BEFORE THE PUBLIC SERVICE COMMISSION

OF SOUTH CAROLINA

Joint Application and Petition of South Carolina Electric & Gas Company and Dominion Energy, Inc. for review and approval of a proposed business combination between SCANA Corporation and Dominion Energy, Inc., as may be required, and for a prudency determination regarding the abandonment of the V.C. Summer Units 2 & 3 Project and associated merger benefits and cost recovery plans

Docket No. 2017-370-E

Direct Testimony of
Scott J. Rubin

on Behalf of
AARP

September 18, 2018

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Introduction

Q. Please state your name and business address.

A. My name is Scott J. Rubin. My business address is 333 Oak Lane, Bloomsburg, PA.

Q. By whom are you employed and in what capacity?

A. I am an independent consultant and an attorney. My practice is limited to matters affecting the public utility industry.

Q. What is the purpose of your testimony in this case?

A. I have been asked by AARP to review the Application (including supporting testimony and exhibits) for approval of what amounts to the acquisition of South Carolina Electric & Gas Company ("SCE&G" or "Company") by Dominion Energy, Inc. ("Dominion"). The acquisition would be accomplished by merging SCE&G's parent company, SCANA Corp. ("SCANA") with and into Dominion, such that SCE&G would become an indirect subsidiary of Dominion.

I also have been asked to review the portion of the Application and associated testimony that seeks a Commission finding of prudency for the cancellation of the construction of two new nuclear power units at the V.C. Summer station. The Company refers to the Summer station expansion as the New Nuclear Development Project, which it abbreviates "NND Project." For consistency, I will use that same terminology.

Q. Why is AARP interested in this case?

A. I am advised that AARP has more than 625,000 members in South Carolina many of whom are electricity customers of SCE&G.

Q. What are your qualifications to provide this testimony in this case?

A. For the past 35 years, I have devoted my professional life to work involving the public utility industry. This is true for my work as an attorney, as well as my work as a consultant, expert witness, and author.

I have testified as an expert witness before utility commissions or courts in the District of Columbia; the province of Nova Scotia; and the states of Alaska, Arizona, California, Connecticut, Delaware, Illinois, Kentucky, Maine, Maryland, Massachusetts, Minnesota, Mississippi, New Hampshire, New Jersey, New York, North Dakota, Ohio, Pennsylvania, and West Virginia. I also have testified as an expert witness before various federal, state, and local legislative committees. I have served as a consultant to the staffs of four state utility commissions, as well as to several national utility trade associations, and state and local governments throughout the country.

Prior to establishing my own consulting and law practice, I was employed by the Pennsylvania Office of Consumer Advocate from 1983 through January 1994 in increasingly responsible positions. From 1990 until I left state government, I was one of two senior attorneys in that office. Among my other responsibilities in that position, I had a major role in setting its policy positions on water and electric matters. In addition, I was responsible for supervising the technical staff of the office. I also testified as an expert witness for that office on rate design and cost of service issues.

Throughout my career, I developed substantial expertise in matters relating to the economic regulation of public utilities. I have published articles, contributed to books, written speeches, and delivered numerous presentations, on both the national and state

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level, relating to regulatory issues. I have attended numerous continuing education courses involving the utility industry. I also have participated as a faculty member in utility-related educational programs for the Institute for Public Utilities at Michigan State University, the American Water Works Association, and the Pennsylvania Bar Institute.

Q. Have you appeared previously before this Commission?

A. No, this is my first appearance as a witness in South Carolina.

Q. Do you have any experience that is particularly relevant to the issues in this case?

A. Yes, I do. As either an attorney or expert witness, I have participated in proceedings throughout the United States involving more than two dozen proposed utility mergers, acquisitions, divestitures, or similar corporate restructurings.

In addition, during the first 7 or 8 years of my tenure with the Pennsylvania Office of Consumer Advocate, much of my time was devoted to litigation and policy matters involving construction, financing, and rate-setting for new nuclear power plants. My work during that time considered issues of prudence, need, excess capacity (whether a plant was fully used and useful), financing, and related policy matters. Those cases involved the construction of Limerick units 1 and 2, Beaver Valley unit 2, and Perry unit 1; the cancellation of Perry unit 2; the restart of Three Mile Island unit 1; and cost recovery associated with damaged Three Mile Island unit 2.

After starting my own consulting and legal practice in 1994, I also was involved in several formal and informal matters involving the Long Island Lighting Company's cancellation of the Shoreham nuclear project, and the utility's eventual sale of electric

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operations to a newly created government-owned utility, the Long Island Power Authority, and gas operations to an investor-owned utility.

Unfortunately, over the years, I also have been involved with utilities that are in financial distress (or claim to be), including those in Chapter 11 bankruptcy proceedings or threatening to initiate them.

I am using all of that experience, as well as decades of experience in hundreds of rate cases, to aid my review of the Company's circumstances and proposals in this case.

Q. Have you prepared an exhibit summarizing your experience?

A. Yes. My curriculum vitae is attached to my testimony as Appendix A.

Summary

Q. What is the primary focus of your direct testimony?

A. My review focuses on three primary matters raised in SCE&G's Application and direct testimony: (1) the appropriate policy response to the cancellation of a major utility construction project; (2) the prudency of SCE&G's cancellation of the NND Project in July 2017; and (3) the reasonableness of the proposed Customer Benefits Plan and associated ratemaking mechanisms that are an integral part of the proposed merger.

Q. Please summarize your conclusions and recommendations.

A. My conclusions and recommendations are summarized as follows:

- I recommend that the Commission apply well-established ratemaking principles, including the used and useful principle and prudency requirements, coupled with the need to achieve results within a "zone of reasonableness" for investors and consumers.

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- I conclude that a reasonable utility in SCE&G's position would have cancelled the NND Project during 2013 or, at the latest, by mid-2014. Had SCE&G cancelled the NND Project by mid-2014, its investment in the project would have been about one-half of what it was when the NND Project was finally cancelled in July 2017.

- I conclude that the proposed Customer Benefits Plan and associated ratemaking mechanisms are steps in the right direction but would not result in just and reasonable rates for consumers. In its place, I recommend an approach that would more equitably share the costs of the failed NND Project among consumers, SCE&G investors, and Dominion.

Q. Are you responding directly to the testimony of any Company witnesses?

A. Yes. My testimony focuses on various portions of the direct testimony filed by Company witnesses Addison, Hubbard, Lapson, and Rooks.

Q. Do you have any other preliminary matters to address?

A. Yes. A portion of my testimony deals with regulatory policy issues. Given the nature of public utility regulation, much of the public policy in this field is contained in decisions by regulatory agencies and courts; or in statutes, ordinances, or regulations. I will be citing to these types of sources. This should not be taken as a legal opinion (though I am a regulatory attorney in Pennsylvania), but rather as sources supporting my expert opinion concerning appropriate public policy and regulatory practice.

Appropriate Regulatory Response to Plant Cancellation

Q. In your experience, what is the appropriate response of regulatory commissions to the cancellation of a major construction project that could affect the financial viability of a public utility?

A. In my experience, utility regulators have responded to major plant cancellations and the resulting financial distress by looking to established regulatory principles. Those

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principles include the "used and useful" principle that requires customers to receive an actual benefit as utility customers from a utility investment; the prudency principle that limits a utility's return of and on investment to the prudently incurred expenditures on a project; all coupled with a balancing of the risks and rewards undertaken by utility investors and the need to ensure that essential utility services remain available to the public.

Q. How do those principles work together in practice?

A. In practical terms, these principles are balanced to try to achieve rates that are fair to all customers (often termed "just and reasonable" rates) and returns on investment that fairly compensate the utility's investors for the risks they have undertaken. That fair compensation for risk, however, also means that when an investment fails investors need to bear that risk. In rate-setting, parties and regulators often refer to a "zone of reasonableness" meaning that there is no single result that is reasonable, but there may be a range of reasonable options. This means, of course, that some results may lie outside of the zone of reasonableness, such that they result in rates that are unjust or unreasonable or returns to investors that are not commensurate with the risks they have undertaken.

Thus, in general terms, regulators attempt to achieve a result that is in the amorphous "zone of reasonableness." If that cannot be done, then extremely difficult choices must be made. In those unusual circumstances, regulators may choose (I would suggest that they are required to choose) to protect utility consumers by ensuring that rates are just and reasonable. If that occurs, then investors attempt to protect their interests through the bankruptcy court or by liquidating their investments for significantly less than they paid for them.

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Q. Are you familiar with some of the history of failed utility investments in nuclear power projects?

A. Yes. I will give just a few examples of substantial investor losses that resulted from failed nuclear construction projects. In 1983 the Washington Public Power System defaulted on more than $2 billion in bonds after it cancelled the construction of a multi-unit nuclear power station. It took years for the law suits to get resolved, ultimately resulting in investors losing nearly two-thirds of their investment.

One of the more infamous examples is General Public Utilities Corp. which owned the Three Mile Island nuclear station in Pennsylvania. Soon after unit 2 began operating in 1979, the unit failed, suffering the worst accident in U.S. nuclear history, and resulting in a near-total loss of the $800 million invested in the plant, as well as more than $1 billion in increased purchased power costs. Special ratemaking provisions were put in place to permit the operating utilities to cover enough of their costs to avoid bankruptcy, but investors suffered a significant loss of their investment. Ultimately, General Public Utilities was sold to FirstEnergy Corp., a utility holding company.

Another interesting case study is Long Island Lighting Company which owned the Shoreham unit that was cancelled after it conducted low-power testing, but before it entered commercial operation. Ultimately, the utility's $6 billion investment in the plant was partially recovered from a combination of increasing customers' rates (for many years after plant cancellation, Long Island had the highest rates in the continental United States), selling the electric utility to a public authority, and selling the gas utility to another investor-owned utility. Electric customers' rates increased significantly to bear some of the burden of the plant's cancellation.

Q. What lessons do you learn from these examples of failed utility investments?

A. These examples reinforce what I said earlier about the need for utility regulators to find solutions within the "zone of reasonableness" that protect consumers from paying unjust or unreasonable rates and still try to protect investors. When investments fail, there is no question that investors will lose a significant amount of their investment. But because utilities provide an essential public service, ratepayers may also suffer if they are required to pay higher rates to ensure the continued viability of the utility.

There is a limit, however, to how high those rates should go to prop up utility investors. The failures in Washington, Pennsylvania, and New York that I summarized all resulted in customers paying higher rates and investors suffering substantial losses of their investment. No one wins, but a reasonable result is reached that shares the burden of the failed investment.

Q. On pages 21-23 of his direct testimony, Dr. Hubbard discusses two decisions of the U.S. Supreme Court that he says provide the "appropriate legal framework and reasoning that underlie traditional rate-of-return regulation." Do you agree with his summary?

A. No, I do not. First, he errs on page 21, line 13, when he uses the disjunctive ("or") in describing the inter-relationship of prudency and the "used and useful" principle. Specifically, he states: "regulators allow the utility to collect a return on its investments that the regulators deem are 'prudently incurred' or are 'used and useful.'" In fact, traditional regulation requires investment to be <u>both</u> prudently incurred <u>and</u> used and useful.

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Second, Dr. Hubbard inexplicably fails to discuss a third U.S. Supreme Court decision that establishes the framework for traditional utility regulation: *Duquesne Light Co. v. Barasch*, 488 U.S. 299 (1989). Importantly, and the reason I am incredulous that Dr. Hubbard did not discuss it, that case involved costs associated with the cancellation of nuclear power plants by two utilities in Pennsylvania. David Barasch, the respondent before the Supreme Court, was the head of the office where I worked at that time, so I am very familiar with the case and its underlying facts.

Briefly, the U.S. Supreme Court unanimously upheld the Pennsylvania Supreme Court's decision that applied a statutory "used and useful" principle to disallow cancelled plant costs from the utility's rate base. In so doing, the Court emphasized that a constitutional taking of utility property would occur only if the net effect of a rate order were so low as to confiscate the utility's property. Specifically, the Court summarized the constitutional standard as follows:

> The guiding principle has been that the Constitution protects utilities from being limited to a charge for their property serving the public which is so "unjust" as to be confiscatory. *Covington & Lexington Turnpike Road Co. v. Sandford*, 164 U.S. 578, 597 (1896) (A rate is too low if it is "so unjust as to destroy the value of [the] property for all the purposes for which it was acquired," and in so doing "practically deprive[s] the owner of property without due process of law"); *FPC v. Natural Gas Pipeline Co.*, 315 U.S. 575, 585 (1942) ("By long standing usage in the field of rate regulation, the 'lowest reasonable rate' is one which is not confiscatory in the constitutional sense"); *FPC v. Texaco Inc.*, 417 U.S. 380, 391-392 (1974) ("All that is protected against, in a constitutional sense, is that the rates fixed by the Commission be higher than a confiscatory level").

Id., 488 U.S. at 307-308.

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The Supreme Court also specifically rejected an attempt to adopt the "prudent investment" test, or any other particular ratemaking methodology, as being constitutionally required. On this issue, the Court held:

> The adoption of a single theory of valuation as a constitutional requirement would be inconsistent with the view of the Constitution this Court has taken since *Hope Natural Gas, supra*. As demonstrated in *Wisconsin v. FPC*, circumstances may favor the use of one ratemaking procedure over another. The designation of a single theory of ratemaking as a constitutional requirement would unnecessarily foreclose alternatives which could benefit both consumers and investors. The Constitution within broad limits leaves the States free to decide what ratesetting methodology best meets their needs in balancing the interests of the utility and the public.

Id., 488 U.S. at 316 (footnote omitted).

Q. How does the *Duquesne Light Co. v. Barasch* decision inform your judgment about an appropriate regulatory response to a cancelled construction project?

A. The Supreme Court's decision gives States and utility commissions wide latitude to develop ratemaking mechanisms and approaches that best meet the needs of the particular circumstances they face. In the Pennsylvania case reviewed by the Court, the state legislature concluded that an appropriate result was to protect consumers from paying anything for plant investments that never provided service to the public. As I explained above, in other cases (even in Pennsylvania), the appropriate result was to have consumers pay some of the costs of investments that did not serve the public but require investors to bear a significant portion of the failure.

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Prudency of SCE&G's Cancellation of the NND Project

Q. On page 48, lines 12-13, of his direct testimony, Mr. Addison states: "it would not have been prudent to abandon the [NND] Project at any time before July 31, 2017." Do you agree with this statement?

