Narrative: SCANA’s Project Management Team

- SCANA’s project management team is led by Ron Jones, VP New Nuclear Operations. Ron is a former Duke (nuclear operations) executive who joined SCE&G in 2012 after the Duke / Progress merger.
- Seven functional area managers (all former Unit 1 operations personnel) report to Ron Jones. The functional areas are business & finance, organizational development & performance, quality systems, operational readiness, nuclear licensing, engineering, and construction. Each functional area manager is supported by a team of younger engineers and other project staff. The project management team totals approximately 110 SCE&G employees.
- Overall direction and tone of the management team is set and controlled by SCANA corporate officers Steve Byrne and Jeff Archie (also nuclear operations veterans) who spend time with the project management team as their schedules permit which is significant, weekly as a minimum - but not fulltime.
- SCANA is an accomplished nuclear operator and maintains a very professional and effective relationship with the NRC on both the operating unit and the new nuclear project.
- The SCANA project management is clearly focused on nuclear safety but historically inclined to be less focused on schedule, cost, and overall project execution. This focus is appropriate for a team of nuclear operators and should be expected given the experience and background of the team. However, with a predominant background in operations, the team is less experienced in large capital project execution and EPC contract management.
- Throughout the project, and as influenced by executive management, the project management team has demonstrated a passive management style. This style of management coupled with inexperience makes SCANA highly susceptible to being misled by a more seasoned nuclear equipment manufacturer - Westinghouse.
- Often, SCANA fails to ask intrusive questions, can be naïve in accepting evasive answers, and has consistently demonstrated ineptitude in holding Westinghouse accountable which, in fairness, would be a very formidable task for any project management team due to the complexity of this project.
- The following details explain some of the complexity of the project which serve to exacerbate the project management challenges faced by the SCANA team:
  
  - **Westinghouse Technology**
    - AP1000 nuclear reactor – any first of a kind technology project can pose a significant execution challenge in and of itself, but the challenge of a first of a kind nuclear reactor bears out especially in the heavily regulated U.S. nuclear industry.
    - The Westinghouse AP1000 engineering design maturity has had, and continues to have, a negative impact on procurement and construction.
  
  - **Consortium – contract structure, partners and turnover**
    - The AP1000 projects are Westinghouse’s first attempt at delivering a turn-key, complete generating unit - EPC package (4 – China, 4 domestic).
- Engineering resources required to deliver 8 (simultaneous) new units has been an obvious problem.
  - Westinghouse chose Stone & Webster as its outside engineering firm and consortium partner to provide overall EPC project integration and significant other balance of plant engineering scope.
  - Stone & Webster has proven to lack the experience and skill necessary to plan, integrate and schedule the engineering, procurement, and construction work necessary to deliver a large scale project.
  - In addition, Stone & Webster has changed ownership throughout the project (The Shaw Group, CB&I, and most recently the acquisition by Westinghouse.)
  - Throughout two acquisitions and eight years of associated executive management turnover, much of the same key S&W staff remain in place and a complete, resource loaded integrated project schedule remains under development.

**Conclusion to narrative:** SCANA’s project management team has many areas of strength (nuclear safety culture, operations, NRC management) but does not have the comprehensive skills and depth of experience necessary in engineering, scheduling, project controls and construction to manage a large new build project laced with complexities. Those complexities being a first of a kind nuclear technology being deployed by an over-extended equipment manufacturer (Westinghouse) and backed by an incompetent engineering firm responsible for project integration (Stone & Webster now WECTEC). The Project would be greatly benefitted by infusing the current project management team with a framework of qualified EPC managers charged with working collaboratively with the Owner and Consortium to identify areas for improvement, suggest proven solutions, and to provide an independent perspective on actual progress – an effort aimed at increasing the accountability of the Consortium and the success of the Project. After three years of project delays, and now another five months of Unit 2 delay realized in 2016 – there should be no shame in reaching out for some qualified assistance.

