SCANA 3rd Quarter 2014 Earnings Conference Call/Webcast

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Officers:
Susan Wright, Director of Financial Planning and Investor Relations
Jimmy Addison, EVP & CFO, SCANA
Steve Byrne, COO - SCE&G

Analysts:
Jim von Riesemann, CRT Capital Group
Ashar Kahn, Visium Asset Management
Michael Weinstein, UBS
Travis Miller, Morningstar
Andrew Weisel, Macquarie Capital Securities
Dan Jenkins, State of Wisconsin Investment Board
Stephen Byrd, Morgan Stanley
Michael Lapides, Goldman Sachs

+++ presentation

Operator: Good afternoon, ladies and gentlemen. Thank you for standing by. I will be your conference facilitator today. I apologize for the technical issues and delay experienced earlier.

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, October 30, 2014. Anyone who does not consent to the taping may drop off the line.

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

Susan Wright: Thank you, and welcome to our Earnings Call. As you know, earlier today we announced financial results for the third 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 and related matters, 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 released referenced during 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's a yellow box containing a link to the *New Nuclear* section of the website that further contains a 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 Investment Information* link to the yellow box. The new Other Investment 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 the *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 forth-looking (sic) statements and are subject to a number of risks and uncertainties, as shown on slide two.

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 from the Investor Relations section of our website.

I will 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 three.

Basic earnings in the third quarter of 2014 were $1.01 per share, compared to $0.94 per share in the same quarter of 2013. Please note that the electric weather normalization pilot ended in December 2013, and the Company's financial results are now impacted by abnormal weather in our electric business.

Accordingly, the improved results in the third quarter are attributable to increases in electric margins due to abnormal weather, continued recovery of financing costs through the Base Load Review Act, or BLRA, and customer growth.

We estimate the impact of abnormal weather added $0.07 per share in electric margins for the quarter. These increases were partially offset by expected increases in operations and maintenance expenses and CapEx-related items, including property taxes, depreciation, interest expense, and share dilution.

Please turn to slide four.

Basic earnings per share for the nine months ended September 30, 2014 were $3.06 per share versus $2.67 in 2013. Increases in electric and gas margins were partially offset by higher expenses and dilution related to our capital program. We estimate abnormal weather added $0.23 per share to electric margins on a year-to-date basis.

Now, on slide five, I'd like to briefly review results for our principal lines of business.

South Carolina Electric & Gas Company's third quarter 2014 earnings, denoted in blue, were up $0.11 compared to 2013. This was driven largely by increases in electric margins, which were due primarily to abnormal weather, continued recovery of financing costs through the BLRA, and customer growth. These increases were partially offset by increases in O&M expenses, as well as expenses related to our capital program, including property taxes, interest expense, and share dilution. Year to date, basic earnings were higher by $0.39 due primarily to higher electric and gas margins.

PSNC Energy, shown in red, reported a seasonal loss of $0.02 for the third quarter of 2014 compared to a loss of $0.03 for the same quarter of 2013. For the nine-month period ended September 30, 2014, basic earnings were up $0.02 per share over the same period of 2013.

SCANA Energy, our retail natural gas marketing business in Georgia, in green, reported a seasonal loss for the third quarter of $0.02 per share compared to a loss of $0.03 for the third quarter of 2013. Year-to-date earnings are $0.11 per share, consistent with the prior year.

SCANA's corporate and other businesses reported a loss of $0.06 per share in the third quarter of 2014 compared to flat earnings for the third quarter of the prior year. This is primarily the result of lower margin in the energy marketing business and higher interest expense at the holding company. For the nine-month period, these businesses reported basic earnings of $0.02 in 2014 compared to $0.04 in 2013.

I'd like to touch on economic trends in our service territory on slide six. We continue to see new business growth and expansion of existing businesses. So far, in 2014, companies have announced plans to invest approximately $630 million with expectations of creating over 6,000 jobs in our Carolinas territories.

Obviously, one of the largest economic development activities currently ongoing in the state of South Carolina is the building of the two new nuclear units at VC Summer Station. The construction workforce now numbers over 3,000, along with the addition of over 500 full-time employees hired directly by SCE&G to begin preparation to operate the plants once construction is complete.

To meet the demands for this new nuclear workforce, programs have been created at various colleges and universities, creating further economic expansion.

The majority of contract employees are from the state of South Carolina or from the region, so the project is significantly impacting the local and state economy. Its operation will enable South Carolina to support continued economic growth while producing clean, efficient energy for decades to come.

At the bottom of the slide, you can see the national unemployment rate, along with the rates for three states where SCANA has a presence and the SCE&G electric territory. South Carolina's unemployment rate is now 6.6%, and the rate in SCE&G's electric territory is estimated at 6.1%.

Impacting the state's unemployment rate is the introduction of approximately 17,000 people to the workforce since last quarter. However, the employment outlook still remains positive as over 21,000 South Carolinians have found work, and the state unemployment rate has dropped by 0.7 of a point since September of 2013.

