. You can put that aside.  
14 Mr. Kochems, in the PSC docket 2017-370-E, you've  
15 submitted direct testimony?

16 A That's correct.

17 Q And we've talked about it a few times. But in  
18 several places in your testimony, you ask that the  
19 Commission find the cost schedule that you're  
20 submitting for the abandonment cost as reasonable  
21 and prudent. And you go on to say that SCE&G is  
22 legally entitled to amortize and recover these  
23 amounts through rates. Are you giving an opinion  
24 in your testimony?

25

1 MR. CHALLY: Object to form.

2

3 A I would have to go back and look at it. But I  
4 think I kind of say it's my understanding that.  
5 I'm certainly not a lawyer. So I'm not going to  
6 pretend to be.

7 Q And so, when you say that SCE&G is legally  
8 entitled, that's -- somebody put those words into  
9 your testimony. That's not your direct testimony,  
10 is it?

11

12 MR. CHALLY: Object to form.

13

14 A Can I see it?

15 Q Sure.

16 A Where are you?

17 Q Circled on the right.

18 A Circled on the right.

19 Q Top right.

20 A Yes. So that's --

21 Q Did I read that correctly?

22 A That would certainly be a legal opinion.

23 Q And you're not offering legal opinion as a witness  
24 in this proceeding, are you?

25 A I'm not trying to, no.

1 Q And the same goes with the characterization or the  
2 request that SCE&G -- excuse me -- that the  
3 Commission find the cost schedule as reasonable  
4 and prudent. You're not asking -- you're not  
5 offering a legal opinion or any other expert  
6 opinion on the overall or ultimate question in  
7 this case of whether they're reasonable and  
8 prudent; you're offering the numbers, right?

9  
10 MR. CHALLY: He's offering -- object to the  
11 form. He's offering the testimony that's  
12 described in the document.

13 MR. RICHARDSON: And I'm asking him about it.  
14 You can object to the form, everything else is  
15 preserved.

16  
17 Q But when you say SCE&G further requests that the  
18 Commission find the cost schedule reasonable and  
19 prudent, and that SCE&G is legally entitled to  
20 amortize and recover these amounts, you're just  
21 repeating, you know, the legal argument that your  
22 employer is advancing. It's not your fact  
23 testimony, is it?

24  
25 MR. CHALLY: Object to form.



1

2 A Yeah. I'm certainly not intending to offer a  
3 legal opinion on any kind of interpretation of the  
4 law.

5 Q Okay. The next paragraph you talk about the cost  
6 that you're offering as the abandonment cost, fall  
7 well within the scope of cost projections that  
8 have been previously approved by the Commission.  
9 Are you talking about the revised rate orders  
10 previously entered by the Commission?

11 A I think it's referring to previously approved PSC  
12 filings or dockets.

13 Q Are you referring to 2015 schedule and budget  
14 modification?

15 A I think we might be referring to the most recently  
16 one which was in 2016.

17 Q Which is a revised rate order?

18 A The filing we had in 2016. I don't remember the  
19 filing number. That would've been the last  
20 requested and approved PSC schedule of costs.

21 Q Okay. So you believe that the costs that you're  
22 submitting here as the abandonment costs are  
23 within the scope of cost projections that already  
24 have been approved by the Commission?

25 A Yes. What I'm specifically saying is that the

1 cost we spent were less than what the PSC had  
2 previously approved.

3 Q The cost that you're seeking in the abandonment  
4 proceeding?

5 A Yes.

6 Q Do you know what the approved schedule by the  
7 PSC -- what is the approved schedule by the PSC?

8 A I mean, the cost schedule or the --

9 Q Well, about the substantial completion dates?

10

11 MR. CHALLY: Object to form. As to what  
12 time?

13

14 Q Current.

15 A The most recent one, I believe, was the December  
16 to December.

17 Q 2019 and 2020?

18 A I think that's correct, yes.

19 Q And you know those aren't substantial completion  
20 dates for the project, right?

21 A We abandoned the project, so as we sit here today,  
22 there are no substantial completion dates.

23 Q Are you aware of any change to the cost -- your  
24 testimony on page 7 says, "If the decision to  
25 abandon the plant is found to be imprudent, it is

1 my understanding under the code section that the  
2 Commission may only disallow recovery for those  
3 specific elements of cost which are shown to have  
4 been caused by imprudence on the part of the  
5 utility and failing to anticipate or avoid the  
6 allegedly imprudent costs or to minimize the  
7 magnitude of costs considering information  
8 available at the time that the utility could have  
9 acted to avoid or minimize the cost." Is that  
10 your understanding of the law governing  
11 abandonment cost that can be approved by the  
12 Commission?

13

14 MR.BEVER: Objection to the form.

15

16 A I think that's my understanding of it, yes.

17 Q Have you ever read code section 58-33-280(k)?

18 A At some point, I'm sure I have, yes. Not as a  
19 lawyer but as a . . .

20 Q Did you read it in relation to developing your  
21 testimony?

22 A Yes, sir.

23 Q So that is your understanding of your reading of  
24 the statute?

25 A That is my understanding and that would've been

1 something that our lawyers had concurred with me  
2 on.

3 Q Okay. You also testified the decision to abandon  
4 the plant was prudently made and there was no  
5 imprudence associated with the cost set forth in  
6 your exhibit. Is that your opinion or are you  
7 relying on Mr. Addison, and Mr. Young, Mr. Lynch  
8 as to that particular?

9  
10 MR. CHALLY: Object to form.

11  
12 A In that particular testimony I was -- I think I do  
13 refer to some other SCE&G witnesses.

14 Q Right.

15 A And the work they did.

16 Q I'm just wondering if you have your own opinion  
17 and you're testifying as to your own personal  
18 knowledge as to whether the decision to abandon  
19 the plant was prudently made or not?

20  
21 MR. CHALLY: Same objection.

22  
23 A So based on the information I know of, I agree  
24 with that statement.

25 Q And is the information that you know of contained

1 exclusively in the testimony of Mr. Addison,  
2 Mr. Young, and Mr. Lynch in this case?

3

4 MR. CHALLY: Object to form.

5

6 A I would have to go back and reread those three  
7 testimonies to say it's all in there or not.

8 Q I'm really interested in knowing if you have your  
9 own view of whether the decision to abandon the  
10 plant was prudently made?

11 A So yeah, based on the testimony of those three  
12 people, then yes, I agreed with that decision.

13 Q And you agree with it based on anything other than  
14 their testimony?

15

16 MR. BEVER: Object to the form.

17

18 Q See what I'm saying? I'm asking about your own  
19 personal knowledge, not just reading their  
20 testimony.

21 A So based on reading their testimony and the  
22 information I gathered from what they said in  
23 their testimony, I agree with that statement, yes.

