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May 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 March 31, 2018, 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

A handwritten signature in black ink, appearing to read "B. T. Zeigler".

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 March 31, 2018

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.

B. Structure of Report and Appendices

The current reporting period is the quarter ending March 31, 2018. Unless otherwise stated, the information set forth in this report is current as of March 31, 2018. The report is divided into the following sections used in the previous BLRA quarterly reports:

- Section I: Introduction and Summary;
- Section II: Abandonment and Placing In Service Certain Assets; 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.

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

1. Project Overview

Construction Costs and Cost Forecasts. No spending on the Units occurred during the period because the project has been abandoned.

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. Only adjustments to the costs incurred prior to September 30, 2017, and finalized thereafter, will be recorded as project costs going forward.

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 March 31, 2018, 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 of the period ending March 31, 2018, \$328 million of this \$399 million amount had been incurred. Transmission projects with a value of \$241 million had been completed and were closed to plant in service as of March 31, 2018.

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 for shared facilities, the Nuclear Operations Building, the Nuclear Learning Center Annex, the railroad 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 the items are being (or have been) placed in service to be used in generation or transmission operations providing service to customers. Included in this category are assets with a capital cost as of March 31, 2018 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, IT infrastructure)	\$9
Total	\$86

The costs associated with the relocation of the railroad spur are still being estimated and will be added to the Miscellaneous total in Chart A above in the next quarterly report.

II. Progress of Abandonment and Placing in Service of Certain Assets

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, Commodities, Rental Returns, Storage, Invoice Review, Records and Other Site Activities

Equipment. 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 prior period to receive a payment from Westinghouse in the amount of approximately \$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 as described below. 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.

Rental Returns. Work continued during the period to oversee the collection and removal from the site of rental equipment, including cranes, concrete form work, temporary offices, equipment containers and other small equipment.

Sale of Civil Commodities. During the period, SCE&G, Santee Cooper and Southern Nuclear Operating Company, Inc. ("Southern Nuclear") entered into a March 26, 2018 Purchase Agreement, conditioned upon Commission approval, to sell a small amount of civil commodities

including rebar, couplers, and embed plates to Southern Nuclear for \$1,875,510. SCE&G would receive approximately \$1 million of the sale price under the owner allocation agreement with Santee Cooper. After the period, the Commission approved the transfer of the equipment pursuant to Order No. 2018-111-E (May 7, 2018).

Invoice Review. SCE&G continued reviewing and reconciling invoices relating to funding for work done pursuant to the Interim Assessment Agreement. When this review and reconciliation is complete, an adjustment will be made to the capital cost schedules.

Off Site Water System. Work continued to finalize permitting and start-up of the Off-Site Water System which will provide water for the Nuclear Operations Building and other facilities associated with Unit 1.

Asset removal. Westinghouse has removed Westinghouse-owned equipment and sent it for auction in Orlando and Atlanta. Contractors and vendors are removing their equipment under SCE&G oversight.

Hazardous Construction Materials. Collection, storage and removal of fuels, solvents, paints and other hazardous materials used in construction continued.

Off-site storage. SCE&G leases two off-site warehouses where materials are currently being stored. SCE&G pays 55% of the rent associated with these warehouses, and Santee Cooper pays 45%. The lease for one warehouse expires August 21, 2018, and the second warehouse expires on November 30, 2018. The Company offered to let Santee Cooper take over these leases as the materials have been abandoned by SCE&G. During the period, the Company began planning for relocating the equipment to storage space on-site in the event Santee Cooper elected not to take over the leases. After the period, Santee Cooper notified SCE&G that Santee Cooper would not take responsibility for the leases after their expiration. SCE&G will work on moving the materials to storage space on-site before the leases expire.

