SCG - SCANA Corporation
2nd Quarter 2013 Earnings Conference Call
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Presentation

Operator: Good morning, 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. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question-and-answer period. (Operator Instructions)

As a reminder, this conference call is being recorded on Thursday, August 1st, 2013. 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 Byron Hinson, Director of Financial Planning and Investor Relations.

Byron Hinson: Thank you, and welcome to our earnings conference call, including those who are joining us on the webcast.

As you know, earlier today we announced financial results for the second quarter of 2013. 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 economic development in our service territory and Steve will provide an update on our new nuclear project.

After our comments, we'll respond to your questions. The slides and the earnings release referred to in this call are available at scana.com.

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 on the Investor Relations section of our website.

I'll now turn the call over to Jimmy.

Jimmy Addison: Thanks Byron, and thank you all for joining us today.

I'll begin our earnings discussion on slide 3. Basic earnings in the second quarter of 2013, were $0.60 per share, compared to $0.55 per share in the same quarter of 2012. Higher electric and gas margins were principally offset by increases in CapEx-related costs, including interest expense, depreciation, property taxes, and share dilution.

Please turn to slide 4. Basic earnings per share for the 6 months ended June 30, 2013, were $1.73 versus $1.48 in 2012. Similar to the quarter, increases in electric and gas margins were partially offset by higher expenses related to our capital program.

Now on slide 5, I'd like to briefly review results for our principal lines of business. South Carolina Electric and Gas Company's second quarter basic earnings, denoted in blue, were up $0.04, compared to 2012, driven largely by base rate increases, along with customer growth. These increases were partially offset by increases in operating and maintenance expenses, property taxes, depreciation, and share dilution.

Year-to-date, basic earnings were higher by $0.17, due primarily to higher electric margin.

PSNC Energy reported seasonally flat earnings for the second quarter of 2013, comparable to the same period of last year. For the 6-month period ended June 30, shown in red, basic earnings were $0.24 per share, inline with the prior year.

SCANA Energy, our retail natural gas marketing business in Georgia, shown in green, reported a seasonal loss of $0.02 per share for the second quarter, consistent with last year. Year-to-date, earnings are up $0.08, primarily due to a return to normal weather during the first quarter of 2013.

SCANA's corporate and other businesses reported a loss of $0.01 per share in the second quarter, compared to a loss of $0.02 in 2012. For the 6-month period, these businesses reported basic earnings per share of $0.04 in 2013, consistent with 2012.

I'd like to touch on economic trends in our service territory, as shown on slide 6. We continue to see new business growth and expansion of existing businesses. Through the second quarter of this year, companies have announced plans to invest approximately $1.5 billion, with expectations of creating over 6,000 jobs in our Carolinas territories.

We are pleased that this year is shaping up to be another solid year in terms of economic development in our region. Driven by prior economic announcements, unemployment rates continue to improve. Announcements of new businesses, as well as business expansions, have translated into job creation. The unemployment rate in SCE&G's electric territory, denoted in blue, of 7%, is 200 basis points better than during the peak of the recession, and continues to be favorable compared to the national rate.

Additionally, the US Commerce Department released a survey in June, noting that South Carolina led the southeast in economic growth during 2012, with real GDP growth of 2.7%. Manufacturing is clearly playing a key role in South Carolina's economic growth.

Slide 7 presents weather-normalized sales and customer growth. The top left outlines our weather-normalized sales for the 12 months ended June, which you can see have increased slightly. On the bottom of the slide are the customer growth rates for each of our regulated businesses. In addition to the aforementioned electric growth, our regulated gas businesses in South and North Carolina grew at 2%.

SCE&G gas hit the 2% growth mark for the first time since the third quarter of 2007. As you will note on the top right, these results are inline with our expectations.

Now I would like to speak about our operation and maintenance expenses for the year. As we previously mentioned, a strategic goal for 2013, and beyond, will be to manage our base retail electric business to prevent the need for base rate increases during the peak nuclear construction years.