**Timeline: Project Management**

May 2014: **Roll-up Letter** - Shortly after sending the May 2014 roll-up letter to WEC / CB&I, and in turn, receiving the $1B EAC (Aug), Santee Cooper began discussions with SCE&G to engage outside assistance with management of the EPC contract. This was first communicated to the Santee Cooper board in executive session Aug 2014.

**Memory jogger:** The roll-up letter marks the beginning of the time-frame where we stopped progress payments, visited Toshiba, attempted to negotiate a settlement on the $1B EAC, 3 rounds of negotiation (Oct-Dec) with Roderick/Asherman, negotiations break down, Roderick & Asherman relationship deteriorates, SCANA grows nervous that CB&I would walk ... ALL ... leading to the exit of CB&I and the Oct 2015 Amendment.
Sep 3, 2014: **Kevin email to Lonnie (September 3, 2014 at 2:06:00 PM EDT)** ... Kevin Marsh made the following commitment:

“We are ready to move forward with hiring/engaging an additional resource with significant construction expertise to assist us with evaluating the construction schedule and project status. I believe having this person on our staff vs. working as a consultant will avoid conflicts with the consortium on proprietary matters. I would recommend that Jeff Archie work with Mike Crosby to help identify potential candidates for this role.”

**From this email forward**, Santee Cooper **continued** to offer guidance in private meetings with Jeff Archie and Steve Byrne. In these sessions, Santee Cooper presented an oversight model of project management that would incorporate experienced EPC professionals working alongside SCE&G functional area leads to help identify (EPC) challenges, and to offer solutions in a concerted effort to better hold the Consortium accountable for schedule and cost. Jeff and Steve listened, and at times even indicated (some) agreement for the need for outside support ... but have never taken action.

Feb 17, 2015: **SCANA Meeting (Timmerman’s old office) - Marsh, Byrne, Carter, Watson, Crosby** - Santee Cooper continues campaign for outside project support ... we suggested Bechtel and left SCANA with a project assessment proposal to assist in identifying areas for improvement. Kevin agreed to review Bechtel proposal.

Apr 7, 2015: **Bechtel Meeting (SCANA Hangar) - Team Marsh, Team Carter, & Bechtel** - Bechtel introduces its nuclear team and presents assessment proposal. After meeting Kevin comments to Carter & Crosby that he was impressed with Bechtel ... and agreed to seek SCANA Board approval to go forward with an assessment.

Apr - Aug: **SCANA and Santee Cooper board approvals received** - to move forward with a Bechtel project assessment.

Aug 10, 2015: **Bechtel Assessment** – finally begins. Much time was wasted between the end of April through July getting Roderick & Asherman on board with the assessment and the NDAs and PO in place.

**Memory jogger:** We made the Bechtel assessment a “requirement” to proceed with the (stalled) negotiations that eventually led to CB&I being allowed to exit the Project. Carter and Marsh met with Asherman Jun 10 ... and ... Roderick on Jun 17 – these guys refused to occupy the same room.

Aug – Oct: **Bechtel Calls** – Craig Albert holds weekly calls with Marsh & Carter. Bechtel does not receive good support from SCANA or WEC on the assessment. SCANA NND project leadership has limited involvement in the assessment. Bechtel does not feel welcome on site by SCANA or WEC. Cherry leads effort on behalf of
Owners. Cherry has to engage (and re-engage) Archie in an effort to force WEC (Benjamin / Roderick) to release engineering & schedule documents. Carl Rau & Roderick eventually get ugly with each other in an email exchange. In the end, documents are primarily released to a reading room for viewing only - the assessment effort was a real struggle.

Oct 22, 2015: **Bechtel Meeting (SCANA HQ)** – Bechtel executive level report-out of project assessment, findings, and high-level recommendations. Bechtel promises a final report in 2 – 3 weeks. At this meeting, Bechtel was prepared to have a follow-on discussion regarding how Bechtel could assist Owners with Project. Kevin had a hard stop ... so the follow-on meeting did not happen. It was clear at this point that Kevin’s opinion towards Bechtel had changed. Kevin now held an opinion that Bechtel’s driving objective had always been to seek a long-term engagement with SCANA to save the Project.