Slide seven presents customer growth and electric rates. On the top of the slide are our 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 business added customers at an annual rate of 1.3%. Our regulated gas businesses in North and South Carolina added customers at an identical 2.5% rate.

The bottom table outlines our actual and weather-normalized kilowatt hour sales for the 12 months ended September 30, 2014. Overall, weather-normalized total retail sales were up 0.7 of a percent on a 12-months-ended basis, driven mainly by strong industrial demand. We continue to see slightly lower weather-normalized consumption at the residential level, reflecting anticipated deficiencies.

Now, please turn to slide eight, which recaps our regulatory rate base and returns. The pie chart on the left presents the components of our regulated rate base of approximately $8.8 billion. As denoted in the two shades of blue, approximately 86% of this rate base is related to the electric business.

On the block on the right, you will see SCE&G's base electric business, for which we're allowed a 10.25% return on equity. The earned return for the 12 months ended September 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're 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. The Public Service Commission of South Carolina recently approved our request for revised rates under the BLRA, which added incremental CWIP of approximately $561 million to our rate base, and we will implement a rate increase in November of approximately 2.8%.

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 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 recently received approval for a small decrease effective with the first billing cycle in November, which equates to a $2.6 million reduction on an annual basis.

Slide nine presents our CapEx forecast. This forecast reflects new nuclear spending, as reported in our latest BLRA quarterly report filed in August and does not include any additional cost or schedule delays estimated by the consortium as we're in the midst of a negotiation process at this time.

At the bottom of the slide, we recapped the new nuclear CWIP from July 1 through June 30 to correspond to the period on which the BLRA increase is calculated.

Now, please turn to slide 10 to review our estimated financing plan through 2018. While these are our best estimates of incremental debt and equity issuances, it's unlikely that these issuances will occur exactly as presented as they are subject to changes in funding needs for planned project expenses.

On May 27th of this year, SCE&G issued $300 million of 50-year bonds at 4.5%. On the equity side, we've issued approximately $75 million from our 401K matching and DRIP plans and continue to target 52% to 54% of equity levels at the operating company, SCE&G.

However, cash flows and the plan construction payments to date, we have pushed $100 million of additional equity issuances from 2014 to 2015 to meet our targeted cap structure, as I suggested was a possibility on our previous call. We currently estimate we will not require any of this deferred equity until the latter half of 2015.

Similarly, we are deferring the planned $300 million debt issuance from Q4 2014 to Q1 2015. Overall, we continue to adjust the financing to match the related CapEx on a 50/50 debt and equity basis.

Obviously, the construction delay had slowed expenditures, but they were also significantly reduced by lower-than-anticipated escalation, as well. The delay is a matter of timing, but the escalation on those components already received or completed will result in permanent savings.

We're very pleased to report that earlier this month we successfully extended our largest credit facility by one year. The facility total was $1.6 billion and covers five years and now will expire in October of 2019. The additional liquidity is important to our nuclear construction, but we also have an additional $200 million for peak construction liquidity at SCE&G, which will expire in October of 2016.

Now, I would like to thank our banks for their support of our liquidity needs and, therefore, our nuclear project.

Now, on slide 11, remaining unchanged is our long-term outlook of 3% to 6% growth over the three- to five-year period. Based on the 2013 weather-normalized base of $3.40 of basic earnings per share, we're adjusting our guidance for 2014 to reflect our results to date through the third quarter. Our previous range of $3.45 to $3.65 is adjusted to $3.70 to $3.90. This reflects the $0.23 of weather experience year to date in the electric business and the expectation of normal weather in Q4.

We continue to estimate that our effective tax rate for 2014 will be approximately 32%.

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

Steve Byrne: Well, thanks, Jimmy.

Want to begin by discussing the preliminary new nuclear construction schedule and cost information we received from the consortium. As previously discussed, the consortium began a full re-baselining of the VC Summer Unit 2 and Unit 3 construction schedules to incorporate project delays associated with engineering completion, construction lessons learned, and component procurement of fabrication.

In August, we received preliminary information relative to this re-baselining in which the consortium indicated that the substantial completion of Unit 2 is expected to occur in late 2018 or the first half of 2019 and that the substantial completion of Unit 3 would be approximately 12 months later.

As indicated on our website in the New Nuclear Deployment, or NND, yellow box update, the consortium has provided preliminary EPC cost estimates principally related to these delays to achieve the late 2018 substantial completion date for Unit 2.

SCE&G's 55% portion of this preliminary estimate is approximately $660 million, which is in 2007 dollars and would be subject to escalation. It also excludes any owners' cost amounts associated with the delays.

The $200 million that we referred to on previous disclosures starting at our June 2013 annual analysts' meeting regarding potential cost increases associated with prior schedule delays included escalation in owners' cost. So excluding the amounts attributable to those items, the balance of the $200 million is included in the $660 million and would not be an addition to it.

