STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION
DOCKET NOS. 2017-207-E, 2017-305-E, & 2017-370-E

IN RE: Friends of the Earth and Sierra Club Complainant/Petitioner v. South Carolina Electric & Gas Company, Defendant/Respondent

IN RE: Request of the South Carolina Office of Regulatory Staff for Rate Relief to SCE&G Rates Pursuant to SC Code Ann. §58-27-920

IN RE: Joint Application and Petition of South Carolina Electric & Gas Company and Dominion Energy, Incorporated for Review and Approval of a Proposed Business Combination between SCANA Corporation and Dominion Energy, Incorporated, as May Be Required, and for a Prudence Determination Regarding the Abandonment of the V.C. Summer Units 2 & 3 Project and Associated Customer Benefits and Cost Recovery Plans

PRE-HEARING BRIEF

The South Carolina Public Service Commission ("Commission") should deny any further cost recovery to South Carolina Electric and Gas ("SCE&G") under the South Carolina Base Load Review Act for the following reasons:

1. SCE&G is clearly guilty of fraudulent misrepresentation in relation to the V.C. Summer New Nuclear Development project ("NND").

   In September of 2016, SCE&G entered into a settlement with various parties regarding capital costs and Guaranteed Substantial Completion Dates. This settlement was approved by the
Commission in November of 2016. In this settlement, SCE&G provided Guaranteed Substantial Completion Dates of August 2019 and August 2020 for Units 2 and 3, respectively. However, based on information that SCE&G had available to it at the time, SCE&G must have known that these dates were utter fiction. It is now public knowledge that SCE&G received the draft version of the Bechtel Project Assessment Report in late 2015 and the final version of the report in early 2016.

In the reports, Bechtel observed that construction was progressing at 0.5 percent per month as of August 2015 and construction was 21% complete (Exhibit 1 - Observation CPC24). At that rate, completion dates before the end of 2020 were clearly unattainable.

SCE&G would no doubt reply that they were aware of the issues in the report and had addressed them. However, after abandoning the project, SCE&G sent a letter to the U.S. Nuclear Regulatory Commission asking to withdraw their combined license for V.C. Summer Units 2 and 3 (Exhibit 2). In this letter, SCE&G said that the construction of Units 2 and 3 was less than 40% complete. Clearly the average rate of construction progress between August 2015 and July 2017 (at abandonment) was less than 1 percent per month (19 percent progress over approximately 24 months). Either SCE&G employees lack basic math skills or this was a deliberate misrepresentation of the project’s status.

SCE&G’s misrepresentations not only did great harm to their customers, but these misrepresentations were also clear violations of the Securities Exchange Act of 1934, which prohibits a publicly traded company from providing false and misleading statements to the investing public.

What would motivate such an act of misinformation? At the time of the September 2016 settlement, the Federal Nuclear Production Tax Credit was set to expire at the end of 2020. This
would have had a significant impact on the economics of the NND project and this seems to be the most plausible motive for the deception.

2. SCE&G was never in compliance with the approved Base Load Review Act cost and construction schedules.

Section 58-33-275 (C) of the SC Base Load Review Act states:

So long as the plant is constructed or being constructed *in accordance with the approved schedules, estimates, and projections* set forth in Section 58-33-270(B)(1) and 58-33-270(B)(2), as adjusted by the inflation indices set forth in Section 58-33-270(B)(5), the utility must be allowed to recover its capital costs related to the plant through revised rate filings or general rate proceedings.

Even after the 2016 settlement, SCE&G failed to construct Units 2 and 3 within the schedules to which they agreed.

For these reasons I ask the Commission to deny any further cost recovery to SCE&G under the South Carolina Base Load Review Act.

Submitted October 26th, 2018

William T. Dowdey
Exhibit 1

Page 50 of the Final Bechtel Project Assessment Report
### Table 5-1. Construction and Project Controls Observations and Recommendations

