SCG - SCANA Corporation Management to Discuss New Nuclear Construction Schedule Conference Call/Webcast
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Officers
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Analysts
Paul Patterson; Glenrock Associates; Analyst
Jim von Riesemann; CRT Capital; Analyst
Andrew Weisel; Macquarie Capital; Analyst
Michael Lapides; Goldman Sachs; Analyst
Ashar Khan; Visium; Analyst
Andy Levi; Avon Capital; Analyst
Mark Barnett; Morningstar; Analyst
Craig Lucas; Nexus Asset Management; Analyst

Presentation

Operator: Good afternoon, ladies and gentlemen. Thank you for standing by. I will be your conference facilitator today. At this time, I would like to welcome everyone to the SCANA Corporation conference all. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer period. (Operator Instructions)

As a reminder, this conference call is being recorded on Monday, August 11th, 2014. Anyone who does not consent to the taping may drop off the line.

At this time, I would like to turn the call over to Jimmy Addison, SCANA's Chief Financial Officer.

Jimmy Addison: Well, thank you, and good afternoon and we appreciate you joining us. We wanted to discuss with you a disclosure that we're going to make in our 10Q, which will be filed later today.

We have received preliminary information from the Consortium on the new nuclear construction schedule. We had not received this information prior to the second-quarter earnings call or we would have discussed it at that time.

Certain statements that may be made during today's call are considered forward-looking statements and are subject to a number of risks and uncertainties. Please refer to slide 2 from our second-quarter earnings call presentation, which can be found in the investor relations section of our website, to review our safe harbor statement.

I will now turn the call over to Steve to share with you what we know at this point. We will be glad to take your questions at the conclusion of Steve's remarks.

Steve Byrne: Thanks, Jimmy. As we have previously discussed, the Consortium began working on a full rebaselining of construction schedules for Units 2 and 3 at V. C. Summer in late 2013. They recently provided us with a preliminary integrated project schedule, or IPS, indicating that they now expect the substantial completion of Unit 2 to occur in late 2018, or during the first half of 2019, with Unit 3 being substantially complete approximately 12 months later.

It's important to understand that this information is preliminary and this range of dates does not reflect all the possible mitigation efforts, nor have we accepted this new timeline.

The preliminary information received from the Consortium did not include any cost estimates. We anticipate that we will receive the cost estimates later this quarter.

The next step for us is to have our team review the schedule information, to validate assumptions, and work with the Consortium to reconcile any differences. After that, we will start the negotiation process on cost and entitlement. Our goal is to conclude this process by the end of the year.

We have completed 100 of the 146 construction milestones associated with the project. However, from the preliminary information received, the completion dates for a number of the remaining 46 construction milestones are now expected to extend beyond the 18-month schedule contingency allowed by the Public Service Commission of South Carolina.

As a result, once the rebaselining and the finalization of the revised schedule and any changes to the estimate of cost are complete, we expect to petition the Public Service Commission for an order to update the construction milestone and capital cost schedules.

The Base Load Review Act, or BLRA, provides that the Public Service Commission would grant the petition as long as it is determined that the change is not the result of imprudence on our part.

We'll now be glad to take your questions.

Questions and Answers

Operator: We will now begin the question-and-answer session. (Operator Instructions) At this time, we will pause momentarily to assemble our roster. Paul Patterson of Glenrock Associates.

Paul Patterson: I was wondering if you -- I mean, is there any rule of thumb or any sense you can give us to what the delay might mean in terms of cost?

Steve Byrne: Not really. Until I get the cost estimates from the Consortium, I'd be loathed to talk about any rules of thumb. And I'm not aware of any, necessarily, any rules of thumb. So we'd have to review what their assumptions were when it went into the schedule and what cost that they think that they might be entitled to, and then we would, on the other side, argue that they might not be entitled to some of those costs.

But until I have an opportunity to have my team go through the entire schedule build up and then I receive a cost estimate from the Consortium, I'm really not going to know what the costs are.

Paul Patterson: Is there any sense as to when you guys, when you do get this information and stuff, when it might be made available and when it might become public when --

Steve Byrne: Yes, I think --

Paul Patterson: -- for us to look at?

Steve Byrne: Yes. What I anticipate, Paul, is that the first number that I get from the Consortium is going to be something I'm not going to like, and they'll use that as one peg for negotiations. And we've seen this before.

