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).

Initial Project Approval and Prudency Review

- **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.**

Initial Project Approval and Prudency Review

- **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."
>
> *Friends of Earth v. Pub. Serv. Comm'n of S.C.*, 387 S.C. 360, 369 (2010).

Five Subsequent Prudency Reviews

- **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

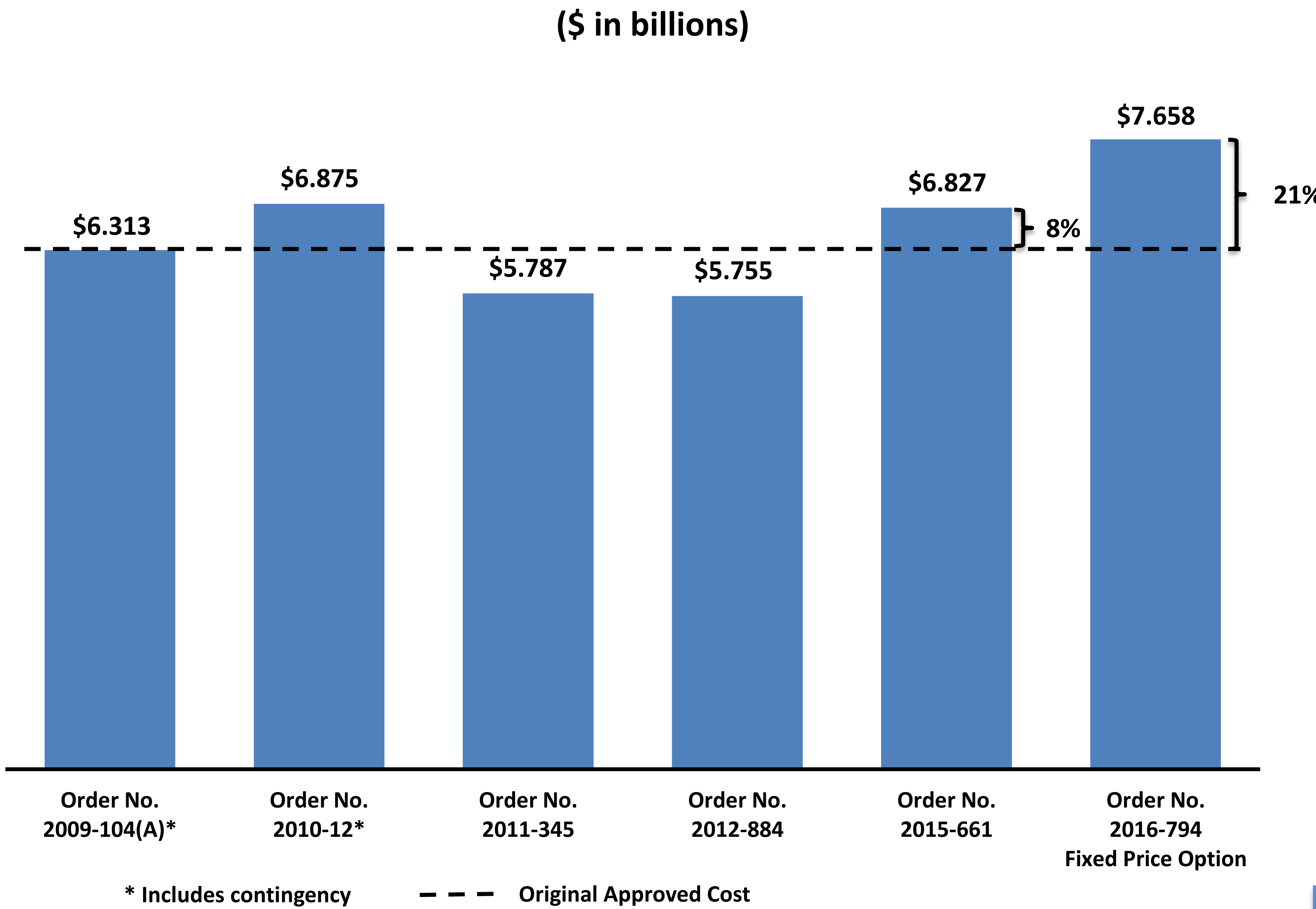
- **Delay in obtaining Nuclear Regulatory Commission (NRC) licenses**
- **First project under new NRC regulatory oversight structure (10 CFR Part 52)**
- **Module fabrication**
- **Nuclear supply chain**
- **AP1000 design modifications**
- **Productivity of Consortium on-site construction**