One of the instructions in achieving this goal is O&M cost control. We originally estimated, during the year-end call, that O&M expenses would be approximately 5% higher in 2013, with about half of that increase driven by specific rate case-related expense amortization of previously deferred items. While these amortizations are occurring as projected, the other projected expense growth has been mitigated by cost control efforts such as lower labor cost and the delay of certain items. We constantly scrutinize the organization for efficiencies, which has principally been accomplished through attrition to mitigate other external cost increases.

Now please turn to slide 8. Another factor is lower-than-planned vegetation management during the significant rainfall of the second quarter. Our crews have been able to trim approximately 300 fewer miles of transmission and distribution right-of-ways than they had at this point in 2012. South Carolina received substantial rainfall during the past quarter, as you can see in this picture, from one of our transmission right-of-ways. While this photo is an extreme example, on average, Columbia and Charleston, comprising the majority of our service area at SCE&G, had 15 inches of rain during the second quarter, which is approximately 50% above normal. This has kept our crews from being able to trim some of the right-of-ways, which has resulted in lower O&M compared to our plan. We expect most of this O&M will be spent during the balance of the year, assuming normal rainfall.

Also, outages and projects at some of our coal-fired plants have shifted from the spring of 2013, to the fall, which have caused some timing variances compared to our plan.

Considering the cost control efforts and these type of timing items, we now project full-year O&M expenses to grow approximately 3.5% over 2012 levels.

Now please turn to slide 9, which recaps our regulatory rate base and returns. The pie chart on the left presents the components of our regulated rate base of approximately $8.3 billion. As you can see from the items denoted in the two shades of blue, approximately 86% of this rate base is composed of SCE&G electric.

In the block on the top right, you will see SCE&G's base electric business, in which we're allowed a 10.25% return on equity. The earned return as of the end of the second quarter of 2013, was approximately 9.9%, virtually unchanged from Q1.

Again, a strategic goal for 2013, and beyond, will be to manage our base retail electric business to prevent the need for base rate increases during the peak nuclear construction years.

Control of O&M and non-nuclear CapEx, while monitoring and responding to margin fluctuations, is essential to achieving this goal.

Continuing down the page, on our new nuclear business, we are allowed an 11% return on equity. We've had incremental CWIP in the last year of approximately $570 million. And we expect to implement a rate increase in November of just under 2.9%.

Our regulated gas businesses in the Carolinas continue to perform well. We're allowed a return on equity of 10.6% and 10.25% in North Carolina and South Carolina, respectively, and we continue to run those businesses close to those returns.

Along the bottom of the page is our regulatory schedule outside of any Base Load Review Act or BLRA filings. These items are fairly routine annual filings.

Slide 10 presents our CapEx forecast. This forecast has been updated with our high-level estimates of the changes in the construction cost timing due to the schedule delay we announced on June the 5th. These preliminary estimates reflect the delay in the in-service states by up to 12 months for unit 2, and a similar delay for unit 3. The Consortium, consisting of Westinghouse and CB&I, provided their preliminary estimates of the cash flow changes for unit 2, but have yet to revise their estimates for unit 3. We have prepared our own estimate internally to evaluate the impact of a similar deferral on unit 3.

To be clear, this is our current best estimate of the impact of the delay, and the numbers may shift intra-period, as they are refined. These numbers do not include the potential increased cost of up to $200 million, as we have not reached any further conclusions on those matters.

Along the bottom of the slide, you can see our anticipated incremental CWIP from July 1 through June 30, for each period on which the BLRA increase is calculated.

Please turn to slide 11 to review the net change. This reflects the shift in construction cash flows due to the change in in-service dates. You will note that CWIP from 2013 to 2015, is lower than filed in the last quarterly BLRA report, and is higher beginning in 2016, for the duration of the construction. Steve will address nuclear construction in a few minutes.

Please turn to slide 12, to review our estimated financing plan through 2017. As I mentioned in our last earnings call, we settled our equity forward, resulting in the issuance of 6.6 million shares in early March. We don't anticipate any additional equity issuances for the balance of 2013, other than through our 401k and dividend reinvestment plans.

