[SCG] - SCANA Corporation
Second-Quarter 2014 Earnings Conference Call
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Company Representatives
Susan Wright; SCANA Corporation; Director of Financial Planning and IR
Jimmy Addison; SCANA Corporation; CFO
Steve Byrne; SCANA Corporation; COO, SCE&G

Analysts
Mike Weinstein; UBS
Travis Miller; Morningstar
Andy Levi; Avon Capital Advisors
Jim von Riesemann; CRT Capital Group
Andrew Weisel; Macquarie Capital
Dan Jenkins; State of Wisconsin Investment Board
Michael Lapides; Goldman Sachs

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.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer period. (Operator Instructions) As a reminder, this conference call is being recorded on Thursday, July 31st, 2014. Anyone who does not consent to the taping may drop off the line.

At this time, I would like to turn the call over to Susan Wright, Director of Financial Planning and Investor Relations. Please go ahead.

Susan Wright: Thank you, and welcome to our earnings call. As you know, earlier today, we announced financial results for the second quarter of 2014.

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, an economic update, and information regarding customer growth and usage, as well as regulatory activity. Steve will provide an update on our New Nuclear project. After our comments, we will respond to your questions.

The slides and earnings release referenced to in this call are available at scana.com. Additionally, we post information related to our New Nuclear project directly to our website at scana.com. On SCANA's home page, there is a yellow box containing a link to the New Nuclear section of the website that contains a further link to project news and updates.

In connection with this process, we have discontinued our practice of furnishing on Form 8-K the quarterly reports that SCE&G submits to the Public Service Commission of South Carolina and the South Carolina Office of Regulatory Staff. Instead, the Company now posts copies of these reports on the SCANA website.

Please note that we have recently added an Other Investor Information link to the yellow box. The new Other Investor Information section of the website contains a link to recent investor-related information that cannot be found at other areas of the website. It is possible that some of the information that we will be posting from time to time may be deemed material information that has not otherwise become public.

In addition, I want to remind you that you can sign up under the Investor Relations section of scana.com for e-mail alerts for financial reports and press releases. You can now also sign up for e-mail alerts when there is a new posting in the New Nuclear and/or Other Investor Information yellow box.

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 on the Investor Relations section of our website.

I'll now turn the call over to Jimmy.

Jimmy Addison: Thanks, Susan, and thank you all for joining us today. I'll begin our earnings discussion on slide 3.

Basic earnings in the second quarter of 2014 were $0.68 per share compared to $0.60 per share in the same quarter of 2013. Please note that the Electric Weather Normalization pilot ended in December of 2013 and the Company's financials are now impacted by abnormal weather in our electric business. Accordingly, the improved results in the second quarter are attributable to increases in electric margins due to abnormal weather, a Base Load Review Act rate increase, and customer growth, along with higher gas margins.

These increases were partially offset by expected increases in operations and maintenance expenses and CapEx-related items, including property taxes and share dilution.

Please turn to slide 4. Basic earnings per share for the six months ended June 30, 2014 were $2.05 versus $1.73 in 2013. Increases in electric and gas margins were partially offset by higher expenses and dilution related to our capital program.

Now I'd like to speak about our operation and maintenance expenses for the year. As we've previously mentioned, a strategic goal going forward 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 instruments in achieving this goal is O&M cost control. We estimated O&M would grow approximately 3% in 2014 and we continue to have confidence in that estimate. Please note, under provisions of a regulatory order related to our DSM programs, we reduced second-quarter O&M by $5 million, so year to date we're very close to our plan.

Now on slide 5 I'd like to briefly review results for our principal lines of business. South Carolina Electric & Gas Company's second-quarter 2014 earnings, denoted in blue, were up $0.07 compared to 2013, driven largely by increases in electric margins which were due primarily to $0.06 of abnormal weather, a Base Load Review Act rate increase, and customer growth, as well as higher gas margins. These increases were partially offset by increases in O&M expenses, as well as expenses related to our capital program, including property taxes, depreciation, and share dilution. Year to date, basic earnings were higher by $0.28, due primarily to higher electric margins.

PSNC Energy's earnings for the second quarter of 2014, shown in red, increased $0.01 per share over the second quarter of 2013, primarily due to increased margins from customer growth. For the six-month period ended June 30, shown in red, basic earnings were also up $0.01 per share, consistent with the quarter.

