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August 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 June 30, 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**

/s/Belton 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 June 30, 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 June 30, 2018. Unless otherwise stated, the information set forth in this report is current as of June 30, 2018. The report is divided into the following sections:

- Section I: Introduction and Summary;
- Section II: Progress of Abandonment and Placing in Service of 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.

**C. 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 June 30, 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 June 30, 2018, \$335 million of this \$399 million amount had been incurred. Transmission projects with a value of \$279 million had been completed and were closed to plant in service as of June 30, 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 and the items are being (or have been) placed in service to be used in generation or transmission operations, or nonutility property. Included in this category are assets with a capital cost of approximately \$87 million as set forth below (note that costs do not include associated AFUDC).

**CHART A**

<b>Category</b>	<b>Amount (\$ millions)</b>
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, railroad spur)	\$10
<b>Total</b>	<b>\$87</b>

## **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.** During the period, SCE&G executed a Right of Entry Agreement with Santee Cooper. This Agreement allows Santee Cooper's contractor, Fluor, to perform Maintenance, Preservation and Documentation (MPD) activities solely at Santee Cooper's direction. On June 4, 2018, Santee Cooper informed the NRC of its intent to implement an MPD program at the site.

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

**Sale of Civil Commodities.** During the period, the Commission approved the transfer of a small amount of civil commodities including rebar, couplers, and embed plates to Southern Nuclear 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.** 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. During the period, SCE&G began work to move the materials to storage space on-site before the leases expire.

**Ownership of Material, Equipment and Project Assets.** With very limited exceptions, the Company has abandoned all rights to the project material, equipment and other assets. Presumably, Santee Cooper, as the only remaining joint owner of the assets, has the authority to determine what it wishes to do with these assets.

**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. During the period, 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, 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, removal of the equipment within the Parr Hydro Project Boundary at the Fairfield Pump Storage Facility continued.

**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 96% of the transmission structures and 91% 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 was completed, and the line was energized.

### **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 June 30, 2018**

**NO UPDATE**

**VIII. APPENDIX 2**

**V. C. Summer Nuclear Station Units 2 & 3**

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Pursuant to Public Service Commission Order No. 2009-104(A)**

**Quarter Ending June 30, 2018**

**NO UPDATE**