Also, in June, SCE&G issued $400 million in first mortgage bonds. $150 million of this issuance was used to refinance maturing first mortgage bonds, with the remainder used to repay short-term debt primarily incurred for construction of the new nuclear units. We've not made any changes in our financing plan at this point, due to the shift in the in-service dates, as we do not expect the total cost of the project to change significantly. Once CB&I finalizes its analysis on the construction scheduled and related costs, we will provide an update on our financing plans.

Now please turn to slide 13. We are reaffirming our earnings guidance of $3.25 to $3.45, basic earnings per share, along with our internal target of $3.35 per share. Our long-term outlook remains unchanged, as we plan to deliver 3% to 6% earnings growth over the 3- to 5-year period, based on 2012 GAAP basic earnings per share of $3.20.

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

Steve Byrne: Thanks, Jimmy. Please turn to slide number 14. Let me start by addressing a topic we discussed at our Analyst Day event, as it pertains to the new nuclear in-service dates and associated costs. As we stated in New York, we expect unit 2's in-service date to be between the fourth quarter of 2017 and the first quarter of 2018, which is still within the Public Service Commission's 18-month schedule contingency window for the currently approved in-service date, which is March 2017.

Although we have provided you with a high-level estimate to show the shift in CapEx spend, we continue to work with Chicago Bridge and Iron to finalize how the construction cost will shift, as well as determine what the additional cost might be for this delay, along with the associated responsibility.

I want to reiterate that our estimated upper bound of the additional cost to SCE&G is approximately $200 million. We hope to get more definitive information later this year.

I would now like to direct your attention to slide 15. As I have mentioned previously, in March, we completed an over 50-hour continuous pour of nuclear island base mat, sometimes referred to as first nuclear concrete, for our first new unit, which can be seen in the picture at the top of the slide. The base mat provides a foundation for the containment vessel, shield building, and auxiliary building that make up the nuclear island.

At the beginning of April, we set the 500-ton CR10 module on the unit 2 base mat, which you can see at the bottom left of the slide. This module had been previously assembled onsite and was lifted into place using the Heavy Lift Derrick. CR10 supports the containment vessel. As you can see at the bottom right, the containment vessel bottom head, which was also assembled onsite, was lifted into place by the Heavy Lift Derrick, in May. The containment vessel will house numerous reactor system components, such as the reactor vessel, piping, steam generators, and pressurizer.

On the top left of slide 16, you can see a picture of the unit 3 containment vessel lower bowl as it begins to take shape onsite. At the top right of that same slide, you'll see a picture of Cooling Tower 2 Alpha. All 4 of the low-profile, forced-draft cooling towers continue to progress as anticipated.

On the bottom left, you'll see the unit 2 Turbine Building. Placement of the unit 2 Turbine Building base mat and associated walls, has been completed. At bottom right, you'll see a picture of the unit 3 nuclear island. We have completed the placement of the [dimple] concrete, the leveling concrete, the lower mud mat, the vapor barrier, and the upper mud mat.

Currently, the reinforcing bar cage is being assembled, and we are on schedule for the first nuclear concrete for unit 3, sometime around October of this year.

Earlier this month, we set the first condenser section in the unit 2 Turbine Building, which you can see on slide 17. On the top is a lift from the condenser assembly area. On the bottom left is a mid-air shot, and on the bottom right is the placement in the Turbine Building basement.

On slide 18, you'll see some components that have arrived onsite. Across the top, you'll see a photo of the deareator. I included this photo to show you the scale of this enormous item. It's about 140 feet long, 18 feet in diameter, and its purpose is to strip oxygen from the feed water system.

On the bottom left, you'll see a picture of the unit 2 Reactor Vessel onsite. As I'm sure you're aware the Reactor Vessel will house the fuel assemblies.

On the bottom right, you'll see the low-pressure turbine rotors, 2 Alpha and 2 Bravo, as they arrive via railcar. There are 3 low-pressure and 1 high-pressure turbine rotors for each unit.

Please now turn to slide 19. As discussed at Analyst Day, in May, we filed our Base Load Review Act, or BLRA, quarterly status update for this first quarter of 2013, with the Public Service Commission, as well as our annual request for revised rates under the BLRA. The Office of Regulatory Staff has completed their review of our request and is recommending to the Commission a $67.2 million revenue increase, or a rate increase of 2.87%. We concur with their recommendation, and anticipate the requested increase in rates by November 1st.

