[SCG] - SCANA Corporation - 1st Quarter 2017 Earnings Conference Call/Webcast
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Officers
Iris Griffin; VP, Finance
Jimmy Addison; CFO
Steve Byrne; SCE&G: COO

Analysts
Julien Dumoulin-Smith /Nick Campanella; UBS
Travis Miller; Morningstar
Steve Fleishman; Wolfe Research
Michael Lapides; Goldman Sachs
Dan Jenkins; State of Wisconsin Investment Board
Stephen Byrd; Morgan Stanley
Ashar Khan; Verition
Paul Patterson; Glenrock Associates
Neil Kalton; Wells Fargo Securities
Stephen D'Ambrisi; Castleton Investment Management

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 call. (Operator Instructions)

As a reminder, this conference call is being recorded on Thursday, April 27th, 2017. 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 Iris Griffin, Vice President of Finance.

Iris Griffin: Thank you and welcome to our Analyst Call.

As you know, earlier today we announced financial results for the first quarter of 2017. Joining us on the call today are Jimmy Addison, SCANA's Chief Financial Officer, and Steve Byrne, Chief Operating Officer of SCE&G. During the call, Jimmy will provide an overview of our financial results and Steve will provide an update on our new nuclear project. After our comments, we will respond to your questions. The slides and the earnings release referred to in this call are available at scana.com.

Additionally, we post information related to our new nuclear project and other investor information directly to our website at scana.com. On SCANA's homepage, there is a yellow box containing links to the new Nuclear Development and Other Investor Information sections of the website.

It is possible that some of the information that we post directly to our website may be deemed material information that has not otherwise become public. You can sign up for email alerts under the Investors section of scana.com to notify you when there are new postings in the Nuclear Development and Other Investor Information sections of the website.

Finally, before I turn the call over to Jimmy, I would like to remind you that 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 as shown on slide 2.

The Company does not recognize an obligation to update any forward-looking statements. Additionally, we may disclose certain non-GAAP measures during this presentation, and the required Reg G information can be found either in the Investors section of our website under Webcasts & Presentations or in the slides for this presentation.

I'll now turn the call over to Jimmy.

Jimmy Addison: Thanks, Iris. And thank you all for joining us today.

I'll begin our earnings discussion on slide 3. Earnings in the first quarter of 2017 were $1.19 per share compared to $1.23 per share in the same quarter of 2016.

Increased electric margins primarily from a Base Load Review Act rate increase and customer growth as well as higher gas margins due to customer growth and rate increases at SCE&G and PSNC were more than offset by the impact of significantly milder weather when compared to the same quarter of last year.

Additionally, positive variances in O&M and other income were offset by CapEx-related items including depreciation and property taxes.

In the footnote, you will notice that abnormal weather decreased electric margins by $0.24 per share in the first quarter of 2017 compared to $0.05 per share in the first quarter of 2016, resulting in a negative $0.19 per share impact to earnings quarter over quarter.

Now on slide 4, I'd like to briefly review the earnings results for our principal lines of business. SCE&G's first quarter of 2017 earnings decreased versus the same quarter of 2016, due primarily to the aforementioned significantly milder weather, which was partially offset by increases in electric margins from the continued recovery of financing costs through the BLRA.

Additionally, gas margins at SCE&G increased as a result of a rate increase and customer growth.

PSNC's earnings saw increases versus the same period of the prior year due principally to customer growth and a rate increase.

SCANA Energy's earnings decreased due to significantly milder weather in the first quarter of 2017 versus the same quarter of 2016.

I would now like to touch on economic trends in our service territory slide 5. Through the first quarter of 2017, companies announced plans to invest approximately $200 million with the expectation of creating over 1,700 jobs in our North and South Carolina territories.

At the bottom of the slide, you can see the South Carolina unemployment statistics as of March 2017 and 2016. South Carolina's unemployment rate is 4.4%. Attesting to our state's strong economic growth, over 50,000, or 2.5%, more South Carolinians are working today than a year ago.