SCANA Energy, our retail natural gas marketing business in Georgia, in green, reported a seasonal loss for the second quarter of $0.02 per share, consistent with the second quarter of 2013. Year-to-date earnings are $0.13 per share compared to $0.14 per share in the prior year.

SCANA's Corporate and Other businesses reported a loss of $0.01 per share in the second quarter of 2014, consistent with the second quarter of the prior year. For the six-months period, these businesses reported basic earnings per share of $0.08 in 2014 compared to $0.04 in 2013.

I would like to touch on economic trends in our service territory on slide 6. We continue to see new business growth and expansion of existing businesses. So far in 2014, companies have announced plans to invest approximately $400 million, with expectations of creating over 4,000 jobs in our Carolinas territories.

The Port of Charleston continues to see increased traffic and finished its June 2014 fiscal year with container volume up 8% over 2013. As I've mentioned in the past, it's estimated that one in every five jobs in South Carolina is related to Port volume. This increased traffic is a very good sign for the local economy.

At the bottom of the slide you can see the national unemployment rate along with the rates for the three states where SCANA has a presence and the FCE&G electric territory. South Carolina's unemployment rate is now at 5.3% and the rate in SCE&G's electric territory is estimated at 4.8%.

Slide 7 presents customer growth in electric sales. On top of the slide are the customer growth rates for each of our regulated businesses. We continue to see strong customer growth in our businesses and in the region. SCE&G's electric and gas growth rates as of the end of June are 1.4% and 2.3%, respectively. Our regulated gas business in North Carolina also added customers at a 2.3% rate.

The bottom table outlines our actual and weather-normalized kilowatt-hour sales for the 12 months ended June 30, 2014. Overall, weather-normalized total retail sales were up 0.5% on a 12-month-ended basis.

Now please turn to slide 8, 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 denoted in the two shades of blue, approximately 85% of this rate base is related to the electric business.

In the block on the right you will see SCE&G's base electric business, in which we're allowed a 10.25% return on equity. The non-GAAP earned return for the 12 months ended June 30 in the electric business is approximately 10%, meeting our stated goal of earning a return of 9% or higher to prevent the need for non-BLRA-related base rate increases during the peak nuclear construction years. We are very pleased with the execution of our strategy.

Continuing down the page, on our New Nuclear business we're allowed an 11% return on equity. We have had incremental CWIP in the last year of approximately $595 million and, as Steve will discuss shortly, we filed our latest Request for Revised Rates back in May.

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

SCE&G's gas business returns are measured each year through the Rate Stabilization Act. We expect a small decrease effective November 1 to adjust the ROE to 10.25%. This decrease should be approximately $3 million on an annual basis.

Slide 9 presents our CapEx forecast, which has not changed from what was presented at Analysts Day. This forecast reflects New Nuclear spending as reported in our latest BLRA quarterly report filed in May.

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

Now please turn to slide 10 to review our estimated financing plan through 2018, which has also not changed since our presentation at Analysts Day. On May 27 of this year, SCE&G issued $300 million of 50-year bonds at 4.5%. On the equity side, we continue to target 52% to 54% equity levels at the operating company, SCE&G.

While we estimate incremental equity issuances of $425 million above the 401(k) DRIP proceeds, it's unlikely that the issuances will occur exactly as presented in this slide. We have not decided how or when these additional equity financings will occur, as they are subject to the changes in the funding needs for planned project expenses.

However, based on cash flows to date and planned construction payments, it is getting less likely that we will need to issue any equity in 2014 to meet our targeted cap structure.

Now, on slide 11, we are reaffirming our earnings guidance of $3.45 to $3.65 basic earnings per share, along with our internal target of $3.55 per share. Weather has obviously contributed significantly to earnings year to date. We will reevaluate our guidance after the third quarter, our most significant quarter for electric earnings.

Our long-term outlook remains unchanged as we plan to deliver 3% to 6% earnings growth over the next three- to five-year period. We continue to estimate that our effective tax rate for 2014 will be approximately 32%.

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

Steve Byrne: Thanks, Jimmy.

I'd like to begin by discussing some of the activities at the New Nuclear construction site. Please turn to slide 12, which presents an aerial view of the New Nuclear site that was taken back in May.