That concludes our prepared remarks. We will now be glad to respond to any questions you might have.

Questions and Answers

Operator: Ladies and gentlemen, we will now begin the question and answer session. (Operator Instructions) At this time, we will pause momentarily to assemble our roster. The first question will come from Travis Miller of Morningstar. Please go ahead.

Travis Miller: More a general question here. If you look out over the next 3 to 6 months, say the second half of the year, where do you see the biggest risk, [either] it's earnings or the operations in general? Is it something at the nuclear plant? Is it something just kind of core operations at the utility, O&M? Are we just talking about weather? What is the biggest risk, you think, to the performance in the second half.

Jimmy Addison: Yes. This is Jimmy. I'll start off, and let Steve jump in here later. I would say that I feel pretty good about the economy. We continue to see a lot of announcements. But the large industrials are really mixed. We've seen some sectors, those related to housing and those related to automotive, that are doing pretty well. And then some of the other sectors are really mixed. So that's a little bit uncertain, kind of like the national news on that front.

O&M, I feel like we really got our hands around that, doing a really good job with that, as I said in the comments a few minutes earlier. I think we're in much better position there than we thought we would be 6 months ago.

And then as it relates to weather, other than our Georgia business, all of our operations are weather-normalized. So that's really not an issue for us.

And I'll let Steve speak to more about operations and the project.

Steve Byrne: I think from the nuclear project perspective, the module deliveries out of the CB&I Lake Charles facility is probably our biggest concern. And when we had Analyst Day in June in New York, we had just received the new schedule from the CB&I Lake Charles facility for [sub-modules] delivery to site. And that prompted us to reevaluate the in-service date for the units.

Since that time frame, they have been beating that schedule. So that's good news, but it's not a real long trend. So we're still watching the module facility very closely.

Travis Miller: Great. That's helpful. And then just one clarification question. Over the last few months here, you've shifted the spending for the nuclear plant, but no additional spending, and then you gave the guidance around the potential for the $200 million. Am I just getting that very simply correct?

Steve Byrne: Yes, that's right. And remember, the estimate of the $200 million was our estimate, not the Consortium's estimate, of what we think the additional charges could be. But we haven't yet sorted out, let's say responsibility for some of those charges. So we anticipate that we're going to be doing that over the remainder of this year.

Travis Miller: That's perfect. Thanks so much.

Operator: Our next question will come from Andy Levi of Avon Capital. Please go ahead.

Andy Levi: Just on the O&M, could we just go over that again just so I understand? I mean, you were pretty clear on it. But just, so originally you were expecting a 5% increase in O&M, which half of that was from things that you're getting back from rate cases, right?

Jimmy Addison: That's right. And those are, if you will, fixed on fixed amortization. So that hasn't changed.

Andy Levi: And then you expected another 2.5% kind of base O&M growth on top of that. But now you're saying that's going to be 1%, for a total of 3.5%? Is that kind of the way to think of it?

Jimmy Addison: That's right. And largely, that delta from our earlier projection to kind of our protection as to where we are today, has really been driven off of labor and labor-related costs. We're, I don't know, 100, 125 or so, full-time equivalents down from where we were a year ago, aside from the new nuclear project, which those costs are being capitalized as part of the project. But we continue to just look for opportunities through attrition in the operations for efficiency.

Andy Levi: Okay. So that's something that's sustainable and doesn't have to do with the weather or tree trimming or plant outages --

Jimmy Addison: Absolutely.

Andy Levi: -- all that stuff? Okay. So we should carry that through?

Jimmy Addison: Yes.

Andy Levi: Okay, great. That sounds good. And then on the sales side, I know you don't have it in your slides. But do you have any quarterly data for the second quarter, residential, commercial, industrial, weather-normalized sales?

Jimmy Addison: Yes, Andy, we really don't present that. It just, it doesn't have a full cyclical nature of the business in it. So we tend to just report the 12-month, weather-adjusted.

Andy Levi: Any flavor you can give us, without being specific?