A. No, I do not. I conducted a review of some of the relevant documents and circumstances and I conclude that a prudent utility considering the information available at the time costs were incurred and decisions should have been made would have cancelled the NND Project during 2013 but certainly no later than mid-2014.

Q. What types of information did you rely on to determine what a prudent utility would have done in the period covering 2013 and the first half of 2014?

A. I relied primarily on two sources of information: (1) information published in the trade press during that time period concerning the NND Project, a similar project at the Vogtle plant in Georgia that was using the same technology (and many of the same vendors) as proposed for the NND Project, and other utilities' capacity-planning decisions; and (2) more than 300,000 pages of documents made public by SCE&G's co-owner in the NND Project, Santee Cooper.

Q. What facts from those sources have led you to the conclusion that a prudent utility would have cancelled the NND Project no later than mid-2014?

A. I base this conclusion on the following facts and observations.

First, prior to 2013, the NND Project experienced significant, costly delays. A May 6, 2014, letter from the CEOs of SCANA and Santee Cooper (attached hereto as Exhibit SJR-1) discusses some of these significant delays. According to the letter, as

early as 2011, one of the critical contractors, Shaw Modular Solutions ("SMS"), was seriously behind schedule on the construction of critical components for the NND Project, particularly the auxiliary building and fuel handling area that sits next to the containment vessel, known as the "CA-20 module."

The CA-20 module originally was scheduled for completion in November 2011.[1] By June 2011, it was clear that SMS's deficiencies would make that date impossible to meet. SMS consistently failed to make deliveries promised leading up to and in June 2011. The Nuclear Regulatory Commission ("NRC") then found that SMS's quality assurance program was deficient.[2] This led to pushing out the NND Project's schedule by more than a year, with a new CA-20 completion date set for January 2013.[3]

"By July 7, 2012," the CEOs wrote, however, "only 21 of 72 CA-20 sub-modules had been delivered to the site."[4] By September 2012, according to the letter, "at least thirty of the milestone dates had already come and gone without completion of the associated milestone event. By that time, only 31 of the 72 sub-modules for CA-20 had been delivered to the site," even though the entire module was supposed to be complete in less than four months (January 19, 2013).[5]

In October 2012, the NRC conducted a follow-up inspection and again found that SMS had not come into compliance with safety and quality assurance requirements.[6]

[1] Exhibit SJR-1, p. 3.
[2] *Id.*
[3] *Id.*, p. 5.
[4] *Id.*, p. 4.
[5] *Id.*, p. 5.
[6] *Id.*, p. 6.

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Indeed, around that time, the NRC warned that SMS employees were being punished for raising safety concerns.[7]

By this point (late 2012) it was clear that the January 19, 2013, date for completion of the module would not be met. Indeed, by March 2013 – two months after the entire module was supposed to be complete – "only 40 of the 72 sub-modules for CA-20 had been received."[8] That led to a further nine-month delay in the project schedule, with a targeted CA-20 completion date of October 31, 2013.[9]

Q. Did other important events for the NND Project occur prior to 2013?

A. Yes. Beginning in 2011 and continuing through 2012 and into 2013, Santee Cooper (which owns 45% of the NND Project) tried to sell more than half of its interest in the Project. It contacted numerous other utilities and could not find a buyer. That is, it was unable to find another utility that was willing to assume the risk of even a small portion of the Project. Ultimately in January 2014, it was able to sell just a 5% interest in the Project back to SCE&G (which already owned 55% of the NND Project), but SCE&G only agreed to buy it upon completion and commercial operation of the Project. That is, even SCE&G was unwilling to commit to any more construction risk for the NND Project.

This may be the most compelling evidence of what a prudent utility would do at the time. Numerous other utilities in the same region of the country, with the same general knowledge of power markets, fuel prices, and construction costs were given an

[7] *Id.*
[8] *Id.*
[9] *Id.*, p. 7.

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opportunity to invest in the NND Project and declined to invest anything in it. That should have provided a clear indication to a prudent utility that the Project was not economical and that it was not prudent to invest any more capital on it.

Q. When it was trying to sell a portion of the NND Project, did Santee Cooper conduct any analyses to convince potential buyers that the NND Project was a good investment?

A. Yes. In developing its efforts to try to sell a portion of the NND Project, Santee Cooper retained an outside consultant to evaluate the potential risks, costs, and benefits of ownership, and to help make the case to a prospective purchaser. That consultant, Howard Axelrod, had consulted with Santee Cooper for many years, including at the very start of the NND Project in 2005.[10]

On March 11, 2013, Dr. Axelrod drafted a memorandum to Santee Cooper that summarized Santee Cooper's attempts to divest a portion of the Project.[11] He summarizes: "While several entities contacted indicated an interest to further pursue its investigation of the VCS [V.C. Summer] offering, to date, only Duke Energy is in active negotiations with Santee Cooper with regards to the direct sale of VCS 2 & 3 assets. No other utility that was approached by Santee Cooper has indicated an interest in either an outright asset purchase or the execution of a long term PPA [power purchase agreement]."[12]

[10] *See* South Carolina Public Service Authority Generation Resource Plan 2005.
[11] Memorandum from Howard Axelrod of Energy Strategies Inc. to Sylleste Davis of Santee Cooper, Summary Report on Energy Strategy's VCS Marketing Activities (Mar. 11, 2013), a copy of which is attached hereto as Exhibit SJR-2.
[12] *Id.*, pp. 2-3.

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Dr. Axelrod then concluded that "until VCS construction is complete, both plants are operational, and all costs are known with a high degree of certainty, it is unlikely that any utility, albeit with few exceptions, would likely entertain such an asset acquisition unless the offering was significantly discounted to reflect the risks and uncertainties associated with a $10 billion ongoing project."[13] The exceptions listed in the footnote were Duke and TVA. TVA already had rejected any attempt to buy into the NND Project and Duke withdrew from negotiations in early 2014.

Dr. Axelrod explained the reasons for his conclusion, writing: "annual revenue requirements for VCS as measured by its unit costs will be higher than currently available alternative sources of generation including a new combined cycle gas turbine. In order for Santee to offer a competitively priced PPA for VCS would require, for a period of time, a measurable 'discount' relative to VCS's embedded costs. Depending upon the forecasted assumptions, <u>it could take over ten years before VCS's annualized costs are below competitive prices in the Southeast</u>."[14]

The memorandum continued to explain the economics of the NND Project as compared to a reasonably available alternative, combined cycle gas turbines ("CCGT") fueled by natural gas. Dr. Axelrod stated that "<u>there is a definite economic advantage to CCGT over nuclear measured in both annual levelized unit costs and net present value (NPPV) of life cycle revenue requirements</u>. The capital cost of the CCGT is a quarter of a nuclear plant, the time to plan through construction is also one quarter, and a reasonably economical size can be as low as 300 MW to better match load growth. My study shows

[13] *Id.*, p. 2 (footnote omitted).
[14] *Id.*, pp. 2-3 (emphasis added).

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that under these conditions, <u>there is an 80%+ chance that even under a range of conditions the NPPV of a CCGT will be less than that of a new nuclear plant</u>."[15]

The memorandum also contains notes of Dr. Axelrod's interviews with executives from several utilities that had declined to purchase a share of the NND Project. The notes summarize other utilities' positions and concerns, including the following:

- One utility evaluated nuclear but "was concerned over capital intensity and impact on balance sheet." Instead it will build or buy CCGT capacity.[16]
- A sale to a utility in the PJM Interconnection would be impractical because "peak hour clearing prices averaged below $60/MWH" in November and August. "Off peak prices averaged below $30/MWH."[17]
- Another utility said the price "was just too high."[18]

The memorandum also emphasizes that even if the NND Project and a new CCGT were economically equivalent (which they were not), "the profits from a nuclear plant would be between 5 to 8 times greater than that of a CCGT" because of the capital intensity of a new nuclear plant. Dr. Axelrod thought this could "offer sizable contributions to earnings for an investor-owned utility."[19]

Two weeks later, on March 23, 2013, Dr. Axelrod produced a slightly revised version of the memorandum, now in report form.[20] The revised version adds a new piece of information: "Projected regional forward peak load prices remain at or below

[15] *Id.*, p. 5 (emphases added).
[16] *Id.*, p. 11.
[17] *Id.*, p. 12.
[18] *Id.*, p. 14.
[19] *Id.*, p. 3.
[20] Howard Axelrod, The V.C. Summer Strategic Marketing Plan: Summary Report (Mar. 23, 2013), attached hereto as Exhibit SJR-3.

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$50/MWh through the end of the decade, which is significantly less than the embedded cost of a new nuclear plant estimated at over $100/MWh."[21]

Q. What do you conclude about the March 2013 analyses prepared for Santee Cooper?

A. There is no question that in March 2013, and the months leading up to that point, numerous utilities had rejected the NND Project because it was not economically viable or not consistent with their provision of low-cost service to customers. While Dr. Axelrod tweaked various assumptions to try to show that nuclear power could be cost-competitive with natural gas, Santee Cooper did not find any utilities that agreed. Faced with this information in March 2013 (when the NND Project was less than 50% complete), coupled with the significant construction delays and deficiencies that still had not been remedied, it is my opinion that a prudent utility would have declined to spend more money on the Project.

Indeed, as Dr. Axelrod stated, power prices during peak demand periods were expected to be $50 per MWh or less through 2020, while the NND Project (assuming no more cost over-runs or significant delays) would cost on the order of $100 per MWh. Several other utilities in the region rejected the NND Project because it was not a prudent investment for them. SCE&G should have acted prudently and done the same in March 2013.

[21] *Id.*, p. 4 (page number refers to the Exhibit page number which numbers the cover as page 1).

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Q. Was there other information available in March 2013 about the relative costs of the NND Project and natural gas CCGT?

A. Yes. According to a report published in the trade press, Vermont Law School's Institute for Energy and the Environment released a study on March 14, 2013, that reached essentially the same conclusions as Dr. Axelrod's study for Santee Cooper. The Vermont report concluded that the cost of electricity from new CCGT would be "cheaper than the new reactors [at V.C. Summer] by $9.4 billion over a 40-year period."[22] The article notes that, as of the end of 2012, the sunk cost for the NND Project was $1.9 billion. This report provides a further indication, from a different analyst, that the NND Project was not economically competitive in early 2013.

Q. Did anything else occur in March 2013 timeframe that would have led a prudent utility to cancel the NND Project?

A. Yes. As I mentioned earlier, a similar project was under construction in Georgia at the Vogtle nuclear plant. Many of the same contractors were working on both projects, the same reactor technology was being used, and unfortunately many of the same construction problems were being experienced. On February 28, 2013, Georgia Power announced that its 45.7% share of the Vogtle project cost would increase by $381 million, from $4.4 billion to $4.8 billion, implying a total project cost of $10.5 billion for a similar two-unit project.[23] The increased cost was the result of a nearly two-year delay in the estimated completion date for the project.

[22] Matthew Bandyk, Study: New nuclear power projects are uneconomic 'sunk costs', *SNL Power Daily with Market Report* (Mar. 15, 2013), attached hereto as Exhibit SJR-4.
[23] Shelly Sigo, Moody's: Vogtle Nuclear Plant Cost Hikes, Delays are Negative, *The Bond Buyer* (Mar. 14, 2013), attached hereto as Exhibit SJR-5.

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At the end of March 2013, Moody's issued a report for the Municipal Electric Authority of Georgia ("MEAG"), a 22.7% owner of the Vogtle project. According to a report in the financial press, the Moody's analyst stated that "uncertainties on the ultimate cost and construction schedule of Vogtle nuclear units 3 and 4 give pause as to whether the project will face more serious credit challenges." He also is quoted as saying that "further delays and new cost over-runs are likely, and there is a finite level that will be tolerated by ratepayers."[24]

Q. Did anything happen during the second and third quarters of 2013 that would have led a prudent utility to re-evaluate the continued construction of the NND Project, even if activities up to that time had not led it to cancel the Project?

A. Yes. Turning back to the May 6, 2014, letter from the CEOs (Exhibit SJR-1), critical construction delays continued to occur throughout 2013. According to that letter, by May 2013, "only 41 of the 72 CA-20 sub-modules had been delivered."[25] Moreover, there was a period of 11 weeks – 2-1/2 months – when only one module was delivered to the project site.

On June 5, 2013, SCE&G announced that construction problems had delayed the in-service date of unit 2 by at least a year, increasing costs for SCE&G's 55% share by an estimated $200 million.[26] Following the announcement, Moody's reported that the news

[24] Shelly Sigo, MEAG Ratings Could be Pressured by Nuke Plant Cost, Delays: Moody's, *The Bond Buyer* (Mar. 27, 2013), attached hereto as Exhibit SJR-6.
[25] Exhibit SJR-1, p. 7.
[26] Andrew Engblom, SCE&G says construction issues likely to delay new V.C. Summer nuke, add costs, *SNL Energy Finance Daily* (June 6, 2013), attached hereto as Exhibit SJR-7.

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was "credit negative" for SCANA, SCE&G and Santee Cooper, noting that total project costs could increase by $365 million.[27]

A month later, in July 2013, Santee Cooper was trying to raise an additional $1.75 billion to help fund NND Project construction and to refinance older debt. According to a front-page story in the Charleston *Post & Courier* on July 23, 2013, Standard & Poor's was concerned about Santee Cooper's ability to sell a substantial part of its interest in the NND Project, noting that if it couldn't, "Santee Cooper … would be saddled with excess power and higher debt repayment costs." Moody's noted that even after this debt issuance, "Santee Cooper will still need to raise another $2.8 billion to pay for its $5.1 billion share" of the Project.[28]

On August 1, SCE&G announced that contractor delays also would push back the in-service date for unit 3 by a year or more.[29]

Santee Cooper's consultant, Dr. Axelrod, produced another study on August 19, 2013.[30] While that study (as did his others) tries to paint a rosy picture for the future of nuclear power, his actual findings are quite telling and should have led a reasonable and prudent utility to abandon construction of the NND Project. Specifically, Dr. Axelrod concluded that even with a projection of significantly increasing natural gas prices, the levelized cost of a new advanced CCGT averaged $65.6 per MWh, while the likely

[27] Amy Poszywak, Moody's: Construction delay at Summer nuke is credit negative for SCANA, Santee Cooper, *SNL Energy Finance Daily* (June 11, 2013), attached hereto as Exhibit SJR-8.
[28] Santee Cooper's costs raising alarms $5.1 B nuclear plant obligations worry credit rating firms as utility prepares to offer $1.75B in bonds, *Post & Courier* (Charleston, SC) (July 23, 2013), attached hereto as Exhibit SJR-9.
[29] Amy Poszywak, SCANA revises CapEx plans to reflect VC Summer delays, *SNL Energy Finance Daily* (Aug. 2, 2013), attached hereto as Exhibit SJR-10.
[30] Howard Axelrod, A Case Study of Economic Cost and Risks Associated with Advance Nuclear Generation and Combined Cycle Gas Turbines (Aug. 19, 2013), attached hereto as Exhibit SJR-11.