The other states in which we have service territories, North Carolina and Georgia, continue to see stable unemployment rates of 4.9% and 5.1% respectively.

The Carolinas, and especially South Carolina, continue to be seen as a favorable place to do business. As businesses have grown and expanded, they have nearly saturated our state's workforce, giving way to all-time highs in workforce and employment numbers with little change to unemployment levels. This continued success in turn has been a key factor in our strong customer growth.

On slide 6, we present customer growth and electric sales statistics. The top half of the slide shows the customer growth rate for each of our regulated businesses.

SCE&G's electric business added customers at a year-over-year rate of 1.6%. Our regulated gas businesses in South Carolina and North Carolina added customers at a rate of 2.8% and 2.6%, respectively.

We are pleased to continue to see strong customer growth in the region.

The bottom table outlines our actual and weather-normalized kilowatt hour sales to retail customers for the 12 months ended March 31, 2017. Sales were up over the previous 12-month period due to the abnormally hot summer which offset the recent abnormally mild winter.

Overall, weather-normalized total retail sales were relatively flat on a 12-month-ended basis, consistent with our plan expectations.

Please now look to slide 7, which recaps our regulatory rate base and returns. The pie chart on the left presents the components of our regulated rate base of approximately $11 billion. As denoted in the two shades of blue, approximately 86% of this rate base is related to the electric business.

In the box on the right, you will see SCE&G's base electric business in which we are allowed a 10.25% return on equity. The adjusted earned return for the 12 months ended March 31, 2017, in the base electric business continues to meet our stated goal of earning a return of 9% or higher. This mitigates the need for non-BLRA-related base rate increases.

We continue to be pleased with the execution of our strategy.

Continuing down the page, on our new nuclear business, we were allowed an 11% return on equity under the Base Load Review Act for all annual requests for revised rates that were approved prior to 2016.

With the approval of our 2015 petition, the allowed ROE was revised down to 10.5% for a prospective request for revised rates, which applied to the request that went into effect at the end of November 2016.

Under the terms of our most recent order, the allowed ROE for the new nuclear business will be 10.25% for prospective request for revised rates.

As a reminder, we're allowed a return on equity of 9.7% and 10.25% on our gas LDCs in North and South Carolina, respectively.

As you will recall, in South Carolina, the rates for our gas business are set according to the Rate Stabilization Act. Under that mechanism, the ROE is evaluated annually. If the earned ROE for the 12 months ended March 31st, falls outside of a range of 50 basis points above or below the allowed ROE, we file to adjust rates in June, with the updated rates, if approved, becoming effective in November.

On the slide we present the ROE as of December 31st, 2016, as we prepare the information as of the end of this quarter for the RSA filing. For this 12-month period, the earned return for SCE&G gas was 8.47%.

In North Carolina, we received approval from the North Carolina Utilities Commission for an annual $19 million revenue increase at PSNC Energy, which was effective on November 1, 2016. As of March 31, 2017, the 12-month earned return for PSNC Energy was 9.44%.

Slide 8 presents our CapEx forecast. This forecast reflects the Company's CapEx projections through 2019, and is consistent with last quarter's call. This forecast shows projected spending under the fixed price contract and does not include any revisions from our ongoing review of the new nuclear schedule and cost estimates.

At the bottom of the slide, we recap the estimated new nuclear CWIP from July 1 through June 30, to correspond to the periods on which the BLRA rate increases are historically calculated.

Now please turn to slide 9, to review our estimated financing plan through 2019. This plan includes the expected impact of the section 174 income tax deductions as well as debt and equity issuances and is also consistent with last quarter's call.

As a reminder, during the interim transition and evaluation period for the new nuclear project, we are making weekly payments. The projected spend on the project during the interim period is relatively consistent with what has been forecasted in this financing plan.

It is unlikely that these debt and equity issuances will occur in the exact amounts where timing has presented, as they are subject to changes in our funding needs for planned project expenses. We will update this financing plan and the CapEx plan shown on the prior slide once we complete our evaluation of the path forward for the new nuclear construction project.