Jimmy Addison: Not really.

Andy Levi: Okay, fair enough.

Jimmy Addison: I mean, other than the comments I made earlier about industrials, et cetera. I mean, look --

Andy Levi: Right.

Jimmy Addison: -- overall, the R&C market continues to be very conscious of usage. So we grew customers at eight-tenths of a percent, but overall usage is up two-tenths of a percent or so. So you can tell that, although you're adding new customers at a higher rate than your overall consumption's growing, then the rest of the base is using less on average.

Andy Levi: Okay.

Jimmy Addison: I think that part of that is just good news from the effectiveness of some of the demand side management programs that we're promoting, the CFL light bulbs, et cetera. Some of those are really taking effect.

Andy Levi: Okay. And then the last question I have is, just on the timing, slash, method of new equity, any color you -- I mean, obviously, you said no new equity this year. Does that include a possible forward sale, we should assume that there's no activity this year? Or is that just on a share count type of thing?

Jimmy Addison: Yes, we really haven't made any decisions around that, Andy. So I can't be absolutely definitive on it. But I'll tell you that we really don't see any need until the second half of '14, at the earliest, for the actual cash.

And these recent delays in the cash flow that both Steve and I spoke about, only kind of take additional pressure off of that need. So we're not anxious about doing anything in the near term.

Andy Levi: Okay. So the last thing, but on top of that, as far as on the equity, kind of looking at that earnings are coming in a little bit better, O&M a little bit better, is it possible that the amount of equity that's needed in the future could change, or are we kind of set in stone at this point?

Jimmy Addison: Certainly not set in stone. It could be impacted by the factors you mentioned. It could be impacted by the actual inflation that occurs as we build out the project.

So one of the most significant variables is the escalation, and we have to project that. And you may recall that we're roughly, today, projecting the total project SCE&G shared, [it] cost about a $0.5 billion less than when we started the project, and that's largely driven by lower inflation. That could go lower, that could go higher. And if it did, generally it would impact equity $0.50 on the dollar and debt $0.50 on the dollar.

Andy Levi: Okay. And obviously, debt expenses have been lowered because of lower interest rates in general, so --

Jimmy Addison: Absolutely. And those benefits will [near for] 30 years, because we're doing 30-year fixed rate debt.

Andy Levi: Okay. I appreciate it. Good quarter again, guys. You guys are on a role. I don't want to jinx you, but you're doing good.

Jimmy Addison: Thank you, Andy.

Operator: Our next question will come from Andrew Weisel of Macquarie Capital. Please go ahead.

Andrew Weisel: First question, I just want to clarify, maybe if you can repeat what you said about the changes to CapEx. It's changes of timing related to the delays, but that does not include your estimate of up to $200 million of additional costs. Did I hear that right?

Jimmy Addison: That's correct. All we've done is shift the cost for where we think it will occur now. But as Steve said, we've not done anything to incorporate the $200 million because, one, it's just our internal estimate, we've not got it from the Consortium. And two, when we do get something from them, there'll be a lot of discussion and negotiation around whose responsibility that is.

Andrew Weisel: Okay. And you said that's something that'll play out over the rest of the year. Is your expectation that, say by the end of the calendar year you'll have a better sense of thought, of the sharing and the total cost?

Jimmy Addison: Yes, we would anticipate that by the end of the calendar year we certainly would have a better understanding of both the cost and the cash flows of those costs. But again, if we get into the negotiation process, that could be protracted, based on our previous history.

That's not to say that it's overly contentious. It just takes a long time to work through who we think is responsible for what portions of the cost.

Andrew Weisel: Okay. Then on the changes to the CapEx, they're a bit bigger than I was expecting since the Analyst Day. Can you maybe talk a little bit about why the numbers are 3 digits or almost $200 million for this year?

Jimmy Addison: Well, I think you need to keep that in perspective. Let me just start off with this, and see if Steve wants to add anything. But if you look in that net change at the bottom on the 12 months ended June year down in the blue bar, that's what's going to drive the BLRA proceedings.