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levelized cost for an advanced nuclear plant like the NND Project was nearly double at $108.4 per MWh.[31] This confirms Dr. Axelrod's findings in March 2013 that a new nuclear plant would be about twice as expensive as a natural gas CCGT.

Further, he found that under expected conditions, there was less than a 12% chance that nuclear would end up saving consumers money as compared to CCGT. Moreover, the likely savings from CCGT averaged more than $1 billion (and in some cases rose to as much as $7 billion), while the most beneficial case for nuclear (less than a 1% chance of occurring) would save consumers less than $0.3 billion over its life compared to CCGT.[32]

Importantly, Dr. Axelrod's August 2013 analysis also found that even under "highly favorable conditions, annual costs for nuclear will likely exceed CCGT costs for a number of years. While consumers may benefit from nuclear over time, <u>the crossover point [the point where nuclear becomes less expensive than CCGT] could be anywhere from 15 to 30 years. The point of payback [the point where there is a cumulative net benefit from nuclear] could range from 35-50 more years.</u>"[33] In other words, under the most favorable assumptions for the NND Project, consumers would be worse off each year for at least the next 15 to 30 years and would be worse off cumulatively for between 35 and 50 years. And that is the <u>best case</u> he could come up with for the NND Project versus CCGT.

[31] *Id.*, p. 5.
[32] *Id.*, p. 9.
[33] *Id.*, p. 20 (emphasis added).

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As if that weren't enough to force any prudent utility to cancel the NND Project, Dr. Axelrod also warned of the risks of additional construction cost increases. He wrote that there are "inherent pre-operational risks associated with schedule and construction costs. Delays at Vogtle have already incurred ~$700 million in added costs."[34]

Q. Did Santee Cooper do anything after Dr. Axelrod prepared this report?

A. I don't know if it was directly related to Dr. Axelrod's report, but on August 23, 2013, the President and CEO of Santee Cooper sent a letter to the Chairman and CEO of SCE&G, attached as Exhibit SJR-12. In that letter, Santee Cooper outlined the cause of the significant construction delays, exhibited concerns about the contractors responsible, and concluded that the construction consortium's "inability to fulfill their contractual commitments in a timely manner places the project's future in danger."

Q. Did anything occur in the remainder of 2013 to change your conclusion that a prudent utility would have cancelled the NND Project?

A. No. During the last four months of 2013, the NND Project continued to experience significant delays, increased costs, and contractor non-performance. Going back to the May 2014 letter that summarized the poor construction history of the auxiliary building and fuel loading module (CA-20), the CEOs wrote that on September 18, 2013, it became clear that the October 31 completion date for CA-20 would not occur. So a new target date of January 24, 2014, was established.[35] The contractor promised that all CA-20 sub-

[34] *Id.*, p. 24.
[35] Exhibit SJR-1, p. 8.

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modules would be on-site by November 4, which would leave almost three months for quality assurance and assembly.[36]

Unfortunately, the contractor again failed to meet its promised delivery date. All 72 sub-modules of CA-20 were finally on-site by December 4, but according to the CEOs' letter, "30 of them required documentation processing and repairs …. The modification effort continued well into 2014."[37]

Incredibly, the CA-20 work continued to slip during the first quarter of 2014. The CEOs summarized this as follows:

> The Consortium has been providing our construction team with daily email updates relating to CA-20, but the updates continue to illustrate performance shortcomings. The March 11, 2014 email update reflected an on-hook date of March 31. The email updates of March 12 and 13 reflected the same date but stated that such date was "in jeopardy" and pending management review. The March 14, 15, 17 and 18 email updates all reflected a date of April 7 for this activity. Those from March 20, 21, 22, 23, 25, 26 and 27 all stated that the April 7 date was "under review." Beginning on March 28, the email updates stated that the on-hook date had slipped again to May 10. <u>In short, the projected on-hook date for CA-20 continues to slip and, by the end of March, we were farther away from completion of that activity than the Consortium had stated we were at the beginning of March.</u>[38]

Q. Were the delays in the CA-20 module the only significant construction delays that occurred during 2011 through mid-2014?

A. No. The letter in Exhibit SJR-1 identifies lengthy delays with other critical components. For example, the steam generator and refueling canal module (the CA-01 module) also was seriously behind schedule. The CA-01 module originally was scheduled to be

[36] *Id.*
[37] *Id.*, p. 10.
[38] *Id.*, p. 10 (emphasis added).

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complete on March 29, 2012.[39] As of May 2014, completion was scheduled for August 31, 2014, a delay of almost 2-1/2 years.[40]

Q. What do you conclude about the prudency of SCE&G's actions during 2013 and 2014?

A. I conclude that a prudent utility considering the information available during 2013, and certainly by the end of the second quarter of 2014, would have concluded that the NND Project was not economical, that completion of the NND Project would be detrimental to the utility's consumers, and that it was extremely likely that the NND Project would take longer to complete and be much more costly to complete than the then-current estimates. Faced with all of this information, including the failure of critically important contractors to perform their work in a timely fashion, a prudent utility would have cancelled the NND Project no later than June 30, 2014.

Q. Approximately how much had SCE&G invested in the NND Project as of June 30, 2014?

A. According to SCANA's filings with the Securities and Exchange Commission, SCE&G had invested $2.7 billion in the NND Project as of December 31, 2014, and $2.3 billion as of December 31, 2013.[41] I estimate, therefore, that SCE&G had invested approximately $2.5 billion in the NND Project as of June 30, 2014.

[39] *Id.*, p. 3.
[40] *Id.*, p. 10.
[41] SCANA Corp. 10-K filing with the S.E.C. for the year ending 12/31/2014 (filed Feb. 28, 2015), p. 24; SCANA Corp. 10-K filing with the S.E.C. for the year ending 12/31/2013 (filed Feb. 28, 2014), p. 56.

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Q. How does that compare to the amount the Company had invested as of July 31, 2017, when it finally cancelled the NND Project?

A. The following figures are taken from SCANA's quarterly report for the period ending June 30, 2018.[42] SCE&G wrote off $1.118 billion of NND Project costs during 2017. As of December 31, 2017, SCE&G reported that its remaining investment in the NND Project was $3.976 billion, meaning that upon cancellation it had invested approximately $5.1 billion in the NND Project. This means that in the three years between June 30, 2014, and July 31, 2017, the Company doubled its investment in the NND Project – increasing its investment from $2.5 billion to $5.1 billion.

Review of the Proposed Customer Benefits Plan

Q. Have you reviewed the Company's proposed Customer Benefits Plan?

A. Yes.

Q. Please summarize your understanding of that plan.

A. As I understand it, the major elements of the Customer Benefits Plan are the following:

- SCE&G would make a one-time payment to customers of $1.3 billion within 90 days of the merger closing presumably to reflect benefits of the merger (since that element is missing from the plan if the merger does not occur).
- Customers would receive a refund of $575 million of payments made under the Base Load Review Act ("BLRA"), amortized over 8 years.
- Customers would pay $3.3 billion in remaining NND Project costs amortized over 20 years.

[42] SCANA Corp. 10-Q filing for the quarter ending June 30, 2018 (dated Aug. 2, 2018), pp. 23 and 42-45. While it is almost 100 pages long, I believe it is important for the Commission to have the most recent statement of SCE&G's financial condition in the record, so I am attaching the entire 10-Q filing as Exhibit SJR-13.

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- The Company would not seek to include in rates the $180 million purchase price of a 540 MW CCGT that it purchased to replace some of the NND Project's capacity.

- Various other rate adjustments would be made for tax effects.

Q. What is your understanding of the net effect on customers from the Company's proposal?

A. In assessing the effect on SCE&G's customers, I begin with what customers already have paid under the BLRA surcharges for a plant that will never provide them with a single watt-hour of electricity. According to the SCANA quarterly report for June 30, 2018, as of that date customers already have paid SCE&G $2.1 billion under the BLRA.[43] Approximately $109 million of that is subject to refund because of the legislatively mandated rate reduction as of April 1, 2018, in Act 258.[44] Moreover, customers are continuing to pay an additional $166 million each year, even after the reduction mandated in Act 258. In other words, by year-end 2018, customers will have paid approximately $2.2 billion for the NND Project.

The Customer Benefits Plan would refund $575 million of that amount over 8 years. That would leave customers already having paid approximately $1.5 billion for the NND Project.

Then the Customer Benefits Plan would require customers to pay an additional $3.3 billion plus carrying charges for the remaining investment in the plant. Company witness Rooks states that this amount will be recovered from customers through a Capital Cost Rider Component that would be "set to recover approximately $330 million" in the

[43] *Id.*, p. 44.
[44] *Id.*, pp. 42-43 (the $109 million represents the difference between revenues collected and revenues authorized under Act 258 from April 1 through June 30, 2018).

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first year. Rooks PFT p. 5. The Capital Cost Rider Component would be reduced each year as the $3.3 billion is amortized.

Q. Is the Company proposing to earn a return on the $3.3 billion being amortized?

A. I do not know for certain, but it appears that the Company has either used an explicit rate of return or a front-loaded amortization method that significantly increases costs to consumers in the early years. The Company does not state the rate of return it used in its calculations or how much revenue collections would decline each year. If the $3.3 billion were being paid by customers over 20 years with no return and no front-loading, however, the first-year amount would be $165 million, not the $330 million stated by Mr. Rooks.

Q. Can you estimate how much customers would pay for the NND Project under the Company's plan?

A. I estimate that after considering all of the refunds and new charges, as well as the amounts already paid, customers would end up paying at least $4.5 billion in higher rates for a project that was never completed and never provided customers with service.

Q. In your opinion, would the Company's Customer Benefits Plan represent a reasonable sharing of the burden of a failed plant investment?

A. No. A strict application of the "used and useful" principle would have customers pay nothing for a failed plant investment. As I discussed above, if the Company had prudently cancelled the NND Project in mid-2014, its total investment would have been $2.5 billion. Thus, if the Commission is looking to achieve some type of reasonable sharing between customers and investors, the Company's plan does not achieve this. The

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Company spent $5.1 billion on the failed project. It received $1.1 billion in a settlement from Toshiba, leaving a remaining balance of $4.0 billion. It is grossly unreasonable to require customers to pay $4.5 billion or more for that investment.

Q. What do you recommend?

A. I recommend that the Commission should end the BLRA surcharge on December 31, 2018, and that the Company should not be required to refund the $109 million collected between April 1 and June 30, 2018. This would result in customers paying approximately $2.2 billion for the failed NND Project. I calculate this by taking the amount paid through June 30, 2018, as reported by the Company, of $2.1 billion, and adding six months of reduced BLRA payments, which the Company estimates would be $166 million annually, or approximately $83 million from July 1 through December 31. That brings the total amount paid by customers to approximately $2.2 billion.

I further recommend that there should be no further recovery of NND Project costs from customers, and neither should there be any refunds of amounts paid. The customers' contribution to the failed project, therefore, would be $2.2 billion.

Q. What would that mean for the Company's investors?

A. According to the Company's June 30 quarterly report, the Company also has written off $1.118 billion in plant value, which after taxes cost investors $690 million.[45] There remains on the books a regulatory asset of approximately $4.1 billion offset by a regulatory liability of $1.1 billion for the Toshiba settlement proceedings, for a net investment of $3.0 billion. If the Company wrote off that entire investment, I would

[45] *Id.*, p. 44.

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estimate that the after-tax cost would be on the order of $2.0 billion to $2.2 billion, taking into account the lower federal income tax rate that is now in effect.

Q. Can SCANA's stockholders absorb a $2 billion write-down to common equity?

A. Yes, it appears that they can. At June 30, 2018, SCANA's balance sheet shows a common equity balance of $5.337 billion and long-term debt of $6.098 billion.[46] If the common equity balance were written down by $2.0 billion to $3.3 billion (as an example), that would result in a common equity ratio of approximately 35%. According to Company witness Lapson, the Company's debt covenants require at least a 30% equity ratio. Lapson PFT p. 23.

Q. Please summarize your rate recommendations.

A. I summarize my rate recommendations as follows:

- End the BLRA surcharge on December 31, 2018.
- Do not provide customers with any refund of amounts paid through that date under the BLRA.
- Do not require customers to pay any additional amounts in rates after December 31, 2018, to support the failed investment in the NND Project.

Q. Do you have a position on the remaining element of the Company's proposed Customer Benefits Plan, the $1.3 billion one-time payment within 90 days after the merger closes?

A. First, I do not take a position on the merger between Dominion and SCE&G. I have not been able to analyze the transaction in any detail and I would not want to foreclose any parties who may have concerns with that proposed transaction. If the transaction is

[46] *Id.*, p. 8.

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approved and closes, though, I would expect there to be substantial synergy savings achievable through the eventual consolidation of back-office operations and other efficiencies, as utilities have claimed in many other merger transactions. I do not know if $1.3 billion is the appropriate level of compensation for those savings, but there should be some substantial amount provided to consumers to provide a tangible benefit from the transaction.

Q. Does the benefit need to be provided in a one-time check to each customer?

A. No. That seems to be a public relations gimmick designed to win popular support for the merger. I am not opposed to a one-time payment by check, but it seems to be a costly way to provide a tangible benefit to consumers. A comparable benefit could be provided to consumers at much lower cost through a bill credit, either one-time or spread over a period of 12 to 36 months.

Q. Do you have a specific recommendation for a bill credit, if the Commission decides to implement that approach?

A. Yes. At its final level before Act 258 was passed, the BLRA surcharge was approximately 18% and provided SCE&G with approximately $445 million per year in revenues.[47] If a similar bill credit were provided for 36 months that would provide customers with savings of approximately $1.3 billion over three years. That would avoid the administrative burden of mailing hundreds of thousands of checks, it would ensure that customers receive benefits roughly in proportion to the size of their electric bills, and it would give Dominion and SCANA the opportunity to realize some of the savings they hope to achieve from the merger.

[47] *Id.*, p. 44.