Nov 12, 2015: **Bechtel Assessment Report – issued to George Wenick** - Weeks go by with George / Bechtel wrangling over report redactions. Near the end of this saga, Judge Baxley and Al Bynum meet with George (in Atlanta) for a review and final disposition of the report.

Following is a Crosby telephone conversation with Ty Troutman (Bechtel) which reveals more details of the wrangling between Bechtel, Wenick and SCANA:

**Tel-Con with Ty Troutman (Bechtel General Manager and direct report to Craig Albert)**
**Feb 4, 2016, 11:30 AM**

- Oct 22, 2015 ... Bechtel presents high-level assessment finding to Owners.
- Nov 12, 2015 ... Bechtel issues report to George.
- Over next couple of weeks ... George sends Bechtel a heavily redacted mark-up ... requesting schedule and other information be removed.
  - Bechtel / George go back and forth for awhile ... no real progress made.
  - At some point, in lieu of honoring George’s requested redactions ... Bechtel forwards an alternative report.
  - George rejects the alternative report.
- Around 2nd week in Dec ... Ty Troutman calls Steve Byrne ... for a “what gives with the report” call.
- Troutman informs Byrne that George’s requested redactions defeat the purpose of the assessment & report.
- Byrne reveals to Troutman that he is not happy with Bechtel ... Bechtel was too rough on SCE&G’s “EPC management skills.”
  - At conclusion of the call ... it was decided that the Oct 22 presentation would serve as the final report.
  - Bechtel ... issues final invoice for work.
- Around Jan 15th ... George notifies Bechtel that the schedule piece must be removed and the negative words on SCE&Gs “EPC management skills” must be softened.
- Ty Troutman / Craig Albert ... do not want to pull schedule piece ... but agree to separate out into a stand-alone report and submit two reports to George.
- Same to be forwarded to George shortly.

Feb 5, 2016: **Bechtel Project Assessment Report** – final scrub complete and numbered copies released to Santee Cooper from SCANA.

Mar 4, 2016: **Santee Cooper Recommendations** – Five formal recommendations (dated Mar 3rd) forwarded to Kevin Marsh:

1. Construction Milestone Payment Schedule
2. Project Evaluation and Assessment by Owners
3. Quarterly Meetings with Toshiba / WEC / Fluor
4. Evaluation of Fixed Price Option (FPO)
5. Professional Oversight of EPC Agreement

Mar 7, 2016: **SCANA Meeting (Kevin’s conference room)** – Marsh, Byrne, Archie, Lindsey, Bynum, Team Carter – group discusses Bechtel Report and Santee Cooper formal recommendations. Lonnie praises SCANA’s project management team for its operations experience and ability to work well with NRC, but leans on them for their inability to hold Consortium accountable. Byrne passionately defends Team Torres.

Marsh agrees to have the SCANA and Santee Cooper teams study the Bechtel Report and agree on actionable recommendations. Kevin agrees to add EPC resources to his team to fill any gaps/needs identified.

Marsh, Byrne & Archie float Construction Oversight Review Board (CORB) approach as a possible resource solution ... same was being used at Vogtle. No one at SCANA could validate the effectiveness of the Vogtle Board; however, it was already clear that Marsh, Byrne, & Archie intended to address Santee Cooper recommendations via an oversight board.

Construction Milestone Payment Schedule (CMPS) – at Santee Cooper’s request, Kevin agrees to hire Bechtel (Jason Moore) on a limited scope basis to assist team in development of the CMPS. Action assigned to Jeff Archie. Jeff Archie first attempts to hire Jason Moore as an independent contractor (under the table). Subsequently, Craig Albert instructs his staff to move on. After learning this from Ty Troutman, Bechtel stopped taking my calls.

