

[SCG] - SCANA Corporation - 4th Quarter 2016 Earnings Conference Call/Webcast
Thursday, February 16, 2017, 3:00 PM Eastern

Officers

Kevin Marsh; Chairman, CEO
Jimmy Addison; CFO
Steve Byrne; SCE&G: COO
Iris Griffin; VP, Finance

Analysts

Julien Dumoulin-Smith; UBS
Travis Miller; Morningstar
Stephen Byrd; Morgan Stanley
Kamal Patel; Wells Fargo
Michael Lapides; Goldman Sachs
Andy Levi; Avon Capital Advisors
Ashar Khan; Verition
Chris Melendes; Wellington Management
Dan Jenkins; State of Wisconsin Investment Board
Vedula Murti; BlueCrest Capital
David Paz; Wolfe Research
Mitchell Moss; Lord Abbett

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. (Operator Instructions)

As a reminder, this conference call is being recorded on Thursday, February 16th, 2017. Anyone who does not consent to the taping may drop off the line.

At this time I would like to turn the call over to Iris Griffin, Vice President of Finance.

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

As you know, earlier today we announced financial results for the fourth quarter and full year of 2016. We will begin our call with prepared remarks and, after our comments, we will respond to your questions.

Please note that the presentation slides referred to during the call are only available through our webcasting service until the start of our Q&A session. Once our Q&A session begins, the full presentation will be available at scana.com in the Webcasts & Presentations section of the Investors webpage.

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

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

Finally, before I turn the call over to Kevin, I would like to remind you that certain statements that may be made during today's call are considered forward-looking statements and are subject to a number of risks and uncertainties as shown on slide 2.

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

I'll now turn the call over to SCANA's Chief Executive Officer, Kevin Marsh.

Kevin Marsh: Good afternoon to everyone. I know many of you are joining us on the call today not only to hear our financial results for 2016, but also to learn more about the status of Westinghouse and the impact of Toshiba's financial challenges on our new nuclear construction project. Obviously, we have been following the updates from Toshiba very closely, and we will have comments for you on today's call.

However, before we get into that discussion, Jimmy Addison, SCANA's Chief Financial Officer will provide you with an overview of our financial results for 2016, followed by Steve Byrne, SCE&G's Chief Operating Officer, with an update on the construction of our new nuclear units. I will then conclude our prepared remarks with an update on Westinghouse and Toshiba before we move into our Q&A session.

I'll now turn the call over to Jimmy.

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

I'll begin our earnings discussion on slide 3. Earnings in the fourth quarter of 2016 were \$0.87 per share, compared to \$0.69 per share in the same quarter of 2015.

Electric margins benefited from a Base Load Review Act rate increase, customer growth, and favorable weather compared to the same quarter of last year. Results also improved due to increased gas margins primarily attributable to the implementation of rate increases at PSNC and SCE&G.

These increases were partially offset by higher O&M and CapEx-related items, including depreciation, interest, and property taxes.

At the bottom of the slide, you will note that abnormal weather decreased electric margins by \$0.08 per share in the fourth quarter of 2016, and \$0.14 per share in the fourth quarter of 2015, resulting in a positive \$0.06 per share impact to earnings quarter over quarter.

Slide 4 shows earnings for the year ended December 31, 2016, of \$4.16 per share, compared to \$5.22 per share for 2015. The decline is mainly attributable to the net of tax gains on the sales of two subsidiaries in 2015.

During 2016, electric margins were higher due primarily to a Base Load Review Act rate increase, customer growth, and weather. Gas margins were also higher due to customer growth and rate increases.

These increases were partially offset by higher O&M and CapEx-related items, including depreciation, interest, and property taxes.

Abnormal weather increased electric margins in both years, accounting for \$0.19 per share in 2016 and \$0.08 per share in 2015, resulting in a favorable \$0.11 per share impact to earnings year over year.

Now on slide 5, I'd like to briefly review the earnings results for our principal lines of business.

SCE&G grew significantly for the quarter and the year due primarily to increasing electric margins from continued recovery of financing costs through the BLRA, weather, and customer growth.

PSNC also saw increases for the quarter and the year due principally to customer growth and a rate increase in November of 2016.

SCANA Energy's earnings grew due to more favorable weather in 2016 versus 2015. Ignoring the impact of the net of tax gains on the sales of the two subsidiaries in 2015 and their respective foregone earnings, SCANA's Corporate and Other results were consistent with the prior year.

I would now like to touch on economic trends in our service territory on slide 6.

In 2016, companies announced plans to invest approximately \$1.8 billion, with the expectation of creating over 7,000 jobs in our Carolinas territories. The Carolinas continue to be seen as a favorable business environment and we are pleased by the continuous growth in our service areas.

At the bottom of this slide, you can see the South Carolina unemployment statistics as of December 2016 and 2015. Over the course of 2016, South Carolina's unemployment rate has dropped a remarkable 1.2% from its level at the end of 2015, and is currently at 4.3%.

December of 2016 marked an all-time high for the number of South Carolinians employed and the number in the labor force. Additionally, the absolute number of unemployed is the lowest it's been since April of 2001. Of particular interest and attesting to our state's strong economic growth, almost 70,000, or 3.3% more South Carolinians are working today than a year ago.

The expansion of the labor force is evidence of the confidence of some of the workforce to reenter the market and of the positive migration to the state of South Carolina. The other states in which we have service territories, North Carolina and Georgia, continue to see stable unemployment rates of 5.1% and 5.4%, respectively.

As depicted on slide 7, United Van Lines recently released its Annual Movers Study for 2016, which tracks migration patterns state to state. For the fifth consecutive year, South Carolina was a top-five state for inbound moving. According to the study, approximately 40% of these moves were related to jobs. Additionally, North Carolina has been listed in the top 10 for the last five years.

This study corroborates the customer growth which we have been seeing in our service territories over the past few years.

On Slide 8 we present customer growth and electric sales statistics. The top half of the slide shows the customer growth rate for each of our regulated businesses. SCE&G's electric business added customers at a year-over-year rate of 1.6%.

Our regulated gas businesses in North and South Carolina each added customers at a rate of 2.9%. As you can see, the rates trended fairly consistently throughout the year.

The bottom table outlines our actual and weather normalized kilowatt hour sales to retail customers for the 12 months ended December 31, 2016. Overall, weather normalized total retail sales were relatively flat on a 12-month-ended basis, as we had expected when we provided our 2016 guidance.

Now please look to slide 9, which recaps our regulatory rate base and returns.

The pie chart on the left presents the components of our regulated rate base of approximately \$11 billion. As denoted in the two shades of blue, approximately 86% 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 are allowed a 10.25% return on equity. The adjusted earned return for the 12 months ended December 31, 2016, in the base electric business continues to meet our stated goal of earning a return of 9% or higher. This mitigates the need for non-BLRA-related base rate increases during the peak nuclear construction years. We continue to be pleased with the execution of our strategy.

Continuing down the page, on our new nuclear business, we were allowed an 11% return on equity under the Base Load Review Act for all Annual Requests for Revised Rates that were approved prior to 2016.

The approval of our 2015 Petition included a revision of this allowed ROE down to 10.5% for prospective Requests for Revised Rates, which applied to the request that went into effect at the end of November 2016.

Under the terms of our most recent order, the allowed ROE for the new nuclear business will be 10.25% for all prospective Requests for Revised Rates.

As a reminder, we are allowed a return on equity of 10.25% in our gas LDC in South Carolina. If the earned ROE of the gas business for the 12 months ending March 31st, falls outside a range of 50 basis points above or below the allowed ROE, we file to adjust rates under the Rate Stabilization Act.