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Conclusion

Q. Please summarize your conclusions and recommendations.

A. I conclude that a prudent utility would have cancelled the NND Project no later than June 2014. At that time, the plant investment was approximately $2.5 billion.

I recommend that a reasonable sharing of the burden of the failed investment in the NND Project, considering the prudency of the Company's decision-making, and the legal environment when it made its investment decisions, would be to continue the BLRA surcharge at its reduced level through December 31, 2018. After that date, the surcharge would end and customers would not pay anything further to support the failed investment. I also recommend that there should be no refunds of any amounts paid under the BLRA. This would result in customers paying approximately $2.2 billion to support the NND Project that will never be completed or provide the public with service.

Finally, I recommend that if the merger between SCANA and Dominion is approved and closes, that Dominion should provide SCE&G customers with checks or bill credits totaling at least $1.3 billion, as SCE&G and Dominion have proposed.

Q. Does this conclude your direct testimony?

A. Yes, it does.

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Appendix A

Scott J. Rubin
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Current Position

Public Utility Attorney and Consultant. 1994 to present. I provide legal, consulting, and expert witness services to various organizations interested in the regulation of public utilities.

Previous Positions

Lecturer in Computer Science, Susquehanna University, Selinsgrove, PA. 1993 to 2000.

Senior Assistant Consumer Advocate, Office of Consumer Advocate, Harrisburg, PA. 1990 to 1994. I supervised the administrative and technical staff and shared with one other senior attorney the supervision of a legal staff of 14 attorneys.

Assistant Consumer Advocate, Office of Consumer Advocate, Harrisburg, PA. 1983 to 1990.

Associate, Laws and Staruch, Harrisburg, PA. 1981 to 1983.

Law Clerk, U.S. Environmental Protection Agency, Washington, DC. 1980 to 1981.

Research Assistant, Rockville Consulting Group, Washington, DC. 1979.

Current Professional Activities

Member, American Bar Association, Infrastructure and Regulated Industries Section.

Member, American Water Works Association.

Admitted to practice law before the Supreme Court of Pennsylvania, the New York State Court of Appeals, the United States District Court for the Middle District of Pennsylvania, the United States Court of Appeals for the Third Circuit, and the Supreme Court of the United States.

Previous Professional Activities

Member, American Water Works Association, Rates and Charges Subcommittee, 1998-2001.

Member, Federal Advisory Committee on Disinfectants and Disinfection By-Products in Drinking Water, U.S. Environmental Protection Agency, Washington, DC. 1992 to 1994.

Chair, Water Committee, National Association of State Utility Consumer Advocates, Washington, DC. 1990 to 1994; member of committee from 1988 to 1990.

Member, Board of Directors, Pennsylvania Energy Development Authority, Harrisburg, PA. 1990 to 1994.

Member, Small Water Systems Advisory Committee, Pennsylvania Department of Environmental Resources, Harrisburg, PA. 1990 to 1992.

Member, Ad Hoc Committee on Emissions Control and Acid Rain Compliance, National Association of State Utility Consumer Advocates, 1991.

Member, Nitrogen Oxides Subcommittee of the Acid Rain Advisory Committee, U.S. Environmental Protection Agency, Washington DC. 1991.

Education

J.D. with Honors, George Washington University, Washington, DC. 1981.

B.A. with Distinction in Political Science, Pennsylvania State University, University Park, PA. 1978.

Publications and Presentations (* denotes peer-reviewed publications)

1. "Quality of Service Issues," a speech to the Pennsylvania Public Utility Commission Consumer Conference, State College, PA. 1988.

2. K.L. Pape and S.J. Rubin, "Current Developments in Water Utility Law," in *Pennsylvania Public Utility Law* (Pennsylvania Bar Institute). 1990.

3. Presentation on Water Utility Holding Companies to the Annual Meeting of the National Association of State Utility Consumer Advocates, Orlando, FL. 1990.

4. "How the OCA Approaches Quality of Service Issues," a speech to the Pennsylvania Chapter of the National Association of Water Companies. 1991.

5. Presentation on the Safe Drinking Water Act to the Mid-Year Meeting of the National Association of State Utility Consumer Advocates, Seattle, WA. 1991.

6. "A Consumer Advocate's View of Federal Pre-emption in Electric Utility Cases," a speech to the Pennsylvania Public Utility Commission Electricity Conference. 1991.

7. Workshop on Safe Drinking Water Act Compliance Issues at the Mid-Year Meeting of the National Association of State Utility Consumer Advocates, Washington, DC. 1992.

8. Formal Discussant, Regional Acid Rain Workshop, U.S. Environmental Protection Agency and National Regulatory Research Institute, Charlotte, NC. 1992.

9. S.J. Rubin and S.P. O'Neal, "A Quantitative Assessment of the Viability of Small Water Systems in Pennsylvania," *Proceedings of the Eighth NARUC Biennial Regulatory Information Conference*, National Regulatory Research Institute (Columbus, OH 1992), IV:79-97.

10. "The OCA's Concerns About Drinking Water," a speech to the Pennsylvania Public Utility Commission Water Conference. 1992.

11. Member, Technical Horizons Panel, Annual Meeting of the National Association of Water Companies, Hilton Head, SC. 1992.

12. M.D. Klein and S.J. Rubin, "Water and Sewer -- Update on Clean Streams, Safe Drinking Water, Waste Disposal and Pennvest," *Pennsylvania Public Utility Law Conference* (Pennsylvania Bar Institute). 1992.

13. Presentation on Small Water System Viability to the Technical Assistance Center for Small Water Companies, Pa. Department of Environmental Resources, Harrisburg, PA. 1993

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14. "The Results Through a Public Service Commission Lens," speaker and participant in panel discussion at Symposium: "Impact of EPA's Allowance Auction," Washington, DC, sponsored by AER*X. 1993.

15. "The Hottest Legislative Issue of Today -- Reauthorization of the Safe Drinking Water Act," speaker and participant in panel discussion at the Annual Conference of the American Water Works Association, San Antonio, TX. 1993.

16. "Water Service in the Year 2000," a speech to the Conference: "Utilities and Public Policy III: The Challenges of Change," sponsored by the Pennsylvania Public Utility Commission and the Pennsylvania State University, University Park, PA. 1993.

17. "Government Regulation of the Drinking Water Supply: Is it Properly Focused?," speaker and participant in panel discussion at the National Consumers League's Forum on Drinking Water Safety and Quality, Washington, DC. 1993. Reprinted in *Rural Water*, Vol. 15 No. 1 (Spring 1994), pages 13-16.

18. "Telephone Penetration Rates for Renters in Pennsylvania," a study prepared for the Pennsylvania Office of Consumer Advocate. 1993.

19. "Zealous Advocacy, Ethical Limitations and Considerations," participant in panel discussion at "Continuing Legal Education in Ethics for Pennsylvania Lawyers," sponsored by the Office of General Counsel, Commonwealth of Pennsylvania, State College, PA. 1993.

20. "Serving the Customer," participant in panel discussion at the Annual Conference of the National Association of Water Companies, Williamsburg, VA. 1993.

21. "A Simple, Inexpensive, Quantitative Method to Assess the Viability of Small Water Systems," a speech to the Water Supply Symposium, New York Section of the American Water Works Association, Syracuse, NY. 1993.

22. * S.J. Rubin, "Are Water Rates Becoming Unaffordable?," *Journal American Water Works Association*, Vol. 86, No. 2 (February 1994), pages 79-86.

23. "Why Water Rates Will Double (If We're Lucky): Federal Drinking Water Policy and Its Effect on New England," a briefing for the New England Conference of Public Utilities Commissioners, Andover, MA. 1994.

24. "Are Water Rates Becoming Unaffordable?," a speech to the Legislative and Regulatory Conference, Association of Metropolitan Water Agencies, Washington, DC. 1994.

25. "Relationships: Drinking Water, Health, Risk and Affordability," speaker and participant in panel discussion at the Annual Meeting of the Southeastern Association of Regulatory Commissioners, Charleston, SC. 1994.

26. "Small System Viability: Assessment Methods and Implementation Issues," speaker and participant in panel discussion at the Annual Conference of the American Water Works Association, New York, NY. 1994.

27. S.J. Rubin, "How much should we spend to save a life?," *Seattle Journal of Commerce*, August 18, 1994 (Protecting the Environment Supplement), pages B-4 to B-5.

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28. S. Rubin, S. Bernow, M. Fulmer, J. Goldstein, and I. Peters, *An Evaluation of Kentucky-American Water Company's Long-Range Planning*, prepared for the Utility and Rate Intervention Division, Kentucky Office of the Attorney General (Tellus Institute 1994).

29. S.J. Rubin, "Small System Monitoring: What Does It Mean?," *Impacts of Monitoring for Phase II/V Drinking Water Regulations on Rural and Small Communities* (National Rural Water Association 1994), pages 6-12.

30. "Surviving the Safe Drinking Water Act," speaker at the Annual Meeting of the National Association of State Utility Consumer Advocates, Reno, NV. 1994.

31. "Safe Drinking Water Act Compliance -- Ratemaking Implications," speaker at the National Conference of Regulatory Attorneys, Scottsdale, AZ. 1995. Reprinted in *Water*, Vol. 36, No. 2 (Summer 1995), pages 28-29.

32. S.J. Rubin, "Water: Why Isn't it Free? The Case of Small Utilities in Pennsylvania," *Utilities, Consumers & Public Policy: Issues of Quality, Affordability, and Competition, Proceedings of the Fourth Utilities, Consumers and Public Policy Conference* (Pennsylvania State University 1995), pages 177-183.

33. S.J. Rubin, "Water Rates: An Affordable Housing Issue?," *Home Energy*, Vol. 12 No. 4 (July/August 1995), page 37.

34. Speaker and participant in the Water Policy Forum, sponsored by the National Association of Water Companies, Naples, FL. 1995.

35. Participant in panel discussion on "The Efficient and Effective Maintenance and Delivery of Potable Water at Affordable Rates to the People of New Jersey," at The New Advocacy: Protecting Consumers in the Emerging Era of Utility Competition, a conference sponsored by the New Jersey Division of the Ratepayer Advocate, Newark, NJ. 1995.

36. J.E. Cromwell III, and S.J. Rubin, *Development of Benchmark Measures for Viability Assessment* (Pa. Department of Environmental Protection 1995).

37. S. Rubin, "A Nationwide Practice from a Small Town in Pa.," *Lawyers & the Internet – a Supplement to the Legal Intelligencer and Pa. Law Weekly* (February 12, 1996), page S6.

38. "Changing Customers' Expectations in the Water Industry," speaker at the Mid-America Regulatory Commissioners Conference, Chicago, IL. 1996, reprinted in *Water* Vol. 37 No. 3 (Winter 1997), pages 12-14.

39. "Recent Federal Legislation Affecting Drinking Water Utilities," speaker at Pennsylvania Public Utility Law Conference, Pennsylvania Bar Institute, Hershey, PA. 1996.

40. "Clean Water at Affordable Rates: A Ratepayers Conference," moderator at symposium sponsored by the New Jersey Division of Ratepayer Advocate, Trenton, NJ. 1996.

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41. "Water Workshop: How New Laws Will Affect the Economic Regulation of the Water Industry," speaker at the Annual Meeting of the National Association of State Utility Consumer Advocates, San Francisco, CA. 1996.

42. * E.T. Castillo, S.J. Rubin, S.K. Keefe, and R.S. Raucher, "Restructuring Small Systems," *Journal American Water Works Association*, Vol. 89, No. 1 (January 1997), pages 65-74.

43. * J.E. Cromwell III, S.J. Rubin, F.C. Marrocco, and M.E. Leevan, "Business Planning for Small System Capacity Development," *Journal American Water Works Association*, Vol. 89, No. 1 (January 1997), pages 47-57.

44. "Capacity Development – More than Viability Under a New Name," speaker at National Association of Regulatory Utility Commissioners Winter Meetings, Washington, DC. 1997.

45. * E. Castillo, S.K. Keefe, R.S. Raucher, and S.J. Rubin, *Small System Restructuring to Facilitate SDWA Compliance: An Analysis of Potential Feasibility* (AWWA Research Foundation, 1997).

46. H. Himmelberger, *et al.*, *Capacity Development Strategy Report for the Texas Natural Resource Conservation Commission* (Aug. 1997).

47. Briefing on Issues Affecting the Water Utility Industry, Annual Meeting of the National Association of State Utility Consumer Advocates, Boston, MA. 1997.

48. "Capacity Development in the Water Industry," speaker at the Annual Meeting of the National Association of Regulatory Utility Commissioners, Boston, MA. 1997.

49. "The Ticking Bomb: Competitive Electric Metering, Billing, and Collection," speaker at the Annual Meeting of the National Association of State Utility Consumer Advocates, Boston, MA. 1997.

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6. *West Penn Power Co. v. State Tax Department of West Virginia*, Circuit Court of Kanawha County, West Virginia, Civil Action No. 89-C-3056. 1993. Concerning regulatory policy and the effects of a taxation statute on out-of-state utility ratepayers, on behalf of the Pa. Office of Consumer Advocate

7. *Pa. Public Utility Commission v. Pennsylvania Gas and Water Co. - Water Division*, Pa. Public Utility Commission, Docket R-00932667. 1993. Concerning rate design and affordability of service, on behalf of the Pa. Office of Consumer Advocate

8. *Pa. Public Utility Commission v. National Utilities, Inc.*, Pa. Public Utility Commission, Docket R-00932828. 1994. Concerning rate design, on behalf of the Pa. Office of Consumer Advocate

9. *An Investigation of the Sources of Supply and Future Demand of Kentucky-American Water Company*, Ky. Public Service Commission, Case No. 93-434. 1994. Concerning supply and demand planning, on behalf of the Kentucky Office of Attorney General, Utility and Rate Intervention Division.

10. *The Petition on Behalf of Gordon's Corner Water Company for an Increase in Rates*, New Jersey Board of Public Utilities, Docket No. WR94020037. 1994. Concerning revenue requirements and rate design, on behalf of the New Jersey Division of Ratepayer Advocate.

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11. *Re Consumers Maine Water Company Request for Approval of Contracts with Consumers Water Company and with Ohio Water Service Company*, Me. Public Utilities Commission, Docket No. 94-352. 1994. Concerning affiliated interest agreements, on behalf of the Maine Public Advocate.

12. *In the Matter of the Application of Potomac Electric Power Company for Approval of its Third Least-Cost Plan*, D.C. Public Service Commission, Formal Case No. 917, Phase II. 1995. Concerning Clean Air Act implementation and environmental externalities, on behalf of the District of Columbia Office of the People's Counsel.

