EXHIBIT J

RISK FACTORS RELATED TO CONSTRUCTION AND OPERATION OF THE FACILITY

Combined Application of South Carolina Electric & Gas Company for a Certificate of Environmental Compatibility and Public Convenience and Necessity and for a Base Load Review Order
Public Service Commission Docket No. 2008-196-E

1. INTRODUCTION

This Exhibit J provides an overview of certain of the major risk factors related to the permitting, construction and placing into service of two Westinghouse AP1000 Advanced Passive Safety Power Plants units as V. C. Summer Nuclear Station (VCSNS) Units 2 & 3 (the Units or the Facilities). The attached Chart A to this Exhibit J provides a list of certain of those risk factors in tabular form.

2. OVERVIEW

The risk factors related to the Facilities fall into several broad categories. Certain of the risk factors are risks that are typical of construction projects of the size and complexity of the Facilities. Others are related to the degree and sensitivity of the regulatory and safety oversight that are involved in nuclear construction. Still others are related to the fact that the Units will be among the first new nuclear units sited and built in the United States since the 1970s and 1980s, and will be among the first of what are anticipated to be a dozen or more new Westinghouse AP1000 units to be constructed in the United States and other countries over the next decade.

The discussion of risks that follows should be balanced by an appreciation of the factors that establish nuclear generation as the most prudent choice for meeting the growing energy needs of SCE&G’s customers. Among those factors are the high cost of coal and new coal-fired capacity; the environmental concerns surrounding the construction of additional coal-fired generation; the uncertainty as to future costs or limitations imposed on CO2 emissions; the uncertainty as to future natural gas prices and supplies; the relatively large amount of gas-fired generation already included in SCE&G’s generation mix; the clear need for additional base load capacity, as opposed to intermediate gas-fired capacity, on SCE&G’s system; the uncertainty as to the future costs and availability of AP1000 units or other nuclear units as the cost of alternative energy rises and global demand for these units increases; the value of special Federal tax incentives for those companies building nuclear units in the first phase of the present construction cycle; and other factors.
More specifically, the choice of the AP1000 units and Westinghouse/Stone & Webster as suppliers and contractors, are justified by the safety, simplicity, and logic of the AP1000 design; the superior experience and track record of Westinghouse and Stone & Webster in the nuclear power systems and nuclear power plant construction industries; and the wide acceptance of the AP1000 design among the utilities planning to build new nuclear units in the near future. In addition, because the Units will be among the first Westinghouse AP1000 units anticipated to be constructed in the United States, suppliers, contractors and others in the industry are expected to have a strong interest in supporting the success of SCE&G’s construction and permitting process.

Nevertheless, there are a number of risk factors related to construction of the Units which SCE&G has taken into account in making the decision to construct Westinghouse AP1000 units at this time.

3. LICENSING AND REGULATORY, POLITICAL AND LEGISLATIVE RISK FACTORS

NRC Licensing – The NRC has stated that it prefers to follow a three-step process for the issuance of Combined Operating Licenses (“COLs”) for new nuclear facilities:

1. Final Design Approval – The first step for licensing of new nuclear units is the issuance of a final design approval which constitutes an approval of the conceptual design of the principal Nuclear Steam Supply Systems and Balance of Plant systems for a type of unit. The AP1000 nuclear design was approved by the Nuclear Regulatory Commission (“NRC”) on September 13, 2004 (the “Final Design Approval”). Since the Final Design Approval was initially granted, Westinghouse has applied for approval for design improvements and refinements for the AP1000 unit. Revisions 1-15 have been approved by the NRC. One additional revision is pending at this time.

2. Reference Unit Licensing – The second stage in the NRC review and licensing process is the licensing of a specific plant, including all plant systems, facilities and processes, through the Combined Operating License (“COL”) process. The NRC has expressed a preference that the potential owners and builder of each type of unit collaborate in the filing of a single, initial COL Application (“COLA”) for the type of unit that they are proposing to build. That initial COLA then can be used as a reference case for all similar units. The NRC approval of systems, facilities and processes can then be referenced in COLA proceedings related to other similar units.