Mar 11, 2016: **CEO Meeting (Columbia)** - Kevin Marsh, Harold Stowe, Lonnie Carter, Leighton Lord – meet to discuss Santee Cooper’s formal recommendations and expectations of SCANA for the planned Mar 21 Joint Board meeting.

Mar 18, 2016: **Kevin email to Lonnie (March 18, 2016 at 8:25:34 AM EDT)** … pertinent excerpts provided below:
“Our team is looking forward to meeting with the Santee Board next Monday ...”

“Thanks for taking the time last week to share your thoughts and concerns regarding the new nuclear project on behalf of your board. Our presentations will address your issues and provide your directors with valuable information on the new nuclear construction activities to include regulatory oversight, challenges to date, the transition to Fluor and a discussion of what we are doing differently going forward.”

“We appreciate the effort behind the recommendations provided to us regarding your views on project issues. We have carefully considered your concerns and, as we discussed in our meeting last week, we appear to be in alignment on the first four. We agree in principle with the concern expressed in Item 5 related to additional oversight of the project and have a plan of action that we believe will address the issue appropriately. Our first step in this regard is to staff a Construction Oversight Board. This board would be staffed with individuals from both SCANA and Santee in addition to an appropriate number of experienced professionals from disciplines applicable to the overall project. For example, personnel with regulatory, NRC, EPC contract, large project experience would be considered and recruited for service on the oversight board. As partners we will work with your team to identify the type and number of oversight board members. Both the Southern Company and TVA utilize these boards and have found them to be productive. As required by project scope and activities, members could be added or replaced as necessary. This board would report to Lonnie and me on a regular basis.”

“Next we would seek an appropriate number of experienced EPC, and/or large construction project personnel to add to the new nuclear team. These individuals would be available to assist the current Project Management Office team and site leadership in assessing and addressing issues arising during construction. I am confident that the number and specific type of personnel needed in this capacity will be informed by the work of our teams who are currently summarizing a list of recommendations for the project going forward. We expect these teams to complete their work and provide a report to senior management by the end of April.”

“Completion of the new nuclear plants successfully and on time is our top priority. We have enjoyed a healthy relationship with Santee for many years and sincerely value your input and thoughts. Likewise, our team has not wavered in its commitment to work with your team to address issues that challenge bringing these important new plants online in the most efficient manner possible. I anticipate a healthy discussion next week.”

Mar 21, 2016: **Joint Board Meeting 1 (Columbia Hilton)** – discussed Bechtel Report, Santee Cooper Mar 3rd formal recommendations and SCANA’s plan forward to address issues.
Marsh committed that the SCANA and Santee Cooper would work to identify actionable Bechtel recommendations, SCANA would add EPC experts to its team, and that SCANA would charter a V.C. Summer Construction Oversight Review Board to help SCANA with project execution.

Apr 7, 2016: **SCANA feedback on Bechtel Assessment** – Marion and Michael meet with Jeff Archie and Al Bynum. In response to Kevin’s request for the teams to work on the Bechtel assessment recommendations, Al Bynum gave Santee Cooper a spreadsheet containing SCANA feedback from several members of the NND project management team. It was interesting to discover that Brad Stokes (SCANA General Manager of Engineering) had not been a part of the Bechtel assessment review effort, especially given the many issues tied to engineering that impede progress on the Project.

Apr 15, 2016: **Santee Cooper feedback on Bechtel Assessment** – Also in response to Kevin’s request for the teams to work together on the Bechtel assessment, Santee Cooper forwarded Jeff Archie and Al Bynum Santee Cooper’s formal review of the Bechtel assessment which included a cross-reference to SCANA’s feedback. Santee Cooper’s feedback was consistent with its Mar 3rd recommendations calling for the addition of EPC expert resources to assist SCANA project management with executing Bechtel recommendations on engineering, procurement, project controls & scheduling.

Jeff Archie called me (and Steve Byrne emailed me) a few days later and confirmed that they had received and reviewed Santee Cooper’s feedback … and that the teams were in agreement.