13. *In the Matter of the Regulation of the Electric Fuel Component Contained within the Rate Schedules of the Dayton Power and Light Company and Related Matters*, Ohio Public Utilities Commission, Case No. 94-105-EL-EFC. 1995. Concerning Clean Air Act implementation (case settled before testimony was filed), on behalf of the Office of the Ohio Consumers' Counsel.

14. *Kennebec Water District Proposed Increase in Rates*, Maine Public Utilities Commission, Docket No. 95-091. 1995. Concerning the reasonableness of planning decisions and the relationship between a publicly owned water district and a very large industrial customer, on behalf of the Maine Public Advocate.

15. *Winter Harbor Water Company, Proposed Schedule Revisions to Introduce a Readiness-to-Serve Charge*, Maine Public Utilities Commission, Docket No. 95-271. 1995 and 1996. Concerning standards for, and the reasonableness of, imposing a readiness to serve charge and/or exit fee on the customers of a small investor-owned water utility, on behalf of the Maine Public Advocate.

16. *In the Matter of the 1995 Long-Term Electric Forecast Report of the Cincinnati Gas & Electric Company*, Public Utilities Commission of Ohio, Case No. 95-203-EL-FOR, and *In the Matter of the Two-Year Review of the Cincinnati Gas & Electric Company's Environmental Compliance Plan Pursuant to Section 4913.05, Revised Cost*, Case No. 95-747-EL-ECP. 1996. Concerning the reasonableness of the utility's long-range supply and demand-management plans, the reasonableness of its plan for complying with the Clean Air Act Amendments of 1990, and discussing methods to ensure the provision of utility service to low-income customers, on behalf of the Office of the Ohio Consumers' Counsel..

17. *In the Matter of Notice of the Adjustment of the Rates of Kentucky-American Water Company*, Kentucky Public Service Commission, Case No. 95-554. 1996. Concerning rate design, cost of service, and sales forecast issues, on behalf of the Kentucky Office of Attorney General.

18. *In the Matter of the Application of Citizens Utilities Company for a Hearing to Determine the Fair Value of its Properties for Ratemaking Purposes, to Fix a Just and Reasonable Rate of Return Thereon, and to Approve Rate Schedules Designed to Provide such Rate of Return*, Arizona Corporation Commission, Docket Nos. E-1032-95-417, *et al.* 1996. Concerning rate design, cost of service, and the price elasticity of water demand, on behalf of the Arizona Residential Utility Consumer Office.

19. *Cochrane v. Bangor Hydro-Electric Company*, Maine Public Utilities Commission, Docket No. 96-053. 1996. Concerning regulatory requirements for an electric utility to engage in unregulated business enterprises, on behalf of the Maine Public Advocate.

20. *In the Matter of the Regulation of the Electric Fuel Component Contained within the Rate Schedules of Monongahela Power Company and Related Matters*, Public Utilities Commission of Ohio, Case No. 96-106-EL-EFC. 1996. Concerning the costs and procedures associated with the implementation of the Clean Air Act Amendments of 1990, on behalf of the Ohio Consumers' Counsel.

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22. *In the Matter of the Regulation of the Electric Fuel Component Contained within the Rate Schedules of Ohio Power Company and Columbus Southern Power Company and Related Matters*, Public Utilities Commission of Ohio, Case Nos. 96-101-EL-EFC and 96-102-EL-EFC. 1997. Concerning the costs and procedures associated with the implementation of the Clean Air Act Amendments of 1990, on behalf of the Ohio Consumers' Counsel.

23. *An Investigation of the Sources of Supply and Future Demand of Kentucky-American Water Company (Phase II)*, Kentucky Public Service Commission, Docket No. 93-434. 1997. Concerning supply and demand planning, on behalf of the Kentucky Office of Attorney General, Public Service Litigation Branch.

24. *In the Matter of the Regulation of the Electric Fuel Component Contained within the Rate Schedules of Cincinnati Gas and Electric Co. and Related Matters*, Public Utilities Commission of Ohio, Case No. 96-103-EL-EFC. 1997. Concerning the costs and procedures associated with the implementation of the Clean Air Act Amendments of 1990, on behalf of the Ohio Consumers' Counsel.

25. *Bangor Hydro-Electric Company Petition for Temporary Rate Increase*, Maine Public Utilities Commission, Docket No. 97-201. 1997. Concerning the reasonableness of granting an electric utility's request for emergency rate relief, and related issues, on behalf of the Maine Public Advocate.

26. *Testimony concerning H.B. 1068 Relating to Restructuring of the Natural Gas Utility Industry*, Consumer Affairs Committee, Pennsylvania House of Representatives. 1997. Concerning the provisions of proposed legislation to restructure the natural gas utility industry in Pennsylvania, on behalf of the Pennsylvania AFL-CIO Gas Utility Caucus.

27. *In the Matter of the Regulation of the Electric Fuel Component Contained within the Rate Schedules of Cleveland Electric Illuminating Company and Toledo Edison Company and Related Matters*, Public Utilities Commission of Ohio, Case Nos. 97-107-EL-EFC and 97-108-EL-EFC. 1997. Concerning the costs and procedures associated with the implementation of the Clean Air Act Amendments of 1990, on behalf of the Ohio Consumers' Counsel.

28. *In the Matter of the Petition of Valley Road Sewerage Company for a Revision in Rates and Charges for Water Service*, New Jersey Board of Public Utilities, Docket No. WR92080846J. 1997. Concerning the revenue requirements and rate design for a wastewater treatment utility, on behalf of the New Jersey Division of Ratepayer Advocate.

29. *Bangor Gas Company, L.L.C., Petition for Approval to Furnish Gas Service in the State of Maine*, Maine Public Utilities Commission, Docket No. 97-795. 1998. Concerning the standards and public policy concerns involved in issuing a certificate of public convenience and necessity for a new natural gas utility, and related ratemaking issues, on behalf of the Maine Public Advocate.

30. *In the Matter of the Investigation on Motion of the Commission into the Adequacy of the Public Utility Water Service Provided by Tidewater Utilities, Inc., in Areas in Southern New Castle County, Delaware*,

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Delaware Public Service Commission, Docket No. 309-97. 1998. Concerning the standards for the provision of efficient, sufficient, and adequate water service, and the application of those standards to a water utility, on behalf of the Delaware Division of the Public Advocate.

31. *In the Matter of the Regulation of the Electric Fuel Component Contained within the Rate Schedules of Cincinnati Gas and Electric Co. and Related Matters*, Public Utilities Commission of Ohio, Case No. 97-103-EL-EFC. 1998. Concerning fuel-related transactions with affiliated companies and the appropriate ratemaking treatment and regulatory safeguards involving such transactions, on behalf of the Ohio Consumers' Counsel.

32. *Olde Port Mariner Fleet, Inc. Complaint Regarding Casco Bay Island Transit District's Tour and Charter Service*, Maine Public Utilities Commission, Docket No. 98-161. 1998. Concerning the standards and requirements for allocating costs and separating operations between regulated and unregulated operations of a transportation utility, on behalf of the Maine Public Advocate and Olde Port Mariner Fleet, Inc.

33. *Central Maine Power Company Investigation of Stranded Costs, Transmission and Distribution Utility Revenue Requirements, and Rate Design*, Maine Public Utilities Commission, Docket No. 97-580. 1998. Concerning the treatment of existing rate discounts when designing rates for a transmission and distribution electric utility, on behalf of the Maine Public Advocate.

34. *Pa. Public Utility Commission v. Manufacturers Water Company*, Pennsylvania Public Utility Commission, Docket No. R-00984275. 1998. Concerning rate design on behalf of the Manufacturers Water Industrial Users.

35. *In the Matter of Petition of Pennsgrove Water Supply Company for an Increase in Rates for Water Service*, New Jersey Board of Public Utilities, Docket No. WR98030147. 1998. Concerning the revenue requirements, level of affiliated charges, and rate design for a water utility, on behalf of the New Jersey Division of Ratepayer Advocate.

36. *In the Matter of Petition of Seaview Water Company for an Increase in Rates for Water Service*, New Jersey Board of Public Utilities, Docket No. WR98040193. 1999. Concerning the revenue requirements and rate design for a water utility, on behalf of the New Jersey Division of Ratepayer Advocate.

37. *In the Matter of the Regulation of the Electric Fuel Component Contained within the Rate Schedules of Ohio Power Company and Columbus Southern Power Company and Related Matters*, Public Utilities Commission of Ohio, Case Nos. 98-101-EL-EFC and 98-102-EL-EFC. 1999. Concerning the costs and procedures associated with the implementation of the Clean Air Act Amendments of 1990, on behalf of the Ohio Consumers' Counsel.

38. *In the Matter of the Regulation of the Electric Fuel Component Contained within the Rate Schedules of Dayton Power and Light Company and Related Matters*, Public Utilities Commission of Ohio, Case No. 98-105-EL-EFC. 1999. Concerning the costs and procedures associated with the implementation of the Clean Air Act Amendments of 1990, on behalf of the Ohio Consumers' Counsel.

39. *In the Matter of the Regulation of the Electric Fuel Component Contained within the Rate Schedules of Monongahela Power Company and Related Matters*, Public Utilities Commission of Ohio, Case No. 99-106-EL-EFC. 1999. Concerning the costs and procedures associated with the implementation of the Clean Air Act Amendments of 1990, on behalf of the Ohio Consumers' Counsel.

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40. *County of Suffolk, et al. v. Long Island Lighting Company, et al.*, U.S. District Court for the Eastern District of New York, Case No. 87-CV-0646. 2000. Submitted two affidavits concerning the calculation and collection of court-ordered refunds to utility customers, on behalf of counsel for the plaintiffs.

41. *Northern Utilities, Inc., Petition for Waivers from Chapter 820*, Maine Public Utilities Commission, Docket No. 99-254. 2000. Concerning the standards and requirements for defining and separating a natural gas utility's core and non-core business functions, on behalf of the Maine Public Advocate.

42. *Notice of Adjustment of the Rates of Kentucky-American Water Company*, Kentucky Public Service Commission, Case No. 2000-120. 2000. Concerning the appropriate methods for allocating costs and designing rates, on behalf of the Kentucky Office of Attorney General.

43. *In the Matter of the Petition of Gordon's Corner Water Company for an Increase in Rates and Charges for Water Service*, New Jersey Board of Public Utilities, Docket No. WR00050304. 2000. Concerning the revenue requirements and rate design for a water utility, on behalf of the New Jersey Division of Ratepayer Advocate.

44. *Testimony concerning Arsenic in Drinking Water: An Update on the Science, Benefits, and Costs*, Committee on Science, United States House of Representatives. 2001. Concerning the effects on low-income households and small communities from a more stringent regulation of arsenic in drinking water.

45. *In the Matter of the Application of The Cincinnati Gas & Electric Company for an Increase in Gas Rates in its Service Territory*, Public Utilities Commission of Ohio, Case No. 01-1228-GA-AIR, *et al.* 2002. Concerning the need for and structure of a special rider and alternative form of regulation for an accelerated main replacement program, on behalf of the Ohio Consumers' Counsel.

46. *Pennsylvania State Treasurer's Hearing on Enron and Corporate Governance Issues*. 2002. Concerning Enron's role in Pennsylvania's electricity market and related issues, on behalf of the Pennsylvania AFL-CIO.

47. *An Investigation into the Feasibility and Advisability of Kentucky-American Water Company's Proposed Solution to its Water Supply Deficit*, Kentucky Public Service Commission, Case No. 2001-00117. 2002. Concerning water supply planning, regulatory oversight, and related issue, on behalf of the Kentucky Office of Attorney General.

48. *Joint Application of Pennsylvania-American Water Company and Thames Water Aqua Holdings GmbH*, Pennsylvania Public Utility Commission, Docket Nos. A-212285F0096 and A-230073F0004. 2002. Concerning the risks and benefits associated with the proposed acquisition of a water utility, on behalf of the Pennsylvania Office of Consumer Advocate.

49. *Application for Approval of the Transfer of Control of Kentucky-American Water Company to RWE AG and Thames Water Aqua Holdings GmbH*, Kentucky Public Service Commission, Case No. 2002-00018. 2002. Concerning the risks and benefits associated with the proposed acquisition of a water utility, on behalf of the Kentucky Office of Attorney General.

50. *Joint Petition for the Consent and Approval of the Acquisition of the Outstanding Common Stock of American Water Works Company, Inc., the Parent Company and Controlling Shareholder of West Virginia-American Water Company*, West Virginia Public Service Commission, Case No. 01-1691-W-PC. 2002.

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Concerning the risks and benefits associated with the proposed acquisition of a water utility, on behalf of the Consumer Advocate Division of the West Virginia Public Service Commission.

51. *Joint Petition of New Jersey-American Water Company, Inc. and Thames Water Aqua Holdings GmbH for Approval of Change in Control of New Jersey-American Water Company, Inc.*, New Jersey Board of Public Utilities, Docket No. WM01120833. 2002. Concerning the risks and benefits associated with the proposed acquisition of a water utility, on behalf of the New Jersey Division of Ratepayer Advocate.

52. *Illinois-American Water Company, Proposed General Increase in Water Rates*, Illinois Commerce Commission, Docket No. 02-0690. 2003. Concerning rate design and cost of service issues, on behalf of the Illinois Office of the Attorney General.

53. *Pennsylvania Public Utility Commission v. Pennsylvania-American Water Company,* Pennsylvania Public Utility Commission, Docket No. R-00038304. 2003. Concerning rate design and cost of service issues, on behalf of the Pennsylvania Office of Consumer Advocate.

54. *West Virginia-American Water Company,* West Virginia Public Service Commission, Case No. 03-0353-W-42T. 2003. Concerning affordability, rate design, and cost of service issues, on behalf of the West Virginia Consumer Advocate Division.

55. *Petition of Seabrook Water Corp. for an Increase in Rates and Charges for Water Service*, New Jersey Board of Public Utilities, Docket No. WR3010054. 2003. Concerning revenue requirements, rate design, prudence, and regulatory policy, on behalf of the New Jersey Division of Ratepayer Advocate.

56. *Chesapeake Ranch Water Co. v. Board of Commissioners of Calvert County*, U.S. District Court for Southern District of Maryland, Civil Action No. 8:03-cv-02527-AW. 2004. Submitted expert report concerning the expected level of rates under various options for serving new commercial development, on behalf of the plaintiff.