The EPC costs fall roughly into three buckets -- fixed, firm, or target costs. The target costs are impacted by changes in the construction schedule as a major component of this bucket is labor. Other non-EPC cost components impacted by the delays in the construction schedule and not included in the $660 million estimate are owners' costs and escalation costs.

It is too early to determine owners' costs as we are in the midst of a negotiation process with the consortium. While the preliminary schedule and cost estimates are under review by SCE&G and Santee Cooper and it is anticipated that further study, evaluation, and negotiations will occur, we cannot predict when the revised schedule and cost estimates will be finalized.

The preliminary cost estimates and preliminary substantial completion dates do not reflect consideration of the liquidated damages provision of the EPC contract, which would partly mitigate any such delays. They also do not reflect all the possible efforts to mitigate the delay on the schedule.

Further, neither SCE&G nor Santee Cooper has accepted the new preliminary schedule or finance responsibility associated with these delays. Once a final revised schedule and cost estimate has been negotiated, we will be able to quantify owners' costs and escalation based upon the revised in-service dates.

Filing for a new order under the Base Load Review Act will be required if the scheduled in-service dates exceed the current 18-month contingency, which would be September of 2018 for Unit 2 and/or there's a change on the project costs.

Once we have negotiated a finalized revised schedule and cost estimate, SCE&G is required to file a petition requesting a new order for the Public Service Commission of South Carolina. Should SCE&G file a petition, the Public Service Commission would have six months to issue its order.

SCE&G provided its annual update on the progress of new nuclear units to the Public Service Commission at its allowable ex parte briefing held on October 15.

I also want to mention that last week, the South Carolina Supreme Court issued an opinion unanimously affirming a November 2012 decision of the Public Service Commission, which authorized SCE&G to modify its construction schedule and include $273 million of costs [win] its capital cost under the Base Load Review Act.

I'd now like to discuss some of the activities at the new nuclear construction site. Please turn to slide 12.

On this slide, you can see an aerial photo of the new nuclear construction site from about 18 months ago just prior to the first nuclear concrete pour for Unit 2. I've circled Unit 2, Unit 3, cooling tower 2 alpha, and the containment vessel fabrication area. These are areas where you can see significant progress by going to slide 13.

Slide 13 is an aerial photo from May of this year. You've seen this photo a few times now, but in comparison to where things stood about 18 months ago, you can really see how the project is progressing. Clearly, cooling towers 2 alpha and 3 alpha are structurally complete with work progressing on the other two. You also see the lower ball and structural module CA20 in place in the Unit 2 nuclear island, along with significantly more work in the containment vessel assembly area.

On slide 14, you can see a picture of Unit 2 nuclear island. In this picture, you can see CA20, along with the containment vessel ring one, which has been placed on the containment vessel lower bowl. The lower bowl is now covered by the auxiliary building walls, and they are coming up to elevation 100. Elevation 100 must be achieved in order to begin work on the Annex Building, which will house the electrical switch gear for the plant.

On slide 15, you can see a picture of the Unit 2 containment vessel ring number two. This ring is complete and will be set after placement of structural modules CA01 and CA05.

Slide 16 shows a schematic of the modules inside the containment vessel. Now, here, you can see the locations of the previously mentioned modules CA01 and CA05, which we will further discuss shortly.

Slide 17 shows a recent picture of Unit 2 Module CA01. Module CA01 houses the steam generators, the pressurizer, and forms a refueling canal inside the containment vessel. Currently, we have 46 or 47 sub-modules on site, and 18 of those sub-modules are upright and being assembled in the module assembly building, or MAB.

Slides 18 and 19 show pictures of the Unit 2 Module CA05. This module comprises one of the major wall sections within the containment vessel.

On slide 18, you can see module CA05 being moved outside of the MAB to a tent for the addition of the final wall panel sub modules.

Slide 19 shows module CA05 inside the tent where the final sub modules have been placed and final welds were completed. This module is ready for hook, and we anticipate placing it in the Unit 2 containment vessel by the end of the year.

Slide 20 shows a picture of the Unit 3 nuclear island. Here you can see where the containment vessel lower bowl has been placed and the auxiliary building walls are beginning to take shape.

Turning to slide 21, you can see a picture of the Unit 2 turbine building. All the modules have been completed and placed on the turbine building base mat, and progress is made on the structural steel for the surrounding turbine building itself. The turbine building is now getting prepared for placement of the turbine rotors and generator, which will go on top of these structural steel modules.

Slide 22 shows a picture of the turbine building module CH80 and CH82 for Unit 3 as they are being assembled outside of the turbine building excavation.

Slide 23 may look familiar as you probably remember pictures we have previously shown of the massive Unit 2 deaerator component being transported to the site. However, this is a new picture of the Unit 3 deaerator as it crosses Interstate 95. This component is now on site.