In the middle you can see the heavy-lift derrick, or HLD, and the tracks that it uses to travel 360 degrees in a circle. The Unit 2 and Unit 3 excavations can be seen to the left and the right of the HLD. In the upper-right-hand section of the slide you can see some of the cooling towers. Cooling towers 2A and 3A are structurally complete and we are working on conduit power cables and other commodities now.

Just below the cooling towers you can see the module assembly building, or MAB, where the Unit 2 module CA-20 was recently completed and moved out, and where assembly of module CA-01 is currently taking place.

Since this photo was taken, there have been some significant changes in the nuclear island from both of these units, as we discussed during our Analyst Day event, and I will recap shortly.

On slide 13 you can see pictures of the Unit 2 nuclear island. In the upper-left-hand corner you can see the containment vessel lower bowl that was placed inside the CR-10 module, or support cradle. In early May we placed CA-20, a roughly 2 million pound structural module, using the heavy-lift derrick. On the right-hand side of the slide you can see it placed next to the containment vessel lower bowl.

On the bottom left of the slide, you can see where the first ring section of the containment vessel was set on the lower bowl. This ring section weighs approximately 900 tons and is made of 1¾" steel. Here you can also see the large equipment hatch openings. The smaller openings are personnel hatches.

On slide 14 you can see pictures of the Unit 3 nuclear island. On the left of the slide, you can see where the CR-10 module is built on the base mat. On the right side of the slide, you can see the containment vessel lower bowl has now been set.

Slide 15 shows a schematic of the turbine building that illustrates how the various turbine building modules will look when completed. All of these modules have now been placed in their final locations.

Turning to slide 16, you can see a picture of the Unit 2 turbine building. Comparing the schematic on the previous slide you can see all the previously mentioned modules have been completed and placed on the turbine building base mat, as well as progress being made on the structural steel for the surrounding turbine building itself.

On slide 17 you can see a feed water heater being placed inside the condenser.

Slide 18 shows the turbine building basement. The condensate pumps, drain coolers, and circulating water outlets from the cooling towers are clearly visible.

Slide 19 shows a few of the components that have arrived on site. On the top left you'll see a picture of the Unit 2 generator stator stationary component. The generator converts the mechanical energy from the turbine rotation into electrical energy.

On the top right you see the Unit 2 main transformer, sometimes referred to as the generator step-up transformer, or GSU. This transformer increases the voltage from the main generator to the 230,000 volts that you find in the switchyard.

On the bottom left you see the Unit 2 core makeup tank, which is a part of the passive cooling system. On the bottom right you see Unit 2 water boxes. Cooling water flows into these water boxes and then through the condenser tubes to cool exhaust steam from the turbine.

Slide 20 shows more components arriving on the site. The left-hand side is the integrated reactor head package, which allows for rapid removal during refueling. Top right shows auxiliary transformers, and bottom right are the non-safety-related diesel generators. These diesel generators are supplied but are not needed to mitigate an accident.

On slide 21 you can see even more arrivals on site by rail. These are the Unit 3 turbine casings.

On slide 22 you can see a picture of the Sanmen plant in China from back in May. And at this point they are approximately two years ahead of us in construction. Here you can see both of their AP1000 units really starting to take shape.

On slide 23 you'll see the New Nuclear CapEx actual and projected over the life of construction. This chart shows the CWIP during the years 2008 to 2018 as reflected in the May 2014 Base Load Review Act, or BLRA, Quarterly Report.

As you can see, the next several years are considered the peak nuclear construction period. The green line represents the related projected customer rate increases under the BLRA and are associated with the right-hand axis. As we stated during our last call, the incremental 5% future acquisition of the New Nuclear project from Santee Cooper will not affect these projected BLRA increases.

Please now turn to slide 24. As discussed at Analyst Day, we filed our BLRA Quarterly Status Update for the first quarter of 2014 in May, 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 $66.2 million revenue increase, a rate increase of about 2.82%. We concur with their recommendation and anticipate the requested increase in rates effective November 1.

On slide 25 you'll see a breakout of total New Nuclear project costs. On the far right you can see the project costs as filed in the May 2014 BLRA report. Project costs are currently under-running the original approval received from the Public Service Commission of South Carolina. As you can see, this change is largely attributable to the lower escalation.

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

Questions & Answers

Operator: (Operator Instructions) Julien Dumoulin-Smith; UBS.

Mike Weinstein: Actually, it's Mike Weinstein. Could you -- I noticed the slide that usually talks about the different modules, their expected on-hook dates, is not in the slide deck. I was just wondering if you could provide an update on that.