57. *Testimony concerning Lead in Drinking Water*, Committee on Government Reform, United States House of Representatives. 2004. Concerning the trade-offs faced by low-income households when drinking water costs increase, including an analysis of H.R. 4268.

58. *West Virginia-American Water Company,* West Virginia Public Service Commission, Case No. 04-0373-W-42T. 2004. Concerning affordability and rate comparisons, on behalf of the West Virginia Consumer Advocate Division.

59. *West Virginia-American Water Company,* West Virginia Public Service Commission, Case No. 04-0358-W-PC. 2004. Concerning costs, benefits, and risks associated with a wholesale water sales contract, on behalf of the West Virginia Consumer Advocate Division.

60. *Kentucky-American Water Company,* Kentucky Public Service Commission, Case No. 2004-00103. 2004. Concerning rate design and tariff issues, on behalf of the Kentucky Office of Attorney General.

61. *New Landing Utility, Inc.,* Illinois Commerce Commission, Docket No. 04-0610. 2005. Concerning the adequacy of service provided by, and standards of performance for, a water and wastewater utility, on behalf of the Illinois Office of Attorney General.

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62. *People of the State of Illinois v. New Landing Utility, Inc.*, Circuit Court of the 15th Judicial District, Ogle County, Illinois, No. 00-CH-97. 2005. Concerning the standards of performance for a water and wastewater utility, including whether a receiver should be appointed to manage the utility's operations, on behalf of the Illinois Office of Attorney General.

63. *Hope Gas, Inc. d/b/a Dominion Hope*, West Virginia Public Service Commission, Case No. 05-0304-G-42T. 2005. Concerning the utility's relationships with affiliated companies, including an appropriate level of revenues and expenses associated with services provided to and received from affiliates, on behalf of the West Virginia Consumer Advocate Division.

64. *Monongahela Power Co. and The Potomac Edison Co.*, West Virginia Public Service Commission, Case Nos. 05-0402-E-CN and 05-0750-E-PC. 2005. Concerning review of a plan to finance the construction of pollution control facilities and related issues, on behalf of the West Virginia Consumer Advocate Division.

65. *Joint Application of Duke Energy Corp., et al., for Approval of a Transfer and Acquisition of Control*, Case Kentucky Public Service Commission, No. 2005-00228. 2005. Concerning the risks and benefits associated with the proposed acquisition of an energy utility, on behalf of the Kentucky Office of the Attorney General.

66. *Commonwealth Edison Company proposed general revision of rates, restructuring and price unbundling of bundled service rates, and revision of other terms and conditions of service*, Illinois Commerce Commission, Docket No. 05-0597. 2005. Concerning rate design and cost of service, on behalf of the Illinois Office of Attorney General.

67. *Pennsylvania Public Utility Commission v. Aqua Pennsylvania, Inc.*, Pennsylvania Public Utility Commission, Docket No. R-00051030. 2006. Concerning rate design and cost of service, on behalf of the Pennsylvania Office of Consumer Advocate.

68. *Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCIPS, and Illinois Power Company d/b/a AmerenIP, proposed general increases in rates for delivery service*, Illinois Commerce Commission, Docket Nos. 06-0070, et al. 2006. Concerning rate design and cost of service, on behalf of the Illinois Office of Attorney General.

69. *Grens, et al., v. Illinois-American Water Co.*, Illinois Commerce Commission, Docket Nos. 5-0681, et al. 2006. Concerning utility billing, metering, meter reading, and customer service practices, on behalf of the Illinois Office of Attorney General and the Village of Homer Glen, Illinois.

70. *Commonwealth Edison Company Petition for Approval of Tariffs Implementing ComEd's Proposed Residential Rate Stabilization Program*, Illinois Commerce Commission, Docket No. 06-0411. 2006. Concerning a utility's proposed purchased power phase-in proposal, in behalf of the Illinois Office of Attorney General.

71. *Illinois-American Water Company, Application for Approval of its Annual Reconciliation of Purchased Water and Purchased Sewage Treatment Surcharges Pursuant to 83 Ill. Adm. Code 655*, Illinois Commerce Commission, Docket No. 06-0196. 2006. Concerning the reconciliation of purchased water and sewer charges, on behalf of the Illinois Office of Attorney General and the Village of Homer Glen, Illinois.

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72. *Illinois-American Water Company, et al.*, Illinois Commerce Commission, Docket No. 06-0336. 2006. Concerning the risks and benefits associated with the proposed divestiture of a water utility, on behalf of the Illinois Office of Attorney General.

73. *Joint Petition of Kentucky-American Water Company, et al.*, Kentucky Public Service Commission, Docket No. 2006-00197. 2006. Concerning the risks and benefits associated with the proposed divestiture of a water utility, on behalf of the Kentucky Office of Attorney General.

74. *Aqua Illinois, Inc. Proposed Increase in Water Rates for the Kankakee Division*, Illinois Commerce Commission, Docket No. 06-0285. 2006. Concerning various revenue requirement, rate design, and tariff issues, on behalf of the County of Kankakee.

75. *Housing Authority for the City of Pottsville v. Schuylkill County Municipal Authority*, Court of Common Pleas of Schuylkill County, Pennsylvania, No. S-789-2000. 2006. Concerning the reasonableness and uniformity of rates charged by a municipal water authority, on behalf of the Pottsville Housing Authority.

76. *Application of Pennsylvania-American Water Company for Approval of a Change in Control*, Pennsylvania Public Utility Commission, Docket No. A-212285F0136. 2006. Concerning the risks and benefits associated with the proposed divestiture of a water utility, on behalf of the Pennsylvania Office of Consumer Advocate.

77. *Application of Artesian Water Company, Inc., for an Increase in Water Rates*, Delaware Public Service Commission, Docket No. 06-158. 2006. Concerning rate design and cost of service, on behalf of the Staff of the Delaware Public Service Commission.

78. *Central Illinois Light Company, Central Illinois Public Service Company, and Illinois Power Company: Petition Requesting Approval of Deferral and Securitization of Power Costs*, Illinois Commerce Commission, Docket No. 06-0448. 2006. Concerning a utility's proposed purchased power phase-in proposal, in behalf of the Illinois Office of Attorney General.

79. *Petition of Pennsylvania-American Water Company for Approval to Implement a Tariff Supplement Revising the Distribution System Improvement Charge*, Pennsylvania Public Utility Commission, Docket No. P-00062241. 2007. Concerning the reasonableness of a water utility's proposal to increase the cap on a statutorily authorized distribution system surcharge, on behalf of the Pennsylvania Office of Consumer Advocate.

80. *Adjustment of the Rates of Kentucky-American Water Company*, Kentucky Public Service Commission, Case No. 2007-00143. 2007. Concerning rate design and cost of service, on behalf of the Kentucky Office of Attorney General.

81. *Application of Kentucky-American Water Company for a Certificate of Convenience and Necessity Authorizing the Construction of Kentucky River Station II, Associated Facilities and Transmission Main*, Kentucky Public Service Commission, Case No. 2007-00134. 2007. Concerning the life-cycle costs of a planned water supply source and the imposition of conditions on the construction of that project, on behalf of the Kentucky Office of Attorney General.

82. *Pa. Public Utility Commission v. Pennsylvania-American Water Company*, Pennsylvania Public Utility Commission, Docket No. R-00072229. 2007. Concerning rate design and cost of service, on behalf of the Pennsylvania Office of Consumer Advocate.

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83. *Illinois-American Water Company Application for Approval of its Annual Reconciliation of Purchased Water and Purchased Sewage Treatment Surcharges*, Illinois Commerce Commission, Docket No. 07-0195. 2007. Concerning the reconciliation of purchased water and sewer charges, on behalf of the Illinois Office of Attorney General.

84. *In the Matter of the Application of Aqua Ohio, Inc. to Increase Its Rates for Water Service Provided In the Lake Erie Division*, Public Utilities Commission of Ohio, Case No.07-0564-WW-AIR. 2007. Concerning rate design and cost of service, on behalf of the Office of the Ohio Consumers' Counsel.

85. *Pa. Public Utility Commission v. Aqua Pennsylvania Inc.*, Pennsylvania Public Utility Commission, Docket No. R-00072711. 2008. Concerning rate design, on behalf of the Masthope Property Owners Council.

86. *Illinois-American Water Company Proposed increase in water and sewer rates*, Illinois Commerce Commission, Docket No. 07-0507. 2008. Concerning rate design and demand studies, on behalf of the Illinois Office of Attorney General.

87. *Central Illinois Light Company, d/b/a AmerenCILCO; Central Illinois Public Service Company, d/b/a AmerenCIPS; Illinois Power Company, d/b/a AmerenIP: Proposed general increase in rates for electric delivery service*, Illinois Commerce Commission Docket Nos. 07-0585, 07-0586, 07-0587. 2008. Concerning rate design and cost of service studies, on behalf of the Illinois Office of Attorney General.

88. *Commonwealth Edison Company: Proposed general increase in electric rates*, Illinois Commerce Commission Docket No. 07-0566. 2008. Concerning rate design and cost of service studies, on behalf of the Illinois Office of Attorney General.

89. *In the Matter of Application of Ohio American Water Co. to Increase Its Rates*, Public Utilities Commission of Ohio, Case No. 07-1112-WS-AIR. 2008. Concerning rate design and cost of service, on behalf of the Office of the Ohio Consumers' Counsel.

90. *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Authority to Increase Rates for its Gas Service*, Public Utilities Commission of Ohio, Case Nos. 07-829-GA-AIR, et al. 2008. Concerning the need for, and structure of, an accelerated infrastructure replacement program and rate surcharge, on behalf of the Office of the Ohio Consumers' Counsel.

91. *Pa. Public Utility Commission v. Pennsylvania American Water Company*, Pennsylvania Public Utility Commission, Docket No. R-2008-2032689. 2008. Concerning rate design, cost of service study, and other tariff issues, on behalf of the Pennsylvania Office of Consumer Advocate.

92. *Pa. Public Utility Commission v. York Water Company*, Pennsylvania Public Utility Commission, Docket No. R-2008-2023067. 2008. Concerning rate design, cost of service study, and other tariff issues, on behalf of the Pennsylvania Office of Consumer Advocate.

93. *Northern Illinois Gas Company d/b/a Nicor Gas Company*, Illinois Commerce Commission, Docket No. 08-0363. 2008. Concerning rate design, cost of service, and automatic rate adjustments, on behalf of the Illinois Office of Attorney General.

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94. *West Virginia American Water Company*, West Virginia Public Service Commission, Case No. 08-0900-W-42T. 2008. Concerning affiliated interest charges and relationships, on behalf of the Consumer Advocate Division of the Public Service Commission of West Virginia.

95. *Illinois-American Water Company Application for Approval of its Annual Reconciliation of Purchased Water and Purchased Sewage Treatment Surcharges*, Illinois Commerce Commission, Docket No. 08-0218. 2008. Concerning the reconciliation of purchased water and sewer charges, on behalf of the Illinois Office of Attorney General.

96. *In the Matter of Application of Duke Energy Ohio, Inc. for an Increase in Electric Rates*, Public Utilities Commission of Ohio, Case No. 08-0709-EL-AIR. 2009. Concerning rate design and cost of service, on behalf of the Office of the Ohio Consumers' Counsel.

97. *The Peoples Gas Light and Coke Company and North Shore Gas Company Proposed General Increase in Rates for Gas Service*, Illinois Commerce Commission, Docket Nos. 09-0166 and 09-0167. 2009. Concerning rate design and automatic rate adjustments on behalf of the Illinois Office of Attorney General, Citizens Utility Board, and City of Chicago.

98. *Illinois-American Water Company Proposed Increase in Water and Sewer Rates*, Illinois Commerce Commission, Docket No. 09-0319. 2009. Concerning rate design and cost of service on behalf of the Illinois Office of Attorney General and Citizens Utility Board.

99. *Pa. Public Utility Commission v. Aqua Pennsylvania Inc.*, Pennsylvania Public Utility Commission, Docket No. R-2009-2132019. 2010. Concerning rate design, cost of service, and automatic adjustment tariffs, on behalf of the Pennsylvania Office of Consumer Advocate.

100. *Apple Canyon Utility Company and Lake Wildwood Utilities Corporation Proposed General Increases in Water Rates*, Illinois Commerce Commission, Docket Nos. 09-0548 and 09-0549. 2010. Concerning parent-company charges, quality of service, and other matters, on behalf of Apple Canyon Lake Property Owners' Association and Lake Wildwood Association, Inc.

101. *Application of Aquarion Water Company of Connecticut to Amend its Rate Schedules*, Connecticut Department of Public Utility Control, Docket No. 10-02-13. 2010. Concerning rate design, proof of revenues, and other tariff issues, on behalf of the Connecticut Office of Consumer Counsel.

102. *Illinois-American Water Company Annual Reconciliation Of Purchased Water and Sewage Treatment Surcharges*, Illinois Commerce Commission, Docket No. 09-0151. 2010. Concerning the reconciliation of purchased water and sewer charges, on behalf of the Illinois Office of Attorney General.

103. *Pa. Public Utility Commission v. Pennsylvania-American Water Co.*, Pennsylvania Public Utility Commission, Docket Nos. R-2010-2166212, et al. 2010. Concerning rate design and cost of service study for four wastewater utility districts, on behalf of the Pennsylvania Office of Consumer Advocate.

104. *Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCIPS, Illinois Power Company d/b/a AmerenIP Petition for accounting order*, Illinois Commerce Commission, Docket No. 10-0517. 2010. Concerning ratemaking procedures for a multi-district electric and natural gas utility, on behalf of the Illinois Office of Attorney General.

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105. *Commonwealth Edison Company Petition for General Increase in Delivery Service Rates*, Illinois Commerce Commission Docket No. 10-0467. 2010. Concerning rate design and cost of service study, on behalf of the Illinois Office of Attorney General.

106. *Pa. Public Utility Commission v. City of Lancaster Bureau of Water*, Pennsylvania Public Utility Commission, Docket No. R-2010-2179103. 2010. Concerning rate design, cost of service, and cost allocation, on behalf of the Pennsylvania Office of Consumer Advocate.

107. *Application of Yankee Gas Services Company for Amended Rate Schedules*, Connecticut Department of Public Utility Control, Docket No. 10-12-02. 2011. Concerning rate design and cost of service for a natural gas utility, on behalf of the Connecticut Office of Consumers' Counsel.