Slide 24 shows a Unit 2 shield building panel. We have now received 26 of the 167 panels that will be provided by Newport News Industries for the project. These panels will be welded together, and concrete will be poured inside of the panels to create a shield building.

Slide 25 shows three Unit 2 main transformers and a spare. This component is sometimes referred to as generator step-up transformer, or GSU.

I also want to take a moment to mention Westinghouse's recent acquisition of Mangiarotti in Italy. As you may recall, Mangiarotti manufactures various tanks and heat exchangers that make up parts of the passive cooling design for the AP1000. We believe this acquisition is positive for our project as it gives the Mangiarotti facility the financial support they need to continue to provide high-quality nuclear components.

On slide 26, you will see the new nuclear CapEx, actual and projected, over the life of construction. This chart shows a CWIP during the years 2008 to 2018, as reflected in the August 2014 BLRA quarterly report and does not reflect any of the consortium's estimated additional costs or schedule delays. As you can see, the next several years are the peaking nuclear construction period. The green line represents related actual and projected customer rate increases under the BLRA and is associated with the right-hand axis.

As we stated before, 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 27. As we mentioned in our second quarter call, we filed our annual request for revised rates under the BLRA in May. In response to their request in September, the Public Service Commission approved an increase of $66.2 million. The new rates are effective for bills rendered on or after October 30th.

Our BLRA filings for 2014 are shown at the bottom of the slide. As you can see, in August, we filed our quarterly status report on our new nuclear project with the Commission and the Office of Regulatory Staff for the second quarter of 2014. We intend to file a quarterly status report for the third quarter 2014 in November.

On slide 28, you'll see a breakout of the total and new nuclear project costs. On the far right, you can see the project costs as filed in August 2014 BLRA report.

Project costs are currently under-running the original approval received from Public Service Commission. As you can see, this change is largely attributable to lower escalation. This, of course, does not include consideration for the negotiations ongoing relative to the new schedule and cost information.

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

+++ q-and-a

Operator: Thank you. We will now begin the question-and-answer session. (Operator Instructions)

Jim von Riesemann, CRT Capital.

Jim von Riesemann: I have one question in three parts, so I won't violate the two-or-more question rule. The first question centers on is there any -- I may have missed this, but is there any update with expectations as to when the timing of this negotiation with the construction consortium may end? Do you guys have any idea?

Steve Byrne: Jim, this is Steve. What we said a few minutes ago was that we can't predict when those negotiations will be concluded, so we started the negotiation process, it's been fruitful to date, and we can't yet determine when they will conclude.

Jim von Riesemann: Do you think this is going to be a 2014 event or a 2015 event, in your best guess?

Steve Byrne: My best guess is it could be either.

Jim von Riesemann: Okay. Turning -- I think this will be a question now for Jimmy. I was a little confused on the earnings release, and I just need some refresher on the marketing businesses. You had a -- what's at Georgia retail and what's at the corporation?

Jimmy Addison: Yes, so we've got two different divisions of the same legal entities, SCANA Energy. We've got SCANA Energy Marketing, which is the kind of industrial marketing arm that markets to industrial customers across all three states of our footprint. Some of their capability is for marketing unused capacity of the Georgia retail marketing business. The other division of that company is the Georgia retail marketing business.

Jim von Riesemann: Right. So what drove that loss in the third quarter or that higher loss from this?

Jimmy Addison: Yes, so, Jim, it was an intentional kind of strategic move they had a real good year early in the year, the industrial marketing company.

On the retail marketing side, the other division, we've had some gas inventories that were higher than current gas market prices for a while, not higher than our sales price but higher than the current gas market price. So we took that opportunity to move some of that storage gas out and direct it from a cost standpoint to some of the industrial sales.

Obviously, not charging those industrial customers at higher cost but absorbing those losses now, refilling that storage with current market prices to get us in a better position headed into the winter heating season in the retail side.

Jim von Riesemann: I totally understand what's going on there. And the last one I'm also confused on. Can you walk me through your revised earning guidance, but more specifically, it's not so much the $3.70 to $3.90. If I back out the weather and if I assume the midpoint, that means you're at $3.57, and that would be $0.02 above your internal target, your previous internal target. So I back out all the weather. How should we think about earnings growth going forward? Are we going to redefine the base to say 2014 as the year concludes, or do you think we're going to still keep it with this 2013 base?

Jimmy Addison: Well, our intention each year is to move to a weather normal new year. So last year, it was off of 2013, weather normal, in our plan when we released guidance. For 2015, in February, we made a move to a 2014 weather normal.

Jim von Riesemann: Okay, so if you go three to six, that gets off at 14 and would imply 362 on the low end, maybe up to 383.90. So we're going to actually look on a weather-normalized basis probably at still some good year-over-year comps, is that correct?

Jimmy Addison: I mean I think you had it pretty accurate before when you said if you take the weather off the midpoint of the 370 to 390.