Steve Byrne: Sure. This is Steve. As we've said before, we're awaiting a new integrated project schedule from the consortium. We anticipate that yet this quarter. And until we get that I don't want to put out dates that I might have to revise once again. So we're kind of waiting for those dates to come back in before we start revising any of those charts.

Mike Weinstein: Got it. And in terms of the equity needs and the fact -- the possibility that you might not have to issue any equity this year, is that related more to the strong weather-related results this year? Or is it more -- is it because of delayed spending? What's the factor there?

Jimmy Addison: It's a combination of both, Michael. I'd say it's probably slightly more related to the construction schedule than it is the weather. But certainly both are big contributors.

Mike Weinstein: Okay. Thank you very much.

Operator: Travis Miller; Morningstar.

Travis Miller: As a follow-on to that second question somewhat, wonder if you could quantify the amount of cash that you've gotten from those weather benefits and kind of how that would play into those equity needs. Is it as simple as just taking the incremental earnings there and multiplying it by shares outstanding? Or is there some way to quantify the cash?

Jimmy Addison: Well, it's pretty straightforward like that. So it's basically the earnings per share times the shares outstanding. But I'll kind of make that easy for you; it's about $35 million or so year to date. And of course you'd have to net it of tax, given the slight difference in timing of when you pay the taxes. But that part alone is roughly $20 million.

Travis Miller: Okay. So is that where when you talk about the weather not being the complete reason for the delay in the equity issuance, it's a relatively small amount?

Jimmy Addison: That's right. But I've been saying for quite a while that if we did need equity in 2014 at the earliest it would be the end of the year. So this is not a radical change in the message.

Travis Miller: Okay, great. And then, on the escalation costs, what's the big driver there that's been taking that down so much relative to the expectation?

Steve Byrne: Well, our escalation is tied to an index. And when we had our Base Load Review Act hearings back in 2008 we had to specify the index. And we picked the Handy-Whitman Index and it just continues to come back lower each six-month update.

Travis Miller: Is that an inflation-type issue or is there something else?

Steve Byrne: Well, it's low inflation but it really looks at costs specifically by sector. And then one of the indices we use is specific to nuclear. So it's just a reflection of the fact that the terrible economy, or the rebound from that economy, has not resulted in high inflation. So early on it was the impact of the poor economy. And now we're not seeing a rebound in inflation. So, so far it's been a very positive impact on the project.

Travis Miller: Okay, great. Thanks a lot.

Operator: Andy Levi; Avon Capital Advisors.

Andy Levi: Just two quick questions; one is fairly simple. In the first quarter you had given quarterly numbers as far as sales. In this quarter you didn't. Is it possible to get just kind of on a weather-normalized basis, residential, commercial, industrial sales, the actual growth?

Jimmy Addison: We have traditionally just offered the 12-month moving average because it tends to take some of that volatility out. We did provide that for the first quarter just for the quarter.

But I would say for just the residential, if you looked at it alone just for the quarter, it was down about twice of what the 12-month moving average is, just continuing to show that volatility. So we had a couple of quarters where it's been up. This quarter it's been down a little. And it just continues to show that volatility out there. Overall it was down about 1% for the quarter.

But we prefer and we pay attention internally to the 12-month moving average.

Andy Levi: And that's weather-normalized that you're talking --

Jimmy Addison: That's right. Yes.

Andy Levi: Because I remember the first quarter you had -- again, the weather was so weird in the first quarter it's hard to kind of figure out what the real weather-normalized number is.

Jimmy Addison: Well, it was a little weird in the second quarter, too. It was over 40% higher than the normal cooling-degree days in the quarter. So we had a cold first quarter and a hot second quarter.

Andy Levi: Okay. Because here we didn't experience that, and you're not that far away.

Jimmy Addison: Right.

Andy Levi: And then the second question, I guess -- I don't know if Steve wants to answer it. And I asked [Southern] the same question, so as I said, I apologize for the question, but just kind of need to ask anyway. So, with CB&I we've noticed the stock has come down quite a bit on various research reports relative to their finances. And I'm just kind of curious what your thoughts are on that -- and not specifically on their finances, but just whether we should be concerned or you have any concerns on the financial health of CB&I. The stock's off, like, 35% in the last two months. And whether you've had any discussions with them relative to their… you know, making sure everything's all right and whether it has affected operations at all.