SCE&G is participating in NuStart Energy Development, LLC (“NuStart”), an association of utilities considering constructing nuclear units and of nuclear-systems providers like Westinghouse. In keeping with NRC policy, all Westinghouse AP1000 units are planned to be largely identical except for limited variations required by specific site conditions. The COLA for TVA’s Bellefonte Units 3 & 4 has been chosen as the
reference case for the AP1000 units (the “Reference Unit COLA”). It was submitted to the NRC on October 30, 2007. NuStart and the Department of Energy are sharing the cost of the Bellefonte licensing process.

3. **VCSNS Units 2 & 3 COL Application** – SCE&G’s application for a COL for VCSNS Units 2 & 3 was filed on March 31, 2008, with the NRC. This application builds on the Final Design Approval granted by the NRC for the Westinghouse AP1000 design, and the Reference Unit COLA for Bellefonte Units 3 & 4, and also includes the specific information necessary to allow licensing of construction of the Units at the Jenkinsville site.

**Licensing Risk** – SCE&G has carefully reviewed the Final Design Approval issued for the Westinghouse AP1000 and the application and the information contained in the Bellefonte Reference Unit COLA. SCE&G believes that AP1000 design can and should be licensed by the NRC for construction under the Reference Unit COLA. Moreover, as explained more fully in Exhibits A and P to this Application, SCE&G and consultants working on its behalf have conducted extensive environmental and site characterization work related to the Jenkinsville site. SCE&G had already studied and evaluated that site extensively as part of the licensing and license extension process for VCSNS Unit 1. Based on the foregoing, and SCE&G’s history of successful nuclear operations at the Jenkinsville site going back over 20 years, SCE&G believes that the risks related to the COLA process for the Units are reasonable and the decision to proceed with licensing and construction of the Units is prudent and in the best interest of its customers and the State of South Carolina.

Nonetheless, the risks related to the COLA process include the fact that many of the NRC regulations, standards and processes under which the licensing of the Units will take place are new and relatively untested; NRC staffing to support the new round of nuclear licensing is still being assembled; and many of the personnel that will be involved in this licensing process have not been part of the licensing of new nuclear units at any other time in their careers. As of mid-May of 2008, there were nine COLAs submitted to the NRC. Furthermore, a significant number of COLAs may be submitted in the next 12 months and these additional filings could make it more difficult for NRC to conduct timely reviews of applications.

There are clear advantages to SCE&G being an early applicant for a COL since personnel and resource issues may become more pronounced as the number of applications increase. Nevertheless, the fact remains that the NRC is in the early stages of the current licensing cycle and potential delays in the NRC licensing process can delay the construction schedule. In addition, the degree of opposition to the COLA from various groups cannot be gauged at this time. While the NRC enforces clear limitations on interventions and on the issues that interveners can raise, the degree of delay and expense that intervenor opposition might engender in the licensing process is difficult to predict at this time.
Substantive Design, Licensing or Regulatory Compliance Problems – From a substantive standpoint, SCE&G does not believe it is likely that the NRC’s COLA review will uncover material design or process issues related to the Units, or related to their siting at the Jenkinsville location. Alternatively, SCE&G believes that if any such flaws are discovered they will be remedied in a timely and cost-effective manner without unduly affecting the schedule or cost of the Units. However, the emergence of substantive design-related or process-related issues is not beyond possibility and the potential for additional cost and delay as a result of them are a part of the risk profile related to the Units. Also, changes in regulatory requirements during the course of construction could result in the need for redesigns, retrofits or reworking of work already completed.

Integrated Tests, Approvals, and Acceptance Criteria (“ITAACs”) – One subset of risks related to NRC licensing is the risk related to the criteria and protocols for testing, approval and acceptance of work on the Units as work is completed. This testing, approval and acceptance is known as ITAAC. Under the current approach to licensing adopted by the NRC, the NRC intends to issue a COL for new units in advance of the design/build team completing all aspects of plant design and engineering and before construction drawings are complete. However, to be allowed to proceed with construction and with plant operation, the plant and its major components and systems must meet stringent performance standards. Those standards are measured through performance testing routines and analysis, i.e., ITAACs, which are conducted as important stages of the work are completed.