24 Q In your testimony you talk about the actual amount  
25 cumulative spent as of December 31, 2017, was

1           5.1 billion including the cost of transmission  
2           projects and other projects that are being or have  
3           been placed in service. And I think you say it in  
4           here, but do you know how much is just the NND and  
5           not being placed into service?

6    A       The transmission piece was \$340 million or  
7           thereabouts.

8    Q       And you talk about -- I mean, I think that's one  
9           mitigation plan, right? That you talk about the  
10          total capital cost for abandonment being subject  
11          to mitigation plans proposing the joint petition.  
12          What I want to ask about is this impairment that  
13          occurred in 2017. Are you familiar with that?

14   A       At a high-level, yes.

15   Q       All right. Part of your testimony says that after  
16          September 30, 2017, SCE&G determined for  
17          accounting purposes that it was unlikely any  
18          future costs would be recovered through rates and  
19          began expensing those costs below the line. When  
20          was that determined?

21   A       I think it was September of last year.

22   Q       And that's just for the expenses incurred after  
23          September 30th?

24   A       So any expense incurred after September, unless it  
25          related to work that was done prior to that point,

1 was an expense below the line. That's true.

2 Q And in addition to that, there was an impairment  
3 because it was anticipated it would not be  
4 recoverable of an additional \$670 million. Do you  
5 remember that?

6 A Yes, sir.

7 Q As part of your testimony?

8 A Uh-huh.

9 Q But that is separate and independent from the  
10 impairment after September 30th?

11 A Yep.

12 Q All right. I don't have but a few more pages, but  
13 we are going to run out of tape, so let's go ahead  
14 and do that.

15

16 VIDEOGRAPHER: This concludes media number  
17 four in the video deposition of Kevin Kochems.  
18 The time is 20:06. We're now off the record.

19

20 (Off the Record)

21

22 VIDEOGRAPHER: We're back on the record.  
23 Today's date is September 24, 2018. The time is  
24 20:08. This is the beginning of media number five  
25 in the video deposition of Kevin Kochems.

1

2 BY MR. RICHARDSON (Continuing):

3 Q Mr. Kochems, in your testimony in the PSC docket  
4 370(e) you talked about these costs that you're  
5 offering for the abandonment rates as being  
6 approved by SCE&G's Accounting and Project  
7 Oversight Team. Who is that?

8 A Which costs are we talking about here?

9 Q These are the costs that you're offering as the  
10 abandonment costs for -- it's KRK. Is that your  
11 initials?

12 A Uh-huh.

13 Q KRK1.

14 A Okay. All right. So what are you saying again?  
15 I'm sorry.

16 Q Well, your testimony is that these costs have been  
17 reviewed and approved by SCE&G's Accounting and  
18 Project Oversight Team. I was wondering who that  
19 is?

20 A So the accounting group I'd be referring to there  
21 would be myself and then other members of the  
22 business and finance organization as well as other  
23 members of SCANA's accounting department. The  
24 project, where I say the Project Oversight Group,  
25 and that would be similar to what we talked about



1 earlier with the engineering manager's, his  
2 director or general manager, the site VP and the  
3 senior VP.

4 Q And was all that done for the testimony in this  
5 case or are you talking about when it was  
6 originally incurred for the project?

7 A So everything in that particular docket is cost  
8 that we spent. So any cost that we spent was  
9 approved in some way or another before it got to  
10 the project.

11 Q Right. But my question is was it reviewed and  
12 approved by the Accounting and Project Oversight  
13 Teams prior to abandonment when it was originally  
14 incurred, or did you go back post-abandonment and  
15 review it for purposes of the abandonment  
16 proceeding?

17 A Prior. When the cost by was actually incurred, it  
18 was reviewed and approved.

19 Q All right. And so the cost shown on Exhibit 1 of  
20 your testimony was not reviewed and approved in  
21 the just -- in the context of the abandonment  
22 proceeding itself?

23 A No. We didn't go back ten years and review all  
24 the costs that were incurred, no.

25 Q Your testimony goes on to say that, "To ensure

1           they're reasonable, prudent, and appropriate  
2           capital cost of the project." What was done to  
3           ensure those -- that's an accurate statement?

4    A       So whenever a cost is incurred, it's reviewed and  
5           approved at that time in order to make sure that  
6           it's, you know, properly charged to the work  
7           order.

8    Q       So these costs were reviewed and approved as  
9           reasonable, prudent, and appropriate capital costs  
10          of the project while it was being constructed?

11   A       Yes. As the cost was incurred, it was reviewed  
12          and approved.

13   Q       I see. And not reviewed after abandonment?

14   A       No. That's correct.

15   Q       And SCE&G is not asking the Commission to take any  
16          rate-making action regarding the transmission  
17          costs, right? It's not part of the abandonment  
18          costs?

19   A       That's correct.

20   Q       But you're asking for \$32 million and that's a  
21          year, right? Annual number for the financing cost  
22          currently provided through revised rates?

23   A       For transmission?

24   Q       Yes.

25   A       Yes.

1 Q So that testimony is asking for the revised rates  
2 of \$32 million a year to be continued for the  
3 transmission investment which is no longer part of  
4 NND and is not abandoned?

5 A That's correct.

6 Q Do you know how the Public Service Commission is  
7 able to put those financing costs on the  
8 ratepayers under the BLRA?

9  
10 MR. CHALLY: Are you asking him a legal  
11 opinion?

12 MR. RICHARDSON: I'm just asking him if he  
13 knows what he's saying in his testimony.

14

15 A I think what we're saying in the testimony is that  
16 the cost related to the transmission, the NND  
17 transmission, that we wanted to pull that out of  
18 this filing and deal with it with a normal regular  
19 rate case.

20 Q And any associated financing with that for any  
21 other nonnuclear base rate investment wouldn't be  
22 part of revised rates or financing costs in  
23 abandonment proceeding, would it?

24 A I'm not sure I understand the question.

25 Q You're asking to pull out the transmission CWIP.

1 And you're saying leave in the transmission CWIP  
2 financing costs?

3 A Correct. Yes.

4 Q And I'm -- I guess I'm asking is there any basis  
5 for making that request in this proceeding?

6

7 MR. CHALLY: Object to form.

8

9 A I don't know the legal basis of asking for that,  
10 no.

11 Q Okay. And no other nonnuclear investment could be  
12 financed through revised rates or the Base Load  
13 Review Act for this project, could it?