108. *California-American Water Company*, California Public Utilities Commission, Application 10-07-007. 2011. Concerning rate design and cost of service for multiple water-utility service areas, on behalf of The Utility Reform Network.

109. *Little Washington Wastewater Company, Inc., Masthope Wastewater Division*, Pennsylvania Public Utility Commission Docket No. R-2010-2207833. 2011. Concerning rate design and various revenue requirements issues, on behalf of the Masthope Property Owners Council.

110. *In the matter of Pittsfield Aqueduct Company, Inc.*, New Hampshire Public Utilities Commission Case No. DW 10-090. 2011. Concerning rate design and cost of service on behalf of the New Hampshire Office of the Consumer Advocate.

111. *In the matters of Pennichuck Water Works, Inc. Permanent Rate Case and Petition for Approval of Special Contract with Anheuser-Busch, Inc.*, New Hampshire Public Utilities Commission Case Nos. DW 10-091 and DW 11-014. 2011. Concerning rate design, cost of service, and contract interpretation on behalf of the New Hampshire Office of the Consumer Advocate.

112. *Artesian Water Co., Inc. v. Chester Water Authority*, U.S. District Court for the Eastern District of Pennsylvania Case No. 10-CV-07453-JP. 2011. Concerning cost of service, ratemaking methods, and contract interpretation on behalf of Chester Water Authority.

113. *North Shore Gas Company and The Peoples Gas Light and Coke Company Proposed General Increases in Rates for Gas Service*, Illinois Commerce Commission, Docket Nos. 11-0280 and 11-0281. 2011. Concerning rate design and cost of service on behalf of the Illinois Office of Attorney General, the Citizens Utility Board, and the City of Chicago.

114. *Ameren Illinois Company: Proposed general increase in electric delivery service rates and gas delivery service rates*, Illinois Commerce Commission, Docket Nos. 11-0279 and 11-0282. 2011. Concerning rate design and cost of service for natural gas and electric distribution service, on behalf of the Illinois Office of Attorney General and the Citizens Utility Board.

115. *Pa. Public Utility Commission v. Pennsylvania-American Water Co.*, Pennsylvania Public Utility Commission, Docket No. R-2011-2232243. 2011. Concerning rate design, cost of service, sales forecast, and automatic rate adjustments on behalf of the Pennsylvania Office of Consumer Advocate.

116. *Aqua Illinois, Inc. Proposed General Increase in Water and Sewer Rates*, Illinois Commerce Commission, Docket No. 11-0436. 2011. Concerning rate design and cost of service on behalf of the

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Illinois Office of Attorney General.

117. *City of Nashua Acquisition of Pennichuck Corporation*, New Hampshire Public Utilities Commission, Docket No. DW 11-026. 2011. Concerning the proposed acquisition of an investor-owned utility holding company by a municipality, including appropriate ratemaking methodologies, on behalf of the New Hampshire Office of Consumer Advocate.

118. *An Application by Heritage Gas Limited for the Approval of a Schedule of Rates, Tolls and Charges*, Nova Scotia Utility and Review Board, Case NSUARB-NG-HG-R-11. 2011. Concerning rate design and cost of service, on behalf of the Nova Scotia Consumer Advocate.

119. *An Application of Halifax Regional Water Commission for Approval of a Cost of Service and Rate Design Methodology*, Nova Scotia Utility and Review Board , Case NSUARB-W-HRWC-R-11. 2011. Concerning rate design and cost of service, on behalf of the Nova Scotia Consumer Advocate.

120. *National Grid USA and Liberty Energy Utilities Corp.*, New Hampshire Public Utilities Commission, Docket No. DG 11-040. 2011. Concerning the costs and benefits of a proposed merger and related conditions, on behalf of the New Hampshire Office of Consumer Advocate.

121. *Great Northern Utilities, Inc., et al.*, Illinois Commerce Commission, Docket Nos. 11-0059, et al. 2012. Concerning options for mitigating rate impacts and consolidating small water and wastewater utilities for ratemaking purposes, on behalf of the Illinois Office of Attorney General.

122. *Pa. Public Utility Commission v. Aqua Pennsylvania, Inc.*, Pennsylvania Public Utility Commission, Docket No. R-2011-2267958. 2012. Concerning rate design, cost of service, and automatic rate adjustment mechanisms, on behalf of the Pennsylvania Office of Consumer Advocate.

123. *Golden State Water Company*, California Public Utilities Commission, Application 11-07-017. 2012. Concerning rate design and quality of service, on behalf of The Utility Reform Network.

124. *Golden Heart Utilities, Inc. and College Utilities Corporation*, Regulatory Commission of Alaska, Case Nos. U-11-77 and U-11-78. 2012. Concerning rate design and cost of service, on behalf of the Alaska Office of the Attorney General.

125. *Illinois-American Water Company*, Illinois Commerce Commission, Docket No. 11-0767. 2012. Concerning rate design, cost of service, and automatic rate adjustment mechanisms, on behalf of the Illinois Office of Attorney General.

126. *Application of Tidewater Utilities, Inc., for a General Rate Increase in Water Base Rates and Tariff Revisions*, Delaware Public Service Commission, Docket No. 11-397. 2012. Concerning rate design and cost of service study, on behalf of the Staff of the Delaware Public Service Commission.

127. *In the Matter of the Philadelphia Water Department's Proposed Increase in Rates for Water and Wastewater Utility Services*, Philadelphia Water Commissioner, FY 2013-2016. 2012. Concerning rate design and related issues for storm water service, on behalf of Citizens for Pennsylvania's Future.

128. *Corix Utilities (Illinois) LLC, Hydro Star LLC, and Utilities Inc. Joint Application for Approval of a Proposed Reorganization*, Illinois Commerce Commission, Docket No. 12-0279. 2012. Concerning merger-related synergy savings and appropriate ratemaking treatment of the same, on behalf of the

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Illinois Office of Attorney General.

129. *North Shore Gas Company and The Peoples Gas Light and Coke Company*, Illinois Commerce Commission, Docket Nos. 12-0511 and 12-0512. 2012. Concerning rate design, cost of service study, and automatic rate adjustment tariff on behalf of the Illinois Office of Attorney General.

130. *Pa. Public Utility Commission v. City of Lancaster Sewer Fund*, Pennsylvania Public Utility Commission, Docket No. R-2012-2310366. 2012. Concerning rate design, cost of service, and cost allocation, on behalf of the Pennsylvania Office of Consumer Advocate.

131. *Aquarion Water Company of New Hampshire*, New Hampshire Public Utilities Commission, Docket No. DW 12-085. 2013. Concerning tariff issues, including an automatic adjustment clause for infrastructure improvement, on behalf of the New Hampshire Office of Consumer Advocate.

132. *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates*, Public Utilities Commission of Ohio, Case No. 12-1682-EL-AIR, et al. 2013. Concerning rate design and tariff issues, on behalf of the Office of the Ohio Consumers' Counsel.

133. *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Natural Gas Distribution Rates*, Public Utilities Commission of Ohio, Case No. 12-1685-GA-AIR, et al. 2013. Concerning cost-of-service study, rate design, and tariff issues, on behalf of the Office of the Ohio Consumers' Counsel.

134. *In the Matter of the Application of The Dayton Power and Light Company to Establish a Standard Service Offer in the Form of an Electric Security Plan*, Public Utilities Commission of Ohio, Case No. 12-426-EL-SSO, et al. 2013. Concerning rate design, on behalf of the Office of the Ohio Consumers' Counsel.

135. Application of the Halifax Regional Water Commission, for Approval of Amendments to its Schedule of Rates and Charges and Schedule of Rules and Regulations for the delivery of water, public and private fire protection, wastewater and stormwater services, Nova Scotia Utility and Review Board, Matter No. M05463, 2013. Concerning rate design, cost-of-service study, and miscellaneous tariff provisions, on behalf of the Consumer Advocate of Nova Scotia.

136. *California Water Service Co. General Rate Case Application* , California Public Utilities Commission, Docket No. A.12-07-007. 2013. Concerning rate design, phase-in plans, low-income programs, and other tariff issues, on behalf of The Utility Reform Network.

137. *Application of The United Illuminating Company to Amend its Rate Schedules*, Connecticut Public Utility Regulatory Authority, Docket No. 13-01-19. 2013. Concerning sales forecast, rate design, and other tariff issues, on behalf of the Connecticut Office of Consumer Counsel.

138. *Application of Aquarion Water Company of Connecticut to Amend its Rate Schedules*, Connecticut Public Utility Regulatory Authority, Docket No. 13-02-20. 2013. Concerning sales forecast and rate design on behalf of the Connecticut Office of Consumer Counsel.

139. *Ameren Illinois Company, Proposed General Increase in Natural Gas Delivery Service Rates*, Illinois Commerce Commission, Docket No. 13-0192. 2013. Concerning rate design and revenue allocation, on behalf of the Illinois Office of Attorney General and Citizens Utility Board.

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140. *Commonwealth Edison Company, Tariff filing to present the Illinois Commerce Commission with an opportunity to consider revenue neutral tariff changes related to rate design*, Docket No. 13-0387. 2013. Concerning rate design and cost of service study issues, on behalf of the Illinois Office of Attorney General.

141. *In the Matter of the Potomac Electric Power Company for Authority to Increase Existing Retail Rates and Charges for Electric Distribution Service*, District of Columbia Public Service Commission, Formal Case No. 1103. 2013. Concerning rate design, revenue allocation, and cost-of-service study issues, on behalf of the District of Columbia Office of Peoples' Counsel.

142. *Pa. Public Utility Commission v. Pennsylvania-American Water Co.*, Pennsylvania Public Utility Commission, Docket No. R-2013-2355276. 2013. Concerning rate design, revenue allocation, and regulatory policy, on behalf of the Pennsylvania Office of Consumer Advocate.

143. *In the Matter of the Revenue Requirement and Transmission Tariff Designated as TA364-*8 *filed by Chugach Electric Association, Inc.*, Regulatory Commission of Alaska, U-13-007. 2013. Concerning rate design and cost-of-service study issues, on behalf of the Alaska Office of the Attorney General.

144. *Ameren Illinois Company: Tariff filing to present the Illinois Commerce Commission with an opportunity to consider revenue neutral tariff changes related to rate design*, Docket No. 13-0476. 2013. Concerning rate design and cost of service study issues, on behalf of the Illinois Office of Attorney General.

145. *Pa. Public Utility Commission v. City of Bethlehem Bureau of Water*, Pennsylvania Public Utility Commission, Docket No. R-2013-2390244. 2014. Concerning rate design, cost of service study, and revenue allocation on behalf of the Pennsylvania Office of Consumer Advocate.

146. *In the Matter of the Tariff Revision Designated as TA332-121 filed by the Municipality of Anchorage d/b/a Municipal Light and Power Department*, Regulatory Commission of Alaska, U-13-184. 2014. Concerning rate design and cost-of-service study issues, on behalf of the Alaska Office of the Attorney General.

147. *Pa. Public Utility Commission v. Pike County Light and Power Co. - Gas*, Pennsylvania Public Utility Commission, Docket No. R-2013-2397353. 2014. Concerning rate design and revenue allocation on behalf of the Pennsylvania Office of Consumer Advocate.

148. *Pa. Public Utility Commission v. Pike County Light and Power Co. - Electric*, Pennsylvania Public Utility Commission, Docket No. R-2013-2397237. 2014. Concerning rate design, cost of service study, and revenue allocation on behalf of the Pennsylvania Office of Consumer Advocate.

149. *The Peoples Gas Light and Coke Company North Shore Gas Company Proposed General Increase In Rates for Gas Service*, Illinois Commerce Commission, Docket Nos. 14-0224 and 14-0225. 2014. Concerning rate design on behalf of the Illinois Office of the Attorney General and the Environmental Law and Policy Center.

150. *Apple Valley Ranchos Water Company*, California Public Utilities Commission, Docket No. A.14-01-002. 2014. Concerning rate design and automatic rate adjustment mechanisms on behalf of the Town of Apple Valley.

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151. *Application by Heritage Gas Limited for Approval to Amend its Franchise Area*, Nova Scotia Utility and Review Board, Matter No. M06271. 2014. Concerning criteria, terms, and conditions for expanding a utility's service area and using transported compressed natural gas to serve small retail customers, on behalf of the Nova Scotia Consumer Advocate.

152. *Notice of Intent of Entergy Mississippi, Inc. to Modernize Rates to Support Economic Development, Power Procurement, and Continued Investment*, Mississippi Public Service Commission Docket No. 2014-UN-132. 2014. Concerning rate design and tariff issues, on behalf of the Mississippi Public Utilities Staff.

153. *Pa. Public Utility Commission v. City of Lancaster Bureau of Water*, Pennsylvania Public Utility Commission, Docket No. R-2014-2418872. 2014. Concerning rate design, cost of service study, and revenue allocation on behalf of the Pennsylvania Office of Consumer Advocate.

154. *Pa. Public Utility Commission v. Borough of Hanover Municipal Water Works*, Pennsylvania Public Utility Commission, Docket No. R-2014-2428304. 2014. Concerning rate design, cost of service study, and revenue allocation on behalf of the Pennsylvania Office of Consumer Advocate.

155. *Investigation of Commonwealth Edison Company's Cost of Service for Low-Use Customers In Each Residential Class*, Illinois Commerce Commission, Docket No. 14-0384. 2014. Concerning rate design on behalf of the Illinois Office of Attorney General.

156. *Application of the Halifax Regional Water Commission, for Approval of its Schedule of Rates and Charges and Schedule of Rules and Regulations for the Provision of Water, Public and Private Fire Protection, Wastewater and Stormwater Services*, Nova Scotia Utility and Review Board, Matter No. M06540. 2015. Concerning rate design, cost of service study, and tariff issues on behalf of the Nova Scotia Consumer Advocate.

157. *Testimony concerning organization and regulation of Philadelphia Gas Works*, Philadelphia City Council's Special Committee on Energy Opportunities. 2015.

158. *Testimony concerning proposed telecommunications legislation*, Maine Joint Standing Committee on Energy, Utilities, and Technology. 2015.

159. *Pa. Public Utility Commission v. United Water Pennsylvania, Inc.*, Pennsylvania Public Utility Commission, Docket No. R-2015-2462723. 2015. Concerning rate design, cost of service study, and revenue allocation on behalf of the Pennsylvania Office of Consumer Advocate.

160. *Ameren Illinois Company Proposed General Increase in Gas Delivery Service Rates*, Illinois Commerce Commission, Docket No. 15-0142. 2015. Concerning rate design on behalf of the Illinois Office of Attorney General.