The NRC has established the ITAAC criteria which the Units and other new nuclear units must meet to ensure the plants will operate as intended. However, those ITAACs could change during the course of the Units’ licensing or construction. It is possible that the NRC could require additional ITAACs or increase the scope or stringency of existing ITAACs during the course of construction and testing of the Units. This could happen for any number of reasons, including pressure from interveners in the COL proceedings or changes in public or political attitudes toward nuclear power. In addition, the NRC is still developing the process for approving the results of the ITAAC tests once they are completed and for resolving disputes or other issues related to the results of those tests. The hearing process which would currently apply to ITAAC issues is untested. Those hearings could add expense and delay to the construction of the Units.

SCE&G does not have any basis at present to believe that the ITAAC process will pose significant risks to the schedule or cost estimates presented in this Application. However, risks related to the ITAAC process are risks to which the construction of the Units is subject.

NRC Licensing Generally – At this time, the most significant risks related to NRC licensing appear to be a) the risk of delay in the issuance of a COL, the resulting disruption of the construction schedule, and the increase in construction costs that such a delay would represent; and b) the risks related to changes or delays in the ITAAC process, particularly as construction
of the Units enters its latter stages. Nonetheless, the information available to SCE&G at this time indicates that SCE&G should be able to obtain a COL and comply with ITAACs on reasonable terms and conditions, without undue expense, and on a schedule that supports the construction schedule set forth elsewhere in this Application.

**Federal Energy Regulatory Commission ("FERC") Approval** – The Units will take cooling water from the existing Monticello and Parr Reservoirs located on the Jenkinsville site. These reservoirs are part of a FERC-licensed water power development which was put in service in its current form in 1978 to support VCSNS Unit 1. Because VCSNS Units 2 & 3 will take cooling water from the Monticello Reservoirs, the construction and operation of certain aspects of the Units will require FERC approvals. The process for NRC/FERC interaction related to these approvals and the length of time required for FERC review and issuance of approvals is not well defined at present. SCE&G does not foresee any difficulty in obtaining the required FERC approvals, but the FERC approval process could delay the construction schedule and impose additional costs.

**Other State and Federal Permits** – SCE&G will need to obtain a substantial number of other permits from the State of South Carolina, the Corps of Engineers, and other regulatory bodies to complete the construction of the Units and place them into operation. A list of those permits is attached as Chart B to Exhibit J.

SCE&G’s assessment of the risks related to these permits is similar to its assessment of the risks related to the COL process. SCE&G is not aware of any facts that would indicate that any of the permits would be difficult or impossible to obtain on reasonable terms or schedules. The facts at SCE&G’s disposal presently indicate that the permits listed on Chart B should be available on reasonable terms and conditions, and on a schedule that supports the timely construction of the Units as set forth in other parts of this Application. However, SCE&G recognizes the risks related to these permits are risks of constructing the Units. Difficulty or delay in obtaining these permits could have an adverse impact on SCE&G’s ability to meet its construction schedules, and could increase the cost of the Units either through delay costs or though additional costs required in meeting regulatory requirements.

**Political, Legislative, Regulatory or Public Opinion Risks** – Concerns about climate change, about America’s dependency on imported energy supplies, about the recent volatility of natural gas prices, and about the availability of future natural gas supplies, as well as the U.S. nuclear industry’s 20 year track record of safety, efficiency and reliability, have all contributed to a political, legislative, regulatory and public climate that is supportive of nuclear generation. However, events that are hypothetical and difficult to predict could result in a change in the current level of political, legislative, regulatory and public support for nuclear generation in general or for the Units specifically. Such a change could in turn result in additional costs, delays and difficulty in receiving permits, licenses or approvals for the Units, and possibly could place the cost and schedule forecasts for the Units in jeopardy. While such events are difficult to
predict or envision, any major event that casts doubt on the continued safety and reliability of nuclear power, of the Westinghouse AP1000 design, or the suitability of the VCSNS site for additional nuclear units could result in such a reversal.

4. ENGINEERING RISK FACTORS

Final Engineering of the Units – As discussed above, the NRC has issued a Final Design Approval for the Westinghouse AP1000. The Reference Unit COL application has been submitted to the NRC and review of that application is underway. Nevertheless, under the current NRC licensing approach, there is engineering work related to the Units that will not be completed until after the COL is issued. Any engineering or design changes that arise out of that work, or the engineering or design changes required to address problems that arise once construction is underway, are potential risks which could impact cost schedules and construction schedules for the Units. While SCE&G expects some design changes in the due course of finalizing the design and engineering of the Units, SCE&G is not aware of any specific risks or problems related to the engineering remaining to be done, and does not have information that would lead it to believe that any material or significant change in the design or engineering of the Units will be required as a result of the remaining engineering or construction. Nonetheless, SCE&G considers these sorts of design and engineering-related risks to be risks to which the Units are subject.