14 A So, no. The only cost that was related to and run  
15 through the BLRA mechanism were the nuclear costs,  
16 yes.

17 Q And the transmission costs are no longer nuclear  
18 costs, right?

19 A That's correct. My understanding is that the  
20 transmission lines are up and running right now.

21 Q Okay. You have some testimony about the  
22 540 megawatts Columbia Energy Center Gas  
23 Generation Facility. The purchase price was 180  
24 million. And that's already been paid, right?  
25 And it's been purchased?

1 A It's on the books. Whether we've written a check  
2 for it or not, I don't know.

3 Q Okay.

4 A I hesitate to use the word paid.

5 Q Part of your testimony is this facility was  
6 acquired on May 9, 2018. Is that right?

7 A That's correct, yes.

8 Q And that wasn't purchased as part of the new  
9 nuclear or Base Load Review Act, was it?

10 A No. That was purchased in response to the  
11 abandonment.

12 Q And you talk in your testimony about writing down  
13 unrecovered costs of the NND Project by cumulative  
14 total of 1.4 billion which will include the write  
15 downs that SCE&G has already taken to NND assets  
16 in 2017, right?

17 A Uh-huh.

18 Q If part of the write-down that was taken in 2017,  
19 how is that a customer benefit in this proceeding?

20

21 MR. CHALLY: Object to the form.

22

23 A I think what we're saying there is we were  
24 offering to write down the CWIP by that amount  
25 under -- I don't know which proposal you're

1 talking about there. But in the different  
2 proposals, we were offering different write-downs  
3 and different plans.

4 Q But this offering of a write-down actually  
5 occurred in the last calendar year, didn't it?

6 A So, yes. Like you had referenced earlier in 2017,  
7 for accounting purposes wrote down \$670 million.

8 Q And SCE&G can't get that 670 million that was  
9 written down back under any circumstances going  
10 forward, can they?

11 A I think that's up to the Public Service  
12 Commission.

13 Q Well, you're not even asking for it back because  
14 you've taken the tax loss, right?

15 A Well, no. The \$670 million you're referring to  
16 was the impairment that we took.

17 Q Yeah.

18 A The impairment was based on our interpretation of  
19 accounting rules that said we had to take that  
20 impairment based on the speculation that we were  
21 not going to get it recovered. I think the  
22 request there has three different options. The  
23 base request I think would allow us to, you know,  
24 reverse that impairment.

25 Q Really?

1 A Well, I mean, it's really up to the PSC what we  
2 impair and what we don't impair.

3 Q Right. But are y'all even asking in the base case  
4 for the 670 to be returned?

5 A I know I should know the answer to that,  
6 but I . . .

7 Q That's all right. There was some regulatory  
8 assets that totaled about 360 million interest  
9 rates swap (ph) losses, accumulated deferred  
10 income taxes, financing costs on deferred tax  
11 assets, the DPAD (ph). Those write-downs are  
12 being proposed as below the line expenses which  
13 would be excluded from setting rates going forward  
14 in all plans. Is that . . .

15 A I think that's correct, yeah.

16 Q How is that a customer benefit in these  
17 proceedings?

18 A I mean, those would be something that we would be  
19 entitled to recover. With these proposals, they  
20 decided to go ahead and write those off.

21 Q Okay. You talk about the balance under customer  
22 benefits plan of 3.3, amortized on a straight-line  
23 basis over 20 years. Do you know if the 3.3  
24 balance and the customer benefits plan for the  
25 merger is actually amortized on a straight-line

1 basis?

2 A I think that's the proposal we're making, yeah.

3 Q Okay. What does that mean? Is that the same as  
4 levelized amortization?

5 A I think it means it would just be the same amount  
6 every single month for 20 years.

7 Q Is that the same for levelized amortization?

8 A I'm not familiar with the term levelized  
9 amortization, but it sounds to be the same thing.

10 Q And your testimony says under the customer  
11 benefits plan, the approximately \$4 billion  
12 balance in the regulator asset, which is the CWIP,  
13 right? Would be reduced to a net balance of 3.3.

14 A Okay.

15 Q And my question is if you start with 4 billion,  
16 that's really another 700 million that's not part  
17 of the 2016 already approved CWIP by the PSC.  
18 Isn't that right?

19 A Yeah. So what was approved in 2016 as the total  
20 PSC budget isn't really related to that sentence  
21 at all, no.

22 Q And not the budget, but I mean improved in terms  
23 of costs incurred that then supports the revised  
24 rates.

25 A Oh, okay. I'm sorry. Ask your question again



1           then.

2       Q     Because what you're talking is what's approved as  
3           the overall budget that hadn't been spent yet?

4       A     Correct. That's what I thought you were referring  
5           to. I'm sorry.

6       Q     And when you're presenting these costs as having  
7           previously been approved by the PSC, what you  
8           really meant is the budget for the cost had been  
9           approved by the PSC and not the actual cost  
10          incurred through the 2016 revised rate proceeding?

11      A     So the PSC would approve both those. It would  
12          approve the revised rates proceeding as well as  
13          the total overall budget including a projection.

14      Q     But they haven't approved \$4 billion in  
15          construction work and progress yet, have they?

16      A     I don't believe they have, no.

17      Q     What is rate mitigation measures and recovery cap?

18      A     Can you read the sentence?

19      Q     It's the new capital cost rider component that is  
20          subject to rate mitigation measures and the  
21          recovery cap.

22      A     So I believe I'm referencing Mr. Rooks (ph)  
23          testimony there too.

24      Q     Yes. It's more detailed about these matters.

25      A     Yeah.

1 Q Are you referring to him?

2 A He would be the one you really need to ask what  
3 that means.

4 Q In your answer about the financing cost, you talk  
5 about the weighted-average cost of debt at 5.85  
6 percent and allowed return on equity at 10.25.  
7 That's not your personal testimony. That was  
8 given to you by Ms. Griffin?

9

10 MR. CHALLY: Object to form.

11

12 A I believe those numbers are factual numbers. The  
13 10.25 is the most recent settlement that we agreed  
14 to.

15 Q Under the revised rate orders?

16 A Yes.

17 Q Okay. But your testimony says this fixed cost of  
18 capital reflects the weighted-average cost of debt  
19 at 5.85. You're not testifying that that is SCE&G  
20 or SCANA's weighted average cost of debt, are you?

21 A I'm not saying that I calculated that number.  
22 That would've been something our treasury and  
23 financial planning group would've done.

24 Q Okay. In your new merger benefits plan, you  
25 contain this statement -- your testimony contains

1           this statement, "The \$180 million cost of SCE&G's  
2           acquisition of gas plant CEC is also included in  
3           \$670 million impairment amount." Is that right?