As you will recall, in mid-2016, we received approval for an annual \$4.1 million revenue increase that was effective in November of 2016.

As you are also aware, we received approval from the North Carolina Utilities Commission for an annual \$19 million revenue increase at PSNC Energy. That increase was effective on November 1, 2016.

Slide 10 presents our CapEx forecast. This forecast has been updated to reflect the Company's CapEx projections through 2019. This forecast also reflects the estimate of new nuclear spending as derived using the Construction Milestone Payment Schedule approved by the Dispute Resolution Board in December 2016.

Although this information is the best available at this time, it is unlikely that the timing of these expenditures will occur exactly as presented.

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

As you are aware, earlier this week Westinghouse shared revised in-service dates with us of April 2020 and December 2020, for Units 2 and 3, respectively. Westinghouse has

told us that it will provide the complete integrated project schedule supporting these dates to us for review.

The CapEx forecast on slide 10 has not been updated to reflect the impact of this revised project schedule. We will update the financial community on these changes after our review and evaluation have been completed.

Now please look to slide 11, to review our estimated financing plan through 2019. This plan has been updated to reflect the estimated timing of expenditures inherent in the Construction Milestone Payment Schedule, as well as the expected impact of the section 174 income tax deductions, which we discussed on a previous call.

The expected cash flows related to section 174 are presented in the table at the top of the slide. These amounts reflect the total amount of state and federal taxes that would have been paid, absent the 174 deduction treatment.

As a reminder, since early 2015, we have used open market purchases instead of issuing new shares to fulfill the needs of our 401(k) and DRIP plans. We currently estimate that we will not have incremental equity needs until 2018.

Again, it is unlikely that these debt and equity issuances will occur in the exact amounts or timing as presented, as they are subject to changes in our funding needs for the planned project expenses, and may change based upon the actual achievement of construction milestones, and after consideration of the new schedule information that we will be receiving from Westinghouse.

I would now like to discuss our 2017 earnings guidance and related assumptions on slide 12. Our 2017 GAAP-adjusted weather-normalized earnings guidance range is \$4.15 to \$4.35 per share, and our internal target is \$4.25 per share.

Due to the cyclical nature of our business, we expect to earn approximately 35% of this amount in the first quarter due to the demand in our gas and electric businesses, approximately 15% in the second quarter, and the remaining 50% being roughly split between the third and fourth quarters.

In developing this guidance, we have included the impact of electric rate increases from our new nuclear filings under the BLRA, the recent gas rate increases at SCE&G and PSNC, the impact of the 174 income tax deductions and the related estimated decrement rider, as well as our current views regarding electric average use and the economy.

This guidance also incorporates the CapEx and financing plans we presented earlier, but does not incorporate the new schedule information that we will be receiving from Westinghouse.

We forecast electric customer growth to be approximately 1.5%, offsetting our assumption that customer average use of electricity will be lower in 2017. Therefore, we

anticipate overall weather-normalized retail electric sales growth for 2017 to be relatively flat.

We expect consolidated operating and maintenance expenses to be approximately 4% higher in 2017, compared to 2016 actuals. However, due to an integrity management rider approved in the 2016 PSNC rate case and a pension expense rider at SCE&G, only about 1% of this amount will not be offset by incremental margins when compared to 2016's total O&M amount.

We also expect continued growth in the CapEx-related costs of property taxes, depreciation, and interest.

Additionally, we project an effective tax rate of approximately 31% for 2017.

In addition to providing this 2017 guidance, we are also resetting the base year for our long-term GAAP-adjusted weather-normalized annual growth guidance to 2016's GAAP-adjusted weather-normalized EPS of \$3.97 per share. So our new long-term GAAP-adjusted weather-normalized annual growth guidance target is to deliver 4% to 6% growth over the next three to five years, using this base of 2016 GAAP-adjusted weather-normalized EPS of \$3.97 per share.

Hopefully, this will provide you with a line of sight into our view of 2017 and beyond as you update your models.

Now please turn to slide 13. Earlier today, we announced an increase of \$0.15 in our annual dividend rate for 2017, to \$2.45 per share, a 6.5% increase, which is consistent with our prior commitment to grow dividends generally consistently with long-term earnings growth.

Our Board of Directors also approved an increase in the upper band of our payout ratio from 60% to 65%. We continue to anticipate growing dividends fairly consistently with earnings.

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

Steve Byrne: Thanks, Jimmy. I would first like to note that Westinghouse no longer has any modules, either structural or mechanical, left at the CB&I-Lake Charles facility. Everything has either been completed, moved to another fabricator, or is being completed at the VC Summer site.

On a non-construction note, we now have 22 operators for the new units, who have passed all portions of their Nuclear Regulatory Commission license exam, a process that takes several years. We anticipate having over 40 licensed operators prior to fuel load.

Moving on to some of the activities at the new nuclear construction site, slide 14 presents an aerial photo of the construction tabletop from December of 2016. I have labeled both

Units 2 and 3, as well as many other areas of the construction site, to give you a general layout of the area.

If you look closely in front of the module assembly building, which is labeled MAB, you can see structural module CA-01 attached to the heavy lift derrick, or HLD. At the time of the photo, we were preparing to place it in the Unit 3 containment vessel.

Slide 15 presents a schematic view of the five large structural or CA modules that are located inside the containment vessel. We have placed all of the major CA modules for Unit 2.

We have previously placed CA-04, 05 for Unit 3, and more recently placed CA-01. We'll discuss that more shortly.

I'm pleased to say that all sub-modules for the remaining Unit 3 structural modules are on site.

Slide 16 shows an aerial view of the Unit 2 nuclear island and containment vessel. Looking down into the containment vessel, you can see the first ring section and most of the previously mentioned structural modules, as well as the steam generator which was placed in January.

Outside of the containment vessel, you can see Auxiliary Building module CA-20 and the shield building, which surrounds the containment vessel.

At the top left of the slide you can see the containment vessel ring 2, before it was placed on top of the first ring section last weekend.

Slide 17 shows pictures of the placement of the first of two steam generators for Unit 2, which took place last month. This steam generator weighs approximately 1.5 million pounds, measures 20 feet in diameter, and is more than 80 feet long. Steam generators transfer heat from the reactor to convert water into steam needed to spin the turbine.

Slide 18 shows pictures of the placement of the containment vessel ring 2 for Unit 2, which, as I previously mentioned, was placed this past Saturday. This component was fabricated on site and is approximately 50-foot tall, 130-foot in diameter, and weighs over two million pounds.

There's one more ring section to be placed for the containment vessel before capping it off with the upper bowl.

Slide 19 shows an aerial view of the Unit 3 Nuclear Island. You can see the CA-01, CA-05, and CA-20 structural modules. CA-04 also has been placed, but is not visible in this picture.

Slide 20 shows the placement of the aforementioned Unit 3 CA-01. This super module was placed in the nuclear island in December of 2016, and will house the steam generators and the pressurizer, as well as form the refueling canal inside of the containment vessel.

Slide 21 is a photo of the Unit 2 nuclear island where you can see the shield building panels being placed.

We are currently working on the fifth course of panels and have 143 of the 167 panels needed to complete the Unit 2 shield building.

Slide 22 shows the placement of the first shield building course for Unit 3. The panels for this course have been welded together and have been filled with concrete. We currently have 78 of the needed 167 panels for the Unit 3 shield building.