On slide 10, we are reaffirming our 2017 GAAP-adjusted weather-normalized earnings guidance range of $4.15 to $4.35 per share and our internal target of $4.25 per share.

Our long-term GAAP-adjusted weather-normalized annual growth guidance target remains unchanged as we plan to deliver 4% to 6% earnings growth over three to five years using a base of 2016's GAAP-adjusted weather-normalized EPS of $3.97 per share.

I'll now turn the call over to Steve to provide an update on our new nuclear project.

Steve Byrne: Thanks, Jimmy. I'd like to start with a training program update. Last week our maintenance, chemistry, radiological protection, and engineering training programs gained initial accreditation from the National Academy for Nuclear Training. This is a multiyear endeavor and a significant achievement for the project.

These training programs now join our operator programs which were previously accredited.

I would now like to discuss some of the activities at the new nuclear construction site.

Slide 11 presents an aerial photo of the construction tabletop from the first quarter of 2017. From this view, you can gain perspective on the proximity of Units 2 and 3 to our operating Unit 1 near the top of the picture.

Unit 1 is currently in a routine maintenance and refueling outage and is on schedule.

Slide 12 presents a schematic view of the five large structural or CA modules that are located inside the containment vessel. We have placed all of the major CA modules for Unit 2 and have placed CA01, CA04, and CA05 for Unit 3.

Slide 13 shows an aerial view of the Unit 2 and Unit 3 nuclear islands. The left side of the slide shows Unit 2. With the addition of the second containment vessel ring in February, you can no longer clearly see all of the large CA structural modules, which as I previously mentioned have all been placed.

Additionally, you can see the shield building and the containment vessel as well as CA20.

Unit 3 is on the right side of the slide. You can see CA01, CA04, and CA05. Outside of the containment vessel, you can also see the CA20 and the shield building beginning to take shape.

Slide 14 shows an example of the installation of a mechanical module. In this case, it is a safety-related Q223 module being lowered into the Unit 2 containment vessel. This is a direct vessel injection, or DVI, valve skid, which is a part of the passive core cooling system.

Slide 15 shows the picture of the Unit 3 CA02 module inside of the module assembly building, or MAB, from earlier this year. This module has been completed and is awaiting placement.

Slide 16 shows the Unit 3 CA03 module in the MAB where it is being fabricated. Currently, all 17 sub-modules have been assembled, and the last few are being welded together.

Slide 17 shows pictures of the placement of panels that make up the fifth course of the shield building for Unit 2. As you may recall, these panels are placed, welded together, and filled with concrete. We currently have 150 of the 167 panels needed to complete the Unit 2 shield building.

Slide 18 shows the progress at the Unit 3 shield building. We have placed, welded, and filled the second course of panels, and 82 of the needed 167 panels for the Unit 3 shield building are on site.

Slide 19 shows the placement of one of the nine roof trusses for the Unit 2 turbine building. All nine have been installed. And you can see in this picture the yellow overhead bridge crane that was placed last quarter and the progress that has been made since then.

Slide 20 is a photo of the high-pressure turbine lower casing being placed in the Unit 2 turbine building. Each unit has three low-pressure and one high-pressure turbine.

All lower outer casings have been placed for the three low-pressure turbines. Final torqueing and adjustments are being made before installing the lower inner casings for the low-pressure turbines.

Slide 21 shows the arrival of one of the two Unite 3 steam generators that were received on site in March. We now have all four of the steam generators for Units 2 and 3. Steam generators transfer heat from the reactor to convert water to steam needed to spin the turbine.

Slide 22, before we open the call for questions from analysts, I'd like to provide an update on the ongoing work that has been taking place during the interim transition and evaluation period.

This slide outlines some of our options. But any path forward would need to satisfy the growing generation needs of our customers. Our goal is to reach a decision that balances the needs of our customers, our stakeholders, and our Company.

We will continue to provide information and updates whenever possible, about the decision. That concludes our prepared remarks. We'll now be glad to respond to any questions you might have.

<u>Questions and Answers</u>

Operator: Thank you. Julian Dumoulin-Smith of UBS.