4    A    Yes.

5    Q    Is that only true in the new merger benefits plan?

6    A    I think it's true for both. But the customer  
7           benefits plan would've had an additional write  
8           down to basically compensate that \$180 million.

9    Q    Okay. So the gas plant, May 9th of 2018, it's  
10           purchased and SCANA or SCE&G commenced not to put  
11           it on -- into the rate base. So it's essentially  
12           an impaired regulator asset that has a  
13           corresponding, you know, impairment and tax  
14           benefit by writing it off. And you're saying that  
15           the \$670 million includes the 180?

16   A    Yes.

17   Q    And I think you did this or we talked about it  
18           already with 32 million. But in the new merger  
19           benefits plan, you're asking again that the  
20           revised rates essentially of \$62 million a year be  
21           -- is asking for a recharacterization of current  
22           revised rates of recovery associated with the NND  
23           project, which you say is approximately  
24           \$413 million annually. I'm just trying to  
25           understand, it sounds like to me that you're

1 taking the new merger benefits plan and you're  
2 just saying we'll adjust the full revised rates by  
3 \$62 million a year, but we want the 413 balance to  
4 be recovery of the financing cost and the  
5 amortization associated with the CWIP, you know,  
6 the rate base for the NND, for the next 20 years.  
7 Is that basically the new merger benefits plan?

8 A That's basically it, yes.

9 Q And so instead of going through the customer  
10 benefits plan, which does a lot of things with  
11 de-amortization and actually uses the numbers,  
12 you're asking the Commission to say to just  
13 discontinue collecting what's essentially almost a  
14 hundred percent of the revised rates, which is the  
15 financing cost during construction of the CWIP.  
16 Is that right?

17 A That's essentially it, yes.

18 Q And again, do you know how that's possible under  
19 the Base Load Review Act?

20

21 MR. CHALLY: Object to form.

22

23 A I don't know the legal basis for that proposal  
24 now. I'm sorry.

25 Q You also talk about and you say as discussed by

1 Ms. Griffin, but I want to know if you understand  
2 this: "The deferred tax benefits associated with  
3 abandonment of the NND project are included within  
4 the derivation of the rate base and rate recovery  
5 considerations which are inherent in the plan." I  
6 read that to mean that it's already part of these  
7 full rates recovery that we just talked about. Is  
8 that right?

9 A Again, I would certainly defer to Ms. Griffin on  
10 that topic. I'm not a tax expert.

11 Q But do you even know what you're saying in your  
12 testimony with that sentence?

13 A I think what I'm saying there is that it's already  
14 been considered and factored in to it.

15

16 MR. CHALLY: Object to form.

17

18 Q So you don't have to deal with it again. You're  
19 just saying it's included in the recovery proposal  
20 that we just talked extending the revised rates?

21 A Yes.

22 Q You testified that SCE&G is not asking the  
23 Commission to take an rate-making action regarding  
24 the other project costs that were originally  
25 associated with the NND project that had been

1 placed into service. This is in addition to the  
2 transmission lines that's about \$86 million,  
3 right?

4 A That's right.

5 Q And that's really -- they're not abandonment costs  
6 because they're being put in service. That's not  
7 a customer benefit of the merger or even of the  
8 abandonment proceeding, is it?

9 A I think what we're saying there is those \$86  
10 million worth of assets we're using actively right  
11 now, and we're asking that they not considered in  
12 this proceeding but be considered in a full blown  
13 rate case the next time.

14 Q Right. A different proceeding?

15 A Yes.

16 Q Just deferred is another way to put it. In your  
17 testimony about the base request, that's the third  
18 out of the three options, you say it's the most  
19 disfavored. But you say it represents the rate  
20 and accounting treatment that SCE&G believes it  
21 would be lawfully entitled to receive under the  
22 BLRA if neither of the voluntary rate mitigation  
23 plans is adopted. Do you know why that is?

24 A Again. I'm not a lawyer, but my understanding is  
25 that our interpretation of the law said we would

1 be entitled to.

2 Q In the -- excuse me -- the base request plan, you  
3 also asked for the 413 financing cost through the  
4 revised rates to be recharacterized as a return on  
5 and recovery of investment through amortization.  
6 That's essentially the same cost recovery for  
7 SCE&G as the new merger customer benefits plan?

8 A It's not exactly the same. I don't know that I  
9 can explain the difference to you right now, but  
10 it's close.

11 Q Okay. But instead of doing the calculations  
12 saying we should recover X amount, you're saying  
13 we want to recharacterize, just like the new  
14 merger customer benefits plan, recharacterize the  
15 reaming 413 million in revised rates as the return  
16 on and the recovery of the investment of the CWIP  
17 through amortization?

18 A Yeah, I think that's what we're saying.

19 Q And then it says that you are not seeking a rate  
20 adjustment. Are you speaking of the rate of  
21 return when you say that?

22 A What is the -- can you read me the sentence.

23 Q "Although under the BLRA, SCE&G would be entitled  
24 to seek it, no rate adjustment is proposed in this  
25 proceeding." That's really all it says. I'm

1           assuming it has to be rate of return, but -- or  
2           return on equity, but . . .

3    A       Yeah. I think that's what we're referring to.

4    Q       Okay. Do you know why in the base request there's  
5           no NND tax writer?

6    A       I don't know why that is, no.

7    Q       Your testimony talks about in August 2014 -- we've  
8           been talking about this -- the Consortium provided  
9           SCE&G and Santee Cooper with a "new revised fully  
10          integrated construction schedule" which is what we  
11          were talking about, essentially the Westinghouse  
12          EAC?

13   A       I think we're actually referring to the schedule  
14          portion of the EAC, yeah.

15   Q       The schedule that then supported the EAC they  
16          provided.

17   A       The cost, yes.

18   Q       And your testimony goes on to say, "which in  
19          effect extends the substantial completion date for  
20          Unit 2 by more than three years from the original  
21          forecasted date in the EPC." So does that part of  
22          your testimony mean the construction was not on  
23          schedule from August 1, 2014, until PSC modified  
24          the construction schedule in late 2015?

25



1 MR. CHALLY: Object to form.

2

3 A I'm not sure I understand the question.

4 Q All right. This is your testimony. I'm just  
5 saying the new schedule you got in August 2014  
6 from the Consortium extended the previously  
7 approved Unit 2 substantial completion date by  
8 more than three years from the original forecasted  
9 date and extended substantial completion date of  
10 Unit 3 by one-and-a-half years. And I'm saying  
11 doesn't mean that the construction wasn't on  
12 schedule at least from August 2014 until late 2015  
13 when the modification was approved by PSC?