Steve Byrne: Well, let me understand, Andy. You're saying I have a choice as to whether or not I answer the question?

Andy Levi: I didn't say a choice. You could always have a choice to whether to answer the question. I just feel bad about asking, but just feel that I need to.

Steve Byrne: Yes, well, I can only tell you what we see on the project level. So I can't really speak to their financing, their stock price. What we see at the project level is a continued commitment to do whatever it is they need to do to rectify the situation that we've gotten into with module deliveries, including outsourcing of some of those modules for the second unit to other places, which obviously is going to increase their cost in those modules.

So they're doing the right things from our perspective and we haven't seen any impact at the site level.

Andy Levi: So operationally everything's good?

Steve Byrne: That's correct.

Andy Levi: Great. Thank you.

Operator: Jim von Riesemann; CRT Capital.

Jim von Riesemann: I have a couple questions. First one -- they're two softballs, okay? The first one is on this pension legislation that's weaving its way through Congress. For those who are fully funded there's an ability to take out some cash. Does that affect you if it's actually -- becomes law? Do you know?

Jimmy Addison: I do not know the answer to that. But I highly doubt that we would plan to take any cash related to that. We're in a situation where our plan is fully funded, as you're alluding to. We've got a strategy to continue to de-risk that plan over the next several years by moving more into fixed income over the next several years. So we're satisfied -- we're pleased with where we are.

Jim von Riesemann: Okay. And the second question relates to the whole schedule with the consort- -- the resolution of the construction consortium dispute. I thought originally you guys might come out with updated timing and how that resolution was on or around September 30. Is that still a good date?

Steve Byrne: Yes, I think what we said is that we anticipate the consortium coming to us with the schedule this quarter and that that would kick off for us a negotiation process both on the duration of the schedule and their means and methods.

So what I think they're going to be looking for from us is -- here's how we see it going from here on out based on all of the factors we've seen so far -- module deliveries, craft productivity, other supply chain issues, weather, whatever you want to factor in. And then say -- does this look reasonable and, based on your experience, are there things that we could change in order to expedite the schedule?

So I haven't see it yet. I anticipate seeing it soon. But, again, that's going to kick off a negotiation [phase] for us. So I wouldn't call if final till we're finished with that negotiation.

Jim von Riesemann: So, I'm a little confused. So negotiations have not started. Right, Steve?

Steve Byrne: That's right. That's correct.

Jim von Riesemann: Okay. And then, you're going to be silent until you have a final deal in hand with them? Or are you going to give us some metrics along the way that you're either entering negotiations or here's what they're proposing and now we're entering negotiations. Just so we can kind of bookend this issue.

Steve Byrne: Yes, I think it -- one, it's going to depend on what I see from them.

Jim von Riesemann: Okay.

Steve Byrne: And then, we're going to be working on -- if they give me something I don't like, what could be the possible cost implications of that? And then what kind of mitigation things could they propose or we propose? That's what I mean by the negotiations.

And, again, I expect to get it this quarter. Will we go silent? I don't know that I'm going to be discussing it until I see it. It's going to be more final. If we have any kind of disclosure issue that might crop out of this, obviously as soon as we think something is solid, even if we don't have something fully negotiated, we'll disclose it.

Jim von Riesemann: So if they -- so I'm just thinking out loud here, but if they come back and instead of being a $200 million dispute it's, call it, pick a number, $400 million, does that change in terms of -- I mean, is that a disclosure issue right away for you guys, that you'd have to say the dispute number is now $400 million or something? Just so we can understand what's going on.

Steve Byrne: Yes, well, I think from a disclosure perspective I think what we'd have to do is -- we'd have to evaluate whether we think that's real number or not. And, remember, we put the $200 million number out there -- not that that was a consortium number. That was just our estimate of the delay that they gave us on the commercial operation dates. I think it was just prior to our Analyst Day last year. So that would have been about June of 2013.

So with this new fully integrated project schedule they're factoring a lot more things in. They're even looking at engineering completion. They're factoring in assistance they might get from outside, a parent company like Toshiba for Westinghouse, for example. And that's what I anticipate that they're going to give me. And when I first see it, I'm just not going to be in a position to say -- here it is.

Jim von Riesemann: Okay.

Steve Byrne: Because I want to, one, digest it and, two, see if we agree. So what I anticipate is -- what a contractor will typically do is they'll give you something that's kind of out of bounds, anticipating that you'll negotiate something different. So I don't think this is going to be any different than that.