Slide 23 presents the Unit 3 module CA-02. CA-02 is a wall section that forms part of the in-containment refueling water storage tank. All of the sub-modules have been upended and welding is complete for this module.

Slide 24 is a photo of the Unit 3 CA-03, which is the west wall of the in-containment refueling water storage tank. Ten of the 17 needed sub-modules have been upended for fabrication in the MAB, and the remaining 7 sub-modules are onsite.

Slide 25 shows one of the accumulator tanks for Unit 2 that was set inside of the nuclear island in December of 2016. There are two accumulator tanks for each unit and both of these tanks for Unit 2 have been set in place. They are used to inject borated water in order to rapidly re-establish core cooling and are a part of the passive safety systems.

Slide 26 shows pictures of the Unit 3, comparing December of 2015 to last month. As you can see, we've made significant progress in just under 14 months.

Slide 27 is the Unit 2 Turbine Building where good progress is being made. Visible at the top middle is the yellow overhead bridge crane which was recently placed, and we are now setting roof trusses.

Slide 28 is the lower half outer shell for one of the low pressure turbines. There are six of these per unit and all six have been placed for Unit 2.

Slide 29 shows a picture of the Sanmen plant in China. We have had our personnel involved in hot functional testing at Sanmen Unit 1, and we've gained valuable experience.

Additionally we have recently participated in startup readiness inspections at the Haiyang Unit 1. We anticipate startup and operation of both of these units this year.

This completes my update on construction. I'll now turn the call over to Kevin to discuss the situation with Toshiba.

Kevin Marsh: Thanks Steve. I would like to direct your attention to slide 30. We continue to monitor Toshiba's financial situation and their proposed recovery plans.

Although ideally Toshiba would be without these stresses, we still anticipate completing our two new nuclear units, which will enable us to provide our customers with safe, reliable energy for decades to come.

As previously mentioned in our press release, Westinghouse officials told us earlier this week that they, along with Toshiba, remain committed to completing the construction of these units.

As Jimmy mentioned earlier, we also received new in-service dates from Westinghouse, and we will be reviewing the corresponding integrated project schedule supporting these dates once they provide it to us.

After our review and once we've completed our evaluation, we will make you aware of any changes or implications this information may have. This would most likely take place during our first quarter 2017 earnings call.

While we are pleased that Westinghouse and Toshiba have reaffirmed their commitment to completing the project, we continue to look for ways to mitigate project risk for our customers and shareholders.

If for any reason, Westinghouse exits the project, we will evaluate the facts and circumstances at that time to determine the most prudent action for our Company and customers. However, we have initiated steps, as identified in our original EPC contract, to assist in the orderly transition to a new construction team and assist in the continuation of construction activities, if necessary.

In December of 2015, Toshiba's credit ratings slipped into speculative grade, which triggered a provision in our contract requiring Westinghouse to establish a surety bond in the form of a letter of credit, which can range up to \$100 million.

Additionally, we initiated a contractual process to escrow intellectual property and software for the AP1000 design. Should it become necessary, having access to the AP1000 design and software, and the ability to call on the letter of credit, would assist with a transition to a new construction team.

Under this scenario, we could evaluate options of serving as the general contractor, entering into a new EPC contract for the remainder of the construction, or entering into a procurement and construction contract and supply the engineering support ourselves or through a third-party engineering firm.

As of the end of 2016, all major equipment has been procured, received onsite, or is in fabrication.

Additionally, our amended EPC contract requires Westinghouse to begin paying liquidated damages to SCE&G and our project partner Santee Cooper, that cap out at \$676 million based on if the construction goes beyond August 2019 and August 2020, guaranteed substantial completion dates for the new units in our current EPC agreement.

As you can see from Steve's update, we are making substantial progress on these new plants and remain focused on continued progress toward their completion.

Again we will continue to monitor this situation closely and will alert you if we are made aware of any changes.

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

Questions and Answers

Operator: Thank you. We will now begin the question-and-answer session. (Operator Instructions) At this time, we will pause momentarily to assemble our roster. Julien Dumoulin-Smith with UBS.

Julien Dumoulin-Smith: So I wanted just to follow up a little bit a lot of -- I imagine a lot of questions here around it.

But first, just a little bit of an update on worker productivity to the extent to which you have a sense.

Given the new timelines released, obviously, recently what's your level of confidence against these timelines, particularly given some of the risks around further delay on the second unit? Do you have any sense on that?

Steve Byrne: Julien, this is Steve. When you say the second unit, you talking about the second new unit or are you talking about Unit 2, which is the first new unit?

Julien Dumoulin-Smith: Sorry. Yes, the second new unit and the --

Steve Byrne: Second new unit.

Julien Dumoulin-Smith: -- 2020 deadline.

Steve Byrne: Yes. So what we've seen so far is that the efficiency factors have increased significantly on Unit 3, our second new unit. In some cases it's a matter of hours, in other cases, it's double or triple the efficiency factor for the second unit.

So we're learning the lessons from the first unit and applying them to the second unit, and it's going much, much more smoothly. So I have a reasonable confidence in the efficiency gains for the second new unit.

What we're dealing with the schedule now is we're taking the assumptions that Westinghouse took in their schedule that they gave to us when they gave us the new dates on Tuesday, and we're evaluating what those assumptions are and what kind of efficiency numbers are in there.

We do think that they have to increase their performance level, increase the efficiency factors, and they've got some plans laid out to do that. So we're going to be very interested to see it.

As Kevin pointed out, we're going to be going through that schedule over the next month or so, and we ought to be able to report out our level of confidence in that probably at the next quarterly call.

Julien Dumoulin-Smith: Got it. And to be clear about what we should expect at the time of the next quarterly call relative to what you've reflected today, largely, the increase, as far as you're concern, is a capital cost increase, correct? Related to capitalizing interest and --

Steve Byrne: When you say increase, which increase are you discussing?

Julien Dumoulin-Smith: Just simply the delay in the project itself should have some capitalized interest and equity costs that you would bake into the project cost, I would imagine.

And maybe, actually to be very clear about this. I think previously you guys have talked about a \$10 million a month, I think perhaps per unit cost.

Steve Byrne: Yes. Julien, I think you're talking about what we would call the owner's costs, which were not necessarily carrying costs.

What we're talking about is the amount of staff and the expenses that we have to accrue each month, things like increased insurance, NRC fees, that kind of thing.

But the bulk of it is going to be carrying the staff that we have to carry. So if what we're talking about is the short delays that we announced, I think it was Tuesday or yesterday relative to the schedule information that we got from Westinghouse, we're looking at numbers along the lines of on a 100% basis, about \$12.5 million per unit in what we would call our ongoing owner's costs.

And, of course, those would be offset by liquidated damages, which would start to accrue when they don't hit the existing guaranteed substantial completion dates of August of 2019 and August of 2020.

So on a macro scale, we think that as long as they can complete them in a timeframes that they've laid out, our incremental owner's costs should be more or less offset by the liquidated damages.

Julien Dumoulin-Smith: Right. So barring a change in how Westinghouse and Toshiba decide to move forward, there actually really isn't effectively a change for consumers as far as their realized rates are concerned?

Steve Byrne: Yes, we see very little change there.

Julien Dumoulin-Smith: Excellent. Thank you. I'll let someone else ask.

Steve Byrne: And, Julien, just to be clear, I think the \$10 million a month that you were talking about earlier that we previously referenced was more than likely our 55% share of the costs going back probably a year ago.

So the costs have increased a little bit. And what I gave you recently was the 100% cost numbers.

Julien Dumoulin-Smith: Excellent. Thank you.

Operator: Travis Miller with Morningstar.