14

15 MR. CHALLY: Object to form.

16

17 A Yeah. So that would mean from the time we  
18 submitted our request until it was approved we  
19 were not on schedule with the PSC-approved  
20 schedule.

21 Q And you submitted a schedule request on March 12,  
22 2015, right?

23 A That sounds about right, yeah.

24 Q Okay. And isn't it true that the actual contract  
25 never got back on an approved -- an accurate

1 schedule?

2

3 MR. CHALLY: Object to form.

4

5 A I don't know that that statement is true.

6 Q And then you talk about your -- the result of the  
7 SCE&G's 55 percent share was now 6.8 billion which  
8 is about 500 million over the originally  
9 forecasted 6.3 in your testimony. Does that seem  
10 right?

11 A In 2005 or '15?

12 Q This is part of the paragraph of August 2014. So  
13 I'm assuming leading into that March 12, 2015,  
14 modification of both the schedule and the cost?

15 A Yeah. I think that's what we got -- we requested  
16 and got approved in the 2015 filing.

17 Q And then you go on to say that these delays in  
18 increased cost were of concern. That's a little  
19 bit of an understatement, isn't it?

20

21 MR. CHALLY: Object to form.

22 MR. BEVER: Object to the form.

23

24 A Yeah. I mean, obviously, any kind of delay or  
25 schedule change was of concern.

1 Q So your testimony says that in 2015 it became  
2 clear that the Consortium was not making  
3 significant progress in solving the problem with  
4 labor productivity and related delay at the site.  
5 SCE&G began disputing additional portions of  
6 invoices which it believed it were caused by  
7 either "productivity or delay." Is that right?

8 A That's true, yes.

9 Q And isn't it true that it wasn't just a few  
10 invoices or portions of the invoices that were  
11 questioned? For example, in the EAC, 2014 EAC  
12 review?

13

14 MR. CHALLY: Object to form.

15

16 A So it is true that we disputed a lot of invoices  
17 beginning in 2015.

18 Q But my question was isn't it true that, again,  
19 this is more than just understatement? I mean,  
20 this is leaving out a lot of what the EAC team was  
21 questioning and disputing about what the  
22 Consortium was providing in terms of both schedule  
23 and cost.

24

25 MR. CHALLY: Object to form.

1

2 A No. I think the topic within the -- that the EAC  
3 team recommended where we were dispute things or  
4 Westinghouse would be not allowed certain costs,  
5 that's exactly what we're referring to and that's  
6 exactly what we did when we got the invoice.

7 Q You're just using the word dispute in a technical  
8 kind of paying invoice and accounting sense?

9 A Yes.

10 Q But it was clear in 2015 based on what we've seen  
11 today and what you knew from your EAC review that  
12 SCE&G knew the units weren't going to be completed  
13 in time or on budget, were they?

14

15 MR. CHALLY: Object to the form.

16

17 A I'm sorry. What was the question?

18 Q It was clear in early 2015, right? That SCE&G  
19 knew that the units weren't going to be completed  
20 on the approved schedule or the cost, schedule?

21

22 MR. CHALLY: Object the form.

23

24 A Well, I think that's what drove us to have that  
25 filing in early 2015 was a change in schedule and

1 the change in cost.

2 Q You go on to talk about good industry practices in  
3 your testimony and pull from Article 1 of the EPC  
4 contract. And one of things in that quote that  
5 you put in your testimony is that, you know, you  
6 expecting the good industry practices includes  
7 exercise of reasonable judgment in light of the  
8 fact known at the time a decision was made, it  
9 could have been expected to accomplish the desired  
10 result. And what I wanted to ask you was one  
11 result that SCE&G needed for the project was that  
12 the units needed to be completed and operational  
13 by the end of 2020?

14 A We certainly would've needed to have a unit  
15 complete by the end of 2020 -- tax credit, yes.

16 Q And that's a significant economic driver for the  
17 project?

18 A Yes.

19 Q And on the productivity issues, you know, for  
20 whatever reason, you know, we talked about this  
21 was devastating to the project construction and  
22 they actually were never corrected for the  
23 project, were they?

24

25 MR. CHALLY: Object to form.

1

2 A When you say never corrected, I'm sure what you're  
3 referring to.

4 Q I mean, the negative trend was never reversed?

5 A Again, I didn't track productivity, so I don't  
6 know what it was month to month.

7 Q And you were talking about other issues in  
8 disputing charges and withholding payments on that  
9 basis. And your testimony goes to how were these  
10 issues resolved? And your answer is, "During  
11 September and October of 2015, SCE&G negotiated an  
12 amendment to the EPC contract with Westinghouse  
13 and announced that amendment on October 27th that  
14 settled these disputed claims." All right. And  
15 then gave the option of fixed-price option, right?

16 A Correct.

17 Q As far as you know, that resolved among the owners  
18 and the Consortium all the disputes, as your  
19 testimony says, "settled these disputed claims."

20 A Yes. One of the exhibits or attachments to the  
21 October amendment included a listing of all the  
22 things that were not settled.

23 Q Were not settled?

24 A It would've settled everything except for what was  
25 on that list.

1 Q Okay. Your testimony continues, "that while the  
2 milestone payment schedule was being produced, the  
3 amendment provided that SCE&G would make payments  
4 to Westinghouse based on an interim payment  
5 schedule specified in the amendment." I think  
6 we've talked about that already. And your  
7 testimony here is that it was extended by the DRB.  
8 And I think we covered this, but I just need to  
9 make sure that -- were those payments that were  
10 made in the interim right before the fixed-price  
11 option was invoked, were those ever trued up?

12 A So again, the DRB told us not to true them up, so  
13 we did not true them up, no.

14 Q In the interim. But did they tell you not to true  
15 them up even after the fixed-price option was  
16 reached?

17 A The intent was never to true them up in the  
18 interim. That was always to true them up once we  
19 got to a construction payment milestone schedule  
20 so that the DRB said that we did not need to do  
21 that when we adopted the construction payment  
22 milestone schedule.

23 Q And so were they ever trued up?

24 A No.

25 Q One of your questions was were the owners' costs

1 incurred during this period reasonable, prude and  
2 appropriate. And you answer refers just to prior  
3 dockets. Is that what you largely relied upon in  
4 finding that these costs were reasonable, prudent,  
5 and appropriate is just the fact that they had  
6 previously been reviewed under the revised rate  
7 orders?

8 A So it would've been that in addition to role I  
9 played in developing those costs.

10 Q During construction?

11 A Yes, sir.

12 Q Okay. Were there any other projects at SCE&G or  
13 SCANA that you're aware of that allowed all cost  
14 centers outside of that area, like outside of NND,  
15 to assign time and cost directly to the project?