Design-Related Vendor Risks – The Units, like other generation plants and other complex industrial facilities, are designed to use plant components that are generally available in the industry. As with all such plants or facilities, there is risk that component manufacturers may exit the business or change the design of their products such that they are no longer suitable to meet the requirements of the Units’ design. Were this to occur, alternative components would need to be indentified and included in the design, or the design would need to be otherwise modified to do without the unavailable component. Such events could result delay in the construction schedule or additional cost. SCE&G is not aware of any specific risks in this regard, nor has it identified any components or suppliers likely to pose such risks, but considers this design-related vendor risk as a risk which the Units share with other similar types of facilities.

5. PROCUREMENT AND TRANSPORTATION RELATED RISK FACTORS

Availability of Qualified Suppliers and Manufacturing Capacity – VCSNS Units 2 & 3 are being built at the beginning of a new cycle of nuclear construction. The Units are also likely to be among the first of a dozen or more new Westinghouse AP1000 units to be built in the United States. The supply chain for nuclear-grade plant components has not been supported by new construction for some decades and will need to be significantly expanded to meet the requirements of this new construction cycle.
In this context, it is helpful that Units will be built at the leading edge of the cycle, and
should have the first call on the suppliers and manufacturing capacity that exist today.
Nonetheless, the volume of anticipated nuclear construction around the world may create
shortages in this capacity which may lead to increased costs and schedule delays in obtaining key
components. Natural disasters, disruptions in normal industrial operations, material shortages,
political unrest and other force majeure-type events could disrupt this supply chain. Such
disruptions could in turn delay construction and increase the cost of the Units. SCE&G is not
aware of any specific risks or problems related to the component supply chain and the
manufacturing capacity that supports it. However, SCE&G does consider supply chain risk to be
one of the risks to which the Units are subject.

**Manufacturing and Quality Issues** – Quality controls and manufacturing standards for
components for nuclear plants are very stringent and the processes involved may place unique
demands on component manufacturers. It is possible that manufacturers of unique components
(e.g., steam generators and pump assemblies or other large components or modules used in the
Units) and manufacturers of other sensitive components may encounter problems with their
manufacturing processes or in meeting quality control standards. Many of the very largest
components and forgings used in the Units can only be produced at a limited number of foundries
or other facilities worldwide. Any difficulties that these foundries or other facilities encounter in
meeting fabrication schedules or quality standards may cause schedule or price issues for the
Units. SCE&G is not aware of facts that would indicate that such problems exist or are likely to
occur. But if such problems do occur, they could lead to schedule delays for the Units and
increased costs and so are properly considered risk factors related to the project.

**Shipping Issues** – Many of the components and assemblies for Units are quite large and
pose unique shipping and delivery challenges. Some of the very largest components and
assemblies will be fabricated in the Far East, shipped across the Pacific Ocean to Charleston or
other U.S. East Coast ports, off-loaded, and then shipped by rail to the construction site. Certain
of these assemblies will be as large as any items that are typically handled by the shippers
involved.

In addition, much of the plant will be constructed using advanced modular construction
techniques. Many of these modular components will be fabricated off-site at facilities dedicated
to supporting construction of the AP1000 units. Those modules will be delivered by truck or rail
to the Jenkinsville site for assembly. Regular and timely delivery of these components to the site
is an important condition for successfully meeting the schedule and cost projections for
construction.

If shipping problems for components and assemblies occur; if loss or damage occurs to
unique assemblies during shipping and delivery; if damage or disruption were to occur to ports
or rail facilities due to natural disasters, political unrest or other causes; or if rail lines serving the
site were to prove to be inadequate, this could cause schedule impacts and additional cost for the
6. CONSTRUCTION RISKS

**Benefit of Standardized Designs and Advanced Modular Construction** – As indicated above, the construction of the Units will employ standardized designs and advanced modular construction processes. The project schedule and costs are based on efficiencies and economies anticipated from the use of these techniques. The projected benefits and the resulting schedules and cost estimates reflected in this Application appear to be reasonable. However, standardized design and advanced modular construction has not been used to build a nuclear facility in the United States to date. The construction process and schedule is subject to the risk that the benefits from standardized designs and advanced modular construction may not prove to be as great as anticipated.