Travis Miller: I've got one non-nuclear question, then one nuclear one. I'll start with the non-nuclear one.

What electric customer or usage growth do you guys have to hit over the next two years, call it 2017, 2018, to hit that 9% earned ROE that you're targeting?

Jimmy Addison: Travis, this is Jimmy. Specifically for 2017, it's basically a wash in our plan between the addition of new customers as well as kind of the loss of margin from all customers, just due to efficiency working through the system. I don't have a specific target in there for 2018, but generally at that same level.

Travis Miller: Is that a net zero percent --

Jimmy Addison: Yes.

Travis Miller: -- growth?

Jimmy Addison: Yes. It's not precisely zero, but it's very close to -- it's relatively flat.

Travis Miller: So that would be investing about at a maintenance-type level ex-nuclear, so the ROE stays about the same?

Jimmy Addison: Ask that again. Let me make sure I'm following that part.

Travis Miller: So that that would be investing at essentially a maintenance-type level, non-nuclear, so that rate base stays very similar to what -- ?

Jimmy Addison: Yes. You see in our CapEx plan we've got in the SCE&G business, which includes SCE&G gas, we've got about for \$400 million a year, \$466 million at the peak in 2019. And generally, that is going -- and the electric side is going to be matched against the D&A that's occurring on a book basis. So no significant change in rate base.

Travis Miller: Yes, okay. Got that. And then walk me through a worst-case scenario on the nuclear side might look like if you were to get to some kind of stranded cost-type situation.

Kevin Marsh: Hey, Travis. This is Kevin. Let me take a stab at that. First of all, it's difficult to speculate on exactly what the status of construction would look like if Westinghouse were to exit the project.

If that were to happen, I would expect that SCE&G, along with our partner Santee Cooper, would go through a thorough assessment of the facts and circumstances at that time and make some decisions around what options we thought might be appropriate, and then certainly engage the Office of Regulatory Staff and the Commission to determine the most prudent path forward.

But in terms of what that construction could look like, first of all, we've begun escrowing the AP1000 intellectual property and software to make sure we've got access to the design if we were going to be responsible for continuing with the project.

We got the surety bond in the form of standby letters of credit in place to make sure we've got some liquidity to help us make an orderly transition to a new construction team.

But with the construction team specifically, we could make a decision to serve as the general contractor. We could look at entering into a new EPC contract, or we could look to find someone just to do the procurement and construction.

So we would certainly consider all those. I kind of look at the last case option, the abandonment provisions under the BLRA. That's not something that's high on our list. We would certainly like to finish these products. They're critical to us over the long term and meeting customers' needs and the growth we expect to see in the state of South Carolina over the long term.

And even though Mr. Trump has talked about changing some of the rules that might be in effect on clean-air regulation, I believe people will continue to be focused on clean air and as much carbon-free emissions as we can.

So we're sticking with our strategy, and these plants are critical to do that.

So we'd have to evaluate the circumstances very carefully and then figure the most prudent path forward.

Travis Miller: Okay. That's very helpful. And then the abandonment clause in the BLRA, you feel confident that given this type of situation that's happened, it would still be valid, is that right?

Kevin Marsh: Well, I mean, certainly it's never been exercised. The Base Load Review Act's been implemented for the time with the construction of our projects. But the intent when that was written by the parties that drafted and approved it, was to make sure if something happened that was outside of the ordinary course of business, if some unusual circumstance would arise, then investors would not be stranded in that investment.

But what it assumes is, there's a very thorough evaluation done, and that our Company, along with the Commission and Office of Regulator Staff, would deem that to be the most prudent course of action.

We're not advocating that. We're not saying we're at that point. But it is one of those items that is on the list if you go through the evaluation, should Westinghouse decide to exit the project.

But what we know at this point is Westinghouse and Toshiba have reaffirmed their commitment to finish the project. I think the presentations that Toshiba has made indicate they recognize that's their obligation and are taking steps to try to shore up their balance sheet to be able to fulfill that.

They were clear in their discussions with us earlier this week that they intend to finish the project. They're in the process of reviewing that schedule with us now.

So they're taking the steps to indicate they're going to back up their commitment. So we're banking on that. But certainly, we're going to watch the developments very carefully as we go forward.

Travis Miller: Great. Thanks so much. I really appreciate the details.

Operator: Stephen Byrd of Morgan Stanley.

Stephen Byrd: Wanted to discuss the abandonment provision of the BLRA. If the issues with the budget and the cost overruns are really driven by nothing changing to the, I guess the license reactor design, but rather just sort of more ordinary course scheduling issues, overruns, and also the fact that Toshiba may not be able to sort of meet its financial obligations, is that, under the abandonment provision, is that a sort of cause for being able to get recovery for the money spent to date?

Kevin Marsh: This is Kevin. The provision is not specific as to exactly what it would cover. There was not an effort to make a listing of the types of items that would qualify.

It's more specifically focused on what would be deemed prudent at the time that decision was made. And that clearly means in the regulatory space that there would have to be a meeting of the minds and a serious evaluation of where the project is, what it might cost to complete, and then jointly and make that decision as to the most prudent action.

It would be extremely difficult not knowing all the facts and circumstances, to try to list what would or would not qualify under that provision.

And generally, prudence is the rule that the Commission banks on at the end of the day.

Stephen Byrd: Okay. Understood. And Toshiba had laid out, I think a little over \$6 billion charge.

Do you have a sense for where the budget is at the moment for the project overall? I know from your perspective you have protection under your EPC contract. But do you have a sense for where the budget estimate is based on your conversations with Toshiba and Westinghouse?

Steve Byrne: This is Steve. I'm not sure that we have a handle yet on what the budget estimate is. Of course, we're focused on them performing now under a construction milestone payment schedule. So they hit a milestone, then they get paid.

What we don't have is some of the details around what kind of contingencies that they have in the impairment that they announced. So that's something that we would not have direct line of sight over.

So I couldn't give you an exact budget. If you're talking about the Westinghouse portion of the budget, you might have to ask them. But from our perspective, we're focusing on the construction milestone payment schedule, and then from June of 2015, we had about \$6.082 billion to go.

Stephen Byrd: Okay, understood.

Jimmy Addison: This is Jimmy. Just to supplement, they have represented to us, obviously, that covers all of their U.S. projects, ours and those in Georgia. And they have represented to us that, as Steve alluded to, that it does include contingencies and reserves, we're just not sure of the levels of those, et cetera.

Stephen Byrd: Okay, understood. And lastly, just quickly on Sanmen, you laid out the status update here. I think the prior update was that Sanmen was going to be operational in 2016.

Do you have a sense for the cause for the delay into 2017?

Steve Byrne: I'm not sure I have a direct line of sight on all of the causes. I know when they went through the hot functional testing, they discovered a few things. So they've got a couple of equipment issues that they have to rectify. But I don't see those as large holdups.

And, for example, we made available some bolts that they needed for one valve that they asked us for this month. So it's something we don't need until 2017, for our trailing unit, so we're glad -- sorry -- until 2018 for our trailing unit, so we are glad to give it to them.

But we fully anticipate that they'll load fuel shortly. They'll start up this year.

Stephen Byrd: Okay. Thank you very much.

Operator: Kamal Patel with Wells Fargo.

Kamal Patel: Had two questions, one regarding the progress [VC] Summer. Where do you stand? Do you still stand in a position where you've made advances or are you not [very aware] and you're not making advanced payments anymore? Are they [cut off]?

Steve Byrne: On the construction milestone payment schedule are you talking about, Kamal?