Nick Campanella: This is actually Nick Campanella on for Julian. I was curious if we could talk about the parental guarantee for a moment. Say if it were to be triggered, do we have any sense of the cadence of those payments? I.E., would it be a lump sum or rather spread out over a period of time?

Jimmy Addison: We really don't yet. That's yet to be determined. Of course, first we've got to determine what the damages would be and then have some discussions around the timing.

Nick Campanella: Thanks. That's all I have for now.

Operator: Travis Miller of Morningstar.

Travis Miller: Was wondering if you could update us on the 30-day versus 60-day decision, whether or not to try to get the 60-day review period?

Steve Byrne: Yes. Travis, this is Steve. We are attempting to extend that interim assessment agreement that we have that expires at 30 days, which I think is tomorrow.

As of right now, and there's always a lot of last-minute details to be taken care of. But we don't see any impediments at this point to having an agreement in place sometime either later today or tomorrow.

Travis Miller: Okay. Any idea, would 60 days be enough? Would another 30 or would you try to get another 60 or 90?

Steve Byrne: Yes. I think our goal is to extend it for another 60 days.

Travis Miller: So a total of 90 days then?

Steve Byrne: That's correct.

Travis Miller: Okay. And then one other question related. The weather impact, how much of that, either $0.19 year over year or $0.24 versus normal, how much of that do you get back or will get back through your various clauses that you have?

Jimmy Addison: Really none of that, Travis. So that's just related to the electric business. The weather impact in the two LDCs in the Carolinas is really captured already within the quarter in the accounting. So the cash of it may be a little later, but that's all captured in the accounting. So that $0.24 versus normal is all related to the electric business.

Travis Miller: Okay. Very good. Appreciate it.

Operator: Steve Fleishman of Wolfe Research.

Steve Fleishman: Good afternoon. Couple questions. So you presented an update to the commission a week or two ago and did talk a little bit about some productivity issues, no overtime. And I think there were some issues with people not showing up for training. Could you maybe give more color on how that's going productivity overall?

Steve Byrne: Yes. Productivity is largely unchanged. The issue with folks not showing up for training, we did see a spike in that the first week. That has ameliorated somewhat. So that right now, we would typically get, I want to say 20% of the folks that we would recruit not showing up for training. That's a fairly normal number. I think we reported that it had spiked to 50%. It's back down to 30%. So perhaps a bit higher, but nothing to be alarmed about any longer. So that's going well.

Fluor has committed to stay on as the construction manager. So they're still responsible for construction. So the issue of attracting the craft, we'll go through some bumps in the road with that, but we're pretty confident in Fluor's ability to staff the project.

Steve Fleishman: Okay. And when you say productivity is largely unchanged, is that from when you gave the update two weeks ago or is that from going back to kind of pre-bankruptcy?

Steve Byrne: Yes. If I take a look at this year, I would say that it's largely unchanged for the year. So if we take a look at March's numbers -- we generally get report outs from the contractor that are lagging by a month. So sometime in mid-April, I get March's numbers. So in reality, I wouldn't have a good gauge today as to what the productivity numbers are, have they been impacted by the bankruptcy process or not since bankruptcy was what, March the 29th, I think it was.

Steve Fleishman: Okay. And then when you gave the update to the commission and to us before that, you did say that based on the data you had at that time that the cost was within the level of the value of the guarantee, the Toshiba guarantee. Is there any update that you can provide on that?

Steve Byrne: Yes. I think what we said, Steve, was that the estimate from Westinghouse, their estimate to us of what it would cost to complete above what our current fixed price contract amount is would be within the amount that is the parental guarantee from Toshiba.

Now, whether we recoup that money through the Westinghouse bankruptcy process or through the Toshiba parental guarantee, we're ambivalent to where it comes from. It's just that we believe that the increase, I think we've advertised that at about $1.5 billion and the parental guarantee is a little larger than that. So we feel right now, based on the numbers we've received from Westinghouse that it's captured.