May 19, 2016: **SCANA meeting – CMPS & Bechtel Assessment** – Marsh, Byrne, Archie, Carter, Crosby, Cherry meet.

**CMPS:** WECs front-end loaded CMPS was discussed in detail. Santee Cooper again requested SCANA seek outside expertise to assist Owners with resolution of this issue.

**Bechtel Assessment:** Also discussed plan forward on executing Bechtel recommendations. Due to the progress WEC & Fluor appear to be making on procurement issues – Santee Cooper agreed to narrow the focus of the Bechtel recommendations to just the engineering issues. At this point, Santee Cooper was hopeful that a (more) narrowly focused goal would help SCANA take action on adding resources. Further reasoning was the addition of outside EPC expertise to collaborate on the resolution of engineering and emergent constructability issues would help construction and construction productivity, and if successful, would provide a proven foundation for SCANA to expand the EPC expertise to other areas as needed.
Jun 17, 2016: **Santee Cooper Board Meeting (Wampee)** – Fixed Price Option formally introduced to the Santee Cooper board - Marion and Howard presentations.

Jun 18, 2016: **Crosby email to Jeff Archie (June 18, 2016 10:50 AM EDT)** – Marsh, Carter and Byrne were copied ... pertinent excerpts provided.

“Yesterday, Marion brought me the attached document that you gave him Thursday on the Project Assessment Report. The document appears to be an executive summary rewrite of information that we have kicked back and forth for months. My take-away from the document was SCANA agrees with Santee Cooper on the engineering issues that continue to put pressure on the contract delivery dates. However (and this is where it gets fuzzy) SCANAs recommendation, and apparent next step, is to perform a 3rd party assessment on how to make things better. Santee Cooper’s Mar 3 recommendations (#2 and #5), and subsequent agreement we had from our executive meetings on Mar 7, 21 and May 19, was to identify (from the existing assessment) the primary issues impeding the Project, and then on-board outside EPC experts that would surgically work on these issues, offer solutions, and develop tracking metrics to help hold Westinghouse accountable. If SCANAs recommendation in the attached document is consistent with this, I will support it. Otherwise, I am not supportive of just another 3rd party assessment. The assessment completed Q3 2015, at a cost of $1M, was sufficient for Santee Cooper to recognize the need to on-board experts help to work on key issues and improve the management of the Project.”

Jun 20, 2016: **Joint Board Meeting 2 (Nexsen Pruet)**

**Fixed Price Option**: SCANA presents its analysis of the Fixed Price Option.

**CORB**: Director Pinnell reminds Jeff Archie of his commitment in the Mar 21 joint meeting to get the CORB established as soon as possible. Jeff recommits to getting the CORB established by Jul 20.

**Bankruptcy**: Boards discuss CMPS, standing up the Dispute Resolution Board (DRB), and risks associated with a Toshiba bankruptcy. George Wenick commits to onboarding project bankruptcy counsel.

Aug 2016: **CORB Review #1** – The Construction Oversight Review Board held its first review in Jul & Aug. The initial review provided for a high-level review of the project schedule, construction, construction to startup turnover planning, engineering, startup, project management, procurement, document control, vendor supplied equipment, and component testing. An executive level exit meeting was held on Aug 18 – primary takeaways follow:

- Schedule has too many activities (238k vs. 60k at Watts Bar 2)
- Subcontracts are not in schedule
- Engineering is impeding construction
- Engineering not in schedule – being handled by lists

Confidential Treatment Requested by Santee Cooper ORS_00035804
Project Management — must get aggressive to hold Contractor accountable
  o Team will not make it without some help

CORB Chairman (Skaggs) promised final report in two weeks.

Sep 16, 2016: **Draft CORB Report #1** – received from SCANA after Lonnie discussed the report was past due with Kevin. Report was in-house SCANA and being reviewed by Jeff Archie. Al Bynum forwarded Judge Baxley a copy and reminded Santee Cooper the report was confidential.