16

17 MR. CHALLY: Object to the form.

18

19 A Not that I'm aware of. It would typically come in  
20 the form of -- in an allocation, and we didn't  
21 want an allocation. We wanted people to directly  
22 charge their time and have better control over it.

23 Q Well, why is that? What's the difference between  
24 a direct charge versus an allocation?

25 A An allocation could be just a certain percentage



1 of the department's cost come to the work order  
2 whether they expel that effort or not. We didn't  
3 want that. We wanted them -- if an accounts  
4 payable clerk processed an NND invoice, we wanted  
5 them to the charge their time to the NND project  
6 so we knew exactly who was working on the project  
7 and for how long.

8 Q And so as an accountant or auditor, you can  
9 actually test a direct charge. You can't test an  
10 allocation.

11 A Correct.

12 Q Other than the underlying assumption.

13 A Correct.

14 Q All right. All right. And some costs it says was  
15 shared between the units -- and I'm assuming this  
16 is between Units 1 and -- excuse me -- Units 2 and  
17 3 and Unit 1 -- in order to increase efficiencies  
18 and economies of scale. Is that -- I mean, you're  
19 talking about Unit 1 employees and Unit 1 costs.  
20 When you say, "some costs were shared between the  
21 units in order to increase efficiencies and  
22 economies of scale," is that what you're talking  
23 about?

24 A Yep.

25 Q And you said that these costs are being allocated

1 to each unit based on derived benefit from  
2 expenses?

3 A Correct.

4 Q All right. How is that different than what we  
5 just talked about? How do you determine what the  
6 derived benefit to Units 2 and 3 versus Unit 1  
7 which was operating?

8 A It would depend on the expense we're talking  
9 about. So for example, the Nuclear Operations  
10 Building, we went and looked at how many Unit 1  
11 people were occupying the cubes and how many two,  
12 three people were occupying cubes. And it turned  
13 out to be about a 50/50 split, so we split the  
14 cost 50/50.

15 Q But it is -- it's the same thing we just talked  
16 about, right? That it's better to have a direct  
17 cost. But on certain items, which you haven't  
18 identified -- you gave a good example, I  
19 understand. But you didn't identify any others  
20 that use this percentage allocation which then you  
21 have to test the assumption which you just  
22 illustrated, but we don't have here. Is that  
23 detailed in, you know, in the exhibits?

24

25 MR. CHALLY: Object to the form.

1

2 A In the exhibits to my testimony?

3 Q Yeah.

4 A We detailed how we split costs between -- no.

5 Q Well, more importantly, which costs are being  
6 split this way.

7 A They're detailed, yes, but not necessarily in my  
8 testimony.

9 Q Where do you find those?

10 A They'd be in the detailed budgets for each one of  
11 those costs.

12 Q And that wasn't submitted as part of the  
13 testimony?

14 A So that would've been a document that when we  
15 actually incurred those costs, it would've been  
16 provided to the Office of Regulator Staff to  
17 review. When we built up the budgets on previous  
18 filings, the detailed departmental budgets were  
19 provided to the ORS to review. And all of those  
20 different items and assumptions would've been  
21 documented in each one of those two places.

22 Q Okay. Thank you.

23

24 MR. SMITH: If y'all will excuse me, please.

25 I'm going to excuse myself. Thank you,

1 Mr. Kochems. Safe travel everyone.

2

3 Q You were talking about payment in your testimony:

4 "Payments under the IAA, the Interim Assessment  
5 Agreement, will be considered against the  
6 milestone payments under the EPC contract unless  
7 Westinghouse rejects the contract in bankruptcy."

8 And we talked about this already, but I just  
9 wanted to know whether you're clear or not on  
10 timing. When you filed this testimony, it had not  
11 happened yet, but you're saying now that has?

12 A That's correct. When we filed that testimony, the  
13 bankruptcy court had not officially rejected that.

14 Q The cost schedule for the project, which the  
15 Commission approved in 2016, is attached to  
16 Exhibit 5. As part of your testimony, you say,  
17 "This cost schedule has been adjusted to reflect  
18 the removal from the authorized total, the cost of  
19 transmission projects." It's just not clear  
20 unless I missed it. But what was done with the  
21 Toshiba guarantee, that 1.1 billion?

22 A In that exhibit, KRK5 or whatever it is, I don't  
23 think that that -- the Toshiba guarantee is  
24 reflected in that exhibit.

25 Q And do you remember how it was reflected in the

1 three plans?

2 A Yes. So it's basically in -- an offset to CWIP  
3 essentially.

4 Q It is offset to CWIP?

5 A Essentially, yes.

6 Q On the customer benefit merger plan, we talked  
7 about it starting at 4 billion and then was  
8 written down to 3.3. So where is the Toshiba in  
9 the customer benefits merger plan?

10 A I don't know that we specifically say where the  
11 Toshiba proceeds are in that plan. We have that  
12 write-down just like you just described and then  
13 there's a refund to the customers that they're  
14 proposing. And whether the Toshiba proceeds are a  
15 part of the write-down or part of the money that's  
16 going back to customers, I don't know that we got  
17 that detailed. So I'm not sure exactly where it  
18 is.

19 Q It's not dealt with in your testimony in the  
20 customer benefits plan?

21 A No, it's not.

22 Q One of your last answers is about SCE&G severance  
23 cost relating to abandonment. And it says they're  
24 not included in the capital cost in the NND  
25 project. Can you tell me what that severance cost

1 includes?

2 A So that's the severance costs that SCE&G incurred  
3 to sever the NND employees.

4 Q That's the 5,000 -- supporting the site. No.  
5 Those are consortium people?

6 A Yeah. So all those were consortium people. It's  
7 the 600-some-odd SCE&G employees that were  
8 severed.

9 Q All right. And what about "to be severed" related  
10 to the merger? Is that any of that included in  
11 this?

12 A No.

13 Q Is it excluded from being added to the recoverable  
14 costs? You see what I'm saying?

15 A So adding any kind of the severance cost related  
16 to the Dominion merger would be handled in the  
17 next, you know, rate case.

18 Q Not as part of the abandonment cost?

19 A Correct.

20 Q Can you give me in 2014 and 2015 what your cell  
21 phone number was?

22 A In 2014, my cell phone number? It's a --

23

24 MR. CHALLY: Object to form. Are we talking  
25 about personal, business-related?

1 MR. RICHARDSON: Any that he would be using  
2 to text other people with?

3 MR. CHALLY: Whether related to business  
4 or any other purpose?

5 MR. RICHARDSON: As to the number, yes. If  
6 he was using a cell phone during '14 and '15,  
7 that's what we're asking.