Now, what we're doing in this interim assessment period is our own evaluation as to what the duration is going to be and what those costs are going to be. So we have to assess the commodities, unit rates. We have to assess how much labor hours are involved in completing the project. So we're in the middle of that evaluation now, and we'll come up with our own schedule and our own cost estimate, and then we'll see how close we were to the Westinghouse estimate.

Steve Fleishman: Okay. And then lastly just in terms of the site, is everybody basically getting paid through either you or Westinghouse at this point in terms of the contractors?

Steve Byrne: Yes. Now, this is the post-petition amount. So from the time they declared bankruptcy on, the agreement that was struck with and approved by the Bankruptcy Court was that we would prepay Westinghouse for those amounts and then Westinghouse would make those disbursements to the vendors and subcontractors which they have the contracts with.

Steve Fleishman: Okay. Thank you.

Operator: Michael Lapides of Goldman Sachs.

Michael Lapides: Just when you think about the parent guarantee from Toshiba, what is the process if you and Santee Cooper and Toshiba don't agree on what the amount due under that is? I mean if you say it's $2 and Toshiba says it's $1.50, is there something in the contract that says how that will get resolved, whether through a formal arbitration process or some kind of litigation process? We're talking about billions of dollars here. So the potential for one side thinking the number is different does exist, I would believe.

Jimmy Addison: Yes. Michael, it's Jimmy. I'm sure that that could be and, in fact, it would surprise me if it doesn't start out that way. But I would say that we've got a pretty good track record of being able to come to reasonable conclusions. And you can just look at the history of the project over almost a decade now when we've had differences. So not to say that we will this time, but that would certainly be our approach. But it takes reasonable people on both sides.

Michael Lapides: But is there, in the contract is there a formal mediation or arbitration process to hammer out the details or would you all have to set up a new process and come to an agreement that way?

Steve Byrne: Yes. Michael, this is Steve. I'm not certain, because the parental guarantee is actually captured in a separate agreement because it survives the EPC contract.

Certainly in the EPC contract, we have arbitration/mediation-type provisions. I'm just not sure as we sit here today if that separate agreement on the parental guarantee contains some kind of a clause. We can look and get back to you on that.

Michael Lapides: That would be great. And then just one question. I mean every quarter you guys -- and these are great filings and we really appreciate it, the quarterly BLRA filings. I noticed the first four to six months of 2017, had a host of milestones or target milestone in them, lots of them in the April/May timeframe. Can you just talk about where you sit in terms of kind of hitting a lot of those milestones?

Steve, you went through a few of them on the call. But just kind of curious whether you think in general the milestones you've provided the commission that you would hit in the first four to six months of the year, are there any that are still outstanding, whether it's getting reactor coolant pump equipment on site or the concrete fill of the nuclear island or some of the others related to the containment vessels?

Steve Byrne: Yes. Michael, there are a lot of puts and takes on the schedule and on the milestones. And as you may be aware, in the last settlement we had with our Public Service Commission, we had agreed that we're going to stop updating the milestones. And there really are only two milestones left that we owe the commission, and that is completion of the two units.

Now, that said, we will look at those BLRA milestones and report to the Office of Regulatory staff on their completion. Of course, they're on site daily so it's pretty obvious to them.

From a milestone perspective, I would say that Westinghouse is still lagging behind on where they had hoped to be. And that's one of the things that we're going to take a look at going forward as we transition. If we decide to continue the project, as we transition to an owner-directed model, we will look at removing some of the impediments that Westinghouse has seen to completing these milestones and getting them done.

They do have a number, you're correct, that are due up this quarter and next quarter. So if we look at the near future, we should set the second of the two steam generators for Unit 2 in the second quarter. We should set the third ring section on Unit 2, the containment vessel ring section, in the third quarter. And we should also set the pressurizer, which is a large component in the reactor coolant system, again late second quarter, early third quarter.

The shield building courses, they're going very well. So most of the milestones you see in the second quarter are going to be Unit 2 milestones.