We anticipate getting the information yet this quarter. And as I said earlier, our goal is to get this thing concluded by the end of the year. So certainly, before the end of the year, provided we've negotiated to it, we would make that public at that point in time.

Paul Patterson: Okay. So when you guys are finished with the negotiations, we'll get the information?

Steve Byrne: That's correct.

Paul Patterson: Okay. Thanks so much.

Operator: Jim von Riesemann of CRT Capital.

Jim von Riesemann: Couple questions. One, the first one, is definitional. But what does substantial completion mean?

Steve Byrne: It's just the date when the Consortium is going to turn the plant over to us, and they would say that the plant is complete. Now, that will include the start-up testing phase. So the plant will actually be up and operating at that point in time.

Jim von Riesemann: What's the delta between substantial completion and commercial operation, do you think?

Steve Byrne: No, I'm not sure. That's really a function of the regulatory process in South Carolina. But under our Base Load Review Act, I would not anticipate that that will be a large delta.

Jim von Riesemann: Okay.

Steve Byrne: I think we're probably talking about months, not quarters.

Jim von Riesemann: Okay. That's good. Hey, what happens this Friday, when you're supposed to make your latest and greatest BLRA filing? What's going to be included in that document from just sort of -- from the disclosure with today's announcement?

Steve Byrne: Yes. We intend to make the BLRA filing on the 14th, which is our quarterly report. I assume that's what you're talking about.

Jim von Riesemann: That's that I'm -- yes.

Steve Byrne: Right. So in that, we will go through the normal updates that we go through on the project and what our areas of focus are. We'll update where we are on the cost, and I have some language, very similar, to what you're going to see in the 10Q, that should hit the wire today.

Jim von Riesemann: Okay. And then I want --

Steve Byrne: Jim, It'll be very similar to what you've seen in the press release. We're just going to announce the fact that we've had our preliminary discussions with the consortium over about the past week and that we've got a range of options on the guaranteed substantial completion dates, and that that will kick off a process for us to review the schedule information, and then negotiate on cost.

Jim von Riesemann: Can you just talk a little bit about that? Where does the Commission play a role in all of this at this stage now? And then does the legislature need to do anything under the BLRA? I don't think they do, but I just wanted to make sure.

Steve Byrne: No, the legislature would not have to do anything under the BLRA. It is law in the state of South Carolina, so there's nothing the legislature would have to do with it.

From here on out, we would have to then petition the Public Service Commission to allow the new schedule, construction schedule and cost estimates. But I have to have those before I would petition them to do that.

So as soon as I get the review of the schedule done and the cost estimates, that's the point at which we would go back to the Commission in a separate filing.

Jim von Riesemann: In a separate filing. But could you do it like, say in a parallel path with a normal February filing that you make?

Steve Byrne: We certainly could, but we would not want to get it confused with the normal rate filing that we make, which generally, I think that rate filing is made in May for rates to be effective November 1.

Jim von Riesemann: Right. Yes.

Steve Byrne: So really, it's the May filing I think you were talking about.

Jimmy Addison: Yes. So, Jim, we make those quarterly filings within 45 days of quarter end just on the regular updates each quarter. And so what Steve's talking about once we really get our hands around this information with the Consortium, we'll make an atypical filing to update that information with the Commission. So it doesn't have to follow any of those 45-day quarter-end sequences.

Jim von Riesemann: Okay. I know there's other questions in the queue, but I have one other question, which follows up on Paul's question. So when you think about or how should we think broadly or can you talk broadly about how we should think about the timing of this updated cost schedule and the broad drivers of those change costs?

Obviously, you've gotten enough color at this point in time. But how should we think about maybe a cost benefit analysis with respect to the estimated cost changing and the estimated completion dates? So what I'm asking in a very roundabout way is, is there a possibility that mitigation and/or acceleration might increase cost but, perhaps, decrease the in-service timeline date or vice versa?

Steve Byrne: Let me see if I understand --

Jim von Riesemann: You get what I'm asking?

Steve Byrne: Yes, I think I get what you're asking. So they're going to come to us with this range of options on when they're going to complete the plant and turn it over to us, and some of those may include some increase in cost. There may be some negotiation around if we shorten that schedule, does it necessarily increase the cost? As in, if folks are onsite for three months less, six months less, that'll actually save money on the time that they're there, which all falls out of the target piece.

So it's going to be a balancing act. So I don't have a clear-cut formula for today for if I extend the time and go to the far end of the range it costs me less, it's not that clear cut or that simple. So it really is going to have to be an evaluation of where we fall out on, on the different cost categories. Most of this would fall in a target bucket, but we'd also have to factor in things like escalation.

So I want to make sure that I have people onsite for as little time as we possibly can, and I don't really want to extend that time.

Jim von Riesemann: Okay.

Steve Byrne: But in that compression, if they're working, let's say an extra shift, I'll shorten the amount of time people are there overall, but I might increase what I'm spending each day of that shorter period of time now because I'm working a second shift, that kind of thing.

Jim von Riesemann: Right. Okay.

Steve Byrne: But that's the level of negotiation we'll be getting into.

Jim von Riesemann: Okay. And for us sitting here on the street, it's safe to assume that these 46 milestones that are outside the PSC's timeline, somewhere in there is the real culprit as to what's driving this delay?

Steve Byrne: Well, I would just tell you that of the 46 milestones that are left, we will not be outside of our contingency on all 46. I couldn't tell you, again, until I'm completed with that review. It may be half of them. It may be less than half of those that are left. But it won't be all of them, certainly.

Jim von Riesemann: Okay.

Steve Byrne: And I will tell you that from our perspective, the culprit on the delay so far has been the structural modules coming out of Lake Charles.

Jim von Riesemann: Okay. Thanks so much.

Operator: Andrew Weisel of Macquarie Capital.

Andrew Weisel: On the last conference call just a few weeks ago, it sounded like you weren't going to make a disclosure until something is solid. Now, I know in the statement this morning you said that you've not accepted the new schedule. But should we take that to mean that you're at least in the same ballpark on timing?

Steve Byrne: Andrew, I'm not sure I understood the question with regard to ballpark on timing. We --

Andrew Weisel: There was a back and forth on the last conference call where people were asking when you'll come public with a disclosure. And, Steve, it sounded like you were basically saying I expect they'll give me something that I'm not going to like, then we'll have a negotiation, then we'll announce it to the public.

The fact that you're going public with the timing of the in-service expectation so soon thereafter, does that mean that you more or less agree with the timing?

Steve Byrne: No. Let me -- I remember now the back and forth, because I was involved in the back and forth. And the point I think I was trying to get across that we weren't sure when we would be making a disclosure and it isn't necessarily that once I get the information I'll make a disclosure.

Now, when we had those comments, I didn't realize we would be getting the information so shortly after the earnings call. So one reason for today's call is because things happened so quickly.

The other is that some of the milestones falling outside of 18 months and us having to go back for another hearing does, I think at least for our disclosure committee, trip a trigger that we thought it would be useful information to disclose.

Andrew Weisel: Got it. Okay, that's helpful. Next question is, a little over a year ago at the Analyst Day, you talked about a six-month delay and estimated that it would be about a $400 million impact. I completely understand that you don't know what the new cost estimates are going to look like. But if we assume that there's no real change to the capital cost, would it be a rough ballpark sense of what the timing cost might look like?

So that worked out to a little over $2 million per day. And in the last answer you just gave, you were talking about having all the folks onsite and the cranes and all that stuff. Is that $2 million a day roughly reasonable for, again, just the timing cost, not any change to the capital costs?

Steve Byrne: The $2 million a day is not a number that we've ever put out. If you go back to June of last year during our Analyst Day, so that'd be June of 2013, what we put out then was a delay that roughly approximated to nine months. And what we put out was that our portion of the total estimate, and, again, this was an SCE&G estimate, not a Consortium estimate, and we were not speaking to the Santee Cooper piece. But just the SCE&G piece was about $200 million, at least at that point in time.

Though I don't know that you could just take that and ratio it to a roughly 12-month delay to try to come up with cost, I would be loathed to do that.

So let us work through the schedule. I need to verify that we think that the schedule is, one, doable, and, two, doesn't contain too much fat. Once we do that and we look at what the buildup to the schedule was, we'll start to bounce that against the cost numbers that they will give me and we'll talk about entitlement to those costs, because, obviously, the contractor will more than likely try to say that they're entitled to all or most of those costs, and we might take a different view of that.

So it's not as simple as to [ratio'ing] up from a previous estimate that we gave.

Andrew Weisel: Okay. Fair enough. Then lastly, a few weeks ago there were some media reports about Lake Charles and that they might not be involved in fabricating modules any further.

Is Lake Charles still involved or is it more moving to other firms? Specifically, the articles mentioned Oregon, Florida, and Virginia.

Steve Byrne: Yes, there are modules that are going to come out of Oregon Iron Works in Oregon. There are modules coming out today from Newport News in Virginia, Newport News Industries, NNI. And there will be modules coming out of a combined Toshiba IHI effort in Japan.

So the Consortium has moved fab of those sub-modules to those other locations. Lake Charles is still producing sub-modules. The CaO-1 modules that we're receiving onsite now are coming from Lake Charles. And at least in the last few months, Lake Charles has been hitting their schedules for delivery of those components. So that's good news.

But we will be de-scoping that Lake Charles facility. Now, Lake Charles will likely still be involved for some nonstructural modules, like mechanical modules. So if you have a pump skid, let's say, they could still be involved in those kinds of things.

And it's possible that we could take some modules that Lake Charles has some recent experience with that may be very difficult, and they've just fabricated one. We may move a couple of those back to the Lake Charles facility, just because they've gotten some recent experience with some very difficult modules. But we should be beyond the Lake Charles obstacle shortly.

Andrew Weisel: Okay. Thanks a lot.

Operator: Michael Lapides of Goldman Sachs.

Michael Lapides: Couple of questions. First of all, is there the assumption like we've seen a couple times over the last year or so, where the project delay means near-term capital spending actually comes down a little bit and kind of the expectation for the 2016 to 2018 or 2019 time frame just kind of either comes up or stays the same, just things get pushed out? Is that kind of the right way to think about it, that money you expected to spend this year or maybe very early next year, maybe you can't really spend it because Shaw Modular isn't ready for you, and then it just impacts kind of the longer term outlook?

Steve Byrne: Yes. Michael, I think that has been the case in the past. But for the short-term outlook this year, I don't expect that to be the case. We are receiving modules from Lake Charles. We are receiving modules for NNI. So things are coming in. We're probably up to 2,800, 2,900 employees from the Consortium on the site. So I think that the numbers that we put out for this year are going to be good numbers.

And then long term, we're going to have to look at what the cash flows are like. Obviously, if I'm stretching it out a little bit, the cash flows will stretch out somewhat. But in the short term, I don't see that changing significantly.

Michael Lapides: Okay. And the other is from a regulatory standpoint. Does the Commission have to approve -- when you come in and request, hey, look, we're going to go past the 18-month original kind of window that they granted when they approved the project back in 2008, do they have to go ahead and approve your request now or even deny your request now or can they say, hey, look, let's hold off and we'll kind of do a broader prudency review when the project's online and in service?

Jimmy Addison: Yes. Michael, our understanding of the -- first of all, we've not found ourselves [there] before. Our understanding of the process is that when we see that on a projected basis that we would be outside of our timeline or dollar bounds that they have provided, that we would go back to them and request approval then so that we've got kind of everything that we're aware of in front of the Commission and they can rule on it at that point in time.

I really had not thought about the way you phrased that question before, so I'm not sure of the answer to that as whether or not their option is to wait. But the practice at least has been to approve it through the continuation of the entire project when we're aware of it.

Michael Lapides: Got it.

Steve Byrne: We have done this twice before where we have asked for a new capital schedule and construction schedules, and at least in those two instances, the Commission has taken an immediate vote on it and --

Michael Lapides: Got it.

Steve Byrne: -- seek the new schedules and the new capital structure.

Michael Lapides: That makes a lot of sense. And when we look at one of your vendors, meaning when we look at the parent company of Shaw Modular Systems, we're seeing that their revenue run rate on the project has actually jumped dramatically this year in terms of what they are accruing from the U.S. nuclear projects.

Just curious, does that mesh with the amount of cash that you're paying them right now? Meaning, has your cash outflow to pay them for the project jumped up significantly during 2014, relative to 2013 levels?

Steve Byrne: Yes. First of all, Shaw Module Solutions with the acquisition was changed to CBI Lake Charles. But it's the same facility that we're talking about.

I haven't seen their numbers for run rate on the project. But it's not necessarily a good assumption that their spend on the project will match up with our payments to them for the project, because they have some issues with responsibility for some of the delays that we should not be responsible for.

Michael Lapides: Meaning they could be incurring costs that they're not necessarily going to recover from you?

Steve Byrne: That's correct.

Michael Lapides: Okay. Thanks, guys. Much appreciated.

Operator: Ashar Khan of Visium.

Ashar Khan: My questions have been answered. Thank you.

Operator: (Operator Instructions) Andy Levi of Avon Capital.

Andy Levi: I guess just looking at costs that are more predictable, and maybe you kind of went into that already. But those would fall under oversight costs, property taxes, and kind of operating readiness costs that would fall outside the Consortium costs? I don't know if I'm saying that right. But is that kind of --?

Steve Byrne: Andy, I think what you're referring to is what we would call owner's costs.

Andy Levi: Owner's costs. Thank you.

Jimmy Addison: Right.

Andy Levi: Okay. And I know we don't have a rule of thumb. But I guess when you gave the extension a year ago, I assume there were some owner's costs that were escalated. Is there a way, like for Southern, I guess, they were saying when they increased in their VCMA, which is a filing that they make, when they increase the time frame by 20 months, the owner's costs, and, again, I don't want to quote them, but they said it differently, was about $244 million or about $12 million a month.

Is there any type of info that you can give us on that that's somewhat comparable, or anything kind of relating to that?

Steve Byrne: We don't currently have broken down either by month or by week or by day what owner's costs are. We would just take a look at what the extension would potentially cost us, based on how many people we have at the time.

Now, we are hiring folks for the project all the time, and our goal was to be at full staffing in time to support the units coming online, such that if the units are now going to come online a little bit later than that, we would look at those staffing plans and we would readjust our staffing plans accordingly. So you can't just take a linear adjustment that we've been hitting so far, add the number of people and come up with the cost, because we may not add those people as quickly as we had anticipated.

So we would do things in a very similar fashion to Southern. I think our numbers on total staffing are very similar to Southern. They may have staffed up a little earlier than we did. But certainly, as a result of this, we would anticipate for SCE&G to reevaluate our staffing numbers and try to stretch those out as the project stretches out.

Andy Levi: Okay. So even though I guess that you've started training and all that, there's flexibility. But I guess with the property taxes and the oversight cost, right, which is different than some of the other costs, those are kind of, just kind of, I don't want to say fixed, but kind of growing, and --

Jimmy Addison: Hey, this is Jimmy. Just on property taxes, that really is not applicable until the units are operational.

Andy Levi: Southern seemed to say something different. But that's, again, Georgia's different than the Carolinas.

Jimmy Addison: Yes, there could be some difference there, but not in South Carolina.

Andy Levi: Okay. And then the last question is, why would you guys be having these delay issues and Southern seems not to be having them?

Steve Byrne: I can't speak for the Southern project. From a construction perspective, their project and our project are running pretty well neck and neck.

Andy Levi: Okay. I'm just trying to understand. I mean, it would, right, it would be kind of the same equipment kind of being done at the same time, yet they're not disclosing any type of issue. I guess maybe [you added], maybe is the better way to kind of look at it. But okay. So there shouldn't be -- again, you can't really talk for them.

Steve Byrne: Right.

Andy Levi: But you don't want to answer that question. Okay. Thank you.

Operator: Mark Barnett of Morningstar.

Mark Barnett: You guys have talked about quite a lot of detail already, at least as far as you can. I'm wondering, when you highlight some of the more specific items that are going to get pushed out beyond the contingency, so it sounded like you had said the larger modules coming out of Lake Charles are not going to be the problem.

I was just curious if you could talk more about what the specific items that are really driving the change in timeline, not on a cost basis but just what the particular items are that might be causing the holdup.

Steve Byrne: Yes, I think I can answer that question for you, Mark. And I do believe we've said pretty consistently for a number of quarters now that the modules coming out of Lake Charles have been the problem.

Now, the next big module to come out of Lake Charles is a module called CaO-1. And CaO-1 is a large, very large structural module that'll go inside the containment vessel. And it will go around and form the cubicles for things like the steam generators or reactor vessel, the refueling cavity, those kinds of things, pressurizer. So it's a big module and takes up a lot of the internals of the containment vessel itself.

Setting of CaO-1 is not a BLRA milestone. However, it is constraining other milestones. And an example of that would be, we've got a module called CaO-3, which forms a large portion of the -- a large water tank that goes inside the containment vessel.

I cannot set CaO-3 until CaO-1 is set. So even if CaO-3 may be onsite and may be constructed and ready, I won't be able to set it, because CaO-1 will not be set. So that that structural module, CaO-1, has been constraining other things.

I also have to get CaO-1 lifted and into the containment vessel. I can lift it over the first ring section, but I cannot lift it over two rings. So I'm constrained from putting the second ring section on the containment vessel. So this CaO-1 structural module is really constraining me from doing a lot of things.

So the two things I just gave you are two examples of BLRA milestones, that ring section and CaO-3, that though they may be ready, I will not be able to set them because CaO-1 is going to be delayed.

Mark Barnett: So I guess to follow up on that, when you now kind of have more clarity about the potential delay, but you have been talking about issues with these modules, is there anything new that's particularly driving these revised estimates or is it just that you've arrived at a more firm understanding of the time frame to address it? Or the Consortium has arrived at a more firm --

Steve Byrne: Yes. Mark, I think it is the Consortium has arrived at a more firm estimate. But that came out of an effort that they've been underway now with for probably seven months to eight months, and that's what they're calling a fully rebaseline integrated project schedule.

So in the past when we've had some module issues, we've gone to CB&I and, prior to that, Shaw, and said, what is the -- when will it be ready on the modules and what is that doing to my schedule? And they would give us the answer for that question that we asked.

What they've done more recently, though, is, they've looked at the project overall, in addition to what the modules are doing to us, they're taking a look at engineering completion. They're taking a look at procurement experience. They're taking a look at efficiency of the workforce on the site, staffing numbers, all those kind of things, and they've integrated them into the schedule that we were given in the last week.

So it is a little bit different and it's a much more involved, much more detailed effort than they've given us in the past.

Mark Barnett: Okay. I just wanted to clarify that there wasn't maybe a new large kind of development driving any of that. But thanks for your detail. I appreciate that.

Operator: Jim von Riesemann of CRT Capital.

Jim von Riesemann: Hey, Jimmy, two follow-up questions, if I may. The first one is with respect to Santee Cooper. And I know they have a vested interest in all this, plus, you're also buying a piece from them. How does this delay impact that transaction?

Jimmy Addison: The 5% transaction, Jim?

Jim von Riesemann: Correct.

Jimmy Addison: Yes, it really would not have any direct impact on it, because that's really driven off of milestones when the first new unit comes onboard. So everything is driven off that as opposed to any calendar date. So it would just move with whatever these ultimate dates are.

Jim von Riesemann: Okay. And then the second question is, have you had conversations with the rating agencies about this?

Jimmy Addison: We have. We've had brief conversations with each of them today to give them a heads up, so nothing extensive. Each of them really need to, they've indicated, they need to kind of process that information and decide what kind of impact it has.

Jim von Riesemann: Okay. Sounds good. Thank you.

Operator: Andrew Weisel of Macquarie Capital.

Andrew Weisel: Thanks for taking the follow-up. Can you just remind us how the contract is structured in terms of which costs are fixed and which are not? And I understand you're sort of renegotiating. But the way it's written currently, how much is fixed? And how does that compare to the contracts for Vogtle?

Steve Byrne: Well, go back to something I previously said. I can't speak for Vogtle, and I don't know their contract is the same as ours or different than ours. So you have to direct the Vogtle questions to them, to Southern.

Our contract is structured such that things come in, what I would call different buckets. We've got some costs that are fixed, some costs that are firm, and by firm what we mean is the cost of the specific component might be fixed cost, but it's got a known escalation rate, whereas, the fixed cost, you just pay that price, there's no escalation rate on it. And then, so we got a couple categories of that.

We've got some that are fixed -- sorry -- that are firm with an indexed escalation rate, and then we have some that are time and materials and then one bucket that's called target. And so the target piece, you would estimate, but, in reality, it's going to cost what it costs.