The $141 million shift we estimate at June of 14, is just slightly more than 10% of the CWIP we expect to incur during that period. So while they look significant outside of context, you put them in context, it's really about 10%, which doesn't surprise me when you're looking at moving the delivery date of the project by 9 to 12 months, and you've got 4 to 5 years left to build on it. That's not surprising to me.

Andrew Weisel: Okay, that's pretty helpful. Then just want to go back to the question on the weather-normalized sales growth. I understand you don't want to get too specific on the quarterly moves. But these are some pretty dramatic changes from the 12 months ended in March. Residential, in particular, was 2.5%, now it's barely over 0. I notice you kind of took out the commentary about the industrial customer that was down, and you added this comment that it was adjusted for the leap year.

Is this change mostly a change in the actual trends or in your presentation and accounting for it?

Jimmy Addison: No, it's not really a change in the accounting. We're dropping the industrial customer that has been down in the past because most of this tale period now has the industrial customer back in that production that they were in before. So it's more of an apple and apple now, without any type of adjustment. And then we talked about the leap year last year when it was a positive, so we'll talk about it now as it's a negative. We're just trying to be consistent.

And if you really put these -- if you look on that slide 7, up in that box on top right, they're really fairly consistent with what we expected when we put our plan together. So sales growth is slightly less than we had expected. Customer growth is about what we expected, but O&M costs are less than we had expected. So we try to really balance that 3-legged stool, and those are the 3 key levers for us.

Andrew Weisel: Okay. So if I can ask it a different way then. Even though it looks like the second quarter growth really, really collapsed, you're still confident that that was not a new normal and that the second half we'll see a somewhat meaningful recovery back towards the trend lines that you had expected?

Jimmy Addison: Well, I can't predict the future, that's for sure. But I still feel confident about our overall plan for the year and our ability to monitor and adjust to the customer margins. And look, we still have growth. I mean, the electric new customers are as high as they've been since prerecession. The SCE&G gas business hit 2% growth this year in new customers for the first time since 2007 in the housing boom. So we're adding lots of new customers. And PSNC was similar in North Carolina, about 2% growth.

The issue is, I think, just general, folks' general uncertainty with the economy. And is that going to be better in the second half of the year? I don't know. I mean, we've got a lot of discussion that's going to fill up the TV and the Internet in the third quarter, with Congress bickering over debt ceilings and budgets and tax reform and things of that nature. I'm not sure how that makes folks feel a lot better about their pocketbook.

Andrew Weisel: Okay. I'm going to try one different way to ask the same question then. If the second quarter trend of [slow and growth] is continued, you've already announced these cost controls and lower O&Ms, are there more bullets you could throw at this problem or if -- or is that kind of it, and at this point you're hoping for recovery in sales growth to hit your internal target for the year?

Jimmy Addison: We do not need sales growth to, quote, recover to hit any internal targets. We are confident of our plan for the year, based upon the actions we've taken to date, because as an earlier questioner asked me, he said, really, these cuts that you have made, these attrition and labor retirements, I mean, those folks aren't coming back to work. Those cost reductions are there and in place.

Andrew Weisel: Great. Thank you very much.

Operator: The next question will come from Michael Lapides of Goldman Sachs. Please go ahead.

Michael Lapides: Just, and I hate to beat the dead horse here. My apologies. I just want to make sure I understand O&M. When you're talking about O&M, you're talking company wide, not just SCE&G?

Jimmy Addison: That's right.

Michael Lapides: Okay. So company-wide, year-over-year, 3.5% increase from the 2012 GAAP reported, non-[fuel] O&M?

Jimmy Addison: That's right. And a little over two-thirds of that related to those fixed amortizations at SCE&G from the rate case.

Michael Lapides: Understood. And those fixed amortization, so that's not a cash -- that's a non-cash O&M cost?

Jimmy Addison: That's right. At least non-cash in '13. It was cash at some point in the past and just deferred until the rate proceeding last year.

Michael Lapides: Okay. Since you're moving nuclear capital spending down, why not, for '13 and '14, why not revise down financing needs?

