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*Shannon Bowyer Hudson
Deputy Chief Counsel for ORS*

September 1, 2016

VIA ELECTRONIC FILING

Jocelyn G. Boyd, Esquire
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

Re: Petition of South Carolina Electric & Gas Company for Updates and Revisions to Schedules Related to the Construction of a Nuclear Base Load Generation Facility at Jenkinsville, South Carolina
Docket No. 2016-223-E

Dear Ms. Boyd:

Please find enclosed a Settlement Agreement with two Exhibits executed by:

1. South Carolina Office of Regulatory Staff ("ORS");
2. Central Electric Power Cooperative, Inc.;
3. The Electric Cooperatives of South Carolina, Inc.;
4. Frank Knapp, Jr¹;
5. South Carolina Energy Users Committee; and,
6. South Carolina Electric & Gas Company.

The Settlement Agreement resolves all issues of the signing parties in this docket. Also enclosed is the Settlement and Direct Testimony and Exhibits of ORS witness Allyn Powell and the Direct Testimony and Exhibit of ORS witness Gary C. Jones.

¹ *Pro se* and President and CEO of the South Carolina Small Business Chamber of Commerce.

Thank you for your consideration regarding this matter and should you have any questions, please do not hesitate to contact me.

Sincerely,



Shannon Bowyer Hudson

Enclosures

cc: K. Chad Burgess, Esquire (via E-Mail & U.S. Mail)
Matthew W. Gissendanner, Esquire (via E-Mail & U.S. Mail)
Belton T. Zeigler, Esquire (via E-Mail & U.S. Mail)
Michael N. Couick, Esquire (via E-Mail & U.S. Mail)
Christopher R. Koon, Esquire (via E-Mail & U.S. Mail)
Frank R. Ellerbe, III, Esquire (via E-Mail & U.S. Mail)
John H. Tiencken, Jr., Esquire (via E-Mail & U.S. Mail)
Paul J. Conway, Esquire (via E-Mail & U.S. Mail)
Damon E. Xenopoulos, Esquire (via E-Mail & U.S. Mail)
Eleanor Duffy Cleary, Esquire (via E-Mail & U.S. Mail)
J. Blanding Holman, IV, Esquire (via E-Mail & U.S. Mail)
Robert Guild, Esquire (via E-Mail & U.S. Mail)
Scott Elliott, Esquire (via E-Mail & U.S. Mail)
Sandra Wright (via E-Mail & U.S. Mail)
Frank Knapp, Jr. (via E-Mail & U.S. Mail)
Joseph Melchers, Esquire (via E-Mail & U.S. Mail)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2016-223-E
September 1, 2016

IN RE:)	
)	
Petition of South Carolina Electric & Gas)	
Company for Updates and Revisions to)	
Schedules Related to the Construction of a)	SETTLEMENT
Nuclear Base Load Generation Facility at)	AGREEMENT
Jenkinsville, South Carolina)	
)	

This Settlement Agreement (“Settlement Agreement”) is made by and among the South Carolina Office of Regulatory Staff (“ORS”); the Central Electric Power Cooperative, Inc. (“Central”); the Electric Cooperatives of South Carolina, Inc. (“The Cooperatives”); Frank Knapp, Jr¹; South Carolina Energy Users Committee (“SCEUC”); and South Carolina Electric & Gas Company (“SCE&G” or the “Company”) (collectively referred to as the “Parties”, “Settling Parties”, or sometimes individually as a “Party”).

WHEREAS, on May 26, 2016, SCE&G filed a petition (“Petition”) with the Public Service Commission of South Carolina (“Commission”) requesting an order from the Commission approving SCE&G’s updated capital cost schedule and updated construction schedule for the construction of two 1,117 net megawatt nuclear units (“Units” or “Units 2 and 3”) to be located at the V.C. Summer Nuclear Station near Jenkinsville, South Carolina, as well as the Commission’s approval of SCE&G’s decision to exercise an option (“Option”) in the October 2015 Amendment

¹ *Pro se* and President and CEO of the South Carolina Small Business Chamber of Commerce.

("Amendment") to the Engineering, Procurement and Construction Agreement (the "EPC Contract") that would move many of the EPC Contract costs to a fixed price category;

SCE&G filed its Petition pursuant to S.C. Code Ann. § 58-33-270(E) (2015) of the Base Load Review Act ("BLRA"), which states:

(E) As circumstances warrant, the utility may petition the commission, with notice to the Office of Regulatory Staff, for an order modifying any of the schedules, estimates, findings, class allocation factors, rate designs, or conditions that form part of any base load review order issued under this section. The commission shall grant the relief requested if, after a hearing, the commission finds:

- (1) as to the changes in the schedules, estimates, findings, or conditions, that the evidence of record justifies a finding that the changes are not the result of imprudence on the part of the utility; and
- (2) as to the changes in the class allocation factors or rate designs, that the evidence of record indicates the proposed class allocation factors or rate designs are just and reasonable.

SCE&G states in its Petition that circumstances warrant modifying the schedules approved in the most recent Base Load Review order because in September 2015 Westinghouse Electric Company ("WEC") and Chicago Bridge & Iron ("CB&I") ("Consortium") approached SCE&G and Santee Cooper about CB&I's desire to exit the project. Negotiations ensued leading to an agreement reached on October 27, 2015, between SCE&G and WEC to amend the EPC Contract. The Amendment allowed CB&I to exit the project and required WEC to assume sole responsibility for the project going forward. WEC additionally granted SCE&G an option to convert the EPC Contract to a "fixed-price" agreement that incorporated many of the EPC Contract costs into a total fixed price;

SCE&G has requested Commission approval of an updated Milestone Schedule (Exhibit 1 to the Application) which reflects new guaranteed substantial completion dates ("GSCDs") for Units 2 and 3 of August 31, 2019, and August 31, 2020, respectively;