Most of the things that we're doing in Unit 3 involve concrete pours that people don't have a lot of insight into. And so if I reported those out, that'd be very boring to people. So those generally are not targeted milestones.

Michael Lapides: Got it. Thank you, Steve. Much appreciated. Very helpful.

Operator: Dan Jenkins of State of Wisconsin Investment Board.

Dan Jenkins: I also have a question related to something in your last status report. And that was your comment there related to the ITTAC submittal rates and you mentioned that those needed to increase significantly.

And I was wondering if you could update us on the status of that progress.

Steve Byrne: Yes. We're starting to become more and more comfortable with the ITTACs. I think we've got a little under 100 submitted so far. There's 873 per unit, but they're the same so they're duplicates between Unit 2 and Unit 3.

So the completions, while the rate's not probably up to where we would like to see it, the process is getting smoothed out. So Westinghouse is getting faster at giving the information to us. We're getting a little bit better at turning them around. And then once they get submitted to the Nuclear Regulatory Commission, it's a relatively short timeframe before they get them posted in the Federal Register. So that process is going pretty well.

We're also working pretty closely with Southern on these, because, as you might guess, a majority of the ITTACs are the same for their units and for our units. It's just the site-specific stuff that would be different.

So the ITTAC process, in my mind, is going better than we had anticipated. That said, there is still a wave coming that we've tried to prepare the Nuclear Regulatory Commission for. And I think they're ready from a staffing perspective to handle those.

Dan Jenkins: Okay. That's all I had. Thanks.

Operator: Stephen Byrd of Morgan Stanley.

Stephen Byrd: I wanted to just touch on Sanmen in China and just check in with you to see how the status and progress is going at the Sanmen site.

Steve Byrne: Yes. Stephen, this is Steve. I don't have a latest update on Sanmen. I don't know that I've got anything beyond what we updated last quarter, which was that they were through with their hot functional testing. They had a couple of issues that they had to resolve, which would be normal during a test like that.

Once they make the corrections to those issues, some of which are valve trim replacements, they've got some insulation that didn't stand up to high temperatures that they've got to replace, and they've got a heat exchanger issue I think that we would not have to deal with. But once they get those corrections made, then they'll redo that portion of the test. And then they would go into fuel load and startup.

My understanding is that the first Haiyang unit is also waiting those same corrections. So even though they didn't get to the point where like the insulation melted, they know they've got to change that as well. So they're making the changes on both the Sanmen and the Haiyang unit. So the Haiyang unit won't finish their hot functional test until after those Sanmen corrections are made.

But we anticipate that both units will load fuel this year and start up this year.

Stephen Byrd: Okay. Thank you. And then just shifting over to, I guess I'm thinking about federal support for your project. Should we be thinking there's some chance or possibility that there could be some degree of federal support, whether it be from the Department of Energy or some other agency in terms of wanting to support base load, clean power? Is that at least a possibility or should we be thinking that's relatively unlikely?

Jimmy Addison: Well, I think the most objective thing to say about that is they certainly seem to be supportive of trying to get the production tax credit date extended, which is, if you think about it, that was what those credits originally put out there for is with new projects like this, they know they're going to be challenges and the credits are put out there to entice some to go out and be the first movers. And so just with these delays has put us close to those deadlines.

So that would be the most tangible objective thing that could be done. And I know the Department of Energy understands that very clearly from personal conversations with them recently. And certainly South Carolina's delegation does. As in both the House and the Senate, bills have been introduced to provide for that and with over 20 co-sponsors on each one. So we're hopeful that that gets traction.

Stephen Byrd: Great. Thank you very much.

Operator: (Operator Instructions) Ashar Khan of Verition

Ashar Khan: I just wanted to check in, Jimmy, so right we have the tax agreement that you talked about. I thought that helped us to maintain our ROE at the rate that is I guess somewhat to an allowed rate.

So couldn't we have utilized more of those tax credits in this quarter to offset this weather? I'm just trying to get a sense of how that works. Do you wait 'til the end of the year to apply those credits or are you using some assumption throughout the year? Or could you just walk me through how that works?