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| CPC24 | The monthly progress report shows construction progress advancing approximately 0.5% per month with a total to date (August 2015) of 21% complete. In order for the plants to complete on schedule, monthly construction progress must increase to close to 3%. There are several work faces without craftsmen, for example: Unit 2 turbine building elevated slabs; the Unit 3 containment only had 100 men working, and no work in the Unit 3 turbine building. It takes approximately one hour before the craftsmen get to their workplace. At both of the coffee breaks and lunch time, the craftsmen leave the work area resulting in unproductive time leaving and returning to work. | (Priority 1) The project needs to staff up to work all available work faces.  
(Priority 1) Assign a senior construction person to evaluate methods to have the craftsmen spend more time at the workplace. (One example: move the tool boxes into the building near the work area.)  
(Other) Have coffee breaks and lunch in the work areas |
| CPC25 | The Consortium’s Integrated Project Schedule has 50 mandatory constraints—20 associated with Unit 2, 24 associated with Unit 3, and six site-specific. A majority of the mandatory constraints affect fabrication of shield building panels that are forecast for later deliveries from the fabricator. The latest being for Unit 2. 149'-6" transition panels currently forecast to be complete 9 months later than the constrained date. The Consortium stated during the September 9, 2015 presentation that a mitigation plan is in process for the shield building panels. There is a constraint on the Unit 2 auxiliary building R251 module that is currently forecasted to be complete 5 months later than the constrained date. There is a constraint on the Unit 3 CAO1 module ready to lift that is currently forecasted to complete 4 months later than the constrained date. There is a constraint on the Unit 3 CAO2 module ready to lift that is currently forecasted to complete 4 months later than the constrained date. | (Priority 1) Remove mandatory constraints and allow the schedule to move based on the logic. Prioritize development of mitigation/recovery plans based on their potential impact to the schedule. Only incorporate mitigation plan recovery into the schedule after it has been fully developed and approved by all parties. |
| CPC26 | The baseline forecast was developed based on a performance factor of 1.15. Recent (last 6 months) performance has been greater than 2.0 on Unit 2, and greater than 1.5 on Unit 3, primarily driven by civil building construction impacts. | (Priority 2) Update the forecast based on recent performance. Reassess manpower needs based on updated forecast. |
Exhibit 2

Letter from SCE&G to U.S. Nuclear Regulatory Commission with Request to Withdraw Combined License
ATTN: Document Control Desk  
U.S. Nuclear Regulatory Commission  
Document Control Desk  
Washington, DC 20555

Virgil C. Summer Nuclear Station (VCSNS) Units 2 & 3  
Combined License (COL) Nos. NPF-93 and NPF-94  
Docket Nos. 52-027 & 52-028

Subject: South Carolina Electric & Gas Company (SCE&G) Request for Withdrawal of VCSNS Unit 2&3 COLs

References: 1. Letter from Jeffrey B. Archie to NRC, V.C. Summer, Units 2 and 3 - Notification of Termination of Project Construction, dated August 17, 2017 (ML17229B487)

This letter requests NRC approval to withdraw the COLs for VCSNS Units 2 & 3 in accordance with the Commission’s policy statement on deferred and terminated plants (52 Federal Register 38,077). In Reference 1, SCE&G notified the NRC that as of July 31, 2017, SCE&G stopped construction activities on the VCSNS Units 2 and 3 site. In its October 27 letter, SCE&G stated that it would notify the NRC of its plans for disposition of the COLs no later than December 15. Pursuant to further discussion with the NRC, SCE&G stated that it would notify the NRC by the end of December 2017.

The COLs were obtained from the NRC in March of 2012 and construction commenced shortly thereafter. On March 29, 2017, the Company’s General Contractor, Westinghouse Electric Company, unexpectedly declared bankruptcy. Subsequently SCE&G and the project’s co-owner (the South Carolina Public Service Authority-Santee Cooper) undertook an evaluation of the cost and schedule to complete the units. On July 31, 2017, Santee Cooper made the decision to suspend work on the project and later that day SCE&G made the decision to abandon the project effective immediately.

There is no nuclear fuel or special nuclear material on the site and all Safeguards Information has been removed from the site. Also, in their present state of construction (less than 40% complete), neither of the units can be considered a utilization facility as defined in 10CFR50.2. Neither unit has all the necessary structures, systems or components in place to sustain a controlled nuclear reaction. Currently there are no construction or quality-related activities ongoing at the site, but SCE&G will continue to comply with NRC requirements pending its authorization of withdrawal.
In addition to withdrawal of the COLs, SCE&G requests withdrawal of the License Amendment Requests and associated Exemptions under NRC review, Code Alternative requests under NRC review, and all ITAAC Closure Notifications.

SCE&G has irrevocably abandoned its interests in VCSNS Units 2 and 3 project. All of its project completion and preservation activities have ceased. Work is limited to only those actions required to place the site in a safe condition, terminate construction, and close active permits. No further NRC-regulated activities are being performed or planned at VCSNS 2 and 3.

SCE&G has offered to cede its abandoned interest in the VCSNS Units 2 and 3 project to the South Carolina Public Service Authority (Santee Cooper), for no consideration. As of the time of this letter, Santee Cooper has not elected to accept full responsibility for the VCSNS Units 2 and 3 project. If prior to NRC approval of this request to withdraw the COLs Santee Cooper chooses to seek to become the sole licensee for the project, SCE&G will support an application to the NRC to transfer the licenses to Santee Cooper.