2017 Status

- **Total Project is approximately 67% complete.**

Completion Percentages	
Phase	% Complete 2nd Quarter 2017
Engineering	97%
Procurement/Modules	92%
Construction	36%
Start-up	10%
Total	67%

SCE&G New Nuclear Projected Costs (55%)



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.**

Project Evaluation

- **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).**

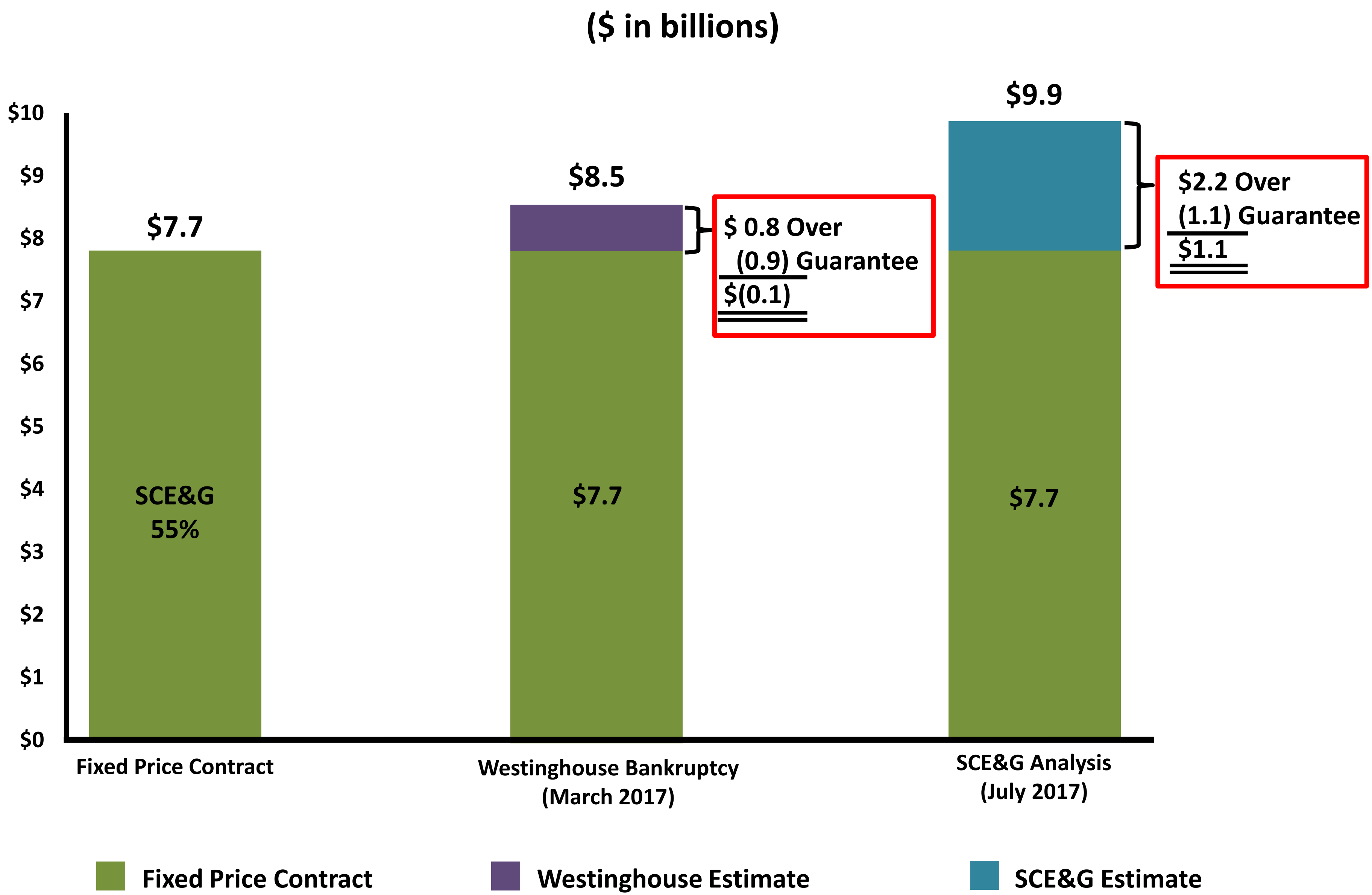
Our Results:

- **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.**

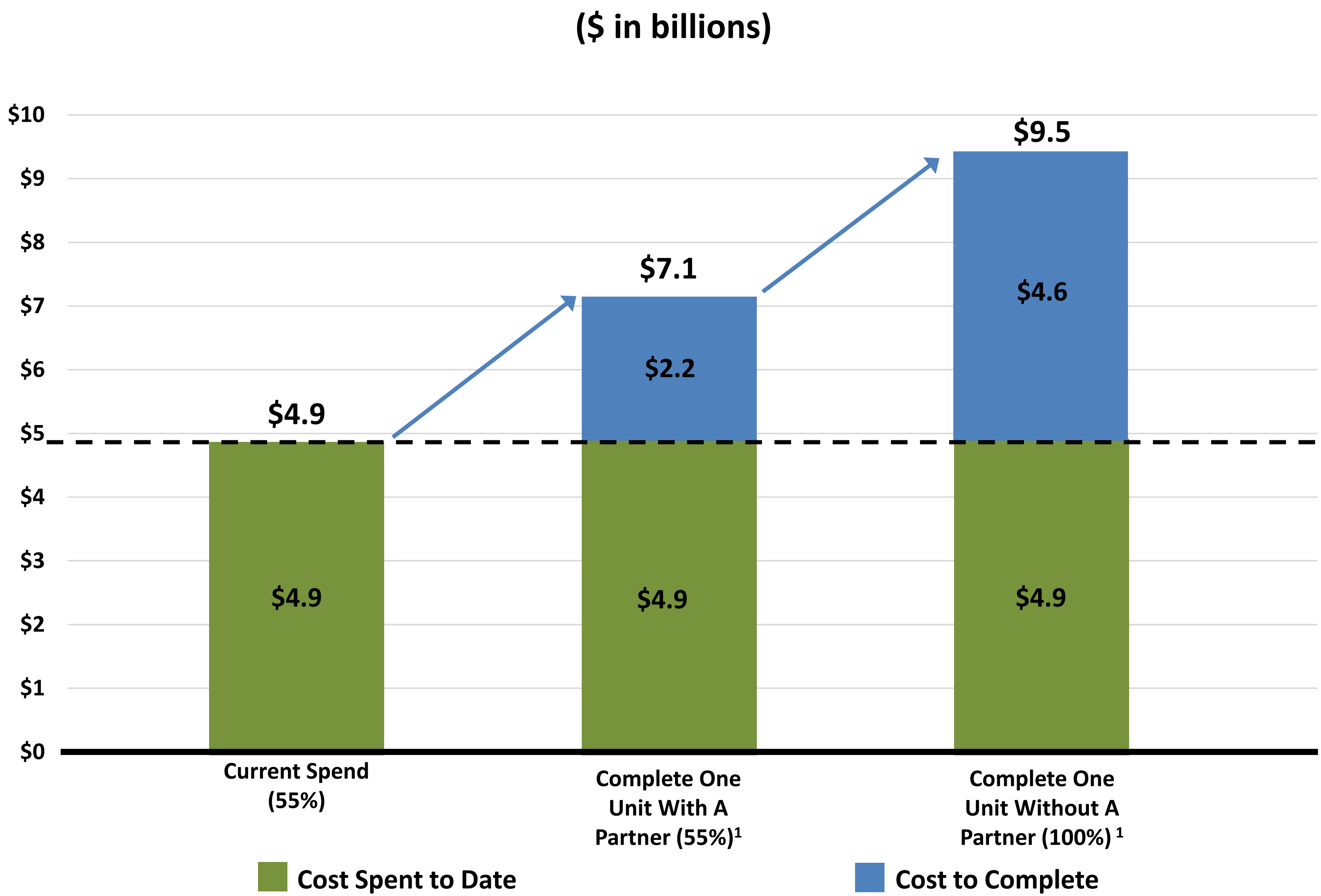
In-Service Dates:

- **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%)



One Unit Option



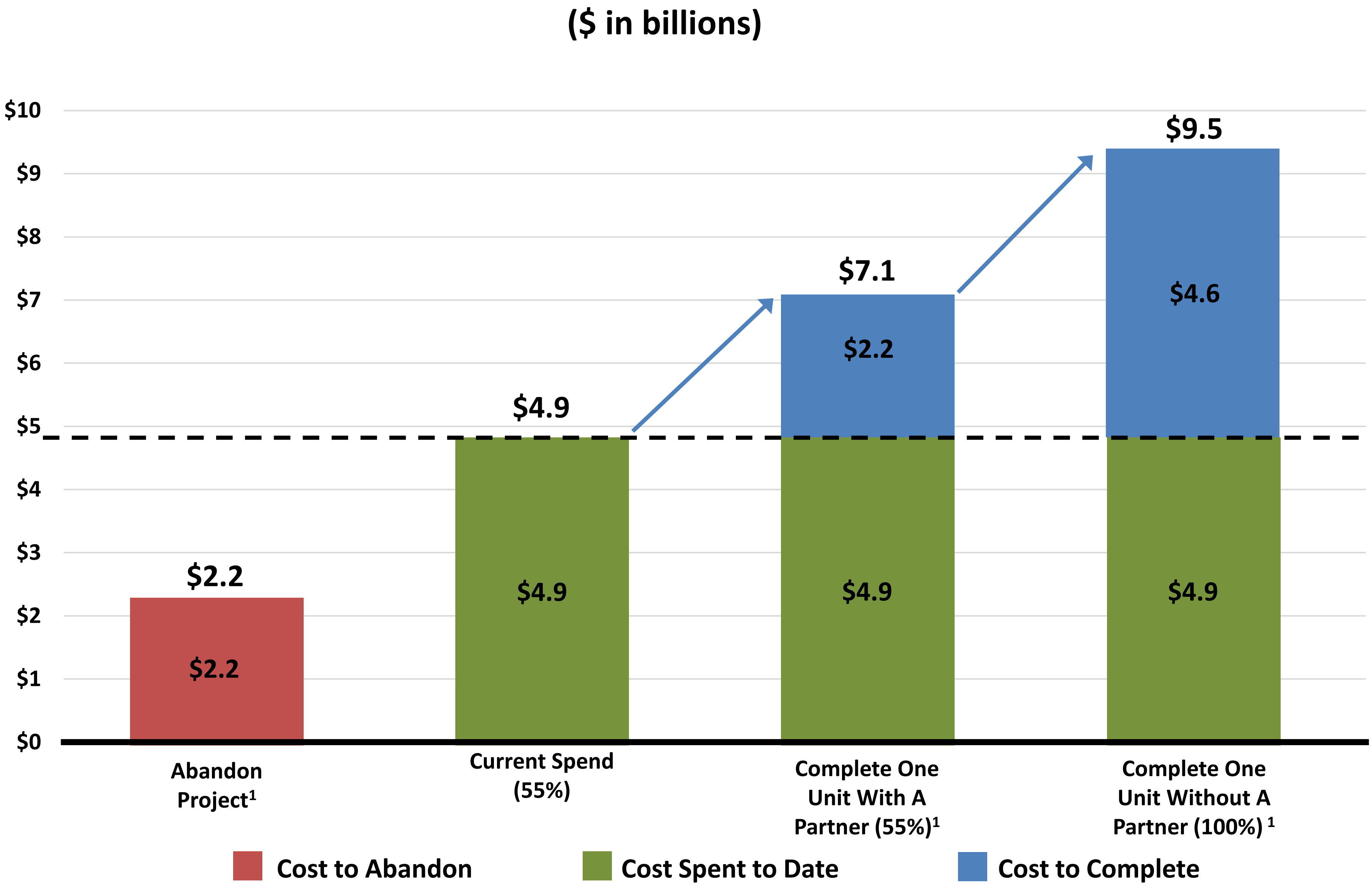
Note 1: Includes the offset from the Toshiba Guarantee of $1.1B (net of liens)

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



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.**