The Amendment resolved most outstanding disputes under the EPC Contract and increased the EPC Contract price by \$137.5 million over the estimate approved by the Commission in Order No. 2015-661. The increase in EPC Contract cost under the Amendment does not include reversing a credit of \$85.5 million for liquidated damages which SCE&G had included in previous cost estimates. The Option offered by WEC to SCE&G to convert the EPC Contract to an agreement that incorporated many of the EPC Contract costs into a total fixed price, represents an increase to the Total Gross Construction Cost of \$505.54 million for a total cost for WEC to complete all scopes of work covered by the Option from July 1, 2015, through completion of the project of \$3.345 billion, with exceptions for Transmission and Owner's Costs, as well as certain Time and Materials ("T&M") scopes of work, valued at approximately \$38.3 million;²

Exhibit 1 to the Application indicates that it will take WEC and its construction manager Fluor Corporation, Nuclear Division ("Fluor") until August 31, 2019, and August 31, 2020, to complete Units 2 and 3, respectively, and that the additional costs associated with the Amendment and reflected in the updated capital cost schedule will be incurred to complete construction of the Units in light of CB&I's exit from the project;

After an extensive review, SCE&G determined that circumstances warranted petitioning the Commission, under the BLRA, to approve the Amendment, including the Option, in order to update the approved construction and capital cost schedules to reflect changes to these schedules based on the terms of the Amendment and the Option. SCE&G has modified, and submitted for consideration and approval of the Commission the BLRA Milestone Construction Schedule, as reflected in Settlement Exhibit 1 attached hereto, to align remaining BLRA Milestones as approved in Order No. 2015-661 to the new Substantial Completion Dates and to the current construction and fabrication schedules;

² All dollar amounts herein represent SCE&G's 55% share of the costs of constructing the Units.

As stated in its Petition, SCE&G also requests approval from the Commission to exercise the Option provided for under the Amendment to the EPC Contract and approval of the capital cost schedule for completion of the Units, as reflected in Settlement Exhibit 2, attached hereto, to reflect (a) the effects of the new Substantial Completion Dates on Owner's costs and EPC Contract costs, and (b) other changes in costs that have been identified since the issuance of Commission Order No. 2015-661;

ORS is automatically a party to this proceeding pursuant to S.C. Code Ann. §58-4-10(B) (2015). In connection with this case as well as since the inception of this project, ORS has exercised its rights and fulfilled its responsibilities under S.C. Code Ann. § 58-33-277 (2015) to monitor the status of the project, by, among other things, routinely and regularly observing the progress of the plant construction and submodule production, requesting and reviewing substantial amounts of relevant financial data when made available by the Company, auditing the quarterly reports submitted by the Company pursuant to the BLRA, inspecting the books and records of the Company regarding the plant and physical progress of construction, and reviewing to the extent possible SCE&G's request to enter into the Amendment to the EPC Contract and modify the Units' construction and capital cost schedules; and

The Commission established Docket No. 2016-223-E in which to hear the Company's request set forth in the Petition, has allowed for public comment and intervention in the above-captioned docket, and has granted the Motions to intervene in this docket by SCEUC, Central and The Cooperatives:

NOW THEREFORE, WHEREAS, the Settling Parties have varying positions regarding the issues in this case, have engaged in discussions to determine if a Settlement Agreement would be in their best interest; and have each determined that their interest and/or the public interest would be best served by agreeing to settle the issues in the above-captioned case under the terms

and conditions set forth in this Settlement Agreement, the Settling Parties hereby stipulate and agree to the following:

A. STIPULATION OF SETTLEMENT AGREEMENT, TESTIMONY AND WAIVER OF CROSS-EXAMINATION

1. The Settling Parties agree to stipulate into the record before the Commission this Settlement Agreement.

2. The Settling Parties agree to stipulate into the record before the Commission the prefiled testimony and exhibits (collectively “Stipulated Testimony”) of the following witnesses without objection, change, amendment, or cross-examination with the exception of changes comparable to that which would be presented via an errata sheet or through a witness noting a correction consistent with this Settlement Agreement. The Settling Parties agree that no other evidence will be offered in the proceeding by them other than the Stipulated Testimony and exhibits and this Settlement Agreement unless 1) Settlement Testimony supporting this Settlement Agreement is filed by the Settling Parties or 2) additional evidence is necessary to support the Settlement Agreement. The Settling Parties also reserve the right to engage in redirect examination of witnesses as necessary to respond to issues raised by the examination of their witnesses, if any, by non-Settling Parties or by testimony filed by non-Settling Parties, and any such testimony shall be supportive of the terms of this Settlement Agreement.

SCE&G witnesses:

1. Kevin B. Marsh
2. Stephen A. Byrne
3. W. Keller Kissam
4. Jimmy E. Addison
5. Joseph M. Lynch
6. Kevin R. Kochems

ORS witnesses:

1. Allyn Powell
2. Gary Jones

Any testimony, whether direct, rebuttal, or surrebuttal, filed by the Settling Parties after the signing of this Settlement Agreement must be consistent with the terms of the Settlement Agreement. If the Settling Parties determine that rebuttal or surrebuttal testimony should be filed in response to any testimony filed by any Intervenor that is not a signatory to this Settlement Agreement, then the Settling Parties hereto agree that any such testimony likewise would be stipulated into the record before the Commission under this Settlement Agreement without objection, change, amendment, or cross-examination with the exception of changes comparable to that which would be presented via an errata sheet or through a witness noting a correction consistent with this Settlement Agreement.

B. SETTLEMENT TERMS

3. SCE&G has identified approximately \$137.5 million in additional capital costs that it deems as reasonable and necessary for completion of the construction of the Units through the delayed Substantial Completion Dates. These additional capital costs were made a part of the EPC Contract via the Amendment and have been assigned to specific cost categories as reflected and included in Settlement Exhibit 2. In the context of this settlement, the Settling Parties agree not to contest the inclusion of these costs in the updated capital cost schedules, included in Settlement Exhibit 2.