The enclosure provides SCE&G’s plans for redress of the Unit 2 & 3 site and additional information on site activities. SCE&G is not requesting a specific approval date for withdrawal of the COLs, however, prompt approval will allow for resolution.

This letter contains no regulatory commitments.

Should you have any questions, please contact me at (803) 217-5080 or by email at jarchie@scana.com.

Sincerely,

Jeffrey B. Archie
Senior Vice President SCANA
Senior Vice President & CNO SCE&G

JRB/JBA/

Enclosure
c:  Billy Gleaves
    Jennifer Dixon-Herrity
    Shawn Williams
    Tomy Nazario
    Cathy Haney
    Vonna Ordaz
    Fred Brown
    Jim Reece
    Kevin B. Marsh
    Jimmy E. Addison
    Stephen A. Byrne
    W. Keller Kissam
    Jeffrey B. Archie

    Jim Stuckey
    Alvis J. Bynum
    Kathryn M. Sutton
    Roger Reigner
    Justin R. Bouknight
    Shirley S. Johnson
    Susan E. Jenkins
    William M. Cherry
    Rhonda M. O'Banion
    vcsummer2&3project@westinghouse.com
    VCSummerMail@westinghouse.com
    DCRM-EDMS@SCANA.COM
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& 3 Project and Associated Customer
Benefits and Cost Recovery Plans

CERTIFICATE OF SERVICE

I certify that the following persons have been served with one (1) copy of the foregoing Pre-Hearing Brief
by electronic mail at the addresses set forth below:

Andrew Bateman
Jeffrey M. Nelson
Jenny R. Pittman
Nanette S. Edwards
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29201
abateman@regstaff.sc.gov
jnelson@regstaff.sc.gov
jpittman@regstaff.sc.gov
nsedwar@regstaff.sc.gov
K. Chad Burgess
Matthew W. Gissendanner
South Carolina Electric & Gas Company
220 Operation Way – MC C222
Cayce, SC 29033
chad.burgess@scana.com
matthew.gissendanner@scana.com

Robert Guild
314 Pall Mall
Columbia, SC 29201
bguild@mindspring.com

Lynn Teague
3728 Wilmot Avenue
Columbia, SC 29205
803-556-9802
TeagueLynn@gmail.com

Stephanie U. Eaton
Spilman Thomas & Battle, PLLC
110 Oakwood Drive, Suite 500
Winston-Salem, NC 27103
336-631-1062
seaton@spilmanlaw.com

Mitchell Willoughby
Willoughby & Hoefer, P.A.
Post Office Box 8416
Columbia, SC 29202
803-252-3300
mwilloughby@willoughbyhoefer.com

Lara B. Brandfass
Spilman Thomas & Battle, PLLC
300 Kanawha Blvd., East
Charleston, SC 53501
lbrandfass@spilmanlaw.com

J. David Black
Nexsen Pruet, LLC
Post Office Drawer 2426
Columbia, SC 29202
803-540-2072
DBlack@nexsenpruet.com

Emily W. Medlyn
U.S. Army Legal Services Agency - Regulatory Law
9275 Gunston Road
Fort Belvoir, VA 22060
703-614-3918
emily.w.medlyn.civ@mail.mil

Derrick Price Williamson
Spilman Thomas & Battle, PLLC
1100 Bent Creek Blvd., Suite 101
Mechanicsburg, PA 17050
717-795-2740
dwilliamson@spilmanlaw.com

Belton T. Zeigler
Womble Bond Dickinson (US) LLP
1221 Main Street, Suite 1600
Columbia, SC 29201
803-454-7720
belton.zeigler@wbd-us.com

Alexander G. Shissias
The Shissias Law Firm, LLC
1727 Hampton Street
Columbia, SC 29201
803-540-3090
alex@shissiaslawfirm.com

Damon E. Xenopoulos
Stone Mattheis Xenopoulos & Brew, P.C.
1025 Thomas Jefferson Street, N.W.
Eighth Floor, West Tower
Washington, DC 20007
DEX@smxblaw.com
Frank Knapp, Jr.
118 East Selwood Lane
Columbia, SC 29212
803-765-2210
fknapp@knappagency.com

James F. Walsh, Jr.
1436 Amelia Street
Orangeburg, SC 29116
803-534-6061
jfwwalsh@bellsouth.net

James N. Horwood
Peter J. Hopkins
Stephen C. Pearson
Jessica R. Bell
Spiegel & McDiarmid LLP
1875 Eye Street, NW
Suite 700
Washington, DC 20006
202-879-4000
james.horwood@spiegelmcd.com
peter.hopkins@spiegelmcd.com
steve.pearson@spiegelmcd.com
jessica.bell@spiegelmcd.com