Jim von Riesemann: Okay, but do you think it will be -- and I hate to use this term -- kitchen sink, meaning they'll give you everything at this time instead of piecemeal? Is that what you're expecting, at least that's your expectation?

Steve Byrne: I think on the schedule they'll give me everything. And we may have some decisions to make at that point as to paths we may go down, mitigation paths we may go down. And so any kind of a cost implication, one, it would have to be negotiated. And, two, it might depend on which path we choose.

Jim von Riesemann: Okay.

Steve Byrne: So it is -- I'm not trying to deliberately avoid answering the question, but it is a dynamic situation. I've got to see what I have to start with. Anticipate that before the end of the quarter. And then we'll have our team evaluate it along with their team. And we'll negotiate to something final. And I'd love to be able to say we'll have that on X date, but I just don't know what X date is.

Jim von Riesemann: Okay. And then, just I guess the last question with all this. I'm sorry to beat this to death. Once you get that, what's the process mechanically, going to the Commission for approval of the new costs, whatever they might be? How does all that work?

Steve Byrne: Yes. So under the Base Load Review Act, we go back in annually just with an update on the project. And that will be in an ex parte fashion. And then, if we have a change to the approved schedule or cash flows, then we would go in with a filing.

So we'd make a filing before the Commission. And it would be a full-fledged hearing before our Public Service Commission.

Jim von Riesemann: Okay. So and then -- I mean, then an expected timeline, how long do you think that would take?

Steve Byrne: Generally, from the time we file it'll be a few months before the hearing. And then there's a -- I can't remember if -- ordinarily, let's say if it were a rate case, it's six months from the time we file until the time they have to render an opinion. I'm not certain, as we sit here, whether that's the case for the Base Load Review Act or not. But generally they don't deviate from that too much.

Jim von Riesemann: So that won't be a separate -- would that be a separate proceeding to the BLRA review with the annual cost, or that be rolled into the 2015 recovery petition?

Steve Byrne: Okay. Now remember, when you're saying [a cost,] we're just giving an ex parte briefing to the Commission if we're not asking for anything additional.

Jim von Riesemann: Okay.

Steve Byrne: So if we go -- if we were to go in, we might roll our ex parte briefing into that case, in which case we wouldn't go back again. But we will make an ex parte briefing at some point this year, because we haven't done it yet. And if we decide we need to make a filing and that's this year, we could roll it in. If it rolls into next year then we'll do the ex parte this year and we'll do the filing next year.

Jimmy Addison: And, Jim, let me just add, if you're asking if it's separate from our annual BLRA rate request and the increase each November, yes, it'd be separate from that.

Jim von Riesemann: That's the question I was asking. Okay. Thanks, guys. Appreciate the time.

Operator: Andrew Weisel; Macquarie Capital.

Andrew Weisel: Just a couple questions on the near-term trends. First of all, how has the weather in July been shaping up for you down there?

Jimmy Addison: It was rather warm the first part of the month and then abnormally cool the latter part. Overall, just anecdotally it's been fairly normal. But you wouldn't have thought that if you were here at any one point in time.

Andrew Weisel: Okay. The reason I ask is when I look at the year-to-date trend and the rolling 12 months I'm a little surprised that you're still sticking with the internal target of $3.55 rather than moving that toward the higher end. Are there any specific items in the second half that might be a drag year over year? Or is that just being conservative?

Jimmy Addison: The only thing is, the summer quarter, this third quarter, is the peaking quarter in the electric business. So we get that quarter under our belt before we ever consider kind of reevaluating those targets.

Andrew Weisel: Sure. Okay. And then, in terms of the equity of $100 million for this year, did the original guidance range assume that would be later in the year as you've described? Or was the guidance range kind of assuming more of a distribution throughout the year?

Jimmy Addison: No, it's the former. It presumed an end-of-year issuance, so it had very little effect, if anything, on the weighted average shares outstanding and therefore on the EPS.

Andrew Weisel: Okay. Now, if that doesn't get pulled before the end of the calendar year, should we assume that would be an additional $100 million early next year? Or would that be lowered by the amount of this year benefiting from weather and whatever else might be driving you toward the higher end of guidance?