**Rework and Repair Risks** – Westinghouse has contracted to supply the AP1000 design and selected components for four AP1000 units in China, and as of the time of this application, Westinghouse/Stone & Webster has signed an EPC contract with the Southern Company for the construction of two AP1000 units at the Plant Vogtle site on the Savannah River near Augusta, Georgia. While SCE&G believes the AP1000 to be a superior design, and has full confidence in the ability of Westinghouse and Stone & Webster as suppliers and contractors, it is nonetheless true that no AP1000 units have yet been built. Accordingly, problems may arise during construction that are not anticipated at this time. These problems may require repairs or rework to be corrected. Repairs and rework pose schedule and cost risk resulting both from the repair and rework itself, and from the time and expense required to diagnose the cause of the problem, and to plan, review and approve the work plan before implementation. Westinghouse and Stone & Webster have great experience and expertise in construction of power plants, and should be able to anticipate and avoid, or efficiently correct, construction problems as they become apparent. Nonetheless, repairs and rework represent a construction related risk of the AP1000 units.

**Labor Risks** – The construction of the Units will require a workforce of several thousand people at its peak. Many of the jobs involved will require workers with specialized construction skills such as specialty welding, pipefitting and electrical skills. In addition, successfully completing the project will require the recruitment and retention of skilled construction managers and supervisors.

- **Cost and Availability Risks** – The availability of the necessary employees, managers and supervisors for constructing the Units will depend on a number of factors, including overall economic and construction-related activity in the region, and the number of nuclear plants under construction in the region at the time the Units are being built. As one of the first nuclear construction projects anticipated
to get underway in the current construction cycle, the SCE&G construction project should have an advantage in attracting the required personnel over projects beginning later. But staffing risks for the Units include both the possible shortage of required workers, which could impact both schedule and costs, and the risk that bidding for the available work force will raise labor costs to levels higher than anticipated. Some inflation in labor costs is built into the cost projections and project pricing. However, actual inflation in labor costs could be higher than expected. Labor price and availability risks are important risks of the projects.

- **Training Risks** – Part of the challenge related to construction staffing will be that of properly training personnel in the skills necessary to successfully complete the project. Training costs can be a significant part of the project costs. If the construction labor force cannot be brought to the proper skill level, or maintained at that level in the face of employee turnover, then there will be a risk of excessive rework, schedule delays and increased costs.

- **Language Issues** – For a large number of construction workers, English may be their second language or they may have limited English skills. Making provisions for a large non-English speaking component of the work force may result in efficiency losses and require incurring additional costs for translation services.

- **Fitness for Duty Regulations** – The NRC has issued fitness for duty regulations for nuclear plant construction workers. Fitness for duty regulations are intended to provide reasonable assurance that nuclear plant personnel, including construction personnel, will perform their tasks in a reliable manner; that they are not under the influence of any substance, legal or illegal, that may impair their ability to perform; and that they are not mentally or physically impaired from any cause, including fatigue, illness or emotional distress, that can adversely affect their ability to competently perform their duties. Requirements under these regulations include pre-employment screening, drug and alcohol testing (with appropriate privacy protections), post-accident testing, and on-the-job behavioral awareness. Non-nuclear personnel are likely to be unfamiliar with the requirements imposed by these regulations. Concerns about the tests, or the failure to meet their requirements, may lead to increased turn-over or difficulty in hiring sufficient numbers of skilled employees, supervisors and managers.

- **Strikes or Walkouts** – While union activity is not as common in South Carolina as in other states, organization of the workforce for the Units is possible and labor disputes could result in strikes or walkouts.

These individual labor-related risks are part of the overall challenge of recruiting, training, retaining and supervising a large, diverse and highly-skilled work force to construct the Units. SCE&G believes these labor-related risks to be manageable, but they do constitute major risks related to the construction of the projects.
Scope Increases – Construction scope increases can result from changes in regulation, design changes, changes in the design and characteristics of components of equipment, and other similar factors. Many of the reasons for scope changes have been discussed in specific contexts above. In general, scope changes involve the cost and delay of redesign work, and of implementing the expanded scope. Scope changes represent an important category of risk to which the project is susceptible.