161. *Maine Natural Gas Company Request for Multi-Year Rate Plan*, Maine Public Utilities Commission, Docket No. 2015-00005. 2015. Concerning rate design and automatic rate adjustment tariffs on behalf of the Maine Office of the Public Advocate.

162. *Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Provide for a Standard Service Offer*, Public Utilities Commission of Ohio, Case No. 14-1297-EL-SSO. 2015. Concerning rate design and proposed rate discounts on behalf

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of the Office of the Ohio Consumers' Counsel.

163. *An Application of the Halifax Regional Water Commission, for approval of revisions to its Cost of Service Manual and Rate Design for Stormwater Service*, Nova Scotia Utility and Review Board, Matter No. M07147. 2016. Concerning stormwater rate design and cost of service, on behalf of the Nova Scotia Consumer Advocate.

164. *In The Matter Of An Application By Heritage Gas Limited For Enhancement To Its Existing Residential Retro-Fit Assistance Fund*, Nova Scotia Utility and Review Board, Matter No. M07146. 2016. Concerning costs and benefits associated with utility system expansion, on behalf of the Nova Scotia Consumer Advocate.

165. *In the Matter of the Application of UNS Electric, Inc. for the Establishment of Just and Reasonable Rates and Charges*, Arizona Corporation Commission, Docket No. E-04204A-15-0142. 2016. Concerning rate design and residential demand charges on behalf of Arizona Utility Ratepayer Alliance.

166. *In the Matter of Application of Water Service Corporation of Kentucky for a General Adjustment in Existing Rates*, Kentucky Public Service Commission, Case No. 2015-00382. 2016. Concerning rate design and service area consolidation on behalf of the Kentucky Office of the Attorney General.

167. *Massachusetts Electric Company And Nantucket Electric Company*, Massachusetts Department of Public Utilities, Docket No. DPU 15-155. 2016. Concerning rate design and cost-of-service studies on behalf of the Massachusetts Office of Attorney General.

168. *In the Matter of Abenaki Water Company*, New Hampshire Public Utilities Commission, Docket No. DW 15-199. 2016. Concerning rate design on behalf of the New Hampshire Office of the Consumer Advocate.

169. *In the Matter of an Application by Heritage Gas Limited for Approval of its Customer Retention Program*, Nova Scotia Utility and Review Board Matter No. M07346. 2016. Concerning a regulatory response to competition and potential business failure on behalf of the Nova Scotia Consumer Advocate.

170. *Joint Application of Pennsylvania-American Water Company and the Sewer Authority of the City of Scranton*, Pennsylvania Public Utility Commission Docket No. A-2016-2537209. 2016. Concerning the lawfulness, costs and benefits, and ratemaking treatment of a proposed acquisition of a combined wastewater and storm water utility on behalf of the Pennsylvania Office of Consumer Advocate.

171. *Application of The United Illuminating Company to Amend its Rate Schedules*, Connecticut Public Utility Regulatory Authority Docket No. 16-06-04. 2016. Concerning rate design, cost-of-service study, and other tariff issues on behalf of the Connecticut Office of Consumer Counsel.

172. *Ameren Illinois Company Tariff filing to present the Illinois Commerce Commission with an opportunity to consider revenue neutral tariff changes related to rate design*, Illinois Commerce Commission Docket No. 16-0387. 2016. Concerning rate design and cost-of-service study on behalf of the Illinois Office of the Attorney General.

173. *Unitil Energy Systems, Inc.*, New Hampshire Public Utilities Commission Docket No. 16-384. 2016. Concerning rate design and cost-of-service study on behalf of the New Hampshire Office of Consumer

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174. *Liberty Utilities (Granite State Electric) Corp.*, New Hampshire Public Utilities Commission Docket No. 16-383. 2016. Concerning rate design and cost-of-service study on behalf of the New Hampshire Office of Consumer Advocate.

175. *Arizona Public Service Co.*, Arizona Corporation Commission Docket No. E-01345A-16-0123. 2017. Concerning rate design and cost-of-service study on behalf of the Arizona Utility Ratepayer Alliance.

176. *Commonwealth Edison Company, Tariff filing to present the Illinois Commerce Commission with an opportunity to consider revenue neutral tariff changes related to rate design*, Illinois Commerce Commission Docket No. 17-0049. 2017. Concerning rate design and cost of service study issues, on behalf of the Illinois Office of Attorney General.

177. *NSTAR Electric Company and Western Massachusetts Electric Company*, Massachusetts Department of Public Utilities Docket No. D.P.U. 17-05. 2017. Concerning rate design and cost of service study issues, on behalf of the Massachusetts Office of Attorney General.

178. *In the Matter of the Tariff Revision Designated as TA857-2 Filed by Alaska Power Company*, Regulatory Commission of Alaska No. U-16-078. 2017. Concerning rate design and cost of service study issues on behalf of the Alaska Office of the Attorney General.

179. *In the Matter of the Application of Minnesota Power For Authority to Increase Rates for Electric Utility Service in Minnesota*, Minnesota Public Utilities Commission Docket No. E015/GR-16-664. 2017. Concerning rate design and cost of service study issues on behalf of AARP.

180. *Pennsylvania Public Utility Commission v. Pennsylvania-American Water Company*, Pennsylvania Public Utility Commission, Docket No. R-2017-2595853. 2017. Concerning rate design, cost of service, and policy issues, on behalf of the Pennsylvania Office of Consumer Advocate.

181. *Aqua Illinois, Inc. Proposed Rate Increases for Water and Sewer Services*, Illinois Commerce Commission, Docket No. 17-0259. 2017. Concerning rate design and single-tariff pricing, on behalf of the Illinois Office of Attorney General.

182. *Petition of Pennsylvania-American Water Company for Approval of Tariff Changes and Accounting and Rate Treatment Related to Replacement of Lead Customer-Owned Service Pipes*, Pennsylvania Public Utility Commission, Docket No. P-2017-2606100. 2017. Concerning public policy and ratemaking issues associated with the replacement of customer-owned lead service lines, on behalf of the Pennsylvania Office of Consumer Advocate.

183. *In the Matter of Application and Notice of Change in Natural Gas Rates of Montana-Dakota Utilities Co.*, North Dakota Public Service Commission, Case No. PU-17-295. 2017. Concerning rate design and cost of service study issues, on behalf of AARP.

184. *Aqua Illinois, Inc. Petition for the Issuance of a Certificate of Public Convenience and Necessity to Operate a Water and Wastewater System in the Village of Peotone*, Illinois Commerce Commission, Docket No. 17-0314. 2018. Concerning rate consolidation and rate design, on behalf of the Illinois Office of Attorney General.

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185. *Application Of The Connecticut Light and Power Company d/b/a Eversource Energy to Amend Its Rate Schedules, Connecticut Public Utilities Regulatory Authority*, Docket No. 17-10-46. 2018. Concerning rate design issues, on behalf of the Connecticut Office of Consumer Counsel.

186. *Application by Heritage Gas for Approval of a Long-Term Natural Gas Transportation Contract and Cost Recovery Mechanism*, Nova Scotia Utility and Review Board, Matter M08473. 2018. Concerning evaluation of costs, benefits, and risks of a long-term natural gas pipeline contract, on behalf of the Consumer Advocate of Nova Scotia.

187. *Boston Gas Company and Colonial Gas Company*, Massachusetts Department of Public Utilities, D.P.U. 17-170. 2018. Concerning class revenue allocation and rate design, on behalf of the Massachusetts Office of Attorney General.

188. *In the Matter of the Application of Maryland-American Water Company for Authority to Adjust its Existing Schedule of Tariffs and Rates*, Maryland Public Service Commission, Case No. 9487. 2018. Concerning cost-of-service study, on behalf of the Staff of the Maryland Public Service Commission.

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SCANA® POWER FOR LIVING

santee cooper®

May 6, 2014

Philip K. Asherman
President & CEO
CB&I
One CB&I Plaza
2103 Research Forest Drive
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Danny L. Roderick
President & CEO
Westinghouse Electric Corporation
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Cranberry Township, PA 16066

Subject: V.C. Summer Units 2 and 3 Guaranteed Substantial Completion Dates

Reference: (1) Engineering, Procurement, and Construction Agreement for AP 1000 Nuclear Power Plants, Dated May 23, 2008 – V.C. Summer Units 2 and 3

(2) VSP_VSG_002024, dated August 6, 2012

Gentlemen:

On May 23, 2008, we executed the EPC Agreement with the Consortium for Units 2 and 3 at our V.C Summer nuclear facility. That was an historic day for our companies. We would like to believe that it was equally significant to you. Together, we helped kick off what we continue to hope will be a new wave of nuclear construction in this country.

The V.C. Summer facility offers the best template for future projects. Although you signed EPC agreements with two other utilities at about the same time, both of

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those projects are currently embroiled in major litigation. We chose a different path. We resolved to work with you amicably, believing that building the project cooperatively, on time and on budget, would be in the best interests of all involved.

The events since May 23, 2008 have tested our resolve. In this letter, we will review certain of those events for the benefit of your current management. We believe that such a review is called for because of the many turnovers in your management since May 23, 2008. With one possible exception, no one from your two companies who attended the signing ceremony is still involved in the project. Since then, Westinghouse has had at least two Presidents, three Project Directors, and two Commercial Directors. Shaw was acquired by CB&I, and has had comparable turnover, with five Commercial Directors, two Project Directors and two Construction Managers.

Before reviewing the relevant events, we wish to share with you our view that the management turnovers have been accompanied by a change in attitude. Senior managers who began the project appeared to appreciate the significance of the task to our customers and to the nuclear community at large, and exhibited a commensurate dedication. Events indicate that this has been replaced by a different attitude, one that is less focused and seems intent on taking advantage of our cooperative nature.

We should also mention that we have noted the evident deterioration of the relationship between senior management at Westinghouse and Shaw/CB&I. Repair of that relationship will likely be necessary if you are to satisfy our concerns. As a Consortium, the two firms are jointly and severally liable to us. It does not matter to us which of you caused a specific problem. We look to both of you to remedy all the Consortium's deficiencies.

We regret that this letter is necessary and regret its length. Your poor performance has made both necessary. A complete description of our grievances would make this letter even longer. Consequently, we have chosen to focus on the events and issues concerning the structural modules, primarily CA-20 and CA-01, as well as certain design issues, and their combined effect on the expected completion date and cost of the project. We selected these examples to illustrate our dissatisfaction. They are not an exhaustive listing of your every shortcoming.

I. THE EPC AGREEMENT ESTABLISHED THE PROJECT SHEDULE

The EPC Agreement stated the Consortium's commitment to meet following dates for Unit 2:

Activity	Unit 2
CA-20 On-Hook	November 18, 2011
CA-01 On-Hook	March 29, 2012
Guaranteed Substantial Completion	April 1, 2016

To meet these dates, it was essential that the Consortium timely complete module fabrication, delivery, and assembly. The Consortium selected Shaw Modular Solutions, LLC ("SMS"), an affiliate of the Consortium, as the module fabricator. Problems with SMS's work began almost immediately. The NRC attempted to inspect the SMS facility between January 10 and 12, 2011, but the inspection had to be "terminated early because of the current status of activities at SMS." To the NRC's apparent surprise, SMS had not yet made enough progress to make an inspection worthwhile.

By letter dated February 22, 2011, SMS advised the NRC of its expectations for module production and shipment, as follows:

> SMS expects to be at a high level of production of structural modules in early June 2011. SMS expects that shipment of the first structural sub-module will occur the end of June 2011. ... If schedule changes are necessary, SMS will promptly notify the NRC.

SMS did not meet these module production and shipment dates. We are unaware if it gave the NRC the promised notice of these failures.

The NRC returned to inspect the SMS site between November 14 and 18, 2011. That inspection led to a "Notice of Nonconformance," dated January 6, 2012, based on deficiencies in SMS's quality assurance program. The Notice of Nonconformance stated:

> During this inspection, the NRC inspection team found that the implementation of your quality assurance program failed to meet certain NRC requirements which were contractually imposed on you by your customers or NRC licensees. Specifically, the NRC inspection team determined that SMS was not fully implementing its quality assurance program in the areas of training, design control, procurement document control, control of special processes, control of measuring and test equipment, control of nonconforming items, and corrective actions consistent with regulatory and contractual requirements, and applicable implementing procedures.

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II. THE AUGUST 6, 2012 AGREEMENT CHANGED THE GUARANTEED SUBSTANTIAL COMPLETION DATES

By July 7, 2012, only 21 of 72 CA-20 sub-modules had been delivered to the site. Despite the poor progress, you assured us that you had resolved the module production problems. This led to the Agreement of August 6, 2012.

The 2012 Agreement recites that it resolved several pending change order requests. An additional motivation for us was to enable you to put the past module issues behind you and have a fresh start. Section IV.A of that agreement established the following revised guaranteed substantial completion dates:

Activity	Unit 2	Unit 3
Guaranteed Substantial Completion	March 15, 2017	May 15, 2018

After execution of the 2012 Agreement, you had no one to blame but yourselves for future module delays. Section IV.D of the 2012 Agreement made clear that future module delays would be your sole responsibility. It stated in pertinent part:

> Except as otherwise provided for in Article 9 of the EPC Agreement or Section XII.D of this Agreement, Contractor will not submit further Change Orders for any impacts to Project Schedule or Contract Price associated with Structural Module schedule delays and agrees that such further schedule delays will be the responsibility of Contractor.

Although the parties released certain claims against each other in the 2012 Agreement, Section XII.D of the agreement stated that our release did not apply to any claims "that may arise hereunder from Contractor's failure to deliver the Structural Modules referenced in Section III.C of this Agreement, so as to achieve" the revised Guaranteed Substantial Completion Dates.

The 2012 Agreement imposed on the Consortium certain additional scheduling obligations to enable us to monitor module progress. Section IV.D of that agreement stated:

> In order to measure impacts to the Project Schedule associated with Structural Module delivery, Contractor agrees to provide a detailed Structural Module delivery and assembly baseline schedule within 30 calendar days of the execution of this Agreement and to report actual progress against this schedule on at least a monthly basis.

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The Consortium prepared the new baseline schedule for module delivery and assembly, as called for in this Agreement, but it has not provided the monthly progress reports.

In sum, the Consortium decided to engage SMS, an affiliated entity, as the module fabrication subcontractor. SMS proved to be neither equipped nor qualified to produce the modules. Nevertheless, in July 2012, we