Jimmy Addison: Sure. Yes, and I think near the end there, you just about answered your question, which is we really expect to wait over in -- probably in Q4. So the idea is to use these credits to mitigate each annual BLRA revised rate increase and to use part of it to ensure that the business stays, base business, stays in a reasonable return of that 9% and 10.25%.

As you can see what we filed there on what we have on the slide there is we estimate it's a little higher than 9.75%. So it's still well within that range that we suggest is a reasonable return on the base business. And that's despite some historically mild weather in the first quarter.

Ashar Khan: Okay. So if you wanted to make some, those earnings would show up if, say if you want to do something and all that in the fourth quarter then, right? Is that correct?

Jimmy Addison: That's right. And, Ashar, what we would do is, any adjustments we would make would really impact it in the fourth quarter and forward.

Ashar Khan: Fourth quarter and forward, okay.

Jimmy Addison: Right.

Ashar Khan: Okay. Okay. Fair point. And then, Jimmy, can you give us a little bit sense of, you know you highlighted to the commission completing both plants, completing one plant, and, of course, the other option was walking away.

I'm assuming you're continuing to work on both plants right now. I'm just trying to make a sense. Did you get some feedback from them or no? Or anything you can share from the commissioners?

Steve Byrne: Ashar, this is Steve. The update that we gave was an ex parte briefing. So we didn't really get a feel other than from the questions. It's clear that the commission is very interested in this and they want an update as soon as we get some more information, which we've committed that we will go back and give to them.

But I think they're well aware of Base Load Review Act provisions on abandonment. And they know, because we told them, that we're going to be evaluating and completing both units, which obviously would be our preference. But from a prudency perspective, we have to evaluate whether or not mothballing one, abandoning one would be in our best interest.

Now, from a load perspective, we still have growth in our service territory and we still have a need for the power. So more than likely, we couldn't just abandon one and then forget about it. We'd have to build something else, and more than likely that would be gas. So we'll be evaluating all those scenarios against a gas going forward scenario.

Ashar Khan: Okay. And if I can end up with is this review period is going to get extended, you usually file an update report after every quarter, right? So March, I guess you filed one which will show up after 45 days, right, in May 15th?

Steve Byrne: Yes, the BLRA quarterly report, that's correct.

Ashar Khan: So are you going to see any --

Jimmy Addison: Sorry. Our plan is to file that end of next week.

Ashar Khan: End of next week. So, Jimmy, are we going to see any new numbers or all those reports are still going to report old members because you are going through this review process which might take another 60 days?

So are we going to get any new data in terms of your filing and your BLRA application which goes in, in May, for next year? Are we going to get any new data or do we have to really wait for the end of the 60-day period, new 60-day period which would be, by technicality, end of June?

Jimmy Addison: Yes. So we're going to file the report as we should to update what we know at the end of March. But we're not going to have any conclusions of this analysis at that point.

Ashar Khan: Okay. So then really all those reports are basically kind of, right, no value then, right? So we have to wait for the conclusion of the analysis to get the real numbers?

Jimmy Addison: Well, I wouldn't say that. I think they have a lot of value in that they point out the areas of concern and that kind of thing. We're complying with the regulatory orders. But you have to form your own opinion about the value of them.

Ashar Khan: Okay. Okay. Thank you so much. You're so kind.

Operator: Paul Patterson of Glenrock Associates.

Paul Patterson: A few quick ones. With Vogtle there was a DIP financing motion filed by Georgia Power and others regarding intellectual property. Have you guys made a similar filing? And if not, why not?

Steve Byrne: We have not made a similar finding, and the reason is that we have escrowed intellectual property. So we have access to intellectual property. I think the Vogtle concern was that somebody perhaps filing a lien or the person providing that line of credit or the credit funds for Westinghouse might decide to try to take title to the intellectual property as well as some of their real property. So we don't have the same issue.

Paul Patterson: Okay. Great. And then with respect to the 60-day extension on the evaluation, what caused that? Is that because you guys have gotten more of a sense of what you guys have to do now after the first 30 days or was it kind of always what was contemplated or sort of -- what's causing, I guess, the extension of the evaluation period?