Transmission Siting and Construction – Transmission-related costs are properly considered as part of the capital cost of a plant for the purposes of Base Load Review Act proceedings. However, the Company does not plan to design and permit off-site transmission facilities for VCSNS Units 2 & 3 until the later stages of plant construction. This delay will allow the transmission lines to be configured to suit the needs of SCE&G’s transmission system as they may evolve over the course of the construction period. The actual transmission costs associated with the Units will depend on the final routing and design of the transmission facilities, the cost of right of way along the route chosen, the schedule and cost of the right of way acquisition and siting processes, and the cost of transmission construction at the times the lines are built.

7. OPERATIONAL RISKS

General Operations – SCE&G has successfully operated and maintained a Westinghouse Pressurized Water Reactor, i.e., VCSNS Unit 1, for more than 20 years. SCE&G’s operations have consistently received high ratings by the NRC and by Institute of Nuclear Power Operations (INPO) and the availability factors for the plant have been very good. All the resources necessary for supporting the operations of such a unit are in place and functioning well at the Jenkinsville site.

Adding two new AP1000 units to the site will require significant expansion of SCE&G’s existing staff and capabilities. Recruiting, training and retaining the required staff is one of the risks related to operation of the plant, but it is a risk SCE&G believes that can be managed without undue difficulty.

Spent Fuel Storage – Each unit of VCSNS Units 2 & 3 will have the capability to store 18 years of fuel discharges from the reactor in its spent fuel storage pool. In the next several years, SCE&G will have to construct and place into operation a secure dry-fuel storage facility at the Jenkinsville site to receive and hold spent fuel from VCSNS Unit 1. This facility will be constructed large enough to facilitate storage of spent fuel from Units 2 & 3. The dry-fuel storage facility will have the capability to hold spent fuel safely until a permanent repository for it is available. SCE&G does not believe that spent-fuel storage is a material risk factor related to operation of the Units.
Fuel Cost Risk – SCE&G believes that nuclear fuel for its reactors will be available in sufficient quantities and at reasonable prices during the course of its operation of the Units. The cost of nuclear fuel has risen recently in response to the resurgence of interest in nuclear generation. However, SCE&G is not aware of any reason to believe that supplies of nuclear fuel or nuclear fuel fabrication capacity will be unduly constrained in the long-term. Moreover, the cost of fuel is a much smaller part of the cost of nuclear generation than it is for generation from fossil fuel sources. Accordingly, the economics of nuclear generation are much less dependent on fuel costs than are the economics of coal- or natural-gas-fired generation.

8. FINANCIAL AND GENERAL INFLATION RISKS

Financial Risk – As other exhibits show, construction of the Units will require the Company to access large amounts of capital on regular intervals to make the required payments to Westinghouse and Stone & Webster, and to fund its own internal costs related to the project. SCE&G believes that it will have access to the required capital on reasonable terms during the construction process. The present Base Load Review Act proceeding and future revised rates filings will play a critical role in the Company’s ability to obtain that capital.

Nonetheless, instability in global or U.S. capital markets, future developments which bias capital markets against investments in nuclear power, or developments which call into question the future financial integrity of the Company or its ability to recover its costs of utility operations in a timely way, all could restrict SCE&G’s access to capital on reasonable terms. Scope changes or cost increases that result in additional requirements for capital could also present financial challenges to the Company. Anything that might cause the Company to lose the ability to access required capital in a timely way could result in disruption of the construction process and schedule, and represents a potential risk factor for the construction of the Units.

Inflation and Supply Shortage Risks – Inflation related to nuclear construction labor, and to nuclear-plant materials and components has been discussed above. In addition, inflation in the cost of standard construction inputs like cement, steel, copper, nickel, gasoline and diesel fuel, all could result in increased costs for constructing the Units. Increasingly globalized markets have resulted in increased competition for supplies of such standard construction materials. Inflation is often accompanied by supply shortages. SCE&G has built reasonable inflation projections into its cost projections for the project. Nonetheless, supply shortages and unanticipated levels of price inflation for standard construction inputs represent a risk both to cost projections and schedule projections for constructing the Units.