4. The \$137.5 million increase in EPC costs does not include the reversal of an additional \$85.53 million in liquidated damages which would have been fully earned by SCE&G based on the Consortium's failure to meet the forecasted completion dates of Units 2 and 3 had the Amendment to the EPC Contract not been executed. This \$85.53 million in liquidated damages was credited to SCE&G's ratepayers in Commission Order No. 2015-661. In the context of this settlement, the Settling Parties agree not to contest the inclusion of these costs, previously credited

to ratepayers, through the reversal of this credit in the updated capital cost schedules in Settlement Exhibit 2 subject to certain conditions as detailed below.

5. ORS and the Settling Parties have reviewed the Option, the scope of work necessary to complete the EPC Contract and the Sensitivity Analysis prepared by SCE&G Witness Joseph M. Lynch. The Settling Parties agree that, based on the sensitivity study presented in SCE&G Witness Lynch's testimony and the work remaining, the \$505.54 million price for SCE&G to exercise the "Fixed Price" option amendment to the EPC Contract appears to be cost beneficial to the Company and its ratepayers given the current circumstances. In the context of this settlement, the Settling Parties agree not to contest the Company's exercising of the Option and the inclusion of these costs in the updated capital schedules, included in Settlement Exhibit 2, subject to SCE&G agreeing to certain conditions as provided below.

6. The Settling Parties agree to permit inclusion in the BLRA-approved capital cost schedule for the Units \$32.58 million of the Company's requested \$52.45 million in costs for Change Orders. Of the \$32.58 million, the following Change Orders, totaling \$8.83 million, are accepted as proposed in the Company's Testimony: Training Staff Augmentation, Escrowing, Transmission, CAP-I, ITAAC Maintenance, PMP Analysis, Classroom Simulator, and Primavera costs. With respect to Plant Layout Security, Phase 3 and Plant Security Systems Integration, amounts of \$17.39 million and \$6.32 million, respectively, shall be included in the BLRA-approved capital cost schedule for the Units. The amounts for Plant Layout Security, Phase 3 and Plant Security Systems Integration, totaling \$23.75 of the \$32.58 million, represent the latest available data at the time of this Settlement, not final proposals or signed Change Orders, and the Settling Parties recognize that the Company may update the costs associated with these Change Orders in future BLRA proceedings consistent with the terms of this Settlement Agreement. As for the Service Building, Third Floor, the Settling Parties agree that SCE&G shall transfer the

associated amount from the Fixed Price category to the Owner's Cost category and the amounts shall be included in the BLRA-approved capital cost schedule along with any associated escalation and AFUDC. Specifically for the Service Building, including the Third Floor, SCE&G agrees to reduce the Fixed Price category in the amount of \$11.92 million, which includes the \$6.9 million requested in this Petition for the Service Building, 3rd Floor and the \$5.02 million already in the Fixed Price for the Service Building, 1st and 2nd Floor, and increase the Owners Cost category in the amount of \$10.48 million (which includes escalation), and to not seek recovery from ratepayers in any future proceeding for any costs in excess of \$10.48 million for the Service Building. After execution of the Change Order between SCE&G and WEC regarding the Service Building, SCE&G will provide a copy of the Change Order to ORS and if necessary, SCE&G will adjust the Owners Cost category consistent with the terms of this Settlement.

7. SCE&G has additionally identified and requested in its filing an increase to its Owner's Costs of \$20.83 million. These additional costs are generally attributable to the requested extension of the duration of the construction project to complete Units 2 and 3 and also reflect the refinement of previous cost estimates as certain costs related to operations and the start-up period are now better known. These costs have been assigned to specific cost categories that are detailed and included in Settlement Exhibit 2. In the context of this settlement, the Settling Parties agree not to contest the inclusion of these costs.

8. The Settling Parties agree that SCE&G shall not include in the BLRA-approved capital cost schedule at this time the additional \$4.3 million in Transmission costs requested by the Company in its Petition. The basis for these costs is not yet well known as the final methodology for switchyard modifications has not yet been determined. The Company may seek inclusion of these Transmission costs in future BLRA proceedings.

9. SCE&G has further sought AFUDC and other escalation costs of approximately \$44.7 million, which the Settling Parties understand will be adjusted in accordance with the BLRA. These are currently estimated at \$45.18 million.

10. SCE&G seeks approval of the updated BLRA milestone schedule, included as Settlement Exhibit 1, which the Company claims reflects the planned construction schedule necessary to complete the Units by the Guaranteed Substantial Completion Dates of August 31, 2019, for Unit 2 and August 31, 2020, for Unit 3. In the context of this settlement, the Settling Parties agree not to contest the construction schedule submitted by SCE&G. However, recognizing that Fluor's full input into the construction schedule is not yet available and that these BLRA milestones reflect construction milestones established by a previous construction contractor, the Settling Parties agree, for the purposes of BLRA compliance, that the Substantial Completion Dates will be the only Commission-approved BLRA milestones for the balance of the project and will be the only milestones considered when assessing BLRA compliance with the Commission-approved construction schedules, subject to the 18 month window described in Order No. 2009-104(A), page 123. Upon Fluor completing a fully resource loaded integrated schedule as approved by Westinghouse, SCE&G will provide a report based on this schedule to ORS and the Commission that includes the current dates for the BLRA milestones set forth in Exhibit 1 of SCE&G's Petition in this Docket as well as construction payment milestones outlined in the revised milestone payment schedule. Prior to the completion and approval of the fully resource loaded integrated schedule SCE&G will provide status updates on the schedule in its quarterly reports and SCE&G agrees to provide updates on the status of both BLRA and construction payment milestones in its quarterly reports through the end of the project. SCE&G also agrees to include data on construction and craft staffing, productivity and production in its quarterly reports,

and to provide to ORS a method to compare productivity pre and post-Fluor's resource loading of the construction schedule.

11. SCE&G agrees to detail and report all milestone payments made in accordance with the milestone payment schedule in each quarterly report through the completion of the project and, in the event that the milestone payment schedule has not been resolved by the time of the hearing in this docket, to report on the status of the milestone payment dispute in its next quarterly report.

12. In this proceeding, SCE&G has requested that the Commission approve, pursuant to S.C. Code Ann. § 58-33-270(E), changes in the forecasted schedule of cost of the project consistent with the Amendment. SCE&G has also requested that the Commission approve the exercising of an Option included in the Amendment, which converts many of the EPC Contract costs into a fixed price category. As set out in the Petition, the additional cost of \$505.54 million associated with the Option would cover all work within the scope of the existing EPC Contract and Amendment, excluding certain "Time and Materials Work" currently valued at approximately \$38.3 million. ORS and the other Intervenor Settling Parties have reviewed the Option, the scope of work necessary to complete the EPC Contract and the Sensitivity Analysis prepared by SCE&G Witness Joseph M. Lynch. The Settling Parties agree that the payment for the option will not be contested, provided that SCE&G takes certain steps to ensure that ratepayers retain the benefit of the fixed price. SCE&G therefore agrees to fix the price to consumers for EPC Contract costs according to the terms of this Settlement. To effect this, SCE&G agrees that it will not file any future requests with the Commission seeking any additional or updated budget increases related to the construction of Units 2 and 3 unless such request(s) are related to signed change orders; Transmission Costs; Time and Materials costs specifically outlined in Paragraph 2, Page 1 of the Option that relate to sales tax, performance bond and insurance premiums, import duties, and mandatory spare parts and extended equipment warranty costs not covered in paragraph 6 of the

Amendment; costs associated with decisions of the Dispute Review Board adverse to SCE&G; costs associated with the issues listed in Exhibit C of the Amendment; or Owners Costs under certain conditions. Owners Cost increases will only be considered if they are related to staffing costs due to delays or are new costs not identified at the time of this filing. Owners Cost increases shall not be considered if they involve a transfer of scope from Westinghouse's Fixed Price category unless SCE&G can complete the scope of work pursuant to a contract that fixes the price in an amount equal to or less than the amount of the credit provided by Westinghouse in the Credit Change Order that moves the scope of work from Westinghouse to SCE&G. SCE&G may also apply for increases in any category that are attributable to changes in law, as defined in Paragraph 14 of the Amendment to the EPC Contract. With respect to Exhibit C of the Amendment, which contains a list of items not resolved or released under the Amendment, SCE&G agrees that it will not request increases in costs in a future modification proceeding exceeding \$20 million in total for the items on Exhibit C, excluding Plant Layout Security, Phase 3 and Plant Security Systems Integration. SCE&G further agrees to inform ORS of all changes in cost projections from those contained in Settlement Exhibit 2 and to document all changes in cost projections in its quarterly reports to ORS and the Commission.

13. With respect to those costs not covered by the prohibition described in paragraph 12 of this Settlement Agreement, SCE&G further agrees that it will not file any future modification requests with the Commission for amendments to the capital cost schedules related to the construction of Units 2 and 3 prior to January 28, 2019.³ The Settling Parties agree that this

³ If the projected commercial operation date for Unit 2 of August 31, 2019, is extended, then the expiration of the January 28, 2019 moratorium, as set forth throughout this Agreement, shall be extended in an equal amount of time. Any such extension of the moratorium, however, shall not apply to any modification request for increases in any category that are attributable to changes in law as defined in Paragraph 14 of the Amendment to the EPC Contract. Accordingly, SCE&G may file a modification request for increases in any category that are attributable to changes in law any time after January 28, 2019.

moratorium will not prohibit SCE&G from seeking recovery through revised rates for Commission-approved costs prudently incurred in accordance with Settlement Exhibits 1 and 2 or as otherwise allowed by Paragraph 12. The Company will not seek revised rates reflecting costs incurred in excess of those approved in this Docket prior to January 28, 2019.⁴ The Settling Parties agree that the moratorium described in this paragraph will be revoked should a revised rates request be denied due to SCE&G's adherence to the modification moratorium.

14. The Settling Parties agree that a decision regarding the reasonableness or prudence of any bonus incentives pledged by SCE&G to WEC under the terms of the EPC Contract or Amendment will be delayed and not included in any filing prior to January 28, 2019.⁵ The Settling Parties reserve the right to contest any such bonuses in future proceedings.

15. SCE&G agrees to take any and all actions necessary to exercise its rights under the EPC Contract or Amendment to require WEC to escrow certain engineering intellectual property and to include in all future quarterly reports the status of its efforts to have the intellectual property

⁴ SCE&G, pursuant to S.C. Code Ann. § 58-33-280 (2015), will file a final set of revised rates seven months before the projected date that the Units are to commence commercial operations. For any costs subject to the moratorium that arise after the Commission's order issued in this Docket, SCE&G intends to file a petition for updates and revisions to the capital cost schedule before those costs may be included SCE&G's final set of revised rates. Therefore, the moratorium date of January 28, 2019, will allow SCE&G the opportunity to file a petition for updates and revisions to the capital cost schedule in advance of SCE&G filing its final set of revised rates. However, if the projected commercial operation date for Unit 2 of August 31, 2019, is extended, then the expiration of the January 28, 2019 moratorium, as set forth throughout this Agreement, shall be extended in an equal amount of time. Any such extension of the moratorium, however, shall not apply to any modification request for increases in any category that are attributable to changes in law as defined in Paragraph 14 of the Amendment to the EPC Contract. Accordingly, SCE&G may file a modification request for increases in any category that are attributable to changes in law any time after January 28, 2019. If such modification request is granted, then, notwithstanding the moratorium, SCE&G may include those approved costs related to change in law in subsequent revised rates filings as the costs are actually incurred.

⁵ If the projected commercial operation date for Unit 2 of August 31, 2019, is extended, then the expiration of the January 28, 2019 moratorium, as set forth throughout this Agreement, shall be extended in an equal amount of time. Any such extension of the moratorium, however, shall not apply to any modification request for increases in any category that are attributable to changes in law as defined in Paragraph 14 of the Amendment to the EPC Contract. Accordingly, SCE&G may file a modification request for increases in any category that are attributable to changes in law any time after January 28, 2019.

escrowed. SCE&G will continue to report on the status of the escrow of intellectual property in quarterly reports through completion of the project.

16. In sum, the Amendment, the Option and other modifications detailed in SCE&G's Application sought an increase in the capital cost for the Units of \$852 million to a total \$7.68 billion for the Units with escalation as reflected in Application Exhibit 2. The Settling Parties hereby agree, as detailed above, to an increase of \$831.3 million (a reduction of \$20.45 million from the requested increase of \$852 million) for a total estimated of approximately \$7.658 billion in current dollars as reflected in Settlement Exhibit 2, subject to the terms of this Settlement Agreement.

17. The Settling Parties also agree that the restated and updated capital cost schedule detailed in Settlement Exhibit 2 attached hereto, should be approved by the Commission as the new construction expenditure schedule for completion of the Units. Specifically, Settlement Exhibit 2 should replace and supersede Order Exhibit No. 2 of Order No. 2015-661.

18. By Commission Order No. 2015-661, the Commission established a return on equity of ten and one-half percent (10.5%), which is applicable for revised rates filings made on or after January 1, 2016, under the Base Load Review Act. As a condition of this Settlement Agreement and for Base Load Review Act purposes only, beginning with any revised rates filing made on or after January 1, 2017, and prospectively thereafter until such time as the Units are completed, SCE&G agrees to develop and calculate its revised rates filings using ten and one-quarter percent (10.25%) as the return on common equity rather than the approved return on common equity of ten and one-half percent (10.50%) subject to Paragraph 23 hereof.⁶⁷

⁶ The Electric Cooperatives and Central do not take a position regarding a reduction in SCE&G's return on common equity.

⁷ Any revised rates placed into effect prior to January 1, 2017, shall not be affected by this Settlement Agreement, and the Settling Parties specifically agree that Paragraph 18 of the Settlement Agreement is not intended to require SCE&G to provide any offset, credit, refund, reimbursement, or other compensation to customers for rates

19. The Settling Parties agree that the terms of this Settlement Agreement are reasonable, in the public interest and in accordance with law and regulatory policy.

20. ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B) (2015). S.C. Code Ann. § 58-4-10(B)(1) through (3) reads in part as follows:

“... ‘public interest’ means a balancing of the following:

- (1) Concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) Economic development and job attraction and retention in South Carolina; and
- (3) Preservation of the financial integrity of the State’s public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.”

21. The Settling Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of all issues in the above-captioned proceeding, and shall neither take any position contrary to the good faith duty agreed to herein nor encourage or aid any other Intervenors to take a position contrary to the terms of this Settlement Agreement. The Settling Parties agree to use reasonable efforts to defend and support any Commission order with no other provisions issued approving this Settlement Agreement and the terms and conditions contained herein.

22. The Settling Parties request that the Commission hold a hearing on this Settlement Agreement, pursuant to S.C. Code Ann. § 58-33-270(G) (2015), simultaneously with the hearing

considered and approved by the Commission and placed into effect prior to January 1, 2017. The reduction in the Company’s return on equity shall only be prospectively applied for the purpose of calculating revised rates sought by the Company on and after January 1, 2017, until such time as the Units are completed and for Base Load Review Act purposes only.

on the merits of the Petition, which is currently scheduled to begin on October 4, 2016, and request that the Commission adopt this Settlement Agreement as part of its Order in this proceeding. In furtherance of this request, the Settling Parties stipulate and agree that the terms of this Settlement Agreement comport with the terms of the BLRA.

23. This Settlement Agreement contains the complete agreement of the Settling Parties. There are no other terms and conditions to which the Settling Parties have agreed. The Settling Parties agree that this Settlement Agreement will not constrain, inhibit or impair their arguments or positions held in future proceedings, nor will this Settlement Agreement, or any of the matters agreed to in it, be used as evidence or precedent in any future proceeding, provided, however, that the provisions of S.C. Code Ann. §§ 58-33-275(A) and (B) shall apply to any order of the Commission adopting, approving, or accepting this Settlement and no party shall take a contrary position in any future proceeding. Any Party may withdraw from the Settlement Agreement without penalty if (i) the Commission does not approve this Settlement Agreement in its entirety; (ii) an appellate court does not affirm in all respects the Commission's order approving this Settlement Agreement in its entirety; or (iii) the Commission or an appellate court does not affirm or apply the provisions of this Settlement Agreement in future proceedings while it is in force. If a Party elects to withdraw from the Settlement Agreement pursuant to this paragraph, then the provisions of this Settlement Agreement will no longer be binding upon the Settling Parties.

24. This Settlement Agreement shall be effective upon execution by the Settling Parties and shall be interpreted according to South Carolina law. The above terms and conditions fully represent the agreement of the Settling Parties hereto. Therefore, each Settling Party acknowledges its consent and agreement to the terms and conditions of this Settlement Agreement by affixing his or her signature or authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his

or her client has authorized the execution of the Settlement Agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

[Signatures on the following pages.]

WE AGREE:

Representing and binding the South Carolina Office of Regulatory Staff



Shannon Bowyer Hudson
Shannon Bowyer Hudson, Esquire

Jeffrey M. Nelson, Esquire

South Carolina Office of Regulatory Staff

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Columbia, SC 29201

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Email: shudson@regstaff.sc.gov

jnelson@regstaff.sc.gov

I AGREE:

Representing and binding Frank Knapp, Jr.

A handwritten signature in cursive script, appearing to read "Frank Knapp, Jr.", written over a horizontal line.

Frank Knapp, Jr.

118 East Selwood Lane

Columbia, SC 29212

Phone: (803) 765-2210

Email: fknapp@knappagency.com

WE AGREE:


Representing and binding South Carolina Energy Users Committee



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Elliott & Elliott, P.A.
1508 Lady Street
Columbia, SC 29201
Phone: (803) 771-0555
Fax: (803) 771-8010
Email: selliott@elliottlaw.us

WE AGREE:

Representing and binding South Carolina Electric & Gas Company



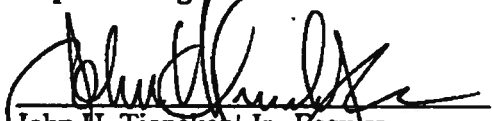
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WE AGREE:

Representing Central Electric Power Cooperative, Inc.



John H. Tiencken, Jr., Esquire
Tiencken Conway, LLC
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Email: jtiencken@tienckenconway.com

WE AGREE:

Representing The Electric Cooperatives of South Carolina, Inc.

A handwritten signature in black ink, appearing to read "Michael N. Couick". The signature is written in a cursive style and is positioned above the printed name and contact information.

Michael N. Couick, Esquire

The Electric Cooperatives of South Carolina, Incorporated

808 Knox Abbott Drive

Cayce, SC 29033

Email: mike.couick@ecsc.org

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Email: fellerbe@robinsonlaw.com

Tracking ID	Order No. 2015-661 Description	Order No. 2015-661 Date	Revised Completion Date	Unit
1	Approve Engineering Procurement and Construction Agreement	Complete	Complete	
2	Issue POs to nuclear component fabricators for Units 2 & 3 Containment Vessels	Complete	Complete	
3	Contractor Issue PO to Passive Residual Heat Removal Heat Exchanger Fabricator - First Payment - Unit 2	Complete	Complete	
4	Contractor Issue PO to Accumulator Tank Fabricator - Unit 2	Complete	Complete	
5	Contractor Issue PO to Core Makeup Tank Fabricator - Units 2 & 3	Complete	Complete	
6	Contractor Issue PO to Squib Valve Fabricator - Units 2 & 3	Complete	Complete	
7	Contractor Issue PO to Steam Generator Fabricator - Units 2 & 3	Complete	Complete	
8	Contractor Issue PO to Pressurizer Fabricator - Units 2 & 3	Complete	Complete	
9	Contractor Issue PO to Reactor Coolant Loop Pipe Fabricator - First Payment - Units 2 & 3	Complete	Complete	
10	Reactor Vessel Internals - Issue Long Lead Material PO to Fabricator - Units 2 & 3	Complete	Complete	
11	Contractor Issue PO to Integrated Head Package Fabricator - Units 2 & 3	Complete	Complete	
12	Contractor Issue PO to Reactor Vessel Fabricator - Units 2 & 3	Complete	Complete	
13	Contractor Issue PO to Integrated Head Package Fabricator - Units 2 & 3	Complete	Complete	
14	Control Rod Drive Mechanism Issue PO for Long Lead Material to Fabricator - Units 2 & 3 - first payment	Complete	Complete	
15	Issue POs to nuclear component fabricators for Nuclear Island structural CA20 Modules	Complete	Complete	
16	Start Site Specific and balance of plant detailed design	Complete	Complete	
17	Instrumentation & Control Simulator - Contractor Place Notice to Proceed - Units 2 & 3	Complete	Complete	
18	Steam Generator - Issue Final PO to Fabricator for Units 2 & 3	Complete	Complete	
19	Reactor Vessel Internals - Contractor Issue PO for Long Lead Material (Heavy Plate and Heavy Forgings) to Fabricator - Units 2 & 3	Complete	Complete	
20	Contractor Issue Final PO to Reactor Vessel Fabricator - Units 2 & 3	Complete	Complete	
21	Variable Frequency Drive Fabricator Issue Transformer PO - Units 2 & 3	Complete	Complete	
22	Start clearing, grubbing and grading	Complete	Complete	
23	Accumulator Tank Fabricator Issue Long Lead Material PO - Units 2 & 3	Complete	Complete	
24	Core Makeup Tank Fabricator Issue Long Lead Material PO - Units 2 & 3	Complete	Complete	
25	Pressurizer Fabricator Issue Long Lead Material PO - Units 2 & 3	Complete	Complete	
26	Reactor Coolant Loop Pipe - Contractor Issue PO to Fabricator - Second Payment - Units 2 & 3	Complete	Complete	
27	Integrated Head Package - Issue PO to Fabricator - Units 2 and 3 - second payment	Complete	Complete	
28	Control Rod Drive Mechanisms - Contractor Issue PO for Long Lead Material to Fabricator - Units 2 & 3	Complete	Complete	
29	Contractor Issue PO to Passive Residual Heat Removal Heat Exchanger Fabricator - Second Payment - Units 2 & 3	Complete	Complete	
30	Start Parr Road Intersection work	Complete	Complete	
31	Reactor Coolant Pump - Issue Final PO to Fabricator - Units 2 & 3	Complete	Complete	
32	Integrated Head Packages Fabricator Issue Long Lead Material PO - Units 2 & 3	Complete	Complete	
33	Design Finalization Payment 3	Complete	Complete	
34	Start site development	Complete	Complete	
35	Contractor Issue PO to Turbine Generator Fabricator - Units 2 & 3	Complete	Complete	
36	Contractor Issue PO to Main Transformers Fabricator - Units 2 & 3	Complete	Complete	
37	Core Makeup Tank Fabricator Notice to Contractor Receipt of Long Lead Material - Units 2 & 3	Complete	Complete	
38	Design Finalization Payment 4	Complete	Complete	
39	Turbine Generator Fabricator Issue PO for Condenser Material - Unit 2	Complete	Complete	
40	Reactor Coolant Pump Fabricator Issue Long Lead Material Lot 2 - Units 2 & 3	Complete	Complete	
41	Passive Residual Heat Removal Heat Exchanger Fabricator Receipt of Long Lead Material - Units 2 & 3	Complete	Complete	
42	Design Finalization Payment 5	Complete	Complete	
43	Start erection of construction buildings, to include craft facilities for personnel, tools, equipment, first aid facilities; field offices for site management and support personnel; temporary warehouses; and construction hiring office	Complete	Complete	
44	Reactor Vessel Fabricator Notice to Contractor of Receipt of Flange Nozzle Shell Forging - Unit 2	Complete	Complete	
45	Design Finalization Payment 6	Complete	Complete	
46	Instrumentation and Control Simulator - Contractor Issue PO to Subcontractor for Radiation Monitor System - Units 2 & 3	Complete	Complete	
47	Reactor Vessel Internals - Fabricator Start Fit and Welding of Core Shroud Assembly - Unit 2	Complete	Complete	
48	Turbine Generator Fabricator Issue PO for Moisture Separator Reheater/Feedwater Heater Material - Unit 2	Complete	Complete	
49	Reactor Coolant Loop Pipe Fabricator Acceptance of Raw Material - Unit 2	Complete	Complete	
50	Reactor Vessel Internals - Fabricator Start Weld Neutron Shield Spacer Pads to Assembly - Unit 2	Complete	Complete	

Tracking ID	Order No. 2015-661 Description	Order No. 2015-661 Date	Revised Completion Date	Unit
51	Control Rod Drive Mechanisms - Fabricator to Start Procurement of Long Lead Material - Unit 2	Complete	Complete	
52	Contractor Notified that Pressurizer Fabricator Performed Cladding on Bottom Head - Unit 2	Complete	Complete	
53	Start excavation and foundation work for the standard plant for Unit 2	Complete	Complete	
54	Steam Generator Fabricator Notice to Contractor of Receipt of 2nd Steam Generator Tubesheet Forging - Unit 2	Complete	Complete	
55	Reactor Vessel Fabricator Notice to Contractor of Outlet Nozzle Welding to Flange Nozzle Shell Completion - Unit 2	Complete	Complete	
56	Turbine Generator Fabricator Notice to Contractor Condenser Fabrication Started - Unit 2	Complete	Complete	
57	Complete preparations for receiving the first module on site for Unit 2	Complete	Complete	
58	Steam Generator Fabricator Notice to Contractor of Receipt of 1st Steam Generator Transition Cone Forging - Unit 2	Complete	Complete	
59	Reactor Coolant Pump Fabricator Notice to Contractor of Manufacturing of Casing Completion - Unit 2	Complete	Complete	
60	Reactor Coolant Loop Pipe Fabricator Notice to Contractor of Machining, Heat Treating & Non-Destructive Testing Completion - Unit 2	Complete	Complete	
61	Core Makeup Tank Fabricator Notice to Contractor of Satisfactory Completion of Hydrotest - Unit 2	Complete	Complete	
62	Polar Crane Fabricator Issue PO for Main Hoist Drum and Wire Rope - Units 2 & 3	Complete	Complete	
63	Control Rod Drive Mechanisms - Fabricator to Start Procurement of Long Lead Material - Unit 3	Complete	Complete	
64	Turbine Generator Fabricator Notice to Contractor Condenser Ready to Ship - Unit 2	Complete	Complete	
65	Start placement of mud mat for Unit 2	Complete	Complete	
66	Steam Generator Fabricator Notice to Contractor of Receipt of 1st Steam Generator Tubing - Unit 2	Complete	Complete	
67	Pressurizer Fabricator Notice to Contractor of Welding of Upper and Intermediate Shells Completion - Unit 2	Complete	Complete	
68	Reactor Vessel Fabricator Notice to Contractor of Closure Head Cladding Completion - Unit 3	Complete	Complete	
69	Begin Unit 2 first nuclear concrete placement	Complete	Complete	
70	Reactor Coolant Pump Fabricator Notice to Contractor of Stator Core Completion - Unit 2	Complete	Complete	
71	Fabricator Start Fit and Welding of Core Shroud Assembly - Unit 2	Complete	Complete	
72	Steam Generator Fabricator Notice to Contractor of Completion of 1st Steam Generator Tubing Installation - Unit 2	Complete	Complete	
73	Reactor Coolant Loop Pipe - Shipment of Equipment to Site - Unit 2	Complete	Complete	
74	Control Rod Drive Mechanism - Ship Remainder of Equipment (Latch Assembly & Rod Travel Housing) to Head Supplier - Unit 2	Complete	Complete	
75	Pressurizer Fabricator Notice to Contractor of Welding of Lower Shell to Bottom Head Completion - Unit 2	Complete	Complete	
76	Steam Generator Fabricator Notice to Contractor of Completion of 2nd Steam Generator Tubing Installation - Unit 2	Complete	Complete	
77	Design Finalization Payment 14	Complete	Complete	
78	Set module CA04 for Unit 2	Complete	Complete	
79	Passive Residual Heat Removal Heat Exchanger Fabricator Notice to Contractor of Final Post Weld Heat Treatment - Unit 2	Complete	Complete	
80	Passive Residual Heat Removal Heat Exchanger Fabricator Notice to Contractor of Completion of Tubing - Unit 2	Complete	Complete	
81	Polar Crane Fabricator Notice to Contractor of Girder Fabrication Completion - Unit 2	Complete	Complete	
82	Turbine Generator Fabricator Notice to Contractor Condenser Ready to Ship - Unit 3	Complete	Complete	
83	Set Containment Vessel ring #1 for Unit 2	Complete	Complete	
84	Reactor Coolant Pump Fabricator Delivery of Casings to Port of Export - Unit 2	Complete	Complete	
85	Reactor Coolant Pump Fabricator Notice to Contractor of Stator Core Completion - Unit 3	Complete	Complete	
86	Reactor Vessel Fabricator Notice to Contractor of Receipt of Core Shell Forging - Unit 3	Complete	Complete	
87	Contractor Notified that Pressurizer Fabricator Performed Cladding on Bottom Head - Unit 3	Complete	Complete	
88	Set Nuclear Island structural module CA03 for Unit 2	Complete	Complete	
89	Squib Valve Fabricator Notice to Contractor of Completion of Assembly and Test for Squib Valve Hardware - Unit 2	Complete	Complete	
90	Accumulator Tank Fabricator Notice to Contractor of Satisfactory Completion of Hydrotest - Unit 3	Complete	Complete	
91	Polar Crane Fabricator Notice to Contractor of Electric Panel Assembly Completion - Unit 2	Complete	Complete	
92	Start containment large bore pipe supports for Unit 2	Complete	Complete	
93	Integrated Head Package - Shipment of Equipment to Site - Unit 2	Complete	Complete	
94	Reactor Coolant Pump Fabricator Notice to Contractor of Final Stator Assembly Completion - Unit 2	Complete	Complete	
95	Steam Generator Fabricator Notice to Contractor of Completion of 2nd Steam Generator Tubing Installation - Unit 3	Complete	Complete	
96	Steam Generator Fabricator Notice to Contractor of Satisfactory Completion of 1st Steam Generator Hydrotest - Unit 2	Complete	Complete	
97	Passive Residual Heat Removal Heat Exchanger - Delivery of Equipment to Port of Entry - Unit 2	Complete	Complete	
98	Refueling Machine Fabricator Notice to Contractor of Satisfactory Completion of Factory Acceptance Test - Unit 2	Complete	Complete	
99	Deliver Reactor Vessel Internals to Port of Export - Unit 2	Complete	Complete	
100	Steam Generator - Contractor Acceptance of Equipment at Port of Entry - Unit 2	Complete	Complete	
101	Turbine Generator Fabricator Notice to Contractor Turbine Generator Ready to Ship - Unit 2	Complete	Complete	
102	Pressurizer Fabricator Notice to Contractor of Satisfactory Completion of Hydrotest - Unit 3	Complete	Complete	

Tracking ID	Order No. 2015-661 Description	Order No. 2015-661 Date	Revised Completion Date	Unit
103	Receive Unit 2 Reactor Vessel on site from fabricator	Complete	Complete	
104	Steam Generator Fabricator Notice to Contractor of Completion of 2nd Channel Head to Tubesheet Assembly Welding - Unit 3	Complete	Complete	
105	Place first nuclear concrete for Unit 3	Complete	Complete	
106	Main Transformers Ready to Ship - Unit 2	Complete	Complete	
107	Complete Unit 3 Steam Generator Hydrotest at fabricator	Complete	Complete	
108	Set Unit 2 Containment Vessel Bottom Head on basemat legs	Complete	Complete	
109	Main Transformers Fabricator issue PO for Material - Unit 3	Complete	Complete	
110	Main Transformers Ready to Ship - Unit 3	Complete	Complete	
111	Spent Fuel Storage Rack - Shipment of Last Rack Module - Unit 3	Complete	Complete	
112	Unit 2 Substantial Completion	6/19/2019	8/31/2019	Unit 2
113	Unit 3 Substantial Completion	6/16/2020	8/31/2020	Unit 3

RESTATED and UPDATED CONSTRUCTION EXPENDITURES
(Thousands of \$)

V.C. Summer Units 2 and 3 - Summary of SCE&G Capital Cost Components

Actual through March 2016* plus Projected	Actual										Projected			
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Plant Cost Categories														
Fixed with No Adjustment	4,628	35,199	22,066	67,394	50,551	66,057	22,960	11,634	366,348	753,742	1,110,388	756,960	325,881	63,652
Firm with Fixed Adjustment A	-	-	63,250	27,500	24,200	75,075	42,900	7,700	26,125	-	-	-	-	-
Firm with Fixed Adjustment B	-	5,499	35,768	49,513	39,371	45,043	31,048	22,834	9,791	-	-	-	-	-
Firm with Indexed Adjustment	-	45,869	148,713	115,172	137,871	118,769	150,530	128,994	26,822	-	-	-	-	-
Actual Craft Wages	-	312	1,937	9,779	11,682	21,091	25,217	38,785	24,503	0	-	-	-	-
Non-Labor Costs	-	1,271	31,255	79,778	9,298	65,227	70,154	105,390	44,564	(0)	-	-	-	-
Time & Materials	-	1,013	155	1,004	764	1,878	2,300	4,055	2,048	6,761	9,413	24,329	6,686	410
Owners Costs	17,096	8,198	15,206	23,743	29,276	43,643	47,245	51,807	56,885	113,992	133,978	127,821	106,102	62,372
Transmission Costs	-	26	724	927	11,964	51,677	56,593	46,439	44,401	56,471	47,360	12,930	-	-
Total Base Project Costs(2007 \$)	21,723	97,386	319,073	374,810	314,977	488,461	448,947	418,639	601,486	930,966	1,301,139	922,040	438,669	126,434
Total Project Escalation	-	3,519	20,930	23,741	34,084	74,485	88,622	93,326	54,891	21,431	34,105	43,355	25,071	14,576
Total Revised Project Cash Flow	21,723	100,905	340,003	398,551	349,061	562,946	537,569	511,965	656,378	952,397	1,335,245	965,395	463,740	141,010
Cumulative Project Cash Flow(Revised)	21,723	122,629	462,632	861,183	1,210,244	1,773,190	2,310,759	2,822,724	3,479,101	4,431,498	5,766,743	6,732,139	7,195,878	7,336,888
AFUDC(Capitalized Interest)	645	3,497	10,564	17,150	14,218	18,941	27,722	26,131	22,202	33,731	60,930	53,505	23,121	8,965
Gross Construction	22,368	104,403	350,567	415,701	363,278	581,886	565,291	538,096	678,580	986,129	1,396,175	1,018,900	486,861	149,375
Construction Work in Progress	22,368	126,771	477,338	893,039	1,256,317	1,838,203	2,403,495	2,941,590	3,620,170	4,606,299	6,002,474	7,021,374	7,508,235	7,658,210

*Applicable index escalation rates for 2016 are estimated. Escalation is subject to restatement when actual indices for 2016 are final.

Notes:

Current Period AFUDC rate applied

5.92%

Escalation rates vary from reporting period to reporting period according to the terms of Commission Order 2009-104(A). These projections reflect current escalation rates. Future changes in escalation rates could substantially change these projections. The AFUDC rate applied is the current SCE&G rate. AFUDC rates can vary with changes in market interest rates, SCE&G's embedded cost of capital, capitalization ratios, construction work in process, and SCE&G's short-term debt outstanding.