Steve Byrne: Yes. I'll tell you, Paul, that we had always looked at a longer period than 30 days to do the evaluation. But going back to when we were putting this in place, a very, very short timeframe leading up to an impending bankruptcy, and we wanted to get everything prepackaged such that it could be filed easily with the Bankruptcy Court. And that meant coordination not just between ourselves and Westinghouse, but also Southern Company.

So we got that finished. Going forward, however, we don't view there to be necessarily a link between a Southern agreement and our agreement, so that we can really do our own thing in the next 60-day period.

So we have sort of envisioned a 60- to 90-day period all along, but we had to get the thing done initially in order to get the filing timeframe for this bankruptcy proceeding. So that 30 days was the agreed-upon amount. So we're doing exactly what we anticipated we would do.

Paul Patterson: Okay. That makes sense. And then finally, just the safe harbor, I did note that there seemed to be a mention which I hadn't seen before about new joint owners, possible joint owners with respect to the plants. And is there -- I guess what was the reason for the cause of putting that in there? Is there any potential for new owners?

Jimmy Addison: Well, I just think as we go through this evaluation, and I don't know how significant our risk is, but there's some risk that the two current partners in the arrangement could end up at different evaluations of the different options that Steve outlined earlier. So I'm, again, not suggesting that will happen, but it's just cautionary.

Paul Patterson: Okay. Thanks so much. Appreciate it.

Operator: Neil Kalton of Wells Fargo Securities.

Neil Kalton: On the tax credit extensions that you're looking for, any sense as to how fast those bills might progress through Congress? And then also, how important are the PTCs for you to really move forward with this project? Would you move forward if you didn't have clarity?

Jimmy Addison: Neil, this is Jimmy. So there's at least three different routes is how they might move through. There's in the very near term there's going to be in the next week or two likely a continuing resolution to continue to fund the federal government. There's some possibility that they are a part of that. If not, there's a possibility that they're part of a more comprehensive tax reform. And then a third channel, at least, is just the bills get introduced on the floor stand alone.

So any of those three might happen. And as far as your question about criticality, I mean there's three large influencers over the viability of these projects. One is the validation of the estimated cost. The second is the recovery of the financial responsibility from Westinghouse/Toshiba. And then the third are these tax credits.

And all three of those are in the billions of dollars. So they're all critically important. And we have impressed upon everyone that has a vested interest in South Carolina and in nuclear in America that'll listen to us, that the timeliness of this is very, very important to this evaluation. So I can say absolutely that absent those, part or all of the unit would go forward, but it is very, very important to the viability.

Neil Kalton: All right. Thank you.

Operator: Stephen D'Ambrisi of Castleton Investment Management.

Stephen D'Ambrisi: I just had a follow up on Ashar's question. My understanding of the rate decrement rider was not that it provided incremental earnings. I think you were saying that it could not be used to offset weather, but rather that it would be used as a credit to rate base, which would, in turn, increase your earned ROE, all things considered.

So can you just walk through that? Would it give you incremental earnings in the fourth quarter or is it just lower your rate base so you're earned ROE looks optically higher?

Jimmy Addison: No, it's latter. It just affects the lower rate base so that the ROE is higher.

Stephen D'Ambrisi: Okay. All right. That's all I had. Thanks very much, guys.

Operator: And, ladies and gentlemen, this will conclude our question-and-answer session. I would like to hand the conference back ever to Jimmy Addison for his closing remarks.

Jimmy Addison: Well, thank you. We remain focused and are working diligently to determine the most prudent path for our nuclear project. Our goal is to reach a decision that addresses the needs of her customers and all of our stakeholders.

During this complex transition and evaluation period, we remain committed to providing you with timely information and updates as we move towards a decision.

As always, we continue to focus on operating all of our businesses in a safe, reliable, and efficient manner. We thank you for joining us today and for your interest in SCANA. Have a good day.

Operator: Ladies and gentlemen, the conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines.