Presentation to V.C. Summer Nuclear Project Review Committee

Kevin B. Marsh
SCANA Corporation, Chairman and Chief Executive Officer
August 22, 2017
Why Did We Choose Nuclear in 2008?

• Growing customer demand required the addition of new base load generation.

• Nuclear generation is non-emitting and aided compliance with increasingly stringent environmental regulations.
  - No Carbon Dioxide (CO$_2$)
  - No Sulfur Dioxide (SO$_2$)
  - No Nitrogen Dioxide (NO$_2$)
  - No Mercury (Hg)
  - No Particulate Matter

• Nuclear generation provided SCE&G with a balanced generation portfolio.

• Nuclear generation provided a hedge against volatile natural gas prices.

• Santee Cooper, our partner for over 30+ years in Unit 1, desired to join with us in new nuclear construction.

• Federal government provided certain incentives to encourage nuclear construction (Production Tax Credits).
• The Company presented testimony to the Commission to support:
  
  • The need for base load generation
  • Selection of nuclear generation
  • Selection of contractor
  • Risk factors
  • Cost projection for the project

• The proceeding involved testimony from more than 20 experts, both for and against, over a three week period.

• The Commission issued an order granting SCE&G’s request for a Certificate to construct and operate the new nuclear units.
• South Carolina Supreme Court affirmed the Commission’s 2009 decision that the Company’s decision to construct new nuclear generation was prudent:

  “[B]ased on the overwhelming amount of evidence in the record, the Commission’s determination that SCE&G considered all forms of viable energy generation, and concluded that nuclear energy was the least costly alternative source, is supported by substantial evidence.”

Five subsequent fully litigated reviews were conducted, and the PSC issued orders in 2010, 2011, 2012, 2015, and 2016 concluding that the updates to cost and construction schedules were prudent.

Mr. Byrne appeared in each of these proceedings, and I appeared in all but the first subsequent review; along with other witnesses, we gave evidence and were subject to cross examination.

In 2012, 2015 and 2016, we again put detailed studies in the record establishing that it was prudent to continue constructing the Units.

These reviews were in addition to the 34 detailed quarterly updates we have filed since 2009 that identified construction progress, cost forecast updates, and areas of focus for the project.
Challenges Overcome or Mitigated

• Delay in obtaining Nuclear Regulatory Commission (NRC) licenses

• First project under new NRC regulatory oversight structure (10 CFR Part 52)

• Module fabrication

• Nuclear supply chain

• AP1000 design modifications

• Productivity of Consortium on-site construction
2017 Status

• Total Project is approximately 67% complete.

<table>
<thead>
<tr>
<th>Completion Percentages</th>
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</thead>
<tbody>
<tr>
<td><strong>Phase</strong></td>
</tr>
<tr>
<td>Engineering</td>
</tr>
<tr>
<td>Procurement/Modules</td>
</tr>
<tr>
<td>Construction</td>
</tr>
<tr>
<td>Start-up</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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</table>
SCE&G New Nuclear Projected Costs (55%)

Order No. 2009-104(A)*
Order No. 2010-12*
Order No. 2011-345
Order No. 2012-884
Order No. 2015-661
Order No. 2016-794

Fixed Price Option

($ in billions)

* Includes contingency

Original Approved Cost

$6.313
$6.875
$5.787
$5.755
$6.827
$7.658

21%
Westinghouse Bankruptcy

- Westinghouse filed for bankruptcy on March 29, 2017, and told us that they would not honor our Fixed Price Contract.

- SCE&G and Santee Cooper began transition and evaluation period to determine the most prudent path forward for the project:
  - Complete both new units,
  - Complete one unit and delay construction of the other,
  - Complete one unit and abandon the other, or
  - Abandon both units.
• SCE&G and Santee Cooper conducted a 4 month comprehensive evaluation.
  • The cost and risk to customers was the key focus area of this evaluation.
  • The evaluation was conducted by an internal team and experienced, independent external consultants.
  • The evaluation analyzed the cost impact to customers and level of risk involved with each option.
Project Evaluation

Key Considerations:

• Public Service Commission of South Carolina approved the Fixed Price Option of $7.7 billion for SCE&G’s 55% share.