Jimmy Addison: First, let me say it's all dependent upon all of these questions that have been asked of Steve earlier. So if there's an impact from the construction schedule and timing of construction payments, it will certainly impact the CapEx and therefore the financing.

But if it's moved into 2015 and everything else were consistent, it would be probably in addition to 2015.

Andrew Weisel: Okay.

Jimmy Addison: Instead of $125 million in 2015, $225 million.

Andrew Weisel: Got it. Okay. Then lastly, just on the usage, it's been pretty consistent, the 12-months average of about 0.5% in weather-adjusted versus the account growth of more like 1.25%. Any change in your view about the drag from conservation to energy efficiency?

Jimmy Addison: No, not really. I think we've -- one of the -- there's a lot of efficiency going on across the board, from HVAC to CFL bulbs, et cetera. And our best estimates are that we're past the midpoint on the saturation of the CFL, from the latest information I've seen. But those are estimates. We don't have a precise inventory, obviously. So I'd say we're kind of moving past that point.

Customer growth continues to slowly tick up on new customers added. All the indications are around the economy that it continues to pick up from the industrial recruitment side, continued announcements that translate ultimately into jobs and

12 to 36 months that translates into customer residential growth. So we continue to feel good about those and I guess no real view change on the efficiency outside of the light bulb standards.

Andrew Weisel: All right. Thanks a lot.

Operator: Dan Jenkins; State of Wisconsin Investment Board.

Dan Jenkins: So I wanted to just follow up on what you were just talking about a little bit. Given that you've showed year-over-year customer growth in the electric side of 1.4, yet it looks like for the residential and commercial the weather-adjusted volume was still down by 0.75% to 1%. Is that kind of -- how should we think about that going forward? Is that kind of the new steady state? Or given that, how will customer growth translate into volume growth?

Jimmy Addison: I think it's difficult to project. And that's why we've spoken consistently the last several quarters that we don't get too hung up when we have a good quarter or two in a row, like we did in Q4 and Q1, and we don't get too concerned when we see a slight downtick here in Q2 in that residential category specifically.

One other thing I would say is the last couple of quarters in particular have been extreme weather -- extreme cold in Q1, extreme warm, over 40% cooling degree days above normal in Q2. And that makes it difficult to really determine exactly how much of the margin change is due to weather and how much is due to non-weather-related consumption.

So I know one of the earlier questions was about let's get precisely into Q2 numbers, et cetera, as to the margins non-weather -- it's really difficult to get that precise. We can put a number down to the right side of the decimal, but if you start drawing any long-term conclusions about that all you can assure is that you're probably not going to hit it. So I'd just caution you to kind of step back from that a little bit and try not to project a whole lot around it.

What I do know is if you look at those unemployment rates, that's real, and that's what usually translates into people's confidence, is their personal budgets. And we're real encouraged by what's going on with industrial recruitment and ultimately with jobs.

Dan Jenkins: Okay. Kind of related to the industrial, given the projects and activity you're seeing, do you expect the 3.7 area to be a reasonable growth rate for the second half as well then?

Jimmy Addison: 3.7 -- ?

Dan Jenkins: Of industrial --

Jimmy Addison: Oh, yes. Our industrial base is very diverse. We don't have anything more than 25% in any one sector. So there's a lot that goes into that. That's not something you can just model and project it linearly. But each customer is unique and we put together our plan based upon working with each of those industrials. It's hard to predict that. I wouldn't get that precise on the 3.7.

Dan Jenkins: Okay. So going back to the nuclear build, so what are the key critical path items that you'll be working on in the third quarter here that we'll see, should anticipate talking about in October? Is it the CA-5 and CA-1 or what are the items we should be focused on?

Steve Byrne: Yes, the module construction of AP1000 units really has about six big -- they call them the Big Six structural modules. That's CA-01, 2, 3, 4, 5, and 20. So 20 was set, so the next big ones are going to be 5 and 1; 4 was set also. So 20 and 4 are behind us. So I think it's 5, then 1, then 3. Those are kind of the next things.

We're working on the ring sections for the containment vessel. So we placed one ring on top of the containment vessel lower bowl for Unit 2 and we're working on ring sections for both Units 2 and 3. So continue with those.

We continue to receive parts and pieces from all over the world. Received Unit 3 moisture separator reheaters last week. So those parts continue to come in and we're looking for where we're staging them, where we're storing them.

We continue to work the turbine building for Unit 2 and anticipate that at some point soon we'll pour the base mat for the turbine building Unit 3. So in general the Unit 3 stuff, as you might expect, is going a little bit better because we learned lessons on 2 and they get faster for 3. But the Unit 2 stuff is the critical modules that you talked about.

Dan Jenkins: Okay. Thank you.

Operator: Michael Lapides; Goldman Sachs.

Michael Lapides: Just a couple of questions. In your earnings release, you don't give a balance sheet or cash flow statement. So just curious, if I look at slide 9 and the CapEx forecast for 2014, where are you year to date relative to that forecast, meaning that $1.5 billion number? If you -- are you, hey, you spent almost half of that in the first six months of the year? Are you running north of that, south of that? I'm just trying to think through uses and sources of cash for the year.

Jimmy Addison: Yes, Michael, I don't have the exact dollars in front of me. But we are slightly behind that CapEx budget, at this point I'd say probably about 10%. What I don't now right offhand is how it falls out in buckets by month or by quarter. But we're slightly behind that CapEx budget to date, but not significantly.

Michael Lapides: Got it. And that implies then on the nuclear component of it, that $805 million, you're kind of running at close to half that level for the year to date?

Jimmy Addison: I just don't know that. We made the filing -- let's see. You see down below the 2014 number in the blue box at the bottom says there's $595 million to occur by June 30 of that $805 million. And so we made our filing with the BLRA and we ended up slightly less than that, so not a great deal of change there.

Michael Lapides: Got it. Okay. Very helpful. And just curious; I want to make sure I understand some of the rate changes that are happening. So $66 million revenue increase tied to the BLRA that starts November of this year. And then the $3 million I think you were talking about on the gas business, that's the SCE&G gas business and it's a $3 million annualized rate decrease that starts in November?

Jimmy Addison: That's right.

Michael Lapides: Okay. Got it. And then, last question, just trying to think about weather normalization. So second quarter I would assume all the uplift is on the electric side. The first quarter, is there a way to break apart how much of that weather benefit was North Carolina electric versus South Carolina electric versus maybe SCANA Energy and even South Carolina gas?

Jimmy Addison: We don't have a North Carolina electric company, so that (multiple speakers) --

Michael Lapides: I mean, North Carolina -- you know what I meant -- North Carolina gas. My bad.

Jimmy Addison: There's not a significant amount. The mechanisms that we have in South Carolina gas account for weather normalization as well as the utilization tracker in North Carolina accounts for weather. So the short answer is, is very, very little would relate unless those mechanisms aren't completely, 100% picking it all up. But that's the intention in the formulas. So really all of it was related to electric.

Michael Lapides: Got it. That makes sense. Jimmy, thank you. I appreciate your taking the time.

Operator: (Operator Instructions) Julien Dumoulin-Smith; UBS.

Mike Weinstein: It's Mike again. One last question about the cost estimate and the dispute. The $200 million -- and you were talking about how it could possibly be increased as a result of other things that might come in. Is it your understanding -- how much of that is target costs? I guess target costs would be stuff that could escalate and could be the responsibility of the purchaser, you? And how much of it is fixed and would be considered the responsibility of the consortium? The reason I ask is only because I know that regulators are expecting that most of these costs would be fixed.

Steve Byrne: Mike, I don't know that we have a breakdown of that. And, again, until I see it I won't know what it is exactly. But certainly there will be some in each of those buckets. And also, I would anticipate that some of it would be in escalation costs. So the escalation could be spread over all of the buckets. And then, obviously, we may dispute some of those, as we indicated, with the $200 million. We talked about that almost a year ago.

So some will be in just increased owner's cost. So if I have people there for extra periods of time I'm not going to back off on the hiring, because I really need the staff. Hiring is going pretty well and we're able to get good quality people and I don't want to turn that spigot off. So if those folks are there for a longer period of time that would be higher owner's cost.

If the consortium has folks there for longer, that would be in the (inaudible) bucket. I mean, otherwise it's really looking like escalation.

So it's not per se the fixed pieces, but it would only be that small amount of escalation on the fixed pieces that might change.

Mike Weinstein: Okay. All right, well, thank you very much.

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

Jimmy Addison: Well, thank you. And to summarize, we're very pleased with our results through midyear. We remain on track to meet our earnings targets and our New Nuclear construction project continues to progress. We thank you all for joining us today and we thank you for your interest in SCANA. Have a great day.

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