Jim von Riesemann: Okay, no, I understand. Thank you.

Jimmy Addison: Sure.

Ashar Khan, Visium.

Ashar Khan: I just want to get a little bit -- I don't know if you can help me out. Southern and you guys started at the same time, and they -- and if I'm right, when you guys started, some people thought that you might be the first one to complete. They on their call yesterday said that they're still hoping and expect to be done on their original timeline, which is end of 2017, and that their cost estimates have not changed as they have reported.

And the same -- and I’m just trying to understand it's the same project, same technology, same kind of things. I guess the contract is different. But why is there such a huge delta between one party and the other? I’m sure you have also done some analysis. You have to have done some analysis. Where we are getting off by nearly 18 months, 24 months, they're still on timeline, and our costs on the total project, ours is only 55%; it's like $1 billion higher.

I just want to understand, Jimmy, what is so different that we are having two different results for a project of a similar scope/type in the same region being built by the same kind of subcontractors and things?

Steve Byrne: Ashar, this is Steve. Let me try to tackle the question. You said that we started about the same time. We certainly applied for our licenses at the same time, and we're within a couple months of receiving the licenses, with Southern getting theirs first.

Southern got an early site permit, so some of the onsite construction on the Southern Company project did start before ours did. We did not see the need to apply for the early site permit so we went straight to the combined operating license route, which we both ended up getting. So they did some preliminary work that we did not do.

So there are some minor differences onsite, one, because of the early start that they got, and two, because the sites are slightly different, a hard rock site versus a soft soil site.

That being said, they are -- the projects are the same project doing the same things with the same vendors and the same constructor. I can't speak to what they would say relative to their schedule or cost. We know that from the original cost projections, Southern Company was higher than us by some 40% on their contract. Though I haven't seen their contract, my understanding is it is different than ours inasmuch as it may be more fixed than ours is.

So what Southern says is what they said, and you can glean that from their earnings calls. We're dealing with the same consortium that they're dealing with, and we've gotten information on cost and schedule that we've updated you on, so that's about as much as we can say on the Southern project.

Ashar Khan: Okay. And then, Jimmy, I guess, what has been, I guess, troubling to the stock and I guess the sell side is not getting recovery or I guess that's what the stock kind of envisions is that we will have some hard time getting recovery from this overspend.

So if I'm correct, what you said is that in -- by the time this agreement is done and over with, I guess, the best timeframe we have is end of the year. You will then file immediately with the Commission the new cost estimates and timelines, and then the Commission would have six months from that date. So if you get that January 1, you file January 1, say, so you will know by June 30 what they have allowed you that increase.

And I guess the cost of the rule is that the Supreme Court in their decision earlier basically verified an earlier Commission decision to be allowed to recover that. So it seems like they can go ahead and do that, and if they do that, that should not be then appealed to the courts because I guess we have another precedence where the Supreme Court has reaffirmed the Commission's decision. Am I thinking through this correctly?

Jimmy Addison: Yes Ashar. I think your example of the timeframe there is technically accurate. I think a couple times before when we've been in for revisions in the cost and schedule, I think, going from memory, they've actually ruled sooner than their six months, fairly quickly, so they're not necessarily taking that entire six months. They do usually take the six months on a regular base rate case just so that they have the maximum statutory allowance before the new rates go in.

But I think what you said there is accurate. I don't see any real issues with that. The Supreme Court did rule in favor of us on the intervener's appeal. It was a 5-0 decision by the court, and I think everything else you summarized there is pretty accurate.

Ashar Khan: Okay, okay. Thank you so much.

Jimmy Addison: You're welcome.

Michael Weinstein, UBS.

Michael Weinstein: About the owners' costs that you haven't provided an estimate for, most of that is labor? Am I correct in understanding that?

Steve Byrne: Yes, I'd say the majority of it is probably labor, and that's our labor. So these are the folks that we've hired that would now be on the project for longer periods of time because the consortium was extending it.

Some of the other costs would be things like insurance. We have to have -- there was risk insurance on the project and if the project is extending, then you'd have to extend that policy. That will come at a cost. So there are some things that are not labor, but I would say the majority of it is probably labor.

Michael Weinstein: I mean you haven't provided an estimate of it. Is it because you might file for liquidated damages and you don't want to give away your hand on that or (inaudible)?

Steve Byrne: There are some things in the negotiation process that we don't necessarily want to tip our hand on. Other things would be that you have a hiring plan for your staff and you might adjust that hiring plan if you've got a new claim now to deal with. So that could impact the owners' costs. So there are some things that we can have an impact on on owners' costs.

Michael Weinstein: It's a moving target. Is there kind of a rule of thumb? I mean is it sort of a -- is it a similar magnitude to what their costs are? Is it maybe 30% of it, 20% of it, I don't know?