Oct 13, 2016: **SCANA action on CORB Report #1** – Jason Williams requests an update from Jeff Archie on Oct 5. Ron Jones forwards a report on Oct 13. The information received was primarily a report on what WEC & Fluor is doing to address CORB recommendations on schedule, engineering, project metrics, etc.

Nov 2016: **CORB Review #2** – The Construction Oversight Review Board held its second review Nov 15, 16, & 17. The review included the following areas: construction update, schedule resource loading, procurement, site engineering schedules, project metrics, Westinghouse / WECTEC engagement and support, PMO package results, Fluor craft update, records and document control. An executive level exit meeting (conference call) is scheduled for Nov 22.

**Timeline: Bankruptcy Counsel**

Nov 10, 2014: **Legal meeting at Smith Currie** - Owner attorneys meet with George (Atlanta) to discuss legal strategy for negotiating the $1B EAC with Consortium. Follow-up meetings occur on Nov 14 and Dec 3.

SCANA growing concerned that CB&I / WEC will walk due to stop payment on progress payments.

Need to ask Steve Pelcher / Judge Baxley if bankruptcy was discussed in these meetings, but as a minimum this marks the time-frame just before Toshiba’s credit rating took a severe down-turn.

Apr 4, 2016: **Pelcher email to Al Bynum (April 4, 2016 4:01 PM EDT)** – pertinent excerpt

  “… has SCE&G secured a project bankruptcy attorney to help us think through how Toshiba’s financial difficulties might impact Westinghouse and ultimately us? You may recall this is a topic we discussed during our Mar 21 (post board meeting) nuclear attorneys meeting …”

Apr 5, 2016: **Lonnie email to Kevin (April 05, 2016 12:05 PM EDT)** – pertinent excerpt
“Beyond that, I believe you and I (and our legal teams) need to continue strategy discussions around the milestone payment schedule, Toshiba’s financial health, and the best approach to dealing with the $100M installment issue assuming Danny does not get back to you with an adequate assurance that the true-up money will be available at the 6 month mark. In response to your March 28 email, Danny promised a "more thorough answer" and stated that would be forthcoming not later than Wednesday, March 30; we are concerned about Danny’s delay in responding. As I understand after the board meeting on March 21, our legal teams came up with a practical fallback position that, absent reasonable assurance from Danny, moving forward we make payments based on the average of the phantom invoices and hold the balance in escrow.”

Jun 7, 2016: **Crosby email to Byrne (June 07, 2016 6:03 PM EDT) – pertinent excerpts**

“... Lonnie asked me to forward you and Kevin a proposed agenda for the joint meeting on the 20th. Here is what I have so far ... welcome your comments.

1. Fixed Price Option  
   a. SCANA analysis – presentation  
   b. PSC Testimony – any comments that can be shared  
   c. Draft SCANA letter to Santee Cooper – recommending FPO  
   d. Potential Bankruptcy – outside legal opinion & plan to address

Jun 16, 2016: **Kevin email to Lonnie (June 16, 2016, at 3:39 PM) - pertinent excerpts**

“Based on our internal discussions, we propose an agenda as follows:

1. Follow-up on issues from our last joint meeting;  
2. Consideration of the fixed price option; and  
3. Update on the milestone schedule/Dispute Resolution Board (DRB) issue”

“Through a number of emails I have seen other topics that your board may want to discuss. We are prepared to do that, but we believe that such a discussion should occur when we have more time. Issues, such as the potential bankruptcy of Toshiba or Westinghouse are critical, but would prefer to have some detailed discussions and debate within our project teams before making a formal presentation to either of our boards.”

Jun 16, 2016: **Lonnie email to Kevin (Jun 16, 2016, 7:20 PM) – pertinent excerpts**

“... Finally, I agree with you that further staff level discussion on the ramifications of a Toshiba or Westinghouse bankruptcy would be useful and should precede any formal presentations to our boards on this matter. With that said, the possibility of such a bankruptcy cannot be entirely divorced from our joint board discussions on Monday. For example, Item No. 2 on your agenda
relating to the fixed price option obviously shifts risk away from the Owners and to Toshiba/Westinghouse, making their credit worthiness all the more important. Similarly, with respect to Item No. 3, getting the milestone payment schedule right will make it less likely that Westinghouse view as desirable a strategic Chapter 11 bankruptcy to rid itself of uneconomic executory contract.”

