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February 14, 2018

The Honorable Jocelyn Boyd
Chief Clerk and Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29201

Re: Quarterly Report of SCE&G Concerning Construction of V.C. Summer Nuclear Station Units 2 and 3


Dear Ms. Boyd:

Attached for filing please find South Carolina Electric & Gas Company's Quarterly Report for the period ending December 31, 2017, related to the construction of V.C. Summer Nuclear Stations Units 2 and 3. This Report is also being filed with the South Carolina Office of Regulatory Staff. It is a continuation of the reports formerly submitted pursuant to the Base Load Review Act, S.C. Code Ann. § 58-33-277 (2015) and the provisions of Order No. 2009-104(A) of the Public Service Commission of South Carolina. As the Commission is aware, SCE&G has abandoned the project and this Report provides information on the abandonment activities.

If you have any questions regarding these matters, please contact me.

Sincerely,

WOMBLE BOND DICKINSON (US) LLP


Belton T. Zeigler
Partner

cc: Shannon Bowyer Hudson, Esquire

V.C. Summer Nuclear Station Units 2 & 3

**Quarterly Report to the South Carolina Office of Regulatory Staff
Submitted by South Carolina Electric & Gas Company**

Quarter Ending December 31, 2017

I. Introduction and Summary

A. Introduction

This quarterly report concerning the status of the construction of V.C. Summer Nuclear Station (VCSNS) Units 2 and 3 (the Units) is submitted by South Carolina Electric & Gas Company (SCE&G or the Company) to the Public Service Commission of South Carolina (Commission) and the South Carolina Office of Regulatory Staff (ORS). SCE&G has abandoned the project and ceased all work on the Units. Therefore, there is no information to report concerning the progress of construction of the plant nor is there information to report as to the construction schedule or the other items listed at S.C. Code Ann. § 58-33-277. Nonetheless, the Company is providing the following update on abandonment activities.

All amounts set forth in this Quarterly Report are based on SCE&G's existing 55% interest, except where expressly stated to be based upon 100% of the cost.

The financial schedules presented here and in **Appendix 2** reflect cost for work performed on the project through July 31, 2017 and certain costs of abandonment during the months of August and September.

B. Structure of Report and Appendices

The current reporting period is the quarter ending December 31, 2017. Unless otherwise stated, the information set forth in this report is current as of December 31, 2017. The report is divided into the following sections used in the previous BLRA quarterly reports:

- Section I: Introduction and Summary;
- Section II: Progress of Construction of the Units;
- Section III: Anticipated Construction Schedules;
- Section IV: Schedules of the Capital Costs Incurred Including Updates to the Information Required by S.C. Code Ann. § 58-33-270(B)(6) (the Inflation Indices);
- Section V: Updated Schedule of Anticipated Capital Costs; and
- Section VI: Conclusion.

Only one appendix, **Appendix 2**, which contains financial information for the project, is attached. There is no new information related to **Appendices 1, 3, 4, and 5**. Those appendices have not been revised and therefore are not being submitted with this report.

Given the brevity of this report, no glossary of acronyms and defined terms is attached.

1. Construction Schedule and Milestones

Construction Costs and Cost Forecasts. No spending on the Units occurred during the period.

Post-Abandonment Costs. All costs related to the abandonment activities and permit closures associated with the site that have been incurred since September 30, 2017 were expensed and therefore were not recorded as capital costs of the project. In addition, the Company has expensed all severance costs for personnel working on the project.

Transmission. The capital costs schedules for the Units originally included the cost of certain transmission system upgrade projects. Those transmission projects are not being abandoned. Certain of these projects have been completed as of December 31, 2017, and placed into service to meet customer requirements. The remainder of them will be completed and placed in service before the end of 2018. The capital costs associated with these transmission system projects and the escalation and Allowance for Funds Used during Construction (AFUDC) associated with them have been removed from the costs schedules for the BLRA project costs as reported in **Appendix 2**. In total, approximately \$399 million in actual and anticipated transmission project investment and associated escalation and AFUDC have been removed from the amounts that were shown in **Appendix 2** in the Quarterly Report for the Quarter Ending September 30, 2017. As of the close the period, \$322 million of this \$399 million amount had been incurred. Transmission projects with a value of \$241 million had been completed by year end and were closed to plant in service as of December 31, 2017.