Steve Byrne: I've never done a ratio on the cost, so what we'll do is we'll -- when we negotiate the schedule, we'll evaluate the owners' costs based on the new schedule. Then we'll put that information out.

Michael Weinstein: And one other question I had was about the escalation. You said that their numbers are based on 2007 without escalation, and just looking at the way escalation has already affected the project, it hasn't really been much of a problem, right? Especially coming in a lot less than expected. So is that--?

Steve Byrne: To date, certainly the escalation has come in much less than anticipated because we had to forecast with the escalation was under that Base Load Review Act at the beginning of the process, and it's been very favorable for a large capital-intensive project.

Don't know why we'd want to predict what that's going to do going forward, but we didn't apply the escalation just because escalation numbers can swing fairly widely, and they've given us a relatively large range for completion. So, obviously, we're trying to negotiate towards the front end of their range, but where we end up will have an impact on the escalation. That's one reason why we're waiting on the escalation calculations.

Jimmy Addison: And let me just go ahead and process wise escalation is allowed for in the law, and the installation kind of is what it is up or down. So that's not a separate complication if that changes.

Michael Weinstein: Is there any way to estimate what the number would be with escalation, I guess, in 2014 dollars?

Jimmy Addison: Well, we've got to know all the details of what year and quarters, etcetera, those buckets fall in, and we're not to that point yet.

Michael Weinstein: All right. Thank you.

Jimmy Addison: Thank you.

Travis Miller, Morningstar.

Travis Miller: A question on the weather benefit that you've gotten this year. Is that going to impact at all the need for the equity? I know you guys kept it the same, just shifted a little bit. It's been -- the weather's been a pretty nice benefit for you guys. Is that going to affect next year's equity plan at all?

Jimmy Addison: Yes, Travis, on the margin, it, in fact, had affected just a little, but more than that, it's just the timing of the construction on the project. So the weather year to date has been, ballpark, 50 million pre-tax, ballpark, 30 after-tax or so, so it's not a huge driver of timing of equity.

When you've got 1.8 billion liquidity line, 30 million is not a huge swing in there.

Travis Miller: Got it. And then on the $0.29 year to date you've gotten on that electric margin, can you break that down in terms of nuclear project, customer growth, other stuff?

Jimmy Addison: Just a minute. I may have some more on that. So we talked about, let's see, $0.23 is weather, and then the BLRAs added about $0.20, I believe it is, isn't it?

BLRAs added about $0.20, and then residential and commercial customer growth is about $0.06 is the other driver where we've got 1.3% customer growth.

Travis Miller: Great. And then the other would be-- another $0.03 would just be other stuff?

Jimmy Addison: Yes, just the miscellaneous.

Travis Miller: Okay, great.

Jimmy Addison: Usage, etcetera.

Travis Miller: Great. Thank you very much.

Jimmy Addison: Sure.

Andrew Weisel, Macquarie.

Andrew Weisel: My first question is I just want to clarify one of the things that Ashar was asking about. You're clearly in the process of negotiating who is going to shoulder what portion of the cost overruns between the consortium and SCANA. But whatever that number ends up being for the SCANA portion, should we think of that as entirely being borne by ratepayers, or would investors somehow have to share that cost overrun?

Steve Byrne: Yes, under the Base Load Review Act, for it not to be the responsibility of the rate payers, they would have to be able to prove imprudence on the part of the utility, and certainly, we don't think that there's any imprudence on our part. So we don't think that that would be any different.

Andrew Weisel: Okay, great. Second question about the updated schedule. Again, I know that there are certain negotiations you're doing in terms of ways to shorten the delay, but the way that the consortium has proposed the updated schedule and cost estimates to you, is more of the increase coming in the near term, like 2015 or so, or is it more -- the additional cost coming more in the outer years, like 2018 or potentially 2019?

Steve Byrne: The additional cost that the consortium would propose would really be spread out over the project. Now, the project is going to spread out for a little bit longer, but I don't think the bulk of the cost will be in 2014. I think the bulk of the cost, so you can see from the slides we presented are going to be in the 2015, 2016 range. But it's spread out over the entire contract period.

Andrew Weisel: Okay, great. And then just to clarify, you were talking earlier about some of those expenses being in labor and insurance type of buckets. Would those ultimately be added to the rate base once the project is done?

Steve Byrne: Yes, they'd be a part of the capital project and would go into rate base when the project was finished.

Jimmy Addison: Yes, so they get layered in each year as we would file the BLRA increases just like they do today. Steve has, I don't know, 500 or so SCE&G employees onsite now, and he's already hired -- ramping up for training when supply comes online, and they go into the BLRA through CWIP each MAY with the filing and into new rates each November.

Andrew Weisel: Great. Thank you for clarifying. And my last question is in light of the favorable trends in terms of -- the weather helped this year, your account growth remained strong, what are your latest thoughts on when you might next to need to file for a general rate case in South Carolina?