Kamal Patel: Yes.

Steve Byrne: Yes. We received an order from the Dispute Resolution Board late last year. And as of December, we are now making payments strictly under that construction milestone payment schedule.

So we don't have any catch-up payments to make, if that's what you asked.

Kamal Patel: Okay. And there's no reverse catch-up work that Westinghouse owes to you under that payment schedule?

Steve Byrne: No.

Kamal Patel: Okay. Second schedule, there's plenty of other what-ifs on the Summer. But with regard to the dividend increase, it's above what you did last year. And I'm wondering what the premise was behind bumping it up above what we saw last year, given the headlines that we're seeing around the project itself.

Jimmy Addison: Yes, it's really being consistent and transparent with what we've said before, which is we're committed at this point to growing it fairly consistent with earnings. And you've seen an increase in earnings projected for 2017, that's actually slightly above the dividend increase. So that was the consideration.

Kamal Patel: Okay. All right. Thanks.

Operator: Michael Lapedes with Goldman Sachs.

Michael Lapedes: I guess one question for Kevin. You talked a little bit about the letters of credit. But can you quantify just how much has been set aside?

And did I hear correctly that the maximum is around \$100 million or the letters of credit and the postings that Toshiba and Westinghouse make, could that be a bigger number to help do the bridge in case there's a switch in contractors?

Kevin Marsh: No. Under the contract, there is a formula we go through based on previous months' construction totals. And we have in place now the \$45 million. The max under that formula is around \$100 million. So that is formulated in the contract we have in place today and don't have any expected changes in that as of today.

Michael Lapedes: Got it. Okay. And the other thing is, what is the timeline? When do you need to get the projects put in service?

And we saw the detail in the BLRA filing earlier this week about the potential change in schedule.

When do you have to get them in service to ensure you qualify both for the production tax credits and for bonus depreciation? And does that date differ for either of those?

Steve Byrne: Well, Michael, this is Steve. For the production tax credit basis, we have to have them operating by 2021.

Jimmy Addison: And generally it's the same for bonus. But recall that with the 174 strategy, that really neutralizes a great deal of the bonus advantage. So that's taking it even in advance of bonus.

Michael Lapedes: Okay. So in the situation, they're already pushing Unit 3 out, assuming the schedule they submitted holds and what's in the BLRA filing, assuming Unit 3 is December 2020, if that pushes out another couple of months, sometime between now and then, it's conceivable that unit wouldn't qualify for PTC?

Steve Byrne: That possibility exists. There are a couple things that are yet undefined relative to -- or untested relative to qualification for production tax credits.

One is, what is the definition of in service, because certainly we'll be making some power from those units prior to declaring it in service.

So if making power qualifies, then we'll be ahead of those dates. So that just gives us a little bit more room, probably on the order of two months.

The other thing that we're looking forward to is the opportunity to see if we can get an extension on the date for the production tax credit qualification, because all of the basic tenets around the establishment of what those production tax credits are there to do still exist for both our project and for the Southern Company project.

Kevin Marsh: And, Michael, this is Kevin. I'll add one piece to that. I certainly can't speak for Westinghouse and Toshiba, but I am comfortable repeating what we saw in the translation of their Q&A after they did their preliminary release the other day.

And in their comments, they were asked about the loss and how that attributed to the efficiency of the schedule work that was being (inaudible) work that was being done at the plant site.

And what they said in that release and my words was, that PWC was very conservative in looking at that schedule calculation and that they would not allow them to include in that any projected improvements in productivity.

So I would assume from that, that the schedule they've got is based on current productivity rates, which we know from discussions we've had in the past have not been ideal. It's been a primary area of focus for them. Fluor has been on site for a year now, and I believe they've identified opportunities for improvement.

So to the extent they can find those improvements, I would expect that to improve their overall schedule and possibly give us more comfort around those dates. Certainly, that December date for 2020, is pushing up against a deadline.

But I just wanted to pass those comments on from the Toshiba executives' feedback to those questions in Japan earlier this week.

Michael Lapidés: Got it. And one final, just actually on the core business on the gas side, should we expect you come in to the regulators and ask for incremental gas revenue increases at SCE&G over the next year, year and a half or so, just given the earned ROE levels?

And do you anticipate kind of every other year or so rate case filing on the PSNC side?

Jimmy Addison: Yes, Michael. On South Carolina, really, we don't have a litigated hearing. We've got a process that just measures at the end of March of each year, and if we're over or under 50 basis points, there's an adjustment. Those are usually very small. We had one this year that was about 1%.

So we don't have anything in our plan right now for one this coming fall in November 2017. But really, the results at the end of the heating season will help determine that.

And on PSNC, we think we're generally in the three or so year, three to four year time frame for rate cases in that environment, with the rapid expansion that's there now.

And if you'll note, our CapEx forecast over the next three years compared to the current rate base, we're looking at CapEx additions of about 75% of the existing rate base in that business over the next three years.

However, about half of that is covered in new revenues, either through the integrity management rider or through direct industrial contracts. So that helps mitigate the need for frequency of kind of general rate increases in North Carolina.

Michael Lapidès: Got it, guys. Thank you, all. Much appreciated.

Operator: Andy Levi with Avon Capital Advisors.

Andy Levi: Just to understand just a few nuclear questions. Just on the fixed cost contract, is it kind of focused more on productivity as far as what covers you? Do you understand what I'm saying?

Steve Byrne: The fixed price option, we looked at productivity when we were renegotiating the contract and really wanted to take that out of the equation. So the fixed price option really affords us the protections and gives us what the price is going forward, almost irregardless of the productivity, such that if they don't improve the productivity numbers, then they're hurting themselves from that perspective.

Andy Levi: Right. Right.

Steve Byrne: And I think we talked about it a little earlier, the real downside liability for us might be our owner's costs should there be an extension of the schedule.

And as of right now, we think that the liquidated damages would about offset what those owner's costs are anticipated to be.

But the fixed price option really was from June of 2015, when we started the discussions or when we had the last good information when we started the discussions.

From that point to the end of the project, they gave us a fixed price, which was \$6.082 billion. So that was the to-go price. But really that was the price irregardless of the efficiencies. Now we are very interested in seeing them make improvements in the efficiencies. Certainly, Fluor has done a number of things to improve the efficiencies. But they've certainly got plans to improve it even more going forward.

Andy Levi: Now, if there are design issues that the NRC has concerns with, is that covered under this fixed price contract or not?

Steve Byrne: Yes, in the fixed price contract, if it's a change in regulation, they would then be entitled to submit a change order. One of the things we worked very hard at was

ironing out the definition of change in regulation. So it now has to be a written change in the law or the regulation. So it can't be anything about interpretational things.

But if it's a basic tenet of the design that the NRC just doesn't think they're living up to, that alone would not qualify for a change order.

Andy Levi: So just as an example, there was an article on Monday, I'm sure you read it, about the neutron shield block.

Steve Byrne: Yes.

Andy Levi: And that there are design issues. I don't know if I'm saying it right. But that there are some hearings, I guess, going on at the NRC, as one example.

What would that fall under if there was increased cost or there was -- it had to be -- I'm not smart enough. But not redesigned, but you understand what I'm saying.

Steve Byrne: Sure. So that's an issue where there has been no change in the law or the regulation. So Westinghouse would be obligated to make the changes to conform that shield block without passing along any increased cost to us.

So that's a thing that they found during the hot functional testing at Sanmen, and it's an issue of the neutron shield block there, the material it was made of was getting too hot under the ambient conditions.