Ownership of Material, Equipment and Project Assets. The Company has relinquished to Santee Cooper all rights to the project material, equipment and other assets that it has abandoned and is negotiating an agreement with Santee Cooper specifying access rights to the site and these assets by Santee Cooper and its contractor, Fluor Corporation. SCE&G has proposed that Santee Cooper has the authority to determine what it wishes to do with this abandoned equipment.

Record Preservation. Pursuant to Commission order, the Company continued work to assemble, secure and maintain documents and records at the site.

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. In an April, 19, 2018 letter, the NRC acknowledged both SCE&G's and Santee Cooper's requests and is currently reviewing the requests. The NRC expects to complete its review by August 31, 2018. The NRC noted that because the COLs and the provisions they contain concerning the quality assurance program remain in effect until such time as the NRC approves withdrawal of the COLs, a licensee should consider actions associated with maintaining documentation attesting to the quality of structures, systems, or components (SSC's) important to safety and developing and implementing a program to preserve and maintain such SSC's importance to safety. SCE&G has continued to submit all required regulatory filings to the NRC. Due to abandonment of the site, SCE&G is not currently performing any preservation activities at the site.

2. Permit Closure

During the period, the crossing permit for construction access across the Norfolk Southern railroad line on the site was closed out. Work continued on closing out fifteen S.C. Department of Health and Environmental Control construction and storm water permits. This involves stabilizing and seeding slopes and other areas, and converting temporary retention basins to a permanent configuration. In addition, an NPDES discharge permit, an air quality batch plant permit, and a Federal Aviation Administration permit are also being closed out. The US Army Corps of Engineers 404 permit will remain in place until the transmission projects are complete. FERC has been informed that the intake structures for the Raw Water System which were installed in Lake Monticello have been stabilized and all temporary structures removed. Removal of the outfalls in the Parr Reservoir for the Waste Water Treatment System serving Units 2 & 3 is nearing completion, and the outfalls have been stabilized and all temporary structures have been removed. These activities support closing out of the associated FERC permits. During the period, FERC informed the Company it would need to remove Unit 2 and 3 related - equipment that had been temporarily stored at the Parr Hydro Project Boundary at the Fairfield Pump Storage Facility. Removal of the equipment began this period.

C. Change Control/Owners' Cost Forecast

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 92% of the transmission structures and 87% of the wire miles comprising the transmission aspects of the project were 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. The completely rebuilt line will be energized in the second quarter of 2018.

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 March 31, 2018

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 March 31, 2018

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 March 2018
plus Adjustments

Plant Cost Categories	Total	Actual												Transfers
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Fixed with No Adjustment	1,730,718	4,628	35,199	22,066	67,394	50,551	66,057	22,960	11,634	366,348	727,099	419,018	(7,990)	(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	408,994	17,096	8,198	15,206	23,743	29,276	43,643	47,245	51,807	56,885	73,152	76,099	(2,000)	(31,356)
Total Base Project Costs(2007 \$)	4,075,100	21,723	97,360	318,349	373,883	303,013	436,784	392,354	372,200	557,085	802,712	495,227	(9,990)	(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	4,462,260	21,723	100,876	339,256	397,571	335,943	505,571	473,907	458,882	604,797	815,287	504,038	(9,990)	(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	4,557,852	4,547,862	4,462,260
AFUDC(Capitalized Interest)	173,271	645	3,495	10,539	17,099	14,039	17,538	23,723	21,563	18,713	27,366	18,551	-	-
Gross Construction	4,635,532	22,368	104,371	349,795	414,670	349,981	523,109	497,631	480,445	623,510	842,653	522,589	(9,990)	(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	4,731,123	4,721,133	4,635,532

Notes:

Included in Q4 of 2017 are AFUDC charges of \$898k for the correction of estimated AFUDC rates for costs incurred prior to abandonment.

Included in Q1 of 2018 is the sale of a reactor coolant pump which decreased our total cost by approximately \$8M.

Included in Q1 of 2018 are accounting adjustments for transactions incurred prior to abandonment which decreased our total cost approximately \$2M.