Jun 17, 2016: Lonnie email to Kevin (June 17, 2016 5:12 PM) – pertinent excerpts

“At today’s Santee Cooper Board meeting several question regarding the implications of a Toshiba bankruptcy came up. Some we could address others not. I would anticipate similar questions Monday, otherwise, the list below should cover what will come up.”

Jun 23, 2016: Pelcher email to Bynum (June 23, 2016, at 5:12 PM) – pertinent excerpts

“... Al, one of my notes from Monday’s Joint SCANA/Santee Cooper Board Meeting in Columbia was an interest by members of the respective boards in retaining project bankruptcy counsel to provide strategic advice on the challenges associated with Toshiba’s financial difficulties arising out of last year’s accounting scandal and the risk that posed to the Owners and the project.

“As I understood the discussion from Monday, our joint boards had an interest in retaining as project counsel someone who would be able to represent us both now and in the event of a bankruptcy without having to get a waiver from Westinghouse or Toshiba. My notes indicate that you tasked George Wenick to identify potential project bankruptcy counsel for this purpose.”

“One more thing -- and just speaking for myself -- in the penultimate paragraph of his June 16, 2016, at 3:39 PM Email, below, Kevin Marsh advanced the idea of possibly making a “formal presentation” to our boards on the bankruptcy/insolvency issue after some further analysis/discussion among staffs of SCE&G and Santee Cooper. Given the demonstrated interest in this issue by our board, I think this is a very good idea.”

“I would think that the content of such a board presentation would be informed not only by the analysis of the project bankruptcy attorney we eventually (hopefully very soon) retain, but also by a more granular understanding of Toshiba’s and Westinghouse’s financial situation. Although as a Japanese company the particulars of Toshiba’s financial situation might be a bit opaque to us over here, I would think that there would be resources availability to allow us to develop a better picture of its situation and prospects.”

Jun 24, 2016: Bynum email to Pelcher (June 24, 2016 1:53 PM) – pertinent excerpt

“Ron and I talked to George yesterday about adding bankruptcy support. He is looking for candidates. We are likely comfortable with whoever he suggests.”
Jun 30, 2016: Pelcher email to Bynum (June 30, 2016 11:41 AM) – pertinent excerpt

“AI: Following Up on our Email Exchange of late last week on bankruptcy counsel, and anticipating that this issue might be raised by one of our board members in connection with today’s meeting, has any progress been made in securing project bankruptcy counsel? As you may remember, the issue of WEC/Toshiba bankruptcy/insolvency was on the mind of several of our board members during the June 20th Joint Meeting.”

Jun 30, 2016: Bynum email to Pelcher (June 30, 2016 2:59 PM) – pertinent excerpt

“George will have to answer your bankruptcy question – we delegated that to him.”

Aug 19, 2016: Pelcher email to Bynum (August 19, 2016 8:43 AM) – pertinent excerpt

“Al: As you may know, the Santee Cooper meeting on Monday, August 22nd. There will be the now normal update on V.C. Summer Units 2 and 3 in Executive Session. I will be on hand to answer questions of a legal variety that may arrive. “

“QUESTION: If asked by a board member in Executive Session about the status of securing project bankruptcy counsel, what should I tell them?”

Sep 28, 2016: Pelcher email to Wenick / Bynum (September 28, 2016 2:20 PM) – pertinent excerpts

“George/Al: I was on the Executive Floor today and a question came up about whether George has made any progress in identifying a project bankruptcy counsel? You may recall, that this is a matter that our joint boards discussed during their June 20th meeting. I have pasted below for your convenience prior Email on this matter.”

“The next Santee Cooper Board meeting is scheduled for October 14th and I anticipate this issue coming up at that time.”
All great points.