Jimmy Addison: Well, our strategy remains to stay out of any kind of general rate increase during these peak nuclear construction years, and the key to that, obviously, is maintaining a reasonable return on the base electric business. We continue to do that. We continue to run at about a 10% return on equity, as was in our prepared comments earlier. So we're comfortable with that for the near term.

Andrew Weisel: Thanks a lot.

Jimmy Addison: You're welcome.

Dan Jenkins, State of Wisconsin Investment Board

Dan Jenkins: I had a little -- some questions around the schedule, in particular, the CA Unit 2, CA 1 Unit. I just wonder if you'd give a little more color. I know you mentioned that you have 46 or 47 sub-modules on site. You need to have -- what's the anticipated -- for the last sub-module, is that necessary before you can move forward, or how should we think about the timing of that CA 1 since it seems like that's a critical path item that's holding up a lot of the other steps? Is that correct?

Steve Byrne: Yes, Dan, the CA 1 is a critical module. The 47 sub-modules that comprise that come in from the Lake Charles facility by truck, and then we will make any kind of inspections and repairs on them on site in field. Then we erect them on a platform inside our module assembly building. And as I think I said a little while ago, we've got about 16 of those or 18 of those standing on the platton.

Now, what the craft are doing now is they're sitting them up, making sure they're in tolerance, and they stay the welding process. So as of right now, we have a backlog in the module assembly building, which means they've gotten more modules that they could stand up, so that's good. They're not waiting on anything.

So the absence of that one module isn't holding us up from doing the work, and we anticipate getting that last module sometime in the next couple weeks. So it in and of itself is not going to be a holdup.

And then they ought to progress towards completing that module, and our term is ready for growth, which means it's ready to be placed on the hook of the heavy lift derrick. So, basically, it means that the module is finished to that point where it can be picked up. We're anticipating that sometimes in the first half of next year.

Dan Jenkins: The first half of 2015 for CA1 could go into the unit? Is that what you're saying?

Steve Byrne: Yes, into the containment vessel. So, basically, we've got -- on the structural module side, there are really six large structural modules -- CA01 through 05-- and they all go inside the containment vessel. And then CA20 goes outside the containment vessel but still on the nuclear island on the base mat, and forms a portion of auxiliary building.

The CA20 has been set. The CA04 module has been set. The CA05 module is complete, ready to be set, and so we'll do that shortly before the end of this year. CA01 is in process inside the module assembly building, and we anticipate setting that sometime in the first half of next year.

Dan Jenkins: Okay. That's all I had. Thank you.

Jimmy Addison: Thank you.

Stephen Byrd, Morgan Stanley.

Stephen Byrd: Wondered if you could give an update of what you're seeing at the Sanmen project in China in terms of overall progress, lessons learned, sort of key execution risks that you see at that site?

Steve Byrne: Yes, I think the progress in the Sanmen set has been very good. If you haven't seen pictures of it, I know they've got a photo on Westinghouse's website of a Sanmen unit from I think it was May of this year. We continue to look at it. They continue to be about two to two-and-a-half years ahead of us. We said that from the start, and that continues to hold.

If you look at the pictures of the Sanmen site, both Unit 1 and Unit 2 are coming along. Unit 1 looks like it's about finished. Their issues or their holds are probably the same kind of things we're following -- direct crimp pumps, squib valves.

Now, we've gotten some good news from the consortium on both of those fronts just recently, but they've got testing to go through, which they're into now. But they anticipate that they will be starting up those units. I think their goal is to try to do it by the end of 2015, first part of 2016. So they continue to be two to two-and-a-half years ahead of us.

Stephen Byrd: Okay. And from an overall sort of standards of engineering and sort of quality control, as you look at that and what you're seeing there, what's your general assessment of that?

Steve Byrne: Our general assessment of their quality is good. They are building it to Western standards. They don’t have the same kind of regulatory oversight that we would have from our Nuclear Regulatory Commission. But that aside, we think that the quality of construction over there is good.

They are using some indigenous suppliers, particularly on the secondary side of the plant or the turbine building side of the plant, so that's where they're going to vary from us. So whereas we would use Toshiba for the turbine generator, for example, they might use somebody else. Some of the cabling and things are going to try to use indigenous Chinese suppliers that we wouldn't necessarily want to use. So there are going to be some differences, particularly on the secondary side of the plant, but the plant is coming right along.

Stephen Byrd: Great. Thank you very much.

Michael Lapides, Goldman Sachs.

Michael Lapides: Just coming back to the Summer project, I want to make sure I understand some things. I'm trying to get my arm around something.

So the 660 million, that's in 2007 dollars, and I could use a very low inflation number or escalation number to think about what that -- you know, 1% or 2% if I wanted -- just back of the envelope -- to think about what that is in terms of 2014 dollars.

Is there a back of the envelope we can use for the owners' costs, meaning when you first did the budget for the project and you first talked about it, what percent of total costs did owners' costs make up? I'm just trying to think about a back-of-the-envelope way to prorate this.