9. SEVERE WEATHER AND NATURAL AND MAN-MADE DISASTERS

Severe Weather and Natural and Man-Made Disasters – The timely and successful construction of the Units depends on a supply chain that is global in scope as well as on conditions localized at the Jenkinsville site. Severe weather and natural and man-made disasters
at any point in that supply chain can interfere with the progress of the construction and affect both price and schedule risks. The problems disasters pose are most acute if they occur at sites which are vital to the manufacture or transport of unique and specialized components, or at the construction site itself. The list of potential natural and man-made disasters that could cause cost increases or schedule delays includes all the disasters commonly cited as examples of force majeure, and include: hurricanes, tornados, earthquakes, floods, landslides, fires, explosions, tsunamis, lightning-strikes, war, riots, sabotage, prolonged rains or cold weather at the site, railway or bridge failures, epidemics, and terrorist attacks. Insurance may provide protection against some of the cost of these events, but insurance may not cover all risks, and schedule delays may be unavoidable.

10. CONCLUSION

For a project of the scope and complexity of the licensing and construction of the Units, any list of potential risk factors compiled at this stage of the process will not be exhaustive. Risks that are difficult to predict or envision may arise during licensing and permitting that disrupt current cost or schedule forecasts. Nevertheless, SCE&G has reviewed the risks related to constructing the Units carefully and over an extended period of time. It has compared those risks to the risks of the other alternatives that are available to meet the energy needs of its customers and the State of South Carolina. SCE&G has also sought to manage the risks of constructing the Units by fixing costs, to the extent commercially reasonable, under the EPC Contract with Westinghouse/Stone & Webster, and by applying reasonable schedule and cost contingencies to the project. Based on the above, SCE&G has concluded that the benefits from constructing the Units and adding them to its system outweigh the risks as it understands them, particularly considering that this energy source involves significant no air emissions, is highly reliable, and is not subject to the fuel price risks or fuel availability risks that affect the fossil generation resources. SCE&G has concluded that constructing the Units is the most prudent and responsible course it can take at this time to meet the base-load generation needs of its customers.

But no project of this scope can expect to be completed without some risks or disruptions. In the end, this project’s ability to meet its current schedule and cost projections will depend on the cumulative effect of those risk events that do occur on the schedule and cost projections contained in this Application. SCE&G will monitor these risks and their effects carefully. It will inform the Commission and the public if the effects of risks that do occur begin to fall outside of the cost and schedule contingencies built into this Application.
## EXHIBIT J

**Chart A**

### Certain Risks Associated with Construction and Operation of the Facilities

<table>
<thead>
<tr>
<th>Types of Risk</th>
<th>Schedule</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Delay</td>
<td>Cost</td>
</tr>
</tbody>
</table>

1. **Regulatory Risks**
   a. Office of New Reactors
      i. New 10CFR52 licensing process proceeds slowly due to complexity and/or resource issues
      - Yes
      - Yes
   b. NRC Region II
      i. Construction Inspection Process proceeds slowly due to complexity and/or resource issues
      - Yes
      - Yes
   c. FERC license approval process proceeds slowly due to complexity and/or resource issues
      - Yes
      - Yes
   d. State & local permits process proceeds slowly due to complexity and/or resource issues
      - Yes
      - Yes

2. **Engineering Risks**
   a. Completion of design results in changes to existing design
      - Yes
      - Yes
   b. Construction problems require design changes
      - Yes
      - Yes
   c. Equipment vendors go out of business or change products
      - Yes
      - Yes

3. **Procurement Risks**
   a. Inadequate number of qualified suppliers
      - Yes
      - Yes
   b. Manufacturing problems causes delays
      - Yes
      - Yes
   c. Shipping problems delay equipment arrival to site
      - Yes
      - Yes

4. **Construction Risks**
   a. Construction duration estimates are too optimistic
      - Yes
      - Yes
   b. Construction problems requires rework/repair
      - Yes
      - Yes
   c. Labor issues (strikes/inadequate supply) causes delays
      - Yes
      - Yes
   d. Lack of proper training results in mistakes
      - Yes
      - Yes
   e. Large non-English speaking workforce
      - Yes
      - Yes
   f. Workers do not meet new fitness for duty standards
      - Yes
      - Yes

5. **Operational Risks**
   a. Inability to hire sufficient qualified people to operate plants
      - Yes
      - Yes