In conversation with Garry Flowers last night ... I told him SCANA would have never required the letter. Santee Cooper required and pushed hard for the letter ... and we simply want Fluor’s professional opinion on the achievability of the proposed schedule. I told Garry, now that SCANA has a letter to deal with ... they will attempt to make sure nothing in the letter gets them in trouble with the PSC.

By the way ... you need to know the following about the document:

Bullet 1 ... is SCANA responsibility under the new PMO.
Bullet 2 ... SCANA responsibility under the new PMO. I pushed hard for Fluor to be made responsible for WEC engineering performance and incentivize Fluor accordingly ... fell on deaf SCANA ears.
Bullet 3 ... not used
Bullet 4 ... SCANA responsibility under the new PMO.
Bullet 5 ... SCANA must approve a Fluor recommendation on labor acquisition.
Bullet 6 ... responsibility is a combination of SCANA & Fluor

Archie’s redlines are attached ... which I received from Garry around 2pm today.

Redlines are exactly what I expected from SCANA ... a real manipulation and disgusting.

Michael

PS: I informed Garry that SCANA’s new GC Stuckey suggested I contact Fluor for a copy of the virgin document (which I had already done as you know).

Today I received the Archie redlines from Garry first ... but later received the redlines from Archie as well. Not sure what to do about all of this if anything ... but I want to make sure that Garry Flowers does not get caught in any cross-fire ... he has been a great source of intel for Santee Cooper.
Fluor's letter is weak. What is the likely hood of making the criteria they set forth in the letter? Is the schedule reasonable or based on sound project management principles?

Sent from my iPad

On Jul 7, 2017, at 10:39 AM, Crosby, Michael <michael.crosby@santeecooper.com> wrote:
Archie lied to us ... I received this from Fluor last night.

Don't bring up now.

Michael R. Crosby
iPhone

Begin forwarded message:
From: <Garry.Flowers@Fluor.com>
Date: July 6, 2017 at 6:28:01 PM EDT
To: Michael Crosby <mrcrosby@santeecooper.com>
Subject: [EXTERNAL SENDER] Draft document
WARNING: This e-mail is from an external sender. Use caution when opening attachments and clicking links.

Jeff is supposed to send me a marked up copy with his comments tomorrow afternoon. Let me know what you think.

Sent from my iPhone

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<VCSummer Schedule Assessment 7-6-2017.doc.rtf>
Over the past several weeks, Fluor has had the opportunity to review the information and materials provided by SCANA in an effort to review and analyze the integrity of the project schedule and the Commercial Operation Date (COD) that was prepared and proposed by SCANA for VC Summer Unit 2. Fluor’s recommendations with respect to SCANA’s proposed project schedule and COD is based on several assumptions set forth below.

The use of average monthly commodity installation rates based upon historical nuclear project data, (modified for a 7 day per week work calendar) and conservative testing windows is a good initial approach, based on the information available, for determining the project’s duration.

Achievement of this schedule would require:

- full implementation of the progress improvement plan, including significant streamlining of procedures, and simplification of work packages;
- improvement in engineering deliverables
- significant improvement in the procurement process and material management system to ensure ‘yet to buy’ materials and consumables are available to support construction;
- incorporation of the recommended improvement in the craft compensation package to attract and retain a more highly skilled work force; and
- a properly resourced construction team with the ability to develop all required work packages and to perform detailed planning and control of the work at a detailed level (Level 3 & 4).

All of the above assumptions have been reviewed and discussed with the SCANA team and our conclusions from those are that there appear to be reasonable strategies in place to remedy the conditions above. The Fluor team is committed to work with jointly with SCANA on any improvement initiatives that will enhance the opportunity for the success of the project.

Based on the review of the information provided by SCANA, and assuming that the key assumptions laid out above are implemented in full, a December 2022 Commercial Operation Date (COD) is achievable.

This statement by Fluor should not be relied upon as a guarantee or validation from Fluor of the proposed project schedule or COD.