8  
9 A So my -- I mean, any kind of work I did would've  
10 been on my work cell phone number. And that --  
11 embarrassed I don't know the number, but it's area  
12 code 803-730-8673.

13 Q And did you also have a personal cell phone that  
14 you used?

15 A I did.

16 Q Is it the same one you still have?

17 A Yes, it is.

18 Q I mean number-wise?

19 A Number-wise, yes, it is.

20 Q We were talking about severance issues. Do you  
21 expect to stay on after the merger?

22 A I don't know.

23 Q Do you have severance benefits that have been part  
24 of this irrevocable trust that has been set up and  
25 part of the new stories (ph) in early August?

1 A No.

2

3 MR. RICHARDSON: Okay. I don't have any  
4 other questions.

5 - - - - -

6 EXAMINATION

7 BY MR. CHALLY:

8 Q Mr. Kochems, are you okay? I just have a handful  
9 questions.

10 A Yes.

11 Q Okay. All right.

12

13 MR. CHALLY: First, before I begin, I'm just  
14 going to go ahead and mark the deposition as  
15 confidential under our protective order.

16 MR. RICHARDSON: The whole deposition?

17 MR. CHALLY: Yeah. I am happy to try to  
18 figure out what is and what isn't at some point  
19 later, but I'm doing it now. So we can talk about  
20 that if you need to talk about that.

21

22 Q Okay. I'm going to hand you what the court  
23 reporter will have marked as Exhibit No. 11.

24

25 COURT REPORTER: No, it's 12.



1 MR. CHALLY: Twelve. Sorry.

2

3 (Whereupon, Testimony of Stephen Byrne  
4 was marked Exhibit No. 12 for  
5 identification.)

6

7 Q So Mr. Kochems, you testified earlier about the  
8 EAC process and that what prompted the EAC process  
9 was a schedule change from Westinghouse. And  
10 eventually the schedule change and the cost, the  
11 cost ratio associated with that schedule change  
12 were presented to Public Service Commission,  
13 correct?

14 A That's correct.

15 Q And they were presented in testimony that were  
16 submitted in 2015, correct?

17 A Correct.

18 Q Or petitioned and then later testimony that was  
19 submitted in 2015, right?

20 A Yes.

21 Q What I've handed you is testimony of Stephen Byrne  
22 on behalf of SCE&G and the docket number  
23 2015-103-E. Do you see that?

24 A Yes.

25 Q Are you familiar with this testimony?

1 A I am.

2 Q Okay. Was his testimony that followed the revised  
3 estimate of at completion received from  
4 Westinghouse in 2014?

5 A Yes.

6 Q Okay. All right. First, I just want you to look  
7 at pages beginning on 17 and continuing through  
8 25 -- excuse me -- 26. Mr. Byrne here is  
9 recounting or is providing an answer to the  
10 question of, "What do you consider to be the most  
11 important challenges the project faces going  
12 forward?" Do you see that?

13 A Yes.

14 Q Are you familiar with any of these challenges that  
15 he then identifies?

16 A Yes.

17 Q And they are -- would you agree with me that there  
18 are risks related to the project?

19 A Yes. Challenges, risks sounds --

20 Q Yeah. And is it your understanding that these  
21 risks could, depending on how they materialize,  
22 impact the cost and schedule of the project?

23 A Yes.

24 Q And Mr. Byrne actually identifies specific risks  
25 related to performance factors, didn't he?

1 Productivity factors as he described them on page  
2 20.

3 A Yes.

4 Q And is your understanding then Mr. Byrne described  
5 the fact that Westinghouse and CB&I has not met  
6 the overall performance factor on which its  
7 original cost estimates were based?

8 A Yes. I believe he says that in here.

9 Q Right. And that they increased a -- excuse me --  
10 they forecasted an increase in performance factors  
11 or productivity factors across the board, right?

12 A Correct.

13 Q And that he recounts some of the discussions  
14 between the owners and the Consortium related to  
15 unfavorable productivity factors, correct?

16 A That's correct.

17 Q And ultimately the testimony here in the petition  
18 that preceded this testimony is based on the  
19 productivity factor assumption that Westinghouse  
20 had applied, correct?

21 A That is correct.

22 Q And is it your understanding that SCE&G and  
23 Mr. Byrne specifically described risks related to  
24 the fact that Westinghouse might not be able to  
25 achieve that productivity factor?

1 A Yes. I think that's what he describes here on  
2 page 20 and 21.

3 Q Okay. Would you understand that these risks are  
4 intended to reveal the possibility as the EAC team  
5 that you were involved with had identified that  
6 Westinghouse promised productivity factor would  
7 not be met?

8 A I'm sorry?

9 Q Yeah, I'm trying -- I'll say that again. That was  
10 a mouthful. Do you understand some of these  
11 disclosures related to productivity factor in  
12 Mr. Byrne's testimony --

13 A Uh-huh.

14 Q -- to disclose the risks that the EAC identified  
15 in that productivity factors of Westinghouse might  
16 not be achieved?

17 A Yes.

18 Q And Mr. Byrne described, did he not, the  
19 possibility that -- excuse me -- what are the  
20 costs and schedules that are disclosed in this  
21 testimony? And when I -- let me try to be a  
22 little bit more precise. Are these the costs and  
23 schedules provided by Westinghouse and CB&I?

24 A Yes, except for owners' cost.

25 Q Except for owners' cost, right. And did you

1 understand Mr. Byrne to describe in the testimony  
2 why there were, in addition to -- did you  
3 understand Mr. Byrne to describe specifically that  
4 the schedule Westinghouse had identified might not  
5 hold?

6 A I think Mr. Byrne discussed the schedule, and as  
7 he's talking about the different risks here, some  
8 of those could impact the schedule, yes.

9 Q Okay. So I want to refer you to pages 38 and 39  
10 of his testimony.

11 A Okay.

12 Q And specifically, as to both timing and cost, this  
13 is his testimony, "The schedules are based on  
14 productivity factors that WEC/CB&I represents can  
15 be met given the current status of the project.  
16 Meeting these productivity factors will pose a  
17 challenge to WEC and CB&I. But doing so will  
18 benefit the project both in terms of cost and  
19 schedule. For that reason, as owner, SCE&G has no  
20 basis or interest in assisting that WEC/CB&I  
21 should use less challenging assumptions. However,  
22 SCE&G does recognize that WEC/CB&I has set itself  
23 a significant challenge as to future  
24 productivity."