Jimmy Addison: Well, as I think I said in the comments, Michael, if I didn't, let me be clearer now, we're constantly monitoring that plan. What you see here in the CapEx shift is our internal estimates, largely. So we need to get these refined from the Consortium and have more concrete numbers. And if those warrant shifting the capital plan some, we will.

The good news is, we don't have anything in the immediate headlights that we're about to pull the trigger on that's irreversible. As I said earlier, I don't see us doing anything in the equity markets until the second half of '14, at the earliest.

So there's nothing in the near term that says, let's make a decision today that's going to impact '14, or 15, before you get all the information you'd like. I'd rather have more information over the next 6 months and make a better decision.

Michael Lapides: I completely agree. Last items, and these are both nuclear-related. When you think about the move out of the $224 million from the '13 to '15 timeframe, and the '16, beyond, and the potential for some cost inflation up to $200 million, what does that -- which year then becomes the peak CapEx year? It was supposed to be kind of '14, '15'ish, timeframe. Does that change? And is the peak year a different year now going forward?

Jimmy Addison: Yes. I think slide 10 really is our best estimate today to answer your question. That's what we've estimated these changes. And you can see down at the bottom -- we stick on our corporate-wide CapEx to the 3 years that's in the K. That's why you see '13, '14, '15 presented.

But if you look down below, you'll see how we've recapped this for you on a June 30 year-end basis, related to the project. So you can still see that June of '14, we still project to be the peak capital year, and then it starts to taper down from there.

Michael Lapides: Okay. I want to make sure. So the blue bar down there, that's the June-to-June nuclear CapEx?

Jimmy Addison: That's right.

Michael Lapides: Okay. And the data you're showing in the table above, that's the new adjusted nuclear CapEx? Or is the --?

Jimmy Addison: That's right, on a calendar basis. And down below is also adjusted, but on a midyear basis, because that's how the BLRA is driven.

Michael Lapides: Right. But neither of which include the potential for any cost increases, whether it's $10 million or $200 to million or whatever you guys in the Consortium wind up negotiating?

Jimmy Addison: That's correct.

Michael Lapides: Then okay. Thank you, guys. Much appreciated.

Operator: (Operator Instructions) The next question will come from Ashar Khan of Visium. Please go ahead.

Ashar Khan: Jimmy, I was just trying to -- sorry, I joined a little bit late, coming in from another call. I mean, the first half is usually like 50% of earnings. And as you've done so well, did you mention that you can be in the top end of the range for the year or why not?

Jimmy Addison: No, I didn't mention that. I did mention, though, in my earlier comments, that there were certain items that we had expected to expend in the first half of the year that we were not able to because of the weather. Specifically, we've trimmed about 300 miles less of right-of-ways than we had hoped to and planned to at this point during the year than we had last year, just because it's been so wet in the area. Rainfall's up 50% above normal, just in the first 6 months of the year.

So short of that is, we expect some of that to turn around in the latter half of the year, unless we continue to have incredibly high rainfall?

Ashar Khan: But hasn't there been high rainfall, that's what Southern told us, in the whole month of July, as well, and continuing into August?

Jimmy Addison: Well, we're only half a day into August, so I wouldn't get too far into predicting August right now. But there has been more into July.

Ashar Khan: Okay. So you don't think -- so you're above plans for the year or no? That's my basic question right now.

Jimmy Addison: We still feel confident about our internal target and will reevaluate that as we get through the third quarter. The second quarter's only 15% of our operating plan for the year, just because of the cyclical nature of our businesses. So you really need to get through Q3 before we size up where we are and make any type estimates for the year.

Ashar Khan: Okay. And can we still expect guidance, as you've gone back for '14, on the third quarter called?

Jimmy Addison: That's our plan.

Ashar Khan: Okay. Okay, great. Thank you.

Operator: Ladies and gentlemen, this will conclude our question-and-answer session. I would like to turn the conference back over to Jimmy Addison for his closing remarks.

Jimmy Addison: Well, thank you very much. And to summarize, we're pleased with our results through midyear. We remain on track to meet our internal target, and continue to focus on providing safe and reliable energy, while also staying focused on the execution of the VC summer construction project.

I want to thank you all for joining us today, and thank you for your interest in SCANA.

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