So I think we had advertised lately that we are up to about two-thirds of the contract that is in the either fixed or firm buckets. And so that would leave the T&M, T&M and target pieces that would be about one-third.

Andrew Weisel: Okay. Thank you.

Operator: Craig Lucas of Lexus Asset Management.

Craig Lucas: I think earlier you said something to the effect that the V.C. Summer plant and the Vogtle plant were somewhat like neck and neck in terms of how they were being constructed. And is it your expectation that they decouple in the future, that that neck-and-neck fabrication no longer's going to be the case, potentially, and they somehow decouple, where one gets done first?

Steve Byrne: Well, obviously, one will be finished before the other. I don't know that there's an overt decoupling. It may be a natural decoupling. There are some things that are site specific that will be a little bit different. Example of that is the cooling towers. So we're using different cooling towers than they are.

They are a hard rock site -- I'm sorry. They're a soft soil site. We're a hard rock site. So there are some differences in the construction sequence based on what kind of site you are and how you can load the base mat and those kind of things.

But on a macro scale, Craig, we don't expect to see any decoupling.

Craig Lucas: Okay. And then one more little question. So the fact that you folks are announcing this today is really the result of your request from the Consortium for a revised schedule? Is that what's driving all this?

Steve Byrne: It wasn't necessarily our request for. It's they informed us, I want to say it was Q4 of 2013, that they were going through this process. Now, we're always asking for better information, more accurate information on schedule and cost. But they announced to us that they were going through this significant and rigorous process seven, eight months ago, and so this is the result of that.

Craig Lucas: Okay. Thank you very much. Appreciate it.

Operator: Michael Lapides of Goldman Sachs.

Michael Lapides: At the Analyst Day, you talked a bit about some cost changes or really cost pressure or cost -- labor, wage improvement is probably the best or most politically correct way to say this for things, for craft labor in your state overall for things like welders, et cetera.

When you talk about what's fixed and what's variable or what's fixed, what's firm, and where you have exposure, how should we think about in terms of the labor impact? Meaning, is labor a fixed cost for you guys on this project? Is it largely firm? Is it largely open or variable as we think going forward?

Steve Byrne: Michael, the labor piece is in the target bucket, so that's going to be variable. So the target bucket really means that you come up with a target, you do estimates for what the labor is going to cost. You escalate around what you anticipate those costs are going to be as the project moves forward. But the labor costs are going to be what the labor costs are. So that's a piece where it is not fixed and it's not firm.

Michael Lapides: And I know that (inaudible) typically look at kind of labor costs by a certain type of bucket, meaning for steam generation or for nuclear generation. But I'm trying to think about how the different regions of the country get impacted by this. Meaning, your region is having pretty robust economic growth. Is it conceivable that the labor cost inflation in your region is very different than what it might be on a national scale? How does that get captured in the indices that you're using to forecast future cost?

Steve Byrne: Yes, we do use an escalator for the labor piece, and I believe, though, it's a national indicator or index. So we're not, I guess normalized for our region. And I'm not sure that we would be too much different than the national scene, say for some specific areas that really didn't see too big an impact from the recession, like the oil boom in the Midwest, that kind of thing, particularly in the Dakotas.

But I don't think that we're out of line with national norms on the indices that we've been using.

Michael Lapides: Why is that? Because you are seeing, you're benefitting, and, Jimmy, you've talked about this a lot in some of the earnings calls when you talk about the economic drivers in your service territory and that are impacting, positively impacting industrial demand.

It seems that the Carolinas are improving at a more rapid pace than a lot of other parts of the country. How is that not trickling into what the labor markets are seeing there?

Jimmy Addison: Yes, it may in the future, Michael. But I think the real answer to your question is, because we had further to come from behind, how in the southeast had more of a slowdown than the rest of the country and it's kind of a slingshot effect now. I guess there's a stronger comeback now because of where we were coming from, particularly as it related to anything to do with housing.

Michael Lapides: Got it. Okay. I'll follow up offline, guys. Thank you. And appreciate you guys hosting today's call.

Steve Byrne: Certainly.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Jimmy Addison for any closing remarks.

Jimmy Addison: Well, thank you. And thank you all for joining us today on shorter-than-normal notice. We've always been committed to transparency with you, and we will certainly be back to you with more information as meaningful information is gathered. I hope you all have a great afternoon.

Operator: The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.