So what they had to do it is they just have to redesign it to use a different material, which they've already done. So that one really is not as big a deal as it has been made out in the press, I don't believe.

Andy Levi: Okay. So basically, if the design just wasn't constructed properly, they're on the hook for it. It's only if there needs to be some change in design because of some regulatory change in thinking, I guess, for no better way to put it? Is that kind of the way to think about it?

Steve Byrne: Well, not just a change in thinking, Andy, it has to be a written change in the law.

Andy Levi: Written change. Are there other hearings going on at the NRC as far as other design issues going on currently?

Steve Byrne: There are meetings on design issues going on at the NRC all the time. I'm not aware currently of anything that is looking like a change in the law or the regulation that would force a change that we would be responsible to pay for.

Andy Levi: Okay. And just two more quick questions. I know like with Southern Company, their letter of credit expires every year and then it has to be renewed and

there's certain provisions around what happens if the banks decide to pull that letter of credit.

Is that similar as your letter? Again, it's much smaller, your letter of credit. But is that similar with you guys?

Jimmy Addison: It's an annual letter, but it has an auto renewal that runs through late 2020.

Andy Levi: Okay. And whose choice is it to terminate that letter of credit every year, is it yours or is it the bank's or both?

Jimmy Addison: The banks could choose to do it, but they've got to give 60 days notice, and we have the right to draw on it immediately at that time.

Andy Levi: That's an interesting provision. And then my last question is, in a bankruptcy situation for Toshiba, do you just become another creditor or do you have some type of [senior] status?

Kevin Marsh: I'm not the lawyer. This is Kevin. But through our investigation, there are just a lot of different scenarios under which that can take place, and it's difficult for us to speculate without knowing all those individual facts and circumstances.

But we continue to watch that closely. And if we believed they were headed in that direction, we would take whatever steps we felt were appropriate to protect our project and the customers.

Andy Levi: And then I guess in that scenario if Westinghouse would default or would not be able to complete the project, you'd have to find not only another contractor, but another engineer, right, because that's really what Westinghouse is doing? Or you would do the engineering yourself?

Steve Byrne: Yes, Andy, there are options there. Certainly, we could do the engineering ourselves. We could go out and get another EPC contractor. The E in EPC is engineering.

Other options are similar to what we did when we did VC Summer Unit Number 1. We acted as a general contractor, had one company do the construction and we actually brought in another company to do the engineering.

So there are a variety of options out there that are different models in the marketplace, and all of them have worked.

Andy Levi: Okay. That's great. And then I assume the NRC takes part in that too, and kind of gives you a blessing on that?

Steve Byrne: NRC is not necessarily in a position or responsible for giving us a blessing on who is the constructor.

Andy Levi: Okay.

Steve Byrne: Obviously, the NRC holds us accountable for the construction and the quality.

Andy Levi: Okay. Great. Thank you. And I'm sorry for the difficult questions.

Operator: Thank you, sir. Ashar Khan of Verition.

Ashar Khan: Can I just ask you -- one thing that came out, if you can help me a little bit, because you could probably understand the slides that Toshiba put out two days ago.

So they said the biggest change came from labor and they said it was -- what they had included in labor was just not what they believed the labor costs are, it's just a humongous number. You probably saw that slides too, your team.

Could you just tell me what went wrong from your point of view, in terms of their calculation of those labor costs which were exponentially higher than what they thought to be?

And I just wanted to get -- I don't know if you can provide some color from on that component of it.

Steve Byrne: Ashar, this is Steve. We don't know exactly what is in all of their numbers. And sometimes in the presentation from Toshiba, they kind of lump things into a couple of broad categories, so there may be some bleed over in different categories.

But I can tell you what they have sort of informed us about at the Westinghouse level on the labor piece.

One, they are going to have to hire more people to do the work. And then, secondly, where they have made some assumptions around what they would call unit rates or how many hours it takes for people to perform a specific task, those unit rates are increasing.

So, for example, if they would say it'll take five hours to pour a cubic yard of concrete, what they're finding is maybe it takes seven hours to pour a cubic yard of concrete.

So for every cubic yard of concrete, and there's a lot of concrete, if it takes two more hours, then you're getting a significant number of hours increase, which, from their perspective, is increasing cost.

The other impact is what they've communicated is that when they acquired Stone and Webster, they made some assumptions about improving efficiencies to the tune of about 30% improvement.

And what we heard Toshiba say publicly during their call was that they have not seen those improvements.

And as Kevin pointed out, Toshiba went on further to say that the scheduling information, the cost information that they put out, they have assumed no further improvements in that, although they are pursuing improvements.

So it may have been an issue with the auditor, but they're not putting in the [banked-upon] improvements in the cost numbers that they put out.

Ashar Khan: Okay. So then can I just ask the process, so they will come in and give you some new backup to the new dates that they've given, right?

I'm assuming that backup you will study with Fluor or Fluor has already blessed that thing or what? So I was trying to see the decision making process, who will be involved? Is it going to be your, the SCANA to say, hey, this is right, not right, or who's going to be part of that decision-making process to whether that schedule is correct or not correct?

Steve Byrne: Yes. So the schedule information that we've received so far has come from Westinghouse. They built that schedule with inputs from Fluor.

So what we would look to do is we would look at both aspects. We would look at the assumptions that Fluor made around things like unit rates, labor hours, labor cost.

We would also then look at how Westinghouse has integrated all of that information into the schedule.

And the last piece is, they've been performing density studies. And with a plant, even a big plant like we're building, there are limitations on how many people you can get into a specific area.

So it's not as simple as understanding that a task now takes 100 hours, if I put 100 people in there, I should get it done in an hour. If the room won't fit 100 people, then you cannot assume an hour.

So we're going to be looking at all of those factors. We'll be looking at it in conjunction with Westinghouse and Fluor. And we will have our folks doing it and then we will more than likely bring in some outside or independent help, and we'll be looking at it in conjunction with our partner, Santee Cooper.

Ashar Khan: Okay. So you will bring some outside help. Okay. I just wanted to kind of -- okay.

And then if I can change track a little bit. Jimmy, this is on the financial results, and I don't know if the slides that you provided us in terms of CWIP and spending, this is the best information that we know right now, of course. Let's hope it comes up pretty close to what it is.

Because your earnings are very formulaic because of the BLRA mechanism, you know, you go in, you get something accepted, it falls into place, you start collecting revenues, it's a very formulaic kind of earnings, you know, you put in the number and the earnings spit out.

So based on the incremental CWIP that you have produced in today's slides, doesn't the earnings and the math provide for earnings growth which would exceed the 4% to 6% range in the next couple of years, just from the math of the CWIP that you have provided?

I mean, that's what the math tells me. I just want to find out whether I'm thinking through that correctly or there is some big hole in the whole assumption.

Jimmy Addison: Our view of the long-term guidance is that it's a view of the CAGR over a three- to five-year period. Any one period might fall outside of that range.

I mean, on the surface of the math for 2017, you have done the math, you can tell that it's slightly above that range. But we're giving you separate guidance for 2017, of \$4.25, with a \$0.10 [band] on each side.

We're giving you a three- to five-year CAGR that we believe falls within that band.

Ashar Khan: Okay. So you can have years where it can exceed it, right? I'm more talking about 2018, and onwards, right?

So what you're saying is, you want to keep the CAGR on a long-term basis, but there could be years where the earnings growth could be higher than what is implied in the CAGR. Am I --

Jimmy Addison: Exactly.

Ashar Khan: -- correct?

Jimmy Addison: You are correct.

Ashar Khan: Okay. Thank you so much and have a nice evening.