6. **Financial Risks**
   a. Cost of money limits ability to raise sufficient capital
      - No
      - Yes
   b. Rising inflation & competition drives equipment and commodity prices upward
      - No
      - Yes
   c. Scope increases require additional funding
      - Yes
      - Yes

7. **Uncontrollable Circumstances**
   a. Severe weather
      - Yes
      - Yes
   b. War/sabotage/terrorist attack
      - Yes
      - Yes
EXHIBIT J
Chart B

Major Non-NRC Permits, Licenses, and Authorizations List

1. Federal Energy Regulatory Commission (FERC) Order for Non-Project Use of Project Land & Waters

Upon application to the FERC, the FERC will review, and if found not to be inconsistent with the provisions of the FERC Project 1894 (Parr/Monticello Hydroelectric Project) License, it will issue its order approving the construction of the inlet lines for the water treatment plant as well as intake and discharge structures (lines) for the Units 2 & 3 cooling towers crossing Project properties, and such other non-project use of Project resources, including land and water as will be necessitated by construction and operation of Units 2 & 3.

2. U. S. Army Corps of Engineers (COE) 404 Wetlands Permit

A permit is needed to disturb land and in some cases to fill areas determined to be wetlands and officially delineated by the COE.

3. Siting Act Certification for the Transmission Facilities

As indicated in Exhibit Q to this Application, additional transmission facilities will be required to integrate the Units into SCE&G’s electric grid. Those transmission projects will be permitted separately from the permitting of the generation facilities with which they are associated.

4. Section 401 Water Quality Certification

A Section 401 Water Quality Certification by the South Carolina Department of Health and Environmental Control (DHEC) will be necessitated as a result of the need to secure a Section 404 permit. The review will be conducted in concert with the 404 wetlands permit process.

5. Part III Construction & Demolition Landfill Permit (Solid Waste Permit)

A DHEC Solid Waste Permit is needed for an Industrial Landfill for the purpose of disposal of construction, demolition, and land-clearing debris.

6. NPDES Stormwater Permit for Land Clearing

A DHEC issued Stormwater Permit is required for any land disturbing activities. This includes all land clearing activities such as grubbing and excavating of soil from the site.
7. **SCDHEC/S.C. Fire Marshall Blasting Permit**

Permits are required should it become necessary to blast rock that cannot be removed by other means.

8. **SCDOT Site Access Road Permit**

A permit is needed for enhancing the roadway at the intersection of Parr Rd. and Hwy. 213 to facilitate safer passage of construction traffic.

9. **Construction Facilities Building Permit**

Permits are needed for construction of buildings in the "construction city area."

10. **SCDHEC Concrete Batch Plant Permit**

A permit is needed to install a concrete batch plant onsite to produce concrete for the construction project.

11. **Concrete Batch Plant NPDES Discharge Permit**

A permit is needed to discharge water from the concrete batch plant into "Waters of the State."

12. **Dredge and Fill (COE) Permit**

A permit is needed for dredging areas in Parr Reservoir when installing a discharge pipe for Units 2 & 3.

13. **SCDHEC Bureau of Air Quality (BAQ) Permits**

A construction permit exemption is needed from BAQ for emergency generators, boilers (if applicable) and any other stationary sources exhausting emissions into the atmosphere at the water treatment plant/wastewater plant. This also applies to any future equipment on the site that emits to the atmosphere.

14. **SCDHEC Construction Permit for Water Treatment Plant**

A permit is needed to construct the building/equipment/lines for the Water Treatment Plant.

15. **NPDES Water Permit for Water Treatment Plant**

A permit is needed to produce water from the Water Treatment Plant.
16. NPDES Wastewater Permit (discharge water coming from Water Treatment Facility)

A permit is needed to discharge water from the Water Treatment Plant into Monticello Reservoir.

17. NPDES Wastewater Permit (discharge water coming from Wastewater Package Plant)

A permit is needed to discharge water from the Wastewater Package Plants (2 plants) into Mayo creek and Parr Reservoir.

18. Construction Permit for Wastewater Package Plant

A permit is needed to install two wastewater package plants (construction city area and on the table top area) into Mayo Creek and Parr Reservoir.

19. Federal Aviation Administration Permit

A permit is required from the FAA for Lampson construction cranes, because they will be over the height of 200 ft.