[SCG] - SCANA Corporation 4th Quarter 2014 Earnings Conference Call/Webcast
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Presentation

Operator: Good afternoon, ladies and gentlemen. Thank you for standing by. I will be your conference facilitator today. At this time, I would like to welcome everyone to the SCANA Corporation conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer period. (Operator Instructions)

As a reminder, this conference call is being recorded on Thursday, February 19th, 2015. Anyone who does not consent to the taping may drop off the line.

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

Susan Wright: 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 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 of our new nuclear project. After our comments, we will respond to your questions.

The slides and the earnings release referenced to in this call are available at SCANA.com. Additionally, we post information related to our new nuclear project and other investor relations information directly to our website at SCANA.com. On SCANA's homepage, there is a yellow box containing links to the new nuclear development and other investor information sections of the website.

It is possible that some of the information that we will be posting from time to time may be deemed material in the information that has not otherwise become public.

You can sign up for e-mail alerts under the investor relations section of SCANA.com to notify you when there is a new posting in the new nuclear development and/or other investor relations information sections of the website.

Finally, before I turn the call over to Jimmy, I would like to remind you that certain statements that may be made during today's call are considered forward-looking statements and are subject to a number of risks and uncertainties as shown on slide 2. The Company does not recognize an obligation to update any forward-looking statements.

Additionally, we may disclose certain non-GAAP measures during this presentation, and the required Reg-G information can be found on the investor relations section of our website.

I'll now turn the call over to Jimmy.

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

I'll begin our earnings discussion on slide 3. Basic earnings in the fourth quarter of 2014, were $0.73 per share, consistent with the same period of the prior year. Overall, electric margins increased during the fourth quarter of 2014, versus the same quarter of the prior year, due primarily to continued recovery of financing cost through the Base Load Review Act, or BLRA, and customer growth.

As a reminder, the electric weather-normalization pilot ended in December 2013, and the Company's financial results for 2014 and going forward, are now impacted by abnormal weather in our electric business.

Accordingly, during the fourth quarter of 2014, we estimate that weather had a negative impact of $0.02 on electric margins versus the fourth quarter of the prior year. Additionally, higher gas margins and a slight decrease in the Company's effective tax rate also contributed to the quarter. These increases were offset by expected increases in operations and maintenance expenses and CapEx-related items, including depreciation, interest expense, as well as share dilution.

Please turn to slide 4. Basic earnings per share for the year ended December 31, 2014, were $3.79 per share versus $3.40 per share in 2013. Increases in electric and gas margins, as well as the decreases in the effective tax rate were partially offset by operations and maintenance expenses and higher expenses and dilution related to our capital program.

For the full year of 2014, we estimate weather added $0.21 per share to electric margins versus the prior year.

Now on slide 5, I'd like to briefly review results for our principal lines of business. South Carolina Electric and Gas Company's full-year earnings, denoted in blue, were up $0.41 per share for 2014, compared to the prior year. This was driven largely by increases in electric margins, which were due primarily to abnormal weather, plus the continued recovery of financing costs through the BLRA and customer growth.

Higher gas margins also contributed to the earnings improvement. These increases were partially offset by increases in O&M expenses, expenses related to our capital program, including property taxes, interest expense, and depreciation, as well as share dilution.

For the fourth quarter, basic earnings per share were $0.02 higher than in the same period last year.

PSNC Energy's earnings, shown in red, were $0.39 per share for the full year of 2014, compared to $0.37 per share in the prior year. This increase is mainly attributable to customer growth. For the fourth quarter of 2014, basic earnings were $0.16 per share, consistent with 2013.

SCANA Energy, our retail and natural gas marketing business in Georgia, in green, showed an increase in earnings per share of $0.01 over last year. This is mainly due to increased margins from higher throughput during the first and fourth quarters of 2014.

As a reminder, the increased margins in the first quarter were partially offset by higher commodity prices experienced in serving the incremental volumes and price competition.

For the fourth quarter of 2014, basic earnings per share were also up $0.01 over the same period of 2013.

SCANA's corporate and other businesses reported a loss of $0.03 per share in the fourth quarter of 2014, compared to near breakeven results in the fourth quarter of the prior year. For the 12-month period, these businesses reported a loss of $0.01 per share in 2014, compared to earnings of $0.04 per share in 2013. This change is primarily the result of higher interest expense [at] the holding company due to the accelerated amortization of debt issuance cost associated with hybrid securities that were called at par in early 2015, prior to their maturity.

On slide 6, we have provided two years of historical financial data on the two subsidiary sales we recently announced to assist in updating your models. The CGT transaction closed on January 31st, and the SCI transaction is scheduled to close shortly. To recap, these transactions will generate approximately $650 million of gross proceeds.

Our updated estimate of the net cash available to fund our expansion will exceed $425 million after taxes. I will discuss the plan changes to our financing plans shortly.

I would now like to touch on the economic trends in our service territory. As you can see on slide 7, during 2014, companies announced plans to invest over $1 billion, with the expectation of creating over 7,500 jobs in our Carolinas territories.

At the bottom of the slide, you can see the national unemployment rate along with the rates for the three states where SCANA has a presence and the SCE&G electric territory. South Carolina's unemployment rate is now at 6.5%, and the rate in SCE&G's electric territory is estimated at 5.6%.

At the top at slide 8, you can see the South Carolina unemployment statistics as of December 2014, and 2013. Although the South Carolina unemployment rate only dropped a tenth of a percentage point from the end of 2013, December 2014 marked all-time highs for the number of South Carolinians employed and in the labor force. The nearly 50,000 additions to the workforce represent a 2.4% increase over December 2013 levels.

So in short, the expansion of the economy has clearly motivated many that had removed themselves from actively seeking work back into the workforce.