Per Westinghouse / Toshiba:

• At the time of bankruptcy, Westinghouse provided an estimate to complete construction of $1.5 billion ($800 million SCE&G share) over the Fixed Price Contract.
• But, parental guarantee was $1.7 billion per contract ($900 million SCE&G share).

Our Results:

• SCE&G’s review determined that the additional cost to complete is almost 3 times more than Westinghouse’s estimate.
• Although Toshiba Guarantee of $2.2 billion ($1.1 billion for SCE&G’s 55% share net of liens) is $500 million higher than contract, this does not offset the additional cost to complete.
• Guarantee is payable regardless of project outcome.

In-Service Dates:

• Projected In-Service Dates: Unit 2 – December 2022; Unit 3 – March 2024
  • Last approved in-service dates: Unit 2 – August 2019; Unit 3 – August 2020
### SCE&G Two Unit Cost (55%)

<table>
<thead>
<tr>
<th>Description</th>
<th>SCE&amp;G Two Unit Cost</th>
<th>Westinghouse Bankruptcy (March 2017)</th>
<th>SCE&amp;G Analysis (July 2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCE&amp;G 55%</td>
<td>$7.7</td>
<td>$8.5</td>
<td>$9.9</td>
</tr>
<tr>
<td>Westinghouse Estimate</td>
<td>$0.8 Over (0.9) Guarantee</td>
<td>$(0.1)</td>
<td></td>
</tr>
<tr>
<td>SCE&amp;G Estimate</td>
<td>$2.2 Over (1.1) Guarantee</td>
<td>$1.1</td>
<td></td>
</tr>
</tbody>
</table>
One Unit Option

($ in billions)

<table>
<thead>
<tr>
<th>Option</th>
<th>Cost Spent to Date</th>
<th>Cost to Complete</th>
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<tr>
<td>Current Spend (55%)</td>
<td>$4.9</td>
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</tr>
<tr>
<td>Complete One Unit With A Partner (55%)</td>
<td>$4.9</td>
<td>$2.2</td>
</tr>
<tr>
<td>Complete One Unit Without A Partner (100%)</td>
<td>$4.9</td>
<td>$9.5</td>
</tr>
</tbody>
</table>

Note 1: Includes the offset from the Toshiba Guarantee of $1.1B (net of liens)
Abandonment Analysis

($ in billions)

Unit 2 & Unit 3 Costs Incurred Plus Wind Down Costs $4.9

Anticipated Toshiba Guarantee (net of liens) Pre-tax (1.1)

Tax 0.4

(0.7)

Tax Deduction on Abandonment (2.0)

Estimated Net Amount $2.2
One Unit Option vs. Abandonment

($ in billions)

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<th>Option</th>
<th>Cost to Abandon</th>
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Note 1: Includes the offset from the Toshiba Guarantee of $1.1B (net of liens)
Project Evaluation Results and Conclusion

• Pursuit of Government Grant/Support to Reduce Costs was Unsuccessful.

• Cost To Complete Both Units Is Too Expensive For Customers.

• Unresolved Risks to Customers of Completing Unit 2 And Abandoning Unit 3 include:
  • Availability of production tax credits,
  • Potential for future unanticipated cost increases and schedule delays due to lack of Fixed Price Contract, and
  • Absence of replacement partner.

• Conclusion: The most prudent path forward to manage risks and costs to customers is to cease construction of both new nuclear units.
Key Points to Remember

- We negotiated fixed price protection for our customers. The Westinghouse bankruptcy took that away.

- The additional cost to complete the units is significantly higher than Westinghouse projected at the time of bankruptcy.

- The construction schedule to complete the units would extend to 2022 and 2024.

- Continuing alone is not economic for our customers.

- Without the fixed price contract, construction and cost risks remain a factor (including PTCs).

- Given the Westinghouse bankruptcy, the decision to abandon the project is in the best interest of SCE&G’s customers.