25 A Correct.

1 Q Is that accurate, to your knowledge, based on the  
2 time of this testimony in 2015?

3 A Yes.

4 Q Is that accurate to your knowledge today?

5 A Yes.

6 Q And it's your understanding that WEC and CB&I had  
7 actually committed to meeting the productivity  
8 factors and the schedules that were provided as  
9 part of the -- their EAC that you received in  
10 2014?

11 A Yeah. Any kind of discussion or commitment would  
12 have been with Alan Torres and Steve Byrne. But  
13 my understanding is they had a lot of discussions  
14 on that topic and they had committed to that.

15

16 (Whereupon, Testimony of Carlette Walker  
17 was marked Exhibit No. 13 for  
18 identification.)

19

20 Q Okay. Okay. And then separately, show you what I  
21 marked as Exhibit No. 13. This is direct  
22 testimony of Carlette Walker on behalf of SCE&G  
23 also provided in docket number 2015-103-E. Are  
24 you familiar with this testimony?

25 A I am.

1 Q Is some of the testimony that you assisted  
2 Ms. Walker in preparing the 2015?

3 A Yes.

4 Q Okay. I first want to refer to page 7, Chart A.

5 A Okay.

6 Q Is this one of the charts that you assisted in  
7 preparing?

8 A Yes.

9 Q Is the productivity factor and assumption in the  
10 financial information that's disclosed on this  
11 chart?

12 A Yes.

13 Q Okay. And does the productivity factor used,  
14 that's assumed here, the productivity factor  
15 that WEC and CB&I had provided to the company?

16 A Yes.

17 Q Okay. And is it your understanding that  
18 Ms. Walker made clear that that was the basis for  
19 the productivity factor and the assumptions used  
20 to prepare this chart?

21 A That's my understanding, yes.

22 Q Okay. I'll refer you to page 10. Does that  
23 further refresh your memory as to the assumed  
24 productivity factor used in describing the cost  
25 information on the chart?

1 A Yeah. That first sentence of the -- beginning on  
2 line 14.

3 Q Okay.

4

5 MR. RICHARDSON: I'm sorry. What page are  
6 you on?

7 MR. CHALLY: Page 11.

8 MR. RICHARDSON: Page 11.

9 MR. CHALLY: Did I say 10? I'm sorry. No,  
10 no, no. I said 10 and then you referred to --

11 THE WITNESS: Page 9, line 11.

12 MR. CHALLY: Good question. It's late.

13

14 Q You referred to, last two, though, right?

15 A I referred to page 9, line 14.

16 Q Yes. And is it your understanding that Ms. Walker  
17 also disclosed the possibility that these  
18 assumptions would not hold?

19 A It was my understanding that Ms. Walker discussed  
20 the challenge that it could be, yes.

21 Q And let me refer you to page 11 now.

22 A Okay. All right.

23 Q This is the testimony that you're referring to  
24 where Ms. Walker disclosed the challenges that  
25 exist in meeting the assumed productivity factor?



1           Particularly starting on line 21.

2     A     Yes.

3     Q     And isn't it true that SCE&G used Westinghouse's  
4           assumed estimate at completion in the cost  
5           associated with that even though SCE&G was  
6           actively disputing some of those costs?

7     A     Yeah.  In my mind, I'm trying to remember when we  
8           started disputing those types of costs are not --  
9           it certainly would've been prior to the testimony  
10          and hearing, yes.

11    Q     Okay.  Did you have an understanding as to why  
12          SCE&G was including those costs in its EA --  
13          estimate at completion, even though it was  
14          disputing the costs?

15    A     So any of the costs that we disputed, we did not  
16          include in the PSC filing.

17    Q     Okay.  Let me refer you to pages 15 and 16.

18    A     Okay.

19    Q     The question is why does SCE&G dispute the  
20          increase cost categories related to delay cost,  
21          performance factors, and WEC other?

22    A     Right.

23    Q     See that?

24    A     Uh-huh.

25    Q     So are those costs that the company, that SCE&G

1 was disputing at the time?

2 A Yes.

3 Q And then are those costs that were nevertheless  
4 included in the assumptions that formed the basis  
5 for the petition in this proceeding?

6 A So the portion of any disputed costs, that  
7 90 percent we were required to pay even though we  
8 disputed it, would be included in here. That  
9 ten percent, would not.

10 Q Would not. Okay. So the testimony that you  
11 helped Ms. Walker prepare reflected the scheduling  
12 cost that Westinghouse had provided as Mr. Byrne  
13 had discussed in his testimony. Is that right?

14 A That's correct.

15 Q And that's the same schedule and the same cost  
16 that were identified by Mr. Byrne is likely to  
17 change. Isn't that right?

18 A Correct.

19 Q If SCE&G had assumed a higher productivity factor,  
20 so let's say 2 as opposed to 1.15, what impact  
21 would that have had on the cost as to which SCE&G  
22 sought approval in the 2015 docket?

23 A It would've increased it.

24 Q And if those costs were approved, it would've led  
25 to an increase in rates for ratepayers even beyond

1           what the PSC approved in this docket, right?

2    A       Yes.  If those costs were indeed incurred, it  
3           would increase the rates, yes.

4    Q       Okay.  All right.  Just a handful of questions on  
5           Ms. Walker.  You worked with Ms. Walker for some  
6           time, right?

7    A       Correct.

8    Q       Including up until the time that she left the  
9           company?

10   A       Yes.

11   Q       All right.  Were you aware of any health problems  
12           that Ms. Walker or her husband faced at the time  
13           of her departure?

14   A       I was aware of several health problems her husband  
15           had around the time of her departure leading up to  
16           it, yes.

17   Q       Okay.  Did you see any impact on Ms. Walker's  
18           performance at the company as a result of any of  
19           those health problems?

20   A       It was hard not to notice.  She was tired a lot.  
21           And that obviously would, you know, affect  
22           anybody's performance.

23   Q       What about specifically her attention in, for  
24           instance, meetings or conference calls that you  
25           may have been involved in?

1 A I can recall several discussions I had with her in  
2 meetings I was in with her where she, you know,  
3 appeared to be falling asleep.

4 Q All right.

5

6 MR. CHALLY: Thank you, Mr. Kochems. That's  
7 all . . .

8 MR. RICHARDSON: I don't have any further  
9 questions.

10 MR. HALTIWANGER: I don't either.

11 VIDEOGRAPHER: This concludes the video  
12 deposition of Kevin Kochems. The time is 21:11.  
13 We're now off the record.

14 - - - - -

15 (Whereupon, there being no further  
16 questions, the deposition concluded at  
17 9:12 p.m. )

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