Assets Supporting Unit 1. The capital cost schedules for the Units originally included the costs of certain assets that were constructed or acquired to support both Unit 1 and Units 2 & 3. These assets include the Switchyard, the off-site potable water system, the wastewater treatment facility, the Nuclear Operations Building, the Nuclear Learning Center Annex, the rail road spur serving the site, certain emergency services facilities and security training facilities, as well as the updated work management system (CHAMPS) and other software and IT infrastructure. The capital costs associated with these items have been removed from the BLRA capital cost schedules, as shown on **Appendix 2**, and are now included in plant in service for Unit 1, or in the case of the Switchyard in transmission plant in service. Included in this category are assets with a capital cost as of approximately \$86 million as set forth below:

CHART A

Category	Amount (\$ millions)
1. Switchyard	\$31
2. Off-Site Water System	\$23
3. Nuclear Operations Building	\$11
4. CHAMPS work management system	\$7
5. Nuclear Learning Center Annex	\$5
6. Miscellaneous (e.g. emergency services facility, security training facility, software licenses, wastewater treatment, facility, railroad spur, IT infrastructure)	\$9
Total	\$86

II. Progress of Construction of the Units

Work on the project ceased on July 31, 2017, except for work necessary to safely demobilize the workforce, stabilize the site and close out certain environmental and other permits. That work is continuing but is not being capitalized as a cost of the project under the BLRA.

A. Equipment and Fabrication

SCE&G agreed at the request of the owner of an AP1000 Unit being constructed in China to swap its completed Reactor Coolant Pump in exchange for a replacement pump to be manufactured by Westinghouse. In lieu of that replacement pump, SCE&G agreed during the period to receive a payment from Westinghouse in the amount of \$14 million (at 100%, SCE&G's 55% share being approximately \$8 million). SCE&G and Santee Cooper also declared their intent to sell certain items of property to the owners of the Vogtle AP1000 Units for use in their project. The net value of the payment and intended sales will reduce the balance of capital costs associated with the project. SCE&G has abandoned all other equipment, except as described here and in Section I.B.1 above. SCE&G proposed that Santee Cooper has the authority to determine what it wishes to do with this abandoned equipment.

B. Licensing and Permitting and Regulatory Proceedings

1. Combined Operating Licenses

SCE&G asked the NRC to withdraw the Combined Operating Licenses for the Units on December 27, 2017. On January 8, 2018, Santee Cooper asked the NRC to refrain from taking any action relating to termination for 180 days. SCE&G has continued to submit all required regulatory filings to the NRC.

C. Change Control/Owners' Cost Forecast

No change orders were processed during the period.

Various material and construction liens have arisen as a result of the decision to abandon the project. SCE&G is working to resolve these liens.

D. Transmission

As of the close of the period, approximately 90% of the transmission structures and 86% of the wire miles comprising the transmission aspects of the project were complete. The transmission line construction to support Unit 2 is substantially complete.

1. The VCS2-St. George 230 kV Line No. 1 and the VCS2-St. George 230 kV Line No. 2

Construction activities continued on the VCS2-St. George 230 kV Lines No. 1 and No. 2 segment between the Saluda rapids and Dunbar Road and between Gaston and Orangeburg. These activities included installation of construction access and erosion control measures, spotting and framing of poles, removal of the existing lines and installation of pole foundations, poles and conductors.

2. Wateree-St. George-Williams 230 kV Line

During prior periods, construction was completed on the first approximately two mile section and the second approximately 13 mile section of the project to rebuild the St. George to Summerville segment of the Wateree- St. George-Williams 230 kV Line. During the current period, construction on the final approximate 16 mile section of the project continued as expected. Construction activities included installation of erosion control measures and construction access, spotting and framing of poles and vibratory caissons, removal of the existing lines and installation of vibratory caissons, poles, and conductors.

III. Anticipated Construction Schedules

Appendix 1 to this quarterly report has not been updated since the prior report and is not included in this report.

IV. Schedules of the Capital Costs Incurred Including Updates to the Information Required by S.C. Code Ann. § 58-33-270(B) (6) (the Inflation Indices)

In light of the decision to abandon the project, the approved capital cost targets have not been adjusted to reflect the currently reported historical escalation rates.

Appendix 3, which set out the cash flow schedule for the project as it was approved in Order No. 2016-794, has not been updated since the prior report and is not included in this report.

A. Inflation Indices

Appendix 4, which showed the updated inflation indices approved in Order No. 2009-104(A), has not been updated since the prior report and is not included in this report.

V. Updated Schedule of Anticipated Capital Costs

There are no future capital costs associated with the project.