Joseph K. Reid III
Elaine S. Ryan
Ellen T. Ruff
Robert A. Muckenfuss
McGuire Woods LLP
201 North Tryon Street
Suite 3000
Charlotte, NC 28202
704-343-2000
jreid@mcguirewoods.com
eryan@mcguirewoods.com
eruff@mcguirewoods.com
rmuckenfuss@mcguirewoods.com
Lisa S. Booth
Tracey A. Huang
Irene Scouras
Dominion Energy Services, Inc.
120 Tredegar Street, Riverside 2
Richmond, VA 23233
804-819-2288
lisa.s.booth@dominionenergy.com
tracey.a.huang@dominionenergy.com
irene.scouras@dominionenergy.com

Robert E. Tyson, Jr.
Sowell Gray Robinson Stepp & Laffitte, LLC
Post Office Box 11449
Columbia, SC 29201
rtyson@sowellgray.com

Michael J. Anzelmo
Chief of Staff and Legal Counsel to the Speaker
Post Office Box 11867
Columbia, SC 29211
michaelanzelmo@schouse.gov

Frank R. Ellerbe, III
Sowell Gray Robinson Stepp & Laffitte, LLC
Post Office Box 11449
Columbia, SC 29201
803-227-1112
fellerbe@sowellgray.com

John H. Tiencken, Jr.
Christopher S. McDonald
The Tiencken Law Firm, LLC
234 Seven Farms Drive, Suite 114
Charleston, SC 29492
843-377-8415
jtiencken@tienckenlaw.com
cmcdonald@tienckenlaw.com
Michael N. Couick
Christopher R. Koon
The Electric Cooperatives of South Carolina, Inc.
808 Knox Abbott Drive
Cayce, SC 29033
803-739-3034
mike.couick@ecsc.org
chris.koon@ecsc.org

Robert D. Cook, Solicitor General
J. Emory Smith, Jr., Deputy Solicitor General
Post Office Box 11549
Columbia, SC 29211
(803) 734-3680
BCook@scag.gov
ESmith@scag.gov

Susan B. Berkowitz
South Carolina Appleseed Legal Justice Center
Post Office Box 7187
Columbia, SC 29202
803-779-1113
sberk@scjustice.org

John B. Coffman
871 Tuxedo Blvd.
Webster Groves, MO 63119
573-424-6779
john@johncoffman.net

Richard L. Whitt
Timothy F. Rogers
Austin & Rogers, PA
508 Hampton Street, Suite 300
Columbia, SC 29201
803-256-4000
RLWhitt@AustinRogersPA.com
tfrogers@austinrogerspa.com
CASchurg@AustinRogersPA.com
Scott Elliott
Elliott & Elliott, P.A.
1508 Lady Street
Columbia, SC 29201
803-771-0555
selliott@elliottlaw.us
linda@elliottlaw.us

James R. Davis
J. Davis Law Firm
BB&T Plaza, Suite 211B
234 Seven Farms Drive, MB #16
Daniel Island, SC 29492
843-642-8333
jim@jdavispc.com

Michael T. Rose
Mike Rose Law Firm
406 Central Avenue
Summerville, SC 29483
843-871-1821
mike@mikeroselawfirm.com

W. Andrew Gowder, Jr.
Austen & Gowder, LLC
1629 Meeting Street, Suite A
Charleston, SC 29405
843-727-2229
andy@austengowder.com

Dino Teppara
104 Egret Court
Lexington, SC 29072
Dino.Teppara@gmail.com
Allen Mattison Bogan
B. Rush Smith, III
Carmen Harper Thomas
William C. Hubbard
Nelson Mullins Riley & Scarborough LLP
1320 Main Street/17th Floor
Columbia, SC 29201
rush.smith@nelsonmullins.com
matt.bogan@nelsonmullins.com
carmen.thomas@nelsonmullins.com
william.hubbard@nelsonmullins.com

Weston Adams, III
Nelson Mullins Riley & Scarborough, LLP
Post Office Box 11070
Columbia, SC 29211
weston.adams@nelsonmullins.com

Camden N. Massingill
Matthew T. Richardson
Wallace K. Lightsey
Wyche Law Firm
801 Gervais Street, Suite B
Columbia, SC 29201
cmassingill@wyche.com
mrichardson@wyche.com
wlightsey@wyche.com

Adam Protheroe
P.O. Box 7187
Columbia, SC 29202
adam@ssjustice.org

Kevin K. Bell
Sowell Gray Robinson Stepp & Laffitte, LLC
Post Office Box 11449
Columbia, SC 29201
803-227-1112
kbell@robinsongray.com
This 26th day of October, 2018

William T. Dowdey