The December market numbers from the South Carolina Association of Realtors showed increases in new listings, pending sales, and median sales prices, while available housing inventory shrank.

I also wanted to mention, as depicted at the bottom of the slide, that United Van Lines recently released its annual movers study for 2014, which tracks migration patterns state to state. Once again, South Carolina and North Carolina ranked second and third, respectively, in terms of domestic migration destinations, corroborating our realized customer growth statistics. These are all very positive signs for our territories.

Slide 9 presents customer growth and electric sales statistics. On the top of the slide are the customer growth rates for each of our regulated businesses. We continue to see strong customer growth in our businesses and in the region.

SCE&G's electric business added customers at an annual rate of 1.4%. Our regulated gas businesses in North and South Carolina added customers at 2.5% and 2.8%, respectively. Of particular note is the fact that all of these rates accelerated during the year.

The bottom table outlines our actual and weather-normalized kilowatt hour sales for the 12 months ended December 31st, 2014. Overall, weather-normalized total retail sales were up 0.6% on a 12-month-ended basis, driven mainly by strong industrial demand.

We continue to see slightly lower weather-normalized consumption at the residential level, reflecting anticipated energy efficiencies.

Now please turn to slide 10, which recaps our regulatory rate base and returns. The pie chart on the left presents the components of our regulated rate base of approximately $8.9 billion. As denoted in the two shades of blue, approximately 85% of this rate base is related to the electric business.

In the block on the right, you will see SCE&G's space electric businesses in which we are allowed a 10.25% return on equity. The earned return for the 12 months ended December 31st, in the base electric business is approximately 10%, meeting our stated goal of earning a return of 9% or higher, to prevent the need for non-BLRA-related base rate increases during the peak nuclear construction years. We are very pleased with the execution of our strategy.

Continuing down the page, on our new nuclear business, we are allowed an 11% return on equity. As you may recall, the Public Service Commission of South Carolina approved our 2014 request for revised rates under the BLRA, which had an incremental CWIP of approximately $561 million to our rate base and increased rates by approximately 2.8% in November.

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 within a reasonable range of those returns.

As a reminder, in November, SCE&G's gas business implemented a $2.6 million revenue reduction as a result of the Rate Stabilization Act.

Slide 11 presents our CapEx forecast. This forecast has been updated to reflect our most current CapEx projections for 2015 and 2016, and is now inclusive of our 2017 estimates. Note that this forecast excludes CGT and SCI, as the sale of CGT has been completed and the transaction for SCI is expected to close by the end of this quarter.

Also, this forecast reflects the Company's current estimate of new nuclear spending through 2017, which is updated from what was filed in our quarterly BLRA report. The data in the BLRA reports are limited to the last approved order by the Public Service Commission of South Carolina and are not always consistent with our new nuclear CapEx expectations.

This forecast more accurately aligns itself with our anticipated project spending over the next three years as it relates to the schedule delay.

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

Now please turn to slide 12. To summarize our financings for 2014, on May 27th, SCE&G issued $300 million of 50-year bonds at 4.5%. On the equity side, we issued approximately $100 million from our 401k matching and DRIP plans.

Looking forward, we revised our estimated financing plan through 2019. 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 changing in our funding needs for planned project expenses.

This plan contemplates both the estimated delays in the timing of the disbursements related to the new nuclear project, as well as deployment of the proceeds from the sale of the subsidiaries.

As mentioned in our press release, the plan is to use the cash proceeds, net of taxes, from the sale of the subs to displace equity issuances. However, until we can fully deploy the proceeds for that purpose, we're taking advantage of this infusion of cash.

Earlier this month, SCANA redeemed in advance of maturity, at par, it's $150 million 2009 Series A 7.7% enhanced junior subordinated notes. In addition, we have delayed long-term debt issuances and are reducing our short-term borrowings.

We also turned off the issuance of new shares to supply our 401k and DRIP plans earlier this year, and anticipate delaying the need for any additional equity issuances until 2017. We don't currently project the need for any additional equity beyond the new shares provided by the use of 401k and the DRIP plan, which we will turn on as needed.

Overall, we continue to adjust the financing to match the related CapEx on a 50/50 debt and equity basis. Obviously, the construction delay has slowed expenditures, but they were also significantly reduced by lower-than-anticipated escalation. The delay is a matter of timing, but the escalation on those components already received or completed will result in permanent savings. Any change in the amount or timing of the new nuclear cost would obviously result in a change in this plan.

I would now like to discuss our 2015 earnings guidance and related assumptions as shown on slide 13. First, as you can see on the top left of the slide, we are resetting our base year for our long-term GAAP-adjusted average annual growth guidance of 3% to 6% over the next three to five years, off of 2014's GAAP-adjusted weather-normalized EPS of $3.58 per share.

Our 2015 operating plan, exclusive of the aggregate gains on the sale of the two subsidiaries, would have resulted in $3.74 per share. However, we project the 2015 earnings will be negatively impacted by $0.04 per share due to the short-term impact of these two sales.

While these transactions are expected to yield approximately $0.04 per share of accretion on a long-term basis, all of the proceeds can't be efficiently deployed in the short run to displace equity needs. As such, we believe there will be downward pressure on 2015's expected earnings, which is considered in our guidance.

Therefore, our 2015 net internal target for GAAP-adjusted earnings is $3.70 per share. Our GAAP-adjusted earnings per share guidance is $3.60 to $3.80 per share. But due to the cyclical nature of our business, we expect to earn approximately 30% of this amount in the first quarter, approximately 25% in each the third and fourth quarters, and the remaining 20% in the second quarter.

In computing this guidance range, we have included the impact of a base rate increase from our nuclear filing under the BLRA, the 2014 gas RSA filing, and our view of the economy. This guidance also incorporates the CapEx and financing plans we presented earlier.

We continue to assume customer average use of electricity will be slightly lower this year, as energy efficiency trends continue to work their way into the market. We anticipate overall weather-normalized retail electric sales growth for 2015 to decline by approximately 0.6%. We forecast electric customer growth to be similar to 2014.

Operation and maintenance expenses are expected to be relatively flat in 2015 compared to 2014 actuals.

Our effective tax rate for 2014 was slightly less than 32%, and we estimate the rate for 2015, exclusive of the taxes on the gains of the sales of the subsidiaries, will be approximately 31%.

Hopefully, this will provide you with a line of sight into our view of 2015, as you update your models.

Finally, I will mention that earlier today we announced an increase in our annual dividend rate for 2015 of $0.08, to $2.18 per share, a 3.8% increase. The results of 2014 and confidence in the long-term strategy were key considerations.

We continue to anticipate growing dividends fairly consistent with earnings while staying within our stated payout policy of 55% to 60%.

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

Steve Byrne: Thanks, Jimmy. I want to begin by recapping the preliminary new nuclear construction schedule and cost information we received from the Consortium.

As described last week in our quarterly BLRA update filing with the Public Service Commission of South Carolina, the Consortium has indicated the substantial completion date for Unit 2 is expected to occur by June of 2019, and the substantial completion date for Unit 3 may be approximately 12 months later.

We are continuing our discussions with the Consortium in order to identify potential mitigation strategies to possibly accelerate the substantial completion date of Unit 2, to a time earlier in the first half of 2019, or to the end of 2018, with Unit 3 following approximately 12 months later.

As Jimmy previously mentioned, we are in the midst of a negotiation process with the Consortium and we cannot predict when the revised schedule and cost estimates will be resolved. Further, neither SCE&G nor Santee Cooper has accepted the new preliminary schedule or financial responsibility associated with these delays.

We anticipate filing a petition requesting an adjustment to our current capital cost and construction schedules with the Public Service Commission [for] the end of this quarter. Under the BLRA, the Public Service Commission would then have six months to issue its order.

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

On slide 14, you can see an aerial photo of the site from December. I have labeled both Units 2 and 3, as well as many other areas that make up the construction tabletop. As you can see, progress continues to take place on the project.

Slide 15 shows where some of the module fabrication has been moved from CB&I's Lake Charles, Louisiana facility to various other venues in the United States and Japan. Fabrication of the CA-03 sub-modules continues at the SMCI facility in Florida. Newport News Industries in Virginia is fabricating and continues to ship shear building panels to the site. Oregon Ironworks and Toshiba IHI Corporation are the principal fabricators for Unit 3's CA-20 and CA-01 sub-modules, respectively.

On slide 16, you can see a picture of the Unit 2 nuclear island. In this picture, you can see module CA-20, 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 as they are coming up to what we call elevation 100, which is about 35 feet above the base mat.

Once elevation 100 has been reached, work will begin at the annex building, which will house the electrical switchgear for the plant.

Slide 17 shows a schematic of the module inside the containment vessel. And here you can see the locations of modules CA-01, 02, 03, and 05, which we'll further discuss shortly.

Slide 18 has an exploded view of CA-01 through 05, showing where they fit spatially inside the containment vessel.

Slide 19 shows a recent picture of Unit 2 module CA-01. CA-01 houses the steam generators, the pressurizer, and forms a refueling canal inside the containment vessel.

We currently have all 47 sub-modules on-site, and 34 of those sub-modules are upright and being assembled in the module assembly building, or MAB.

Slide 20 is a shipment from Yokohama, Japan, of the first Unit 3 CA-01 sub-module fabricated by [Koshuba], which should be on-site in early March.

Slide 21 shows pictures of the Unit 2 module CA-05. This module comprises one of the major wall sections within the containment vessel. On the top right, you can see module CA-05 inside of the tent where the final [wells be] prior to placement. On December the 6th, 2014, this module was lifted with the heavy lift derrick, as seen on the left-hand side of the slide, and placed in the containment vessel, as seen on the bottom right-hand side of the slide.

On slide 22, you can see an aerial picture with a good view of the containment vessel rings that are currently being fabricated for Units 2 and 3. As you can see on the bottom right, the Unit 2 containment vessel, ring one, has been placed on top of the containment vessel lower bowl and ring two is complete and will be set after placement of structural module CA-01.

Across the top of the picture, you can see three other containment vessel rings that are in the process of being fabricated for Units 2 and 3. Each unit has a total of three ring sections.

In addition, the steel for the Unit 2 containment vessel top closure head is also on-site.

Slide 23 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 continue to take form.

On slide 24, you can see an aerial picture showing the four low-profile forced-draft cooling tower. Cooling towers 2 Alpha and 3 Alpha are both structurally complete, and you can see the progress continuing on 2 Bravo and 3 Bravo.

On slide 25, you can see one of the two steam generators for Unit 2 that arrived at the construction site in January. The component was transported from the Port of Charleston by rail on a specifically designed Schnabel car. This steam generator weighs approximately 1.3 million pounds. It's about 20 feet in diameter, and it's almost 82 feet long.

Slide 26 shows shear building panels for Unit 2. The shear building surrounds the containment vessel. These panels will be welded together and concrete will be poured inside the panel to create the shear building. On the left you can see one of the panels up close.

On the right, you can see the [lay-down] yard where we have begun receiving the panels. We currently have received 44 of the 167 Unit 2 panels that are provided by Newport News Industries.

I want to also briefly mention the eight-inch explosive or squib valves, which are a key component of the passive safety system of the AP1000 design. They recently passed a series of engineering tests to determine if they will properly operate under extreme conditions such as high pressure and temperature. This is great news for the project, as it prepares the valves for testing to qualify them for submergence.

On slide 27, you will see the new nuclear CapEx actual and projected over the life of construction. This chart also reflects our Company's current actual and estimated new nuclear CapEx during the years 2008 to 2020, which, as Jimmy previously discussed, is updated from what we filed in the latest quarterly BLRA report.

As you can see, the next several years are the peak nuclear construction period. The green line represents the related actual and projected customer rate increases under the BLRA, and is associated with the right-hand axis.

As a reminder, 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 28. As mentioned in our third-quarter call in September, the Public Service Commission approved a rate increase of $66.2 million. The new rates were effective for bills rendered on or after October the 30th.

Our BLRA filings for 2015 are shown at the bottom of the slide. And as you can see, we recently filed our quarterly status report for the fourth quarter.

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

Questions and Answers

Operator: We will now begin the question and answer session. (Operator Instructions) At this time, we will pause momentarily to assemble our roster. Andrew Weisel from Macquarie Capital.

Andrew Weisel: For Steve, if I heard you correctly, you said that you'll be filing with the Commission the updated schedule by the end of the first quarter. Is that in relation to missing the milestone with CA-03 at Unit 2 or is that a function of your expectation that you'll reach a settlement with the Consortium by then or both? Are those potentially two separate filings? What's the strategy around that?

Steve Byrne: Yes. The filings really are to update the cost and the schedule. I do not anticipate, at this point in time, that we will have a settlement with the Consortium when we file the -- when we update the petition by the end of the quarter. I could be surprised, but I would not anticipate that happening.

Andrew Weisel: Okay. So then what happens if you're in the midst of a review of the already [seen delays], when you reach a settlement? Could that settlement be merged into the same review? Would you have to have a second review?

Steve Byrne: No, I would think that it would be -- everything will depend upon timing. But we will file a petition, we will have some period of time to generate testimony. We'll then have a formal hearing a few months later and then it's six months from the time we file, the Commission has to render their opinion.

So it depends on when it would happen in that process. So obviously, if it were to happen before we went to a hearing, we could amend the filing or the petition.

Andrew Weisel: Got it. Okay. Then my other question was, you mentioned the goal to stay out of rate cases during peak construction. Now that the peak construction is pushed out a few years and goes through 2017, is that still the hope, to avoid a non-nuclear rate increase through 2017?

Jimmy Addison: That remains our goal.

Andrew Weisel: Okay. Great. And one last one. When I look at the CapEx schedule you provide in the slides for new nuclear, I compare that to the appendix two of the BLRA, and they're usually pretty close. This time it seems like the CapEx numbers are more different than normal. Is there anything unusual going on between those two?

Jimmy Addison: Just timing, Andrew. So we've just been pulling this all together very real time. And at the time we filed the BLRA last Friday, we knew that we would end up with different information today that will be fairly similar, we think, to what we file in the update filing Steve mentioned.

But we footnoted that in the BLRA that those items will be changing in the near term. So it's just kind of the timing of everything.

Andrew Weisel: So the numbers in the slides are the more up-to-date ones?

Operator: That's exactly right.

Andrew Weisel: Great. Thanks a lot.

Operator: Jim von Riesemann from Mizuho.

Jim von Riesemann: Quick question for you. In the press release, you talk about the interest savings on the nuclear project. Am I thinking about --

Jimmy Addison: Right.

Jim von Riesemann: -- this correctly, that you have roughly $1.2 billion in potential interest rate savings versus the original project cost? So if that stays on plan, and let's assume a worst-case scenario where the $660 million construction dispute goes against you, the entire thing, so that's a real worst-case basis, does that mean you're still under the original project cost and you're going to wind up -- and the customers are not going to be impacted in any way?

Jimmy Addison: Well, appreciate the question. And this is really the first time we've emphasized those interest savings. So we were really trying to clarify some misunderstanding, some in the financial markets and some in the local area here where folks really weren't understanding the escalation savings.

So we're projecting, as you know, in the BLRA somewhere around $575 million of lower escalation today than when we originally started the project. And sometimes that had been confused with lower financing costs. That lower escalation is just lower escalation on the actual [labor] and modules, et cetera, associated with the construction. It has nothing to do with the financing cost.

So what we put in the press release is our estimate of the estimated savings over the tenor of the bonds that we have issued and those that we have locked in, the savings that would occur over the life of those. So they're really two different matters.

As far as your real question about would the $660 million be offset by the $1.2 billion, I'd say it'd really be offset dollar for dollar by the escalation savings because those are more in today's dollars. The $1.2 billion are savings to occur over the future of the bonds, some 30-plus years.

Jim von Riesemann: Got it. Thank you. That's all I had.

Operator: Ashar Khan of Visium.

Ashar Khan: Can you just follow through a couple things on earnings? You had mentioned, Jimmy, in your remarks that deal would be accretive by about $0.04 by the time you apply the proceeds. So will that have happened by 2016 or 2017?

Jimmy Addison: We project it will have happened by the end of 2016, based upon the current projected equity needs to finance the project. Of course, that's somewhat dependent upon the pace of the project and the construction expenditures. But it will not have happened by the beginning of 2016. We're comfortable it will have happened by the beginning of 2017, more likely sometime during the year.

Ashar Khan: So that means as we look at 2015 to 2017 earnings, there will be like an \$0.08 shift, \$0.01 to \$0.04 dilution going away, and then by 2017 year, a \$0.04 accretion coming. Am I --

Jimmy Addison: Correct.

Ashar Khan: -- thinking through that correctly?

Jimmy Addison: Correct.

Ashar Khan: Okay. Secondly, you had mentioned that the new schedule that you have presented, right, the schedule under which the new CapEx in the forecast, under this schedule, the rate at -- unit number one comes online towards the end of 2019, and unit number two, 12 months later. That is the basis of the projections you are providing us today. Is that correct?

Steve Byrne: Ashar, I think what we said was that the projection from the Consortium that's constructing the plant is that the first unit, Unit 2 will come online about 2019. So we got a June 2019 date on that.

Ashar Khan: Right.

Steve Byrne: Still working on mitigation strategies to try to pull that forward.

Ashar Khan: Yes. But what you have given us today in the slides assumes the mid-June of 2019. Is that correct, what we have in front of us today?

Jimmy Addison: Yes. Steve was just clarifying. In your question, you said the end of 2019. He's just clarifying mid-2019.

Ashar Khan: Mid-2019, okay. And can you just, Steve, I just kind of get mixed up. So this new schedule which you're presenting, how much extra cost does this have versus what was in the previous presentation?

Steve Byrne: There isn't any increased cost over what we presented previously. Now, remember, we presented a range previously and we said, first half of 2019 was the tail end of the range. So we're quoting numbers now that are at the tail end of that range that we quoted last time.

But the numbers that we quoted before that the Consortium is asking for, and I think we gave our 55% share of that at about \$660 million, that number is not changed. Also remember though, that does not include owners' costs or escalation. That was referencing 2007 dollars.

Ashar Khan: And so those increased costs are not part of these projections yet? Or are they?

Steve Byrne: Yes, what the Consortium feels like they're entitled to are not baked into the numbers. So if you take the $660 million --

Ashar Khan: Okay.

Steve Byrne: -- we may have taken some portion of that and included them in the projections, but certainly not all of them.

Ashar Khan: Okay. So you have taken your own rough as to what you're responsible for, and you've concluded that. And the remaining you have left open, which you think are not responsible for in these numbers?

Steve Byrne: That's fair, yes.

Ashar Khan: Okay. And that is the forecast that you're going to present to the Commission in about five weeks time?

Steve Byrne: Yes. By the end of the quarter, we'll present to the Commission. We haven't nailed down exactly what we're going to present to the Commission yet. So I wouldn't say that what you're seeing in these projections is exactly what we're going to present to the Commission.

Ashar Khan: Okay. That's fair enough. And then, if I can just kind of like end up with is that when, is it by the middle of the year or is it towards the second half of the year that we can expect some kind of a settlement, the timing?

Steve Byrne: Yes. Ashar, I would love to be able to tell you that. But things are going slow. The good news is that we're still talking. We're still going back and forth, but they are going a lot slower than I would have anticipated. So I'm a little leery to forecast that it would happened by the end of a certain quarter right now.

Ashar Khan: Okay. Thank you so much.

Operator: Michael Weinstein of UBS.

Michael Weinstein: Couple of questions. Southern recently gave their estimate of owners' costs, including financing costs on a monthly basis. I'm just wondering if there's any chance that you guys might provide that as well.

Jimmy Addison: You're looking for -- they quoted, I think two things. One of them was burn rate for owners' costs and another one was for financing costs. On the owners' costs, I think you can assume we're very similar to them. The financing costs, however, their structure in Georgia, their contract, the way they finance is a little different than the way we're financing. So I don't think you can make the assumption on financing costs.

But on the owners' cost, the burn rate that they quoted, you could use roughly the same numbers for us.

Michael Weinstein: All right. Thank you. And also, on a separate topic, the South Carolina Distributed Energy Resource Program, is there any opportunity for you guys to participate in solar build, regulated solar build in South Carolina?

Jimmy Addison: Yes, there maybe some opportunity. That's all being sorted out now. There's some process in front of the Commission at this time. So there may be some opportunity in there, but it's really -- that's limited.

The whole legislation is aimed for South Carolina, as a state, to get some good experience with renewables, not just solar, but with renewables in general. And the goal is for -- or the requirement, really, is for 2% to be -- 2% of our generation to be in distributed, 1% in utility, 1% in customer scale by 2020. So, and we think those are a challenge to get done, but we think we will get them done.

But there may be a small opportunity for us to participate in it. I expect there will be, but I don't think it will be material to our financial results.

Michael Weinstein: Okay. All right. Thank you so much.

Operator: Travis Miller of Morningstar.

Travis Miller: Question back on this filing that you're talking about in here by the end of the quarter and the timeline elements. The cost thing I can understand, you want recovery, et cetera.

The timeline thing, is this more of a notification to the Commission that the timeline is different than originally approved? Or is there some implication here in terms of regulators looking at that timeline, it's outside of what was originally approved and, therefore, something happens? And I would think worst case, something like a per-day fine or something like that.

Does the schedule part of it being outside of that original approved bands, have any implications?

Steve Byrne: Well, this is Steve. The implications are we have to go through a formal hearing process, which is what the application that we would file by the end of the quarter kicks off. So in between then and six months later when an order has to be issued, we'll have a hearing.

In that hearing, we'll have our opportunity to explain what happened with Public Service Commission. It would have to really be imprudent before they would deny it and impudency on the part of us, the utility, which I think would be very difficult for anybody to prove.

We have done this once before, so we've asked for a re-baseline of our schedule [once] in the past, and that was approved by the Public Service Commission by a 7-0 vote.

Travis Miller: Okay. So if they did rule impudency based on the schedule delays, then that would go into the cost side and potential recovery or not recovery. Is that fair to think about, like a gating factor, so to speak?

Steve Byrne: I'm not sure it would be a gating factor. I'm not sure exactly what they might do with it. I don't think it would be fair to assume they would just say no.

But it is a hearing process and we will have to make our case for why the schedule extension is reasonable, which, certainly, we think we can make. But we'll be asking for what we pointed out today, so those new schedules.

So this is our opportunity to explain that to the Commission, because we're not allowed to have conversation with them outside of the formal hearing or an ex parte briefing process.

Jimmy Addison: Travis, let me just add that, I guess this is obvious to everyone, but what we'll be presenting is the future, not what's occurred behind us. So this is about permission, not about asking for forgiveness.

Travis Miller: It's a good way to put it, yes. Thank you very much. It was very helpful.

Operator: Paul Patterson of Glenrock Associates.

Paul Patterson: Most of my questions have been answered. But just to refresh, you were talking to Ashar about this. The accretion associated with the asset sale, you can have a negative $0.04 now, and then you're going to have that reversed, and then you're going to have an accretion of $0.04. Is that correct?

Jimmy Addison: That's correct. And maybe I could just summarize another way. One strategy we could have deployed is to take all the cash, go out and buy back shares today. And if that had happened, we would project the earnings for 2015, would have been $0.08 higher, not $0.04 lower, but we would have been back to the $3.74, plus $0.04 because of the accretion.

We didn't think that strategy made a lot of sense, given the valuation of the industry sector, given prices of stock today, to go out and buy shares today and then go sell shares again 12, 18 months later. But just to try to clear that up, I thought I'd walk through that.

Paul Patterson: Okay. Thanks. And then on top of that, just an aside, the sales growth you guys are projecting is negative 0.6% on a weather-adjusted basis. Is that correct --

Jimmy Addison: Yes.

Paul Patterson: -- for this year? And now, are you talking about the similar customer growth that you guys had in the past? Is that right?

Jimmy Addison: Yes.

Paul Patterson: Okay. And then going forward, I mean, I know it's a crystal ball kind of question like a lot of these are. But what do you think longer term, what do you think the state of growth would be, sales growth for you guys?

Jimmy Addison: Yes. That's really addressed in our IRP. And we expect something just over 1.5% net. So a gross would be closer to maybe 1.8% or 2%, less energy efficiency and demand-side management, will be something around 1.6%, 1.5%.

We'll be filing another update to that in a few weeks, but we don't expect a significant change on our net basis from what we filed last year.

Paul Patterson: That's a pretty significant change on a weather-adjusted basis. Is that --

Jimmy Addison: It is.

Paul Patterson: Okay.

Jimmy Addison: It is. And a lot of that's really being driven by industrials, number one, and, number two, by these energy efficiency standards really working themselves through the pipeline over the next two to three years.

So we feel like that's been going on for two or three years historically, and will occur another two or three years. So the view I just gave you, on the longer term, is a 15-year view.

Paul Patterson: I got to. So we probably are going to have, for the next three to five years -- or two to three years not much -- it's probably going to be pretty anemic growth, I guess, right, outside of industrial, perhaps?

Jimmy Addison: Exactly.

Paul Patterson: Okay.

Jimmy Addison: Especially residential and commercial.

Paul Patterson: Thanks so much.

Operator: Jonathan Reeder of Wells Fargo.

Jonathan Reeder: Just want to make sure, going back to Ashar that I fully understand what's in the 2015 to 2017 new nuclear CapEx forecast.

So that reflects mid-2019 and mid-2020 online dates and, perhaps, some sort additional cost responsibility of that $660 million amount that you previously cited. Is that correct?

Jimmy Addison: Well, on the dates portion, yes. On the $660 million, most of what is in here incrementally relates to our owners' cost, that roughly $10 million a month or so that Steve discussed earlier, as well as some escalation on that owners' cost, as well some minority of the $660 million that we feel like is fairly clear cut that the Consortium would be entitled to. But the majority of the $660 million is not in these revised numbers.

Jonathan Reeder: Okay. And then because you're now assuming that June kind of -- or mid-2019 date, is that why you kind of tweaked the language a little bit in the BLRA filing, saying about the June, or should we be thinking it's any less likely that you could potentially mitigate some of that schedule delay at this point?

Jimmy Addison: I think we're being fairly realistic. There are some things that we can yet do to accelerate deliveries of modules that we are going to do and we bake that into what we're assuming would be additional cost for us. So that's already in those numbers.

Some of what you see is a spreading for a couple more periods or a couple more years to reflect these new June and June substantial completion dates or completion dates. Again, we haven't accepted them yet. The Consortium is still working to try to improve those. So we're going to exhaust every effort to try to improve those dates. But what we intend to go forward with is the June, the June dates.

Jonathan Reeder: Okay. It's fine just going forward with that, it will just give you more flexibility in terms of moving forward with the project. Is that the way to kind of think about it?

Jimmy Addison: Correct.

Jonathan Reeder: Okay. And then last question. Steve, if you could go into a little bit of detail, like what was going on at the SMCI facility in Florida? Are there issues down there that I guess you felt the need to put a person on the ground monitoring it?

Steve Byrne: Yes, we think we've seen some benefit from putting somebody on the ground at the Lake Charles facility. And so we wanted to do it a little earlier at the other facilities. So we have put somebody at the SMCI facility, but we're also putting people at other facilities.

So we either have done or will shortly have somebody at the N&I facility in Virginia and we either have done or will shortly have somebody at the Oregon Ironworks facility out in Oregon, in Portland.

So we just think that's an important part of oversight going forward so we don't repeat the mistakes that were made at Lake Charles. And so that kind of thing does add to owners' cost. So when we say we're adding costs, those costs are in what we're forecasting going forward as well and we'll ask for from the Commission by the end of the quarter.

Jonathan Reeder: Okay. So it's just kind of what you see as a best-practice-type thing and we shouldn't necessarily be concerned that, I guess there's something going wrong down there right now that could be a potential hurdle down the road?

Jimmy Addison: I'll view the putting the residents in place is really a -- it's prudent for us.

Jonathan Reeder: Okay. Thanks.

Operator: Andy Levi from Avon Capital Advisors.

Andy Levi: Just a few questions on the nuke side. Just on the $660 million, that's in 2007 dollars, is that what you're saying? I know you said that before, but I just want to make sure that's --

Steve Byrne: Yes, the $660 million that we got from the Consortium was all referenced in 2007 dollars, because that's when our contract was referenced in.

Andy Levi: So is there a way to kind of figure out what the real number is?

Steve Byrne: Well that's the way they gave us the number. So you'd just have to escalate it from there to get to a present-day number. But we haven't done that yet and we haven't reported on that yet.

Andy Levi: Okay. And then, what's the mechanism to fight or recover these costs, I guess, unrelated to the BLRA? So if you don't want the ratepayers to pay for it, how do you get the money?

Steve Byrne: Well, the first thing we could do is --

Andy Levi: Or not pay the money or how does it work?

Steve Byrne: Yes. So the best way to get the money back is not to pay it in the first please. So the contract has in it dispute resolution provisions. But we're trying to negotiate outside of that right now. And if that were to fail, then contract provisions would kick in.

But it's, basically, it's mediation, arbitration, then litigation. And so our last guess will be to get to litigation. Not saying we won't get there. But we're going to try and negotiate first.

Andy Levi: And then if you do go the litigation route, if it ends up getting that far, you would withhold paying at some point or a portion? Or do you have like certain thresholds that you need to kind of pay as you go?

Steve Byrne: There are contractually some thresholds that we would have to pay for disputed costs. And then there's other category of things that we just don't think there's any entitlement to, which we would obviously want to withhold.

Andy Levi: Withhold, okay. And that would be to the Consortiums, whether it's Westinghouse, CVI, or Toshiba, that's who we're talking about? Or is it only to a certain entity?

Steve Byrne: No, we get billed by the Consortium and we pay the Consortium. So they act as an entity, one entity.

Andy Levi: Got it. Okay. Thank you very, very much.

Operator: (Operator Instructions) Michael Lapides from Goldman Sachs.

Michael Lapides: Just want to make sure I understood one thing. I got a little bit confused when the discussion came about you including or not including part of the $660 million.

The thing I want to make sure is, is the number, the total number in the CapEx slide that you're showing today, is that a bigger number than what you showed in the prior quarter slide or is the exact same number?

Jimmy Addison: Well, I think what you're looking at is a three-year look at CapEx. And if you look at the three-year period, the numbers or very close. They're different though in every year, so we've moved the costs around. And what you don't see in the three-year look is the expansion out for a couple more years.

So now, instead of running through 2018 or 2019, we're now running through 2020. So in the three-year look, you don't necessarily see that.

So what we've included in the capital forecast going forward would be where we see the normal construction process and our payments based on the Consortium achieving milestones, and we've added what we're estimating for increases in owners' costs and change orders that we would not dispute.

There are some things like cyber security. Cyber security rules were not around when the contract was negotiated. They've changed, so we have to account for that. So we wouldn't necessarily dispute the fact that we have to pay for cyber.

And so that would be an example of a change order that we will include in the filing we've got coming up. So to the extent that those costs will be in those next three years, that's in what you're seeing.

And we've included a number for escalation on our owners' costs, and we have taken what we would call a minimal amount of entitlement. So of that $660 million, there's a portion of that, that we said, yes, we probably would not dispute that. So we've included that in the costs. But not to bias my negotiating position, I'm not going to say exactly what that is.

Michael Lapides: Got it. Right. But if I look at the slide at the end of the presentation where it has the full cycle of CapEx through completion, in that slide, the number is a number that you've showed in the prior -- and it's just in the out years where that changed?

Jimmy Addison: That's right, Michael.

Michael Lapides: Okay. When you file at the Commission, if you don't have a settlement with CBI and Westinghouse, what is it you're exactly filing? Are you just filing for an extension based on the new schedule or are you filing for some other type of waiver or approval?

Jimmy Addison: No. We're going to file based on a schedule that reflects the June of 2019 and June of 2020 dates. And then we will also file for additional capital cost based on what we know.

Michael Lapides: Okay. And right now, do have a full, from the vendors or from the Consortium, integrated project schedule that takes you through completion?

Steve Byrne: Yes, I've got a schedule that takes them through completion, yes.

Michael Lapides: Got it. Okay. And that date is the June 2019? They've given you a full IPF, and now it's a question of what can be mitigated off of the IPF?

Steve Byrne: That's correct.

Michael Lapides: Okay. Thank you, guys. Much appreciate it.

Operator: (Operator Instructions) Andy Levi from Avon Capital Advisors with a follow-up.

Andy Levi: I apologize. I should have asked these questions to begin with. Just kind of compare notes like from Southern Company and all that, just to understand, the way their contract's written, again, this is me talking, not them talking, and just also understanding speaking to Westinghouse and to CBI, that if the delay is a regulatory delay, meaning it's caused by the NRC, theoretically, the plant owner is the one who pays for it in Southern's case. Is that also the case with you guys?

Steve Byrne: Yes. And our contract has traditional change order-type language. So a force majeure event would trigger change orders. Certainly, if it was a change in the regulation, then they would be entitled to a change order.

And a good example of that would be cyber security. The regulation changed, so we've amended the contract to account for that, and it will cost us a little bit more for cyber security.

Where we would, perhaps, differ with the Consortium is their interpretation of what's called a regulatory-driven change. And we would not accept that that's a change in the regulation. So we are at odds over that topic.

Andy Levi: Okay. So, but I guess I'm just talking about whether the issues at Lake Charles, again, it's a matter of opinion or whatever the delay is, if it's a delay that, in their eyes, was caused by the NRC, theoretically, in their eyes, you would be on the hook for that? Again, you may dispute that and be very correct in disputing that. But that's kind of how it works, right?

Steve Byrne: That's correct.

Andy Levi: Okay. And then Kevin talked about liquidated damages and that they'd be kind of looking to recover those. Is that kind of your position as well?

Jimmy Addison: Yes.

Steve Byrne: Yes, our contract has in it liquidated damage provisions. And I think whenever we've done releases or BLRAs and we've talked about numbers, we've pointed out that those are not yet net of liquidated damages.

Andy Levi: Got it. And you haven't put a number on those liquidated damages, right?

Steve Byrne: We haven't, no.

Andy Levi: Okay. And then a non-nuclear question I have, and this is for Jimmy. Just on your guidance that you gave, what's the midpoint -- or what's the sales growth assumption there to get to the midpoint of your CAGR?

Jimmy Addison: So of customers or retail load, retail sales?

Andy Levi: Retail. Retail sales.

Jimmy Addison: Yes, it's actually negative 0.6%.

Andy Levi: Okay. Got it. Thank you very much, guys.

Operator: Follow-up from Ashar Khan from Visium.

Ashar Khan: Jimmy, could you just -- this is something new, which I guess Street hasn't focused on. So could you just outline the savings, cost escalation savings that you mentioned in the beginning? What did they arise from? And I forget now, which dollar numbers are they and which year's numbers are they? Are they present days numbers or are they -- could you just explain to me again those savings, escalation savings that have occurred over the period of time? Could you?

Jimmy Addison: Yes. So to make sure I don't further confuse this, let me go back. So what we've been presenting in each BLRA would be the total projected cost each time we filed the report each quarter for our 55% share. And we originally, of course, were approved for $6.3 billion in total future estimated cost. And our current projections are just over a $0.5 billion dollars less than that, about $575 million less.

All of those reports, to date, have been focused on the lower escalation. If you will, the lower inflation during the construction period that the Consortium was entitled to bill us for based upon publicly available inflation indices associated with the construction.

What we put in our press release today has nothing to do with that. That is the financing cost. Once the Consortium bills us, with whatever the escalation is, how do we go out and finance it on the debt side?

So the equity side's fairly straightforward, 50% of it we finance at equity through the BLRA and 11% ROE. The 50% that we finance with debt, we're doing with first mortgage bonds. We had originally estimated in our BLRA filing, based upon our embedded cost of debt at the time, a debt cost of about 6.4%, whereas, overall, we issued bonds at slightly under 5% life to date on the project. And all of those are fixed rate bonds.

And so what we've disclosed is we estimate that the savings on those over the life of the bonds will be $700 million, about $20 million a year. And then, additional bonds that we expect to issue in the next two years that we've already hedged the rate on, we estimate to save another, $525 million on those over the life of those bonds.

So that's the $1.225 billion in interest savings that we expect to occur over the life of those bonds that are outstanding, completely independent of the escalation to lower inflation on the construction itself.

Ashar Khan: So if I understand correctly, the project currently, from the date started, is coming in, in current dollars, 500 or 75 or whatever the number is, below projected cost, as we stand today?

Jimmy Addison: Right.

Ashar Khan: And so we created, because of lower inflation or management or whatever, a cushion of $575 million from the initial estimate that we gave to the Commission. And that is in the pocket. I guess the ratepayers of South Carolina are going to benefit from that, which has already occurred.

And now comes, I guess the next step is what is the additional cost which has to be, of course, settled or -- with the Consortium -- which would bear on the project from that lower estimated cost that we are currently on?

Jimmy Addison: Well, that's almost --

Ashar Khan: In essence, we could come out pretty close to or slightly above the original cost that we started off with.

Jimmy Addison: We could. One minor clarification on what you just said. The $500 million or so that we're projecting to be below at this point, some of that has already occurred. Some of it is what we project to happen between now and the completion of the project. So not all of that has occurred yet with that lower escalation.

Escalation could be even lower in the future, it could be higher in the future. So that could change between now and the completion.

Ashar Khan: Okay. That's further great news. So how much, can you tell me, how much of that is banked and how much is not banked?

Jimmy Addison: I don't have that at my fingertips, Ashar, but I think it's available in our public filing. And I'll have IR follow up with you, assuming it is.

Ashar Khan: Okay. And second, if I can end up, Jimmy, now, based on the spending being moved a little bit further out and reducing the equity needs and, of course, now you have lowered the base and all that, when can you be in a situation, and you've been growing more on the, kind of in the higher portion of the growth rate, when can you be in a situation of moving the growth rate upwards?

Jimmy Addison: I don't know the answer to that question, if that will occur or when it will occur. We continually evaluate our look. And I would say that, really, the wildcard in that is the whole issue we discussed with two or three Q&As today around base electricity consumption.

So if it were just a matter of modeling in the BLRA, it would be fairly simple to answer that question. You could kind of model it after the peak construction years.

But when the foundation of the business is changing somewhat, even though it's only six-tenths of a percent negative, when you've got 700,000 customers you're projecting to use slightly less, that makes it difficult to answer your question.

So we update it best of our experience each year. And at this point, we still feel like it's our best estimate.

Ashar Khan: Okay. Thank you so much.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Jimmy Addison, SCANA's Chief Financial Officer, for any closing remarks.

Jimmy Addison: Well, thank you. 2014 was certainly a very unusual year relative to weather. But aside from the weather, we're very pleased with our underlying economic growth, the operation of our businesses, and the refinement of our focus around our core retail businesses. Accordingly, we are really optimistic about our future.

And finally, I'll mention that Steve and I will be on the road the first week of March in New York and Boston at investor conferences, and we hope to see many of you there.

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

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