Operator: (Operator Instructions) [Chris Melendes] with Wellington Management.

Chris Melendes: Could you tell me specifically what measures Fluor and Westinghouse can take in order to improve efficiency, and your view on their ability to execute on that? Thank you.

Steve Byrne: Yes, Chris, this is Steve. Work packages is one thing. They have been working for some time on improving work packages to make sure that folks that go to the field have what they need and they don't have to stop every time they run into a roadblock. So almost since Fluor took over, they've been working on improving the work packages.

Secondly is, we've hired a lot of folks in the last year. I think Fluor has brought in 1,200, 1,300 incremental over the beginning of the year.

But what we're focusing on now is ensuring that we bring in the right resources. So if I need welders, it doesn't do me any good to bring in fitters, for example. So that's another thing that they're doing.

We're looking at the possibility of changing the requirements on the secondary side of the plant or the turbine island side of the plant, as opposed to the nuclear island or the nuclear side of the plant.

So if I have requirements that are quality requirements that are nuclear grade, I don't necessarily have to apply those same standards to the turbine island or turbine building side.

And to date, the contractors have been applying sort of the same standard across the site. So one of the things that they can do is they can change what the standards would be.

So there's no reason for me to build a nuclear grade turbine building, for example. I need a fossil grade turbine building because it's the same.

And then lastly, one of the things they can do to improve efficiencies is increase their nuclear expertise in the leadership team, particularly where the critical path runs.

And right now, for both units, that's on the nuclear island side. So Westinghouse is going to focus on increasing their leadership team, their nuclear background, particularly on the nuclear island. So that's the containment vessel, the shield building, annex building, auxiliary building.

And heretofore, we've had a lot of folks with a lot of good construction experience, but a little light on nuclear experience. So those changes are taking place now.

Chris Melendes: Okay. It doesn't sound like any of this stuff is insurmountable. It sounds like blocking and tackling.

So am I correct in assuming that you guys feel like efficiency improvements are readily achievable?

Steve Byrne: Yes. I think the improvements that they've laid out to us are certainly achievable. Now, they've got to go out and get the expertise that they're talking about. I know they're at it right now. They're looking at all kinds of options, and we are encouraging to include all kinds of options, including the possibility that we'll have Toshiba resources on the site.

So perhaps folks from Japan that are actually doing work in the field particularly on the trailing unit. So we're welcoming all of those changes.

Chris Melendes: Okay. Thanks for the time.

Operator: Dan Jenkins with the State of Wisconsin Investment Board.

Dan Jenkins: So going back to the critical path, I notice on your release on page 7, of the latest quarterly report, you lay out kind of what the current critical path items are.

But I was wondering if you could give us like what the timeframe is for those items, like the -- are those -- what's the date for those items to be completed?

Steve Byrne: Dan, for each unit, we run generally a primary, a secondary, and a tertiary critical path. It's a series of activities that will culminate in finishing the units.

And as an example, when we were talking a year ago, probably even six months ago, the critical path for first unit, Unit 2, was the shield building activity. So that was all of the activities, procurement of shield building panels, delivery, installing them, filling them with concrete, and then moving incrementally up in the shield building.

The shield building has now moved off critical path and that now runs through activities inside of the containment building.

So the focus is really shifting more towards what we think it ought to be. So when we say the focus for Unit 2 has shifted into the containment vessel or the containment building, what we're talking about is things like setting of steam generators, reactor vessel, reactor [coolant] piping, the pressurizer, all of the things that you would say form the heart and soul of a nuclear plant.

So that's what we mean when we say that the critical path has shifted to containment.

With regard to specific activities coming up and completing, I think you probably saw that we recently completed setting of the reactor vessel. We set the steam generator, one of two steam generators for Unit 2. We set the second ring section for Unit 2. We should set the third ring section for Unit 2, we think in early second quarter.

Number of activities, mostly focus on Unit 2. But the next steam generator for Unit 2. So there's two per unit. We set one. We should set the other one in the second quarter, and the pressurizer should go in, in the third quarter.

So there are a lot of big picture activities taking place yet this year in the next couple of quarters, particularly around Unit Number 2.

Dan Jenkins: Okay. So a lot of key items coming up before midyear, it sounds like then.

Steve Byrne: Yes.

Dan Jenkins: Going back to your financing plan, I was wondering if you can give a little more detail on the timing you expect for 2017, for the financing.

Jimmy Addison: Yes. Dan, this is Jimmy. So we've got estimated around \$800 million there at SCE&G in debt to do this year. And I would expect that probably more than half of that we would do before the middle of the year. So sometime in late Q1 or Q2, we will probably do \$500 million or so of that \$800 million, and the balance late in the year.

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

Operator: Vedula Murti of BlueCrest Capital.

Vedula Murti: Couple things. One, under the BLRA structure and everything like that, I know you guys are sensitive, obviously, to the rate of revenue increases and things of that nature.

If it were mutually desirable for some reason, is it permissible to have deferrals underneath that and then like [we're] carrying charges and then recoup it post-operational types of things and can those types of structures work? In South Carolina are you allowed to do stuff like that?

Jimmy Addison: Vedula, I'd say we've -- I don't know if you're familiar with our 174 tax strategy and the proposed decrement rider. But essentially, that is the way we propose flowing that benefit back to the customer is to help offset some of these rate increases the next couple of years during the peak nuclear construction.

So while we don't see any deferral or lowering of the BLRA amount itself, we intend to kind of protect that process and let it operate as it should annually.

We do anticipate that this tax strategy is going to allow us to offset the real impact on a customer's bill on a real-time basis as we implement those increases.

Vedula Murti: Okay. And secondarily, you mentioned in your opening comments about having the ability to possibly engage in other EPC entity or whatever.

Can you give a sense as to, given where the project is today, how large a universe of companies or vendors you have to evaluate or whatever, so we can kind of think about it in terms of who you feel is capable of stepping in, if need be?

Steve Byrne: This is Steve. I think the universe is relatively small. Obviously, the folks who would be in the driver seat there would be Fluor.

Fluor's a company now that's been on site for about a year. So they've probably got most of the new nuclear construction experience, certainly in this country.

There are other companies in the U.S. that could do it, Bechtel, for example, and probably one or two others. And then around the world, there are a number of companies that have recent nuclear construction experience.

Areva is another company that would come to mind, a French company, but, certainly, they have operations here in the United States and have a U.S. wing. So they could actually do some of this construction.

So there are a variety of options available to us, a number in this country, but worldwide, it's a much bigger field.

Vedula Murti: And also, I think in an earlier question you were talking about the various critical paths, activities that you have coming up here over the first half of this year and going forward.

How close are you guys to getting to the point where the construction project is, like now becomes a more traditional construction project in the nuclear in and of itself is no longer like the defining factor in terms of getting from here to there?

Steve Byrne: Yes. I think we're actually pretty close to that. When you go through any major construction project, you do site prep, excavation. We're through all those. You discover things about the site that perhaps you didn't expect. Well, we're through all of that.

One of our bigger challenges was the procurement as the nuclear supply chain went dormant for many years. We've had to stimulate that again.

But the majority of the major equipment is actually on our site stored, and the remainder of it has been fabricated and some of it's actually on the high seas as we speak.

So I think by the end of the quarter, we'll probably have 90-plus percent of the major equipment on the site.

We're actually starting to accumulate most of the valves, for example. We've got 5,500, 5,600 valves that go into this plant, and I think we've got 5,400 of them at the site.

So from an equipment perspective, we're getting a handle on that.