VI. Conclusion

In light of the decision which SCE&G made on July 31, 2017, to abandon the construction of Units 2 and 3 at the V.C. Summer Nuclear Station in Jenkinsville, S.C., the Company continues only with the work that is necessary to safely demobilize the project, stabilize the site and close out certain environmental and other permits. That work is continuing but is not being capitalized as a cost of the project under the BLRA.

VII. APPENDIX 1, 3-5

V. C. Summer Nuclear Station Units 2 & 3

**Quarterly Report to the South Carolina Office of Regulatory
Staff Submitted by South Carolina Electric & Gas Company
Pursuant to Public Service Commission Order No. 2009-104(A)**

Quarter Ending December 31, 2017

NO UPDATE

VIII. APPENDIX 2

V. C. Summer Nuclear Station Units 2 & 3

**Quarterly Report to the South Carolina Office of Regulatory Staff
Submitted by South Carolina Electric & Gas Company
Pursuant to Public Service Commission Order No. 2009-104(A)**

Quarter Ending December 31, 2017

Appendix 2 is an updated and expanded version of the information contained in the capital cost schedule approved by the Commission in Order No. 2016-794.

Appendix 2 shows the actual expenditures on the project by plant cost category through the current period.

Appendix 2

RESTATED and UPDATED CONSTRUCTION EXPENDITURES

(Thousands of \$)

V.C. Summer Units 2 and 3 - Summary of SCE&G Capital Cost Components

Actual through through September
2017 plus Adjustments

Plant Cost Categories	Total	<u>Actual</u>										Transfers	
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016		2017
Fixed with No Adjustment	1,738,708	4,628	35,199	22,066	67,394	50,551	66,057	22,960	11,634	366,348	727,099	419,018	(54,246)
Firm with Fixed Adjustment A	266,750	-	-	63,250	27,500	24,200	75,075	42,900	7,700	26,125	-	-	-
Firm with Fixed Adjustment B	238,868	-	5,499	35,768	49,513	39,371	45,043	31,048	22,834	9,791	-	-	-
Firm with Indexed Adjustment	873,741	-	45,869	148,713	115,172	137,871	118,769	150,530	129,994	26,822	0	-	-
Actual Craft Wages	133,306	-	312	1,937	9,779	11,682	21,091	25,217	38,785	24,503	0	-	-
Non-Labor Costs	406,936	-	1,271	31,255	79,778	9,298	65,227	70,154	105,390	44,564	(0)	-	-
Time & Materials	15,787	-	1,013	155	1,004	764	1,878	2,300	4,055	2,048	2,461	109	-
Owners Costs	410,953	17,096	8,198	15,206	23,743	29,276	43,643	47,245	51,807	56,885	73,152	76,058	(31,356)
Total Base Project Costs(2007 \$)	4,085,048	21,723	97,360	318,349	373,883	303,013	436,784	392,354	372,200	557,085	802,712	495,186	(85,602)
Total Project Escalation	387,161	-	3,516	20,907	23,688	32,930	68,787	81,553	86,682	47,711	12,575	8,812	-
Total Revised Project Cash Flow	4,472,209	21,723	100,876	339,256	397,571	335,943	505,571	473,907	458,882	604,797	815,287	503,997	(85,602)
Cumulative Project Cash Flow(Revised)		21,723	122,600	461,856	859,427	1,195,370	1,700,941	2,174,848	2,633,730	3,238,526	4,053,813	4,557,811	4,472,209
AFUDC(Capitalized Interest)	172,373	645	3,495	10,539	17,099	14,039	17,538	23,723	21,563	18,713	27,366	17,653	-
Gross Construction	4,644,582	22,368	104,371	349,795	414,670	349,981	523,109	497,631	480,445	623,510	842,653	521,650	(85,602)
Construction Work in Progress		22,368	126,739	476,535	891,205	1,241,186	1,764,295	2,261,926	2,742,371	3,365,881	4,208,534	4,730,184	4,644,582

*Applicable index escalation rates for 2017 are estimated. Escalation is subject to restatement when actual indices for 2017 are final.

Notes:

Escalation rates vary from reporting period to reporting period according to the terms of Commission Order 2009-104(A). These projections reflect current escalation rates. Future changes in escalation rates could substantially change these projections. The AFUDC rate applied is the current SCE&G rate. AFUDC rates can vary with changes in market interest rates, SCE&G's embedded cost of capital, capitalization ratios, construction work in process, and SCE&G's short-term debt outstanding.