[SCANA] - SCANA Corporation
Second Quarter 2016 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, July 28, 2016. 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 second quarter of 2016.

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 Steve will provide an update on our new nuclear project.

After our comments, we will respond to your questions.

The slides and the earnings release referred to in this call are available at Scana.com.

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 e-mail alerts under the investor section of Scana.com to notify you when there is a new posting in the new nuclear development and/or other investor information sections of the website.

Finally, before I turn over the call to Jimmy, I would like to remind you that certain statements that may be made during today's call that 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. The required Reg G information can be found in the investor section of our website under webcasts and presentations.

I now will 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. Earnings in the second quarter of 2016 were $0.74 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 and customer growth, but were partially offset by milder weather in the second quarter of 2016 when compared to the same quarter of last year, and slightly lower average use.

Results also improved due to increased gas margins at SCANA Energy and the positive impact of the depreciation study. As you will recall, this is the last quarter that a positive bottom line impact will be realized from this study on a comparative basis.

Additionally, increases in O&M and property taxes had a negative impact on earnings.

At the bottom of the slide, you will note that abnormal weather increased electric margins by $0.05 per share in the second quarter of 2016, and $0.06 per share in the second quarter of 2015, resulting in a negative $0.01 per share impact to earnings quarter-over-quarter.

Please turn to slide 4. Earnings per share for the 6 months ended June 30, 2016, were $1.97 versus $3.49 in 2015. The decline in results is mainly attributable to the net of tax gains on the sale of CGT and SCI, and a negative year-over-year impact from weather.

Otherwise, higher electric margins, due primarily to a Base Load Review Act rate increase and customer growth, as well as the deprecation study impact, were offset by lower gas margins and expected increases in O&M and CapEx-related items, including interest and property taxes.

Electric margins through the first two quarters of 2016 were unaffected on a net basis by abnormal weather, which is down $0.11 when compared to the benefit from abnormal weather through June 30, 2015.

Now on slide 5, I'd like to briefly review results for our principal lines of business. South Carolina Electric & Gas Company's second quarter 2016 earnings were up $0.02 per share compared to the same period of 2015.

The increase in earnings is due to higher electric margins, principally as a result of the continued recovery of financing costs through the BLRA and customer growth, partially offset by milder weather during the second quarter of 2016 versus the same period of 2015 and lower average use. The impact of the previously mentioned depreciation study also contributed to earnings for the quarter.

These items were partially offset by an increase in operation and maintenance expenses as well as increases in expenses related to our capital program, including interest expense and property taxes. Year-to-date, SCE&G's earnings were down by $0.06 due primarily to milder weather than was experienced in 2015.

PSNC Energy's reported seasonal flat earnings in the second quarter of 2016, consistent with the same quarter of the prior year. For the 6-month period ended June 30, earnings were up $0.01 per share in 2016 over the comparative period of 2015.

SCANA Energy, which includes SCANA Energy Marketing and SCANA Energy Georgia, showed an increase in second quarter earnings of $0.02 per share, primarily due to higher margins during the second quarter of 2016, as compared to 2015.

Year-to-date earnings are $0.17 per share compared to $0.21 per share in the prior year and down primarily due to milder weather in the first quarter.

Additionally, I'm pleased to report that SCANA Energy has been granted a 1-year extension to serve as the regulated provider for the State of Georgia. This additional year will be added onto the current term and will end in August 2018. SCANA Energy has served as the regulated provider since the program's inception in 2002.

SCANA's corporate and other businesses reported a loss of $0.05 per share in the second quarter of 2016, compared to a loss of $0.06 per share in the comparative quarter.

For the 6-month period, these businesses reported a loss of $0.05 per share in 2016 compared to earnings of $1.38 in 2015 primarily due to the net of tax gains on the sales of CGT and SCI of $1.41 per share, as well as the foregoing earnings contributed by CGT and SCI prior to the closing of the sales in the first quarter of 2015.

I would now like to touch on economic trends in our service territory on slide 6. The Carolina's environment continues to prosper and we are pleased by the continuous growth in our service territories as evidenced by announcements to invest approximately $1.5 billion with the expectation of creating approximately 3,300 jobs.

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 5.4% and the rate in SCE&G's Electric territory is estimated at 4.4%. Attesting to our state's strong economic growth, almost 70,000 more South Carolinians are working today than a year ago.

Slide 7 presents customer growth and electric sales statistics. On the top half of the slide is 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 added customers at a rate of 3% and 2.9%, respectively.

This is the first time PSNC's growth rate has hit 3% since the early stages of the 2008 recession. We continue to see strong customer growth in our businesses and in the region, which is a key fundamental.

The bottom table outlines our actual and weather-normalized kilowatt hour sales for the 12-months ended June 30, 2016. Overall, weather-normalized total retail sales are up 0.3% on a 12-month ended basis.

Now please turn to slide 8, which recaps our regulatory rate base and returns. The pie chart on the left presents the components of our regulated rate base of approximately $9.7 billion. As noted in the two shades of blue, approximately 85% of this rate base is related to the electric business.

In the block on the right, you will see SCE&G's base electric business in which we're allowed a 10.25% return on equity. The earned return for the 12-months ended June 30, 2016 in the base electric business continues to meet 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 continue to be pleased with the execution of our strategy.

As a reminder, we're 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, then we file to adjust rates under the Rate Stabilization Act. As of March 31, 2016, the 12-month earned return was below the band and we recently filed for an annual increase of approximately $4 million in mid-June.

As you are also aware, during the first quarter of 2016, we filed an application with the North Carolina Utilities Commission requesting annual revenue increases of $41.6 million at PSNC Energy in response to the normal attrition in the earned returns in that business.

This rate increase is the result of PSNC's need to recover costs to operate and expand its pipeline system and to implement a pipeline integrity management rider. The rider would allow PSNC to track and receive ongoing recovery of capital expenses related to its distribution and transmission pipeline integrity management programs. A hearing with the North Carolina Utility Commission on this rate case is scheduled for August 30.

Slide 9 presents our CapEx forecast. This forecast reflects the Company's current estimate of new nuclear spending through 2018, and reflects the fixed-price option spending as represented in the petition testimony as filed on July 1.

As a reminder, these schedules reflect the existing payment plan and do not incorporate the construction payment milestone schedule, as it is still under negotiation. Therefore, it is unlikely that the timing of these expenditures will occur 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.

Slide 10 presents information regarding certain transitional payments being made in 2016 as it pertains to the construction payment milestone schedule and the settlement agreement. Once the construction payment milestone schedule is complete, we will update the CapEx schedule and the corresponding financing plan.

Now please turn to slide 11 to review our estimated financing plan through 2018. In June of this year, SCE&G issued $425 million of 30-year bonds at 4.1%, and reopened and issued $75 million of bonds as part of a previous 4.5% series due June 1, 2064.

Additionally, PSNC issued a 30-year private placement of $100 million at 4.13%. I would like to thank our banks and fixed-income investors for their support of our liquidity needs.

As a reminder, we have switched to open-market purchases instead of issuing new shares to fulfill our 401k and DRIP plans, at least until we have fully utilized the net cash proceeds from the sales of CGT and SCI. We do not anticipate the need for further equity issuances until 2017.

It is unlikely that these issuances will occur in the exact amounts or timing as presented, as they are subject to changes in our funding needs for planned project expenses. We continue to adjust the financing to match the related project CapEx on a 50/50 debt and equity basis.

Again, this financing plan does not represent the election of the fixed-price option and we will conform this plan, and the CapEx plan, once we reach agreement on the construction payment milestone schedule later this year.

On slide 12, we are reaffirming our 2016 GAAP-adjusted weather-normalized earnings guidance is $3.90 per share to $4.10 per share, with an internal target of $4 per share.

However, I did want to take a moment and revise our operation and maintenance expense projection for the year. We previously issued O&M guidance for 2016 of approximately 2% higher than 2015. O&M has since outpaced that guidance rate, primarily due to increasing pension expense, which is offset with the pension rider and revenues and higher incentive compensation accruals as a result of the year-to-date stock performance.

Pension expense has increased due to the lower discount rate associated with falling interest rates, which is applied to the projected liability. Although this incremental pension expense has no net effect on bottom line earnings, we are updating our O&M guidance for 2016 to approximately 4% higher than 2015.

Our long-term GAAP-adjusted weather-normalized average annual growth guidance target remains unchanged as we plan to deliver 4% to 6% earnings growth over 3 to 5 years using a base of 2015's GAAP-adjusted weather-normalized EPS of $3.73 per share.

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

Steve Byrne: Thanks, Jimmy. I'd like to begin by addressing the status of our current regulatory proceedings. Slide 13 presents the relative schedule for two filings. The first is an update petition, which includes our selection of the fixed-price option; and the second is our annual request for revised rates.

At the beginning of July, we filed our direct testimony for our update petition and anticipate a hearing in October, with an order in late November. The Office of Regulatory Staff, or ORS, will be issuing their report sometime in the next month or so regarding our annual request for revised rates. And we also anticipate that concluding in late November.

Slide 14 presents the projected costs associated with our update petition. Please note that we have removed the additional transmission costs originally requested in the petition from our testimony filing, as we are evaluating other alternatives to installing additional capacitors in the unit 1 switchyard.

Moving on to some of the activities at the new nuclear construction site, slide 15 presents an aerial photo of what we call the Tabletop from June of this year. This photo gives you a view of the layout of the site and I've labeled both units 2 and 3 as well as many of the other areas of the construction site.

Slide 16 presents a schematic view of the five large structural modules that are located inside the containment vessel. As you will recall, we have previously placed module CA01, 04 and 05 for unit 2 and CA04 and 05 for unit 3. And more recently, we placed module CA03 for unit 2, which you'll see shortly.

Slide 17 shows an aerial view of the unit 2 nuclear island and containment from last week. Looking down into the containment vessel, you can see the first ring section, as well as modules

CA01, 03, 04 and 05. Outside the containment vessel, you can see auxiliary building module CA20, the shield building, which surrounds the containment vessel and the battery room.

Slide 18 shows a few pictures of the unit 2 CA02 module. CA02 is a wall section that forms part of the In-Containment Refueling Water Storage Tank. CA02 is structurally complete and should be installed this quarter.

Slide 19 shows a picture of the unit 2 CA03 module, which is the west wall of the In-Containment Refueling Water Storage Tank. This module was set in place last week.

Slide 20 shows the continued fabrication of subassemblies 1 and 2 for the unit 3 module CA20. This is an auxiliary building module that is located outside and adjacent to the containment vessel. As you may recall, this module consists of 4 subassemblies and subassemblies 3 and 4 were previously placed in an effort to move forward with the shield building erection, which is the next critical path item.

All required submodules for subassemblies 1 and 2 are onsite and they will be placed once fabrication is complete.

Slide 21 shows a picture of the fabrication of the unit 3 module CA01. This module houses the steam generators and the pressurizer and forms the refueling canal inside the containment vessel.

Currently, all 47 submodules are onsite and 21 of those submodules are upright and being welded together in the Module Assembly Building.

On slide number 22, you can see one of the two steam generators for unit 3 that arrived on the construction site in late April. It was transported from the port of Charleston on a specifically designed rail car. This steam generator weighs approximately 1.3 million pounds. It's about 20 feet in diameter and it's almost 82 feet long.

The other unit 3 steam generator -- and the last one for the project -- is scheduled to be delivered during the fourth quarter of this year.

Slide 23 shows you a picture of the Sanmen Plant in China. This past May, Westinghouse completed the coal hydrostatic testing at Sanmen unit 1. The successful completion of this test confirms that the reactor systems meet design pressures under operating and accident conditions. This is great news for the AP1000 design and Sanmen unit 1 is expected to load fuel by the end of the year. Another Chinese AP1000 unit, Haiyang unit 1, completed its coal hydro test in early July.

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). Julien Dumoulin-Smith, UBS.

Julien Dumoulin-Smith: So I wanted to follow up a little bit on the timeline and schedule on the project and specifically on the milestones, if you could provide a little bit more of an update there; and ultimately, if and/or when you expect to do -- or hear back from Fluor as to more of an integrated schedule update for the overall project.

Steve Byrne: Yes, Julien, this is Steve. The guaranteed substantial completion dates remain at August of 2019 for unit 2 and August of 2020 for unit 3. We don’t see anything to change those. Fluor's review of the schedule is really something that should conclude somewhere in the third quarter and they will be giving that to Westinghouse. And remember that on the project now, we're dealing just with Westinghouse; Fluor is a subcontractor to Westinghouse.

I don’t expect anything necessarily to change from that review, save for perhaps the number of hours it might take and shifts that they would have to put on, that kind of thing. So the goal of that schedule review was to hold the dates constant and see what it would take to accomplish those dates. So I don’t expect anything dramatic to come from that.

With respect to milestones, the CA03 lift and set for unit 2 was completed last week, as I think you saw in the photographs. We would intend to set the second half of auxiliary building module CA20 probably next week; if not, then the week after. So we're actually taking the end off the module assembly building as we speak in order to get that module out, so that'll be another large lift. That'll be for unit 3.

We've got a module called CA02, which should be the last of the big five modules to go in the unit 2 containment building. That should come later in August and then we've got condenser sections that we'll be setting for unit 3. That's the turbine building side. And one of our goals this year is to set and align the reactor vessel for unit 2 and we hope to do that sometime in September.

Julien Dumoulin-Smith: Got it, excellent. And just to be clear about this, basically what you're suggesting is you could very well see Fluor accelerate, improve their productivity, ramp up hiring in order to meet the existing targets, right? Is that the right way to think about it?

Steve Byrne: Yes, everything they're doing has meeting the existing targets in mind, and they are, as we speak, accelerating their hiring. They’ve done a pretty good job in about the last 3 to 4 months after a relatively slow start early in their tenure on the project, which was January-February. They certainly picked up the pace significantly now, but everything they're doing is to hold the dates constant.

Julien Dumoulin-Smith: And then just to quickly clarify on the milestone payments, where do you stand in that process and what's expectation for the outcome there?

Steve Byrne: Yes, with regard to the milestone payments, the milestones are not in dispute; the total payment is not in dispute. Since we're electing a fixed-price option, we know what the final price is going to be. Really, the only thing we're discussing with Westinghouse is the timing for those payments, and so we're still in discussions with them relative to those timings.

And we'd anticipate a positive result sometime in the next couple of weeks. I don’t see anything to change that. Should we not come to a resolution, then we've got a mechanism in place now that we negotiated in our October amendment to the EPC contract and that's a Dispute Resolution Board, so that Dispute Resolution Board has been set. So it's a three-person board and if we can't agree on it, then we just take it to the Dispute Resolution Board and they can resolve it. And they have to have it resolved in 60 days.

Julien Dumoulin-Smith: And just very quickly lastly, in terms of the process itself for the fixed-price option, is it potential or would you expect a settlement with the parties?

Steve Byrne: With regard to our case before the Public Service Commission for the fixed-price option --

Julien Dumoulin-Smith: Yes.

Steve Byrne: -- I'd anticipate that once the final roster of interveners is compiled, that we will enter into settlement discussions with those interveners. And very similar to what we did the last time, which was in 2015, we did reach a settlement agreement with a number of the interveners, but we never reached a settlement agreement with all of the interveners. So there will be a hearing. We do anticipate that we'd have a settlement agreement with some of the interveners, but not all.

Julien Dumoulin-Smith: Great, thank you.

Operator: Jim von Riesemann, Mizuho.

Jim von Riesemann: Hey, a couple questions on the nuclear and then just some on financial. Could you comment a little bit on the CB&I Westinghouse litigation and whether there's any direct or indirect impact on either SCE&G or SCANA?

Steve Byrne: Yes, Jim, this is Steve. We're aware of the lawsuit; we were made aware of it the day that it was filed. We don’t see any implications to SCE&G or SCANA and we can't comment on the merits of the case for either party.

Jim von Riesemann: That's fine. Okay. But no issue for you guys?

Steve Byrne: We don’t see any issues.

Jim von Riesemann: Then secondly, can you talk about some of these Chamber of Commerce articles that are appearing in the Post and Courier about their desire to have the BLRA opened or re-opened, I should say?

Jimmy Addison: Yes, I'll be glad to comment on that briefly, Jim. First of all, that is not the State Chamber or the local Chamber; that is what's called the Small Business Chamber, and that is a person that has intervened in our prior proceedings, I believe, Steve, all the way back to our initial siting and approval of the plant to begin. So that's not a new party to these discussions.

Jim von Riesemann: Okay. Okay. Switching over to the financial discussion, can you remind us what the weather impact has been on SCANA for the trailing 12 months? I know it's $0.11 year-to-date. I guess that's relative to the prior period. So how do you get -- I guess the real question I have is how do you get to your internal $4 a share target, especially in light of some of the other disclosures to you made today?

Jimmy Addison: Let me clarify. So first of all, we're not providing GAAP-adjusted numbers anymore. It's pretty clear; you’ve probably seen that the SEC is discouraging any of that. So we're going to stay away from that. I don’t think that was aimed at our industry, but we're going to steer clear.

Year-to-date for SCANA on the electric side of the business for 2016, there's no impact from weather, compared to our plan. Now there is impact compared to 2015's first half of the year because it was very cold in Q1 of 2015 and very warm in Q2 of 2015. But for 2016, the weather has been quote, "normal" on a net basis. It was mild in Q1, but it was warmer in Q2, so we're kind of on plan from a weather standpoint through midyear.

Now, I don’t really pay a lot of attention to trailing 12 months when it straddles year-end like that because there's so much difference in our business with the BLRA increases that are near calendar year-end. In the past, it's been around the 1st of November, and now they’ll be a little later than that, as well as our RSA increases when they occur in the LDC in South Carolina. So I pay less attention to the trailing 12 and try to just go off normal weather.

Jim von Riesemann: Okay. And tax rates, I know for the second quarter trended down from what you had indicated for the year. Is there anything we should think about tax rates over the second half of the year?

Jimmy Addison: No, there's nothing really to read into that at this point based on what you’ve seen. I actually asked that very question earlier this week myself and we're a little lower than we guided. We guided at 32% and I think we still projected it would -- based on where we are today, that would still be in the ballpark of 32%.

Jim von Riesemann: Okay, great. And then the last thing, just to be clear, when you announced your 4% to 6% earnings growth rate aspirations for the coming 3 to 5 years, those EPS growth aspirations were prior to your election of the fixed-price contract. So I guess the question is that would imply EPS could change if the PSC approves the fixed-price option contract, correct?

Jimmy Addison: Yes, I'm not saying that. We'll certainly relook at our earnings guidance if they approve it, but we'd refresh everything like we do every quarter when we look at it. So I can't suggest to you that it would change because of that, but we'll certainly relook at it. Of course, we expect the impact of that, once we either agree or the Resolution Board gives us a payment scheduled, we expect that will be spread out over several years. So to say that it would necessarily change that rate, I couldn't get to that yet.

Jim von Riesemann: Okay. Thank you.

Operator: Michael Weinstein, Credit Suisse.

Michael Weinstein: I just wanted to confirm that the CapEx update for nuclear, does that include or exclude the fixed-price option cost at this time? It was increased but --

Jimmy Addison: Yes, it does include it; it does include the fixed-price option. What it doesn't include obviously, because we haven't reached agreement, is the payment schedule changes. And as Steve said earlier, that won't change what we pay; it just will obviously change the buckets of years when we pay it. So we'll have to adjust this once we reach that agreement.

Michael Weinstein: Okay. And with the final order not expected until November, does that mean that I guess the fixed price option becomes irrevocable on November 1, is that right?

Jimmy Addison: Unless it's not -- it's subject to approval by the Commission.

Michael Weinstein: Right. It's a regulatory out, but essentially after November -- you've already chosen it, right? So on November 1, it becomes set in stone unless there's a regulatory problem?

Jimmy Addison: Yes, that's right, and I can't imagine why we wouldn't want to elect it.

Michael Weinstein: Right. And what was the difference between the $55 million and the $11.5 million monthly payment? Remind me of that.

Jimmy Addison: Yes, so the $55 million is simply our 55% share of the $100 million we agreed to pay each month, and then the $11 million is just the installment payments associated with the EPC. That's the settlement of the $137 million gross for the settlement of all the outstanding dispute items.

Michael Weinstein: Oh, I see, I see. Okay. All right. Thank you.

Operator: Travis Miller, Morningstar.

Travis Miller: A question on this petition -- what's the chance that when you guys go there and regulators, interveners, start debating, that we could end up in a situation where there is a reopening of some other issue or regulators decide to take back something, right? You guys went through this a couple years ago on the ROE. Is that something that would be open for debate? Are there other places in the full contract, full BLRA, that would be open for debate?

Jimmy Addison: The ROE was set in the initial approval by the Commission at 11%. The only reason that came back into play the last time we were there is we agreed in settlement discussions to put that on the table in order to reach the settlement we did. So that has to be -- that can only be changed if we choose to put that on the table.

Steve Byrne: That was done in that settlement proceeding in order to gain the settlement of those intervening parties. And outside of that, what the Public Service Commission is supposed to rule on is the petition that is before them, and not other things. So basically, those other things have already been decided. We're looking for a change and they're to rule on the change that we're asking for based upon obviously, the prudent standard.

Travis Miller: Sure, okay. Is it possible that ROE or some other issue could come up in the settlement, or you guys would do that kind of give-and-take?

Jimmy Addison: As Steve said earlier, we'll first have to wait and see who's interested in being in the discussions and then we'll see. Negotiations are always unique and we'll have to wait and see how it develops.

Travis Miller: Okay. And then on the gas customer side, you guys have been putting up some good growth numbers there on the customer side. How long -- what's the runway for this 3% gas customer growth?

Jimmy Addison: Do you mean on a projected basis?

Travis Miller: Projected, yes. You guys have been -- put up very impressive numbers here on the 3% gas customer growth.

Jimmy Addison: Yes, so --

Travis Miller: And I'm just wondering how long does that last? How many more customers are out there that you can get for that?

Jimmy Addison: Obviously, it's made up of a couple things; it's made up of the -- just the core housing growth. So the housing growth, you might look at it like this. The electric growth is 1.6%, so most of those -- not all -- but most of those are going to have gas if it's accessible because it's so much more affordable and it's a fuel of choice. People like it; I personally like it and I like it for a heater or a water heater or the clothes dryer, etc.

Then on top of that, you’ve got penetration of existing homes because of the price. It's so much more affordable with the price of shale gas today in the market for folks to use it for heating and water heating and things of that nature. So you’ve got kind of the double benefit of that, if you will.

So I think it's kind of interesting. I was looking at some stats earlier today about these economic projections for the Carolinas and for the first time in several years, the multiunit housing is projected over the next couple of years to drop as far as the number of units. And single-family housing is projected to increase. In South Carolina, single-family permits are projected over the next couple of years to go up 20%, while multifamily is projected to go down 20%. And North Carolina is even more exaggerated, up 25% and down 35%.

Yes, I think what we're reaching is more of this kind of a relative saturation of these multiunit -- on a relative basis. I'm not saying there won't be more built, but compared to the single-family units, you're starting to see single families grow faster than the multifamily. And you're just going to see a lot more of those single-family units using natural gas, so I think that's going to be a big driver as well.

Travis Miller: And read into that the single-family is better for you guys from a customer growth standpoint, right?

Jimmy Addison: Absolutely, and not just for gas, but also for electricity. Your average single-family home is going to be larger than your average multifamily unit. And a lot of those customers that we've been adding the last several years have been -- while there's been nice growth in numbers, they’ve not been the size units that they were obviously in 2006 or 2007. And I don’t see that returning as far as the size of those homes, but I do see more and more of the makeup being relative in single family.

Travis Miller: Great. Thanks so much. Appreciate it.

Operator: Andrew Weisel, Macquarie.

Andrew Weisel: The first question I wanted to ask was about the Dispute Resolution Board. If I understood correctly, you're still talking with Westinghouse and have not yet -- I don't know what the right word is -- filed with the DRB, is that right? And if so, at what point would you submit all the requests to the DRB to get that 60-day clock started?

Steve Byrne: Andrew, you're correct that we have not yet submitted anything to the DRB. I'd imagine that we'll probably submit something within the next couple of weeks. That's not to say that we couldn’t submit, and then still come to an agreement, after we submit and then withdraw it. So we'll probably submit in the next couple of weeks, at least to start the clock. Then I wouldn’t preclude the fact that we might not reach a settlement anyway with Westinghouse and then withdraw it.

Andrew Weisel: Is there a reason you didn't submit when you issued that 8K last month?

Steve Byrne: No, we're looking at timing around other things. The 8K was not necessarily a consideration.

Andrew Weisel: Okay. Then in terms of the sequence of events, we've got a couple things coming up. There's that we just talked about. There's the Fluor report to Westinghouse; there's the ORS report; and then there's the potential settlement ahead of hearings. Is there any specific order in which those have to happen? In other words, is it possible that ORS might not be able to or want to file their report until the Fluor report is in; or how should I think about that sequence?

Steve Byrne: The ORS report is separate from the update proceeding. The ORS report is relative to our annual rate filing, so remember, we've got two things going on with regard to new nuclear. There's the update petition, which gets the fixed-price option into the Public Service Commission for their approval.

And then we have an annual rate adjustment, which we've been filing every year since we started the construction. There's no hearing associated with that, but ORS does submit a report. So really, the two are separate and running on separate tracks, but just happened to conclude at about the same timeframe in November, probably late November. So don't think that the ORS report is relative to the update petition.

Jimmy Addison: I'd say the things that are fairly firm, we have a hearing date starting October 5 and we have a date that ORS is to submit their testimony in the update proceeding of September 1. We've of course already submitted ours, and the Commission has a practice generally of preferring to see settlements filed a week or more before a proceeding begins, just so they have time to kind of digest the settlement document.

That's not always doable, just based upon the parties and negotiations and things that happen on the steps, that kind of thing. But that is the goal is to have it in a few -- sometime so they've got time to digest it before it starts.

Andrew Weisel: Okay. And to clarify, if you file with the DRB in a few weeks, call it mid-August, if they take the full 2 months, that takes us to mid-October. That is after the October 5 hearing is scheduled for the petition, but those are separate things, right? In other words, the DRB potential intervention wouldn't have anything to do with the schedule or decision around the updated petition; is that fair?

Steve Byrne: Yes, they're not necessarily tied to each other. Now we may file, I'd say, within the next couple of weeks; we could file next week. So they could actually get synced up, but I wouldn't read too much into that.

Jimmy Addison: And what we're asking the Commission to prove is the prudence of these costs, not necessarily the buckets of when they'll be paid.

Andrew Weisel: Got it. Okay. Thank you very much.

Operator: Dan Jenkins, State of Wisconsin Investment Board.

Dan Jenkins: I just had a question on slide 7 where you show the weather-adjusted change. I noticed compared to this same slide last quarter, it appears to be down by about a percent for most of the customer classes and overall. So I guess I was wondering if you could give any color on what -- are you seeing a slowdown? It looks like the customer growth still looks pretty strong. I was just curious about the kilowatt sales growth.

Jimmy Addison: No, I would not -- I personally don't read that into it at this point. Obviously, the base numbers are lower, but that is a 12-month moving average, so you're dropping off a quarter from 2015, picking up another quarter here. We don’t like to get into the individual quarters themselves because that introduces more volatility. But the pipeline, as you saw from the slide before that, the pipeline is still full.

And economic announcements just this week, the Mercedes plant announced that -- a previous announcement from a while back that they're breaking ground on the plant now, and they're adding 1,300 workers with another several hundred expected to be in part suppliers down in our Charleston territory. So there's a lot going on out there now. I don’t really read anything into that as far as a trend.

Dan Jenkins: Okay. And then I just had a question. I know you mentioned on the nuclear update that the shield building is still one of the critical path items. I was wondering if you could give a little color in terms of where you're at in terms of the panels onsite and what's still being fabricated or constructed up at Newport News and so forth in terms of that item.

Steve Byrne: Dan, this is Steve. The shield building panels -- Newport News continues to do a good job both with timely deliveries and with quality. We've probably got about 2/3 of the panels onsite for unit 2, maybe a third onsite for unit 3 and those are going in very well. We've had good success with the fit-up of the panels so far and so what we're doing now is we're actually welding those panels together in pairs. And we actually lift them in pairs and put them in.

So these are 40-foot curved panels, so when we weld them together, we get 80-foot curved panels. So it's one less lift you have to do to get two panels in and we're pouring concrete in the panels. We're through four courses and we need to get a couple of other things done around that now. So we're not waiting on the panels, so that work is going very well.

Newport News is also getting the contract for the air inlet and tension ring portion of the shield building, so from our perspective, that's good news. So the shield building is going well enough that I believe it is now off critical path for the trailing unit, unit 3. It's still critical path for the first unit, unit 2, but the trailing unit, it's now off critical path, so that's good news.

Dan Jenkins: So when do you expect for unit 2 that would be completed where you would have all the panels onsite? Is that this year still?

Steve Byrne: Dan, I'm not sure when we have them all onsite. I'd imagine that would be this year, at least the panels up to the air inlet and tension ring. I'd say that there's 167 of those panels and I'd imagine we'd probably get all of those onsite this year. I don’t think we're scheduled to complete the shield building until sometime in 2018. So even if they're not onsite this year, that's not necessarily a hold-up.

So what they’ve done is they’ve prioritized the panels, so we're getting in the ones that we need earlier than later. So even if some of those units are not coming to us, it doesn’t mean necessarily any delay.

Dan Jenkins: Okay. Thank you.

Operator: (Operator Instructions). Leslie Britch, JPMorgan.

Leslie Britch: I'm sorry to ask this question because I'm sure you've already answered it. But as I compare the CapEx slide from the first quarter to the one from the second quarter, the new nuclear expenses are up $400 million. And so I just want to make sure I really understand what is and is not included in your new nuclear CapEx today.

Jimmy Addison: Yes, sure, Leslie. So the short answer is the slide you're currently looking at in this presentation includes everything we know, includes all the fixed-price option, etc. The only thing that we anticipate changing on that in the future is adjusting the nuclear -- the years that the spend occurs in once we reach some type of agreement on this payment schedule.

The one from Q1 included the settlement portion, the $137 million, that we had reached settlement on, but since we had not elected the option by that point, we didn’t have the entire $800 plus-million included for the fixed-price option, the $505 for the fixed price plus the other items.

Leslie Britch: Okay. So the remainder, the $852 million minus $137 million, minus the $418 million -- sorry -- the other $300 million for the fixed-price option would be in 2019,2020?

Jimmy Addison: That's right.

Leslie Britch: The rest of the fixed-price option cost increase would be in the latter 2 years?

Jimmy Addison: That's right.

Leslie Britch: Okay. Got you. Thank you.

Operator: Michael Lapides, Goldman Sachs.

Michael Lapides: I'm just trying to think about some of the changes on the nuclear, the midyear CWIP balances. And if I go back to your EEI slide deck, that balance was expected to be for 2016, about $1.1 billion. And now you expect it to be about $665 million, so 48%, 50% reduction. That impacts -- I'm going to make sure I understand that correctly -- that impacts the rate increase that will go into effect in November of 2016?

Jimmy Addison: That's right.

Michael Lapides: And therefore, the bulk of the impact is really felt in the revenue seen at SCE&G in 2017?

Jimmy Addison: That's correct.

Michael Lapides: So you're expected -- if I just do like-for-like or one-for-one, CapEx and revenue, your expected nuclear revenue increase 2016 to 2017 is roughly $45 million, $50 million lower, or 45%, 50% lower that it would’ve been 6 or 9 months ago because of a change in the construction schedule?

Jimmy Addison: That's correct, but I'd encourage you to look at the whole picture, so the financing associated with that will be less too.

Michael Lapides: Yes, right. You wouldn't issue nearly as much debt. You've reduced the equity balance as well. Understood.

Jimmy Addison: Exactly, exactly.

Michael Lapides: Okay. Just trying to make sure; I'm trying to think about -- this begins to look like much more of the real big uplift and revenue doesn't really happen until 2018 and that assumes that the construction schedule doesn't push out any further based on whatever Fluor fines or others find?

Jimmy Addison: Yes, Michael, I'd agree with that, the caveat being the fixed-price payment schedule will have some impact on the buckets. It's obviously not going to change the increase this November; that's already -- that die is cast, if you will, but it will have some impact on the other years.

Michael Lapides: Got it. Okay. I have a gas question for you guys. You all talk a lot about gas customer demand growth. Can you talk about weather-normalized gas unit growth that you're seeing? I know you've got some decoupling on the gas side, but I just want to kind of think about what you're actually seeing on the overall demand growth side. I know customer growth has been great.

Jimmy Addison: Yes, Michael, I really am not prepared to give you anything on that and the reason is that it really doesn’t impact us much. We've got the decoupler, pure decoupler in North Carolina, so it's an absolute non-issue there on a real-time basis. And in South Carolina gas business, you’ve got the Rate Stabilization Act that captures any of that on -- the most you'd have is a 1-year lag.

So it's really not a big impact for us, so we don’t model it in and spend a lot of time on it. I'm sure we could -- I could get that answer, but I just don’t have it with me today.

Michael Lapides: Okay. I appreciate that, guys. I may want to follow up with you. Just trying to think about kind of the bigger, broader picture of midstream needs into the lower Carolinas, given really the uptick in gas usage you may be seeing --

Jimmy Addison: Right.

Michael Lapides: -- and whether that creates another investment opportunity for you down the road.

Jimmy Addison: I understand, or someone else.

Michael Lapides: Understood, understood, cool. All right, guys, thank you. I appreciate it.

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

Jimmy Addison: Well, thank you. We've had a successful first half of 2016 and we look forward to concluding the regulatory proceedings before both the South Carolina and the North Carolina Pubic Service Commissions in the balance of the year.

We continue to focus on our new nuclear construction and on operating all of our businesses in safe and reliable manner. And we thank you all 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.