One of our bigger issues was the initial fabrication facility for structural modules. That was in Lake Charles, Louisiana. That facility was problematic for us for a long period of time.

We have divested ourselves from that facility. So Westinghouse no longer has any modules, structural or otherwise, at the Lake Charles facility.

We have [spun up] other fabricators to handle modules, and those other fabricators seem to be doing a much, much better job of it.

And then Westinghouse had to become accustomed to what it meant to build one of these plants under the combined construction and operating license framework that the Nuclear Regulatory Commission has. We would call that a Part 52 License.

So you really have to construct it as it was designed. So that experience has been painful for the contractor and for us. But that experience has been learned.

I do think that we're going to see quantum leap in productivity for Unit 3, our second new unit. After we finish with the first one, we put the experience into our data bank and then we apply it to the second unit, Unit 3.

So most of those unique new nuclear activities, I think are getting behind us. Now we've got to focus on staffing the plant to the appropriate level with the right resources, bringing in leadership that understands what it takes to build a nuclear project and what the differences are between, I'll say traditional construction and nuclear construction.

So when Westinghouse discusses bringing in additional nuclear savvy resources on the nuclear island, what they're really talking about functionally is a bifurcation of the site such that we apply the non-nuclear standards to the non-nuclear portion of the plant, and certainly Fluor has been very good at that. Even for us, Fluor has built non-nuclear turbines for us. They built gas plants and coal plants and other things for us.

So regardless -- your question, a long-winded answer, but I think we're getting to that point very rapidly where the unique nuclear aspects and unique aspects of this new regulatory framework are getting behind us.

We've had challenges that you probably don't see in construction, even things like getting our operator's license, which is one reason I highlighted it in my comments upfront.

But I would have to say that the Nuclear Regulatory Commission, they've been learning some things. But they are working with us very well to make sure that we have those licensed operators when we need them to load fuel.

Vedula Murti: I have I guess one last thing. It's probably for Jimmy. Have you had any discussions with the agencies in terms of how, perhaps, a more elongated and elevated construction budget and that type of thing might affect ratings or might affect your financing approach going forward?

Jimmy Addison: We have. We've had timely discussions with all three in the last week or so.

And really, an elongated schedule doesn't really have an impact, per se, because of the aforementioned tax strategy I discussed. Our ratios are in pretty good shape and all of them were fairly comfortable with that.

The real issue that they are continuing to watch, like we all are, is just to make sure that Westinghouse is able to deliver on what they've said they will deliver on this week.

The concern that the agencies have is the same ones that we have, which is that if they were to not honor those contracts, what would the potential impact be?

So I would say that's the only issue, not really an elongated schedule.

Vedula Murti: Okay. Thank you very much.

Operator: [Claire Si] with Wolfe Research.

David Paz: This is David. Can you hear me?

Steve Byrne: Hey, David. Go ahead.

David Paz: Sorry to sneak in a question at the end here. But in your long-term growth rate, are you assuming that the ROE on the nuclear project is reset to whatever the prevailing ROE is at that time?

Jimmy Addison: No. David, you might think of it as vintages. So whatever's out there today will stay at the rate that it is. So the vast majority that's in rate base today is at 11%. The most recent increment was at 10.5, the increase that was just effective a few months ago.

And then those prospective, being the first one, would be the one we would file in 2017, would be at the 10.25, and the ones thereafter would be 10.25. But there is no resetting of the prior.

David Paz: So if I understand that then, let's just, hypothetically speaking, 2021, both units are fully in service, the ROEs are more in pieces not getting whatever the prevailing SCE&G ROE is in 2021?

Jimmy Addison: Right. So in the interim period what I described is what happens. At the end, it all goes into general rate base. There is no nuclear and non-nuclear rate base at the end. So it all goes into one rate base pot.

You view that as, you see what the overall earned return is and would, of course, compare that to what the allowed is at that point and would give consideration to whatever the current market conditions are.

David Paz: I understand. So really, some rate case post-2021, assuming everything's in service, that's when you'll have just one ROE, allowed ROE, for your entire SCE&G rate base, including the nuclear units?

Jimmy Addison: That's right.

David Paz: Okay. Great. All right. Thank you.

Operator: Mitchell Moss of Lord Abbett.

Mitchell Moss: Just wanted to get a little clarification on the slide 30, you mentioned in-service dates. And in prior presentations, you've mentioned guaranteed substantial completion dates.

Are those the same? In other words, is the guaranteed substantial completion date now April 2020 and December 2020?

Steve Byrne: Yes. This is Steve, Mitchell. No, the dates are not the same. The guaranteed substantial completion dates is our contractual date, and those are used to start the calculation for liquidated damages.

So if the plants are not in service by the guaranteed substantial completion dates, which are not changed, then liquidated damages would start to accrue.

The Westinghouse numbers that we have put out for the in-service dates, that's when Westinghouse has told us now they expect the plants to be in service.

Mitchell Moss: So, in other words, if it goes sort of as planned from August of 2019, for Unit 2, for instance, from August of 2019 through April of 2020, liquidated damages will accrue?

Steve Byrne: Correct.

Mitchell Moss: Okay. And for the purposes of the regulatory approval, I guess the final regulatory approval, beyond Westinghouse's in-service dates, is there additional testing or timing, anything else before sort of the regulators will give its final seal of approval, I guess, on this?

Jimmy Addison: Are you speaking NRC or state?

Mitchell Moss: State. Yes, under the BLRA, I guess just to say that this project's effectively been completed.

Jimmy Addison: The state regulation, the BLRA, when they grant us the [convenience] and necessity upfront, it includes the right to construct it and operate the plant. So we don't have to have another hearing at the conclusion to have it put into service.

We file a estimate of the O&M costs, the depreciation, et cetera, that goes in in the last BLRA proceeding. But that's not a litigated proceeding.

Mitchell Moss: Okay. But there doesn't need to be any type of an operating performance test for a certain amount of time post the in-service dates, anything like that?

Jimmy Addison: I'm going to hand that back to Steve to talk about NRC perspective, et cetera.

Steve Byrne: Yes. So contractually, if we put the plants in service that means that they have to have passed a performance test. So, yes, they'll not only have completed the plant, we will have loaded fuel, we will have done our start-up testing, but the plants have to be operating at or near 100% for a period of time before they can guarantee -- before they can prove to us that the output guarantee has also been met.

So, yes, the plants will be up and operating at the time they claim substantial completion.

Mitchell Moss: Do you have an estimate about what that period of time is?

Steve Byrne: Well, from fuel load to substantial completion, there's about six months. And when Westinghouse is giving us their in-service dates, that's a substantial completion date.

Mitchell Moss: Okay. And then operating at 100% time, is that after substantial completion, though?

Steve Byrne: Well, no. The substantial completion, they have to demonstrate that the units are performing as they had told us they would perform. So the unit has to actually have been at 100% and they have to run a test to verify that the megawatt output is what they guaranteed it would be at 100%.

Mitchell Moss: Okay. I understand. Thank you very much.

Operator: Ladies and gentlemen, this concludes our question-and-answer session. I would like to turn the conference back over to Kevin Marsh for any closing remarks.

Kevin Marsh: Thank you. 2016, although not without its various challenges, marked another successful year for our Company.

We're very pleased with our underlying economic growth, the operation of our businesses, and our financial results.

We look forward to 2017, and continue to focus on the new nuclear construction project, as well as on operating all businesses in a safe, reliable, and efficient manner.

Thank you for joining us today and for your continued interest in SCANA. Thank you.

Operator: And thank you, sir. The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.