Steve Byrne: Michael, off the top of my head, I don't remember what the total amount of project cost was owners' cost. It was probably less than 10% of the total cost, and we can probably get some refinements for you and give you a call back with that number, but I don't have it at my fingertips. But it was not a huge portion of the total cost.

Jimmy Addison: Steve, let me just interject. That's available from the public data, Mike. It's on our website and the PSC's in our filing. It shows that broken down.

Michael Lapides: In the latest BLRA or in the original one?

Jimmy Addison: I know it's in the original. I'm not sure if it's in each quarter or not, but we'll have IR follow-up with you on that on where it's available publicly.

Michael Lapides: Okay. And is it just safe to assume that the owners' costs would escalate at kind of the same rate? If I took the 660 million and divided it by the last projected cost and then took whatever the owners' cost was and escalated it at the same amount, is that kind of a rough way to get to what the total potential cost increase would be?

Steve Byrne: I don't know that you can exactly do that. Some of the $660 that the consortium has given to us, they are truly re-baselining things, so they're looking at the experience of it being to date on things like module fabrication, onsite efficiencies, engineering completion, those kind of things. So the owners' costs wouldn't follow that necessarily.

A good majority of owners' cost is just because the staff that we've hired are going to be onsite for a longer period of time, and then there's some other things like -- I discussed insurance. We'll have some increase of regulatory commission fees, those kind of things. But the bulk of it is going to be with the people that are there for longer periods of time. And we're looking at things that we can do now. Perhaps we don't need that staff quite as early with whatever is the new schedule that we negotiate. We may take some actions to kind of delay some of that hiring, so we will have some impact on those owners' costs.

Michael Lapides: Got it. And then one or two just for the more modeling-related items. Jimmy, in the release, you all talked a little bit about -- in the corporate and the gas marketing business description, you also talked about a little bit higher corporate or holding company interest cost. Is there a new debt issuance, or did you ramp up short-term debt during the quarter at the holding company level?

Jimmy Addison: No, that is a very, very minor piece of that variance, Michael, so don't get too hung up on that one.

Michael Lapides: Got you. And then, lastly, going into the end of the year, what's your expectation for O&M for like the fourth quarter? Like you had talked about O&M being up a good bit in 2014 over 2013. It hasn't quite been up as much as maybe expected it would be, and you all have done a good job managing that. How do you end the year on the O&M line?

Jimmy Addison: Yes, I think the run rate you've seen to date is a pretty good projection for the fourth quarter based on what we know today.

Michael Lapides: Meaning kind of a similar year-over-year growth rate that we've seen in the other three quarters?

Jimmy Addison: Yes, if we continue to do a better job than our plan in managing that cost, so we're encouraged by that.

Michael Lapides: Got it. Thank you, Jimmy. Much appreciated.

Jimmy Addison: Sure.

Ashar Khan, Visium.

Ashar Kahn: Jimmy, in response to Jim's question, I just wanted to clarify. So the midpoint right now is $3.80, and if you take $0.20 off it for the normal weather, you get to a $3.60 normalized 2014, and that would be the new start point when you give guidance for the 3% to 6% for fifteen and onwards going forward?

Jimmy Addison: Only if that's where we end up at year end. So I'm sure some things will change between now and the earnings at December 31, but that is based upon today. There will be both weather-related changes in Q4 and non-weather-related changes, but we'll evaluate all that and come out with a new number. So I'm not giving you $3.60 as a base today. No, we'll give you a new number in February.

Ashar Kahn: Okay, but you said you base it off normalized earnings, right? Normalized weather earnings, right? Is that correct, or there are certain other things that you do?

Jimmy Addison: That is correct, but some other things could change in Q4 that I don't know of today. There could be something that's abnormal that's unrelated to weather.

Ashar Kahn: Understood, understood.

Jimmy Addison: Okay?

Ashar Kahn: But right now, the $3.70 to $3.90, the new forecast, that is higher just because of normal weather that you have had? Is that correct based on what you're giving us today?

Jimmy Addison: Not totally, but the majority of it is. So, look, we're raising it $0.25, and the weather is $0.23 or so of that. So there's two or three other cents in there for things we've experienced year to date that we're putting into the revised guidance today.

Ashar Kahn: Okay, fair enough. Thank you.

Jimmy Addison: You're welcome.

Operator: And, ladies and gentlemen, that will conclude our question-and-answer session. I would like to turn the conference back over to Jimmy Addison for his closing comments.

Jimmy Addison: Yes, first of all, I want to say thanks, everyone, for your patience for bearing with us today with this technical problem we had. Thank you for hanging with us for a couple hours here to get through this.

I want to tell you we're pleased with our results through the first three quarters with only quarter left in the year, and we continue to focus on the new nuclear construction and on operating all of our business in a safe and reliable manner.

We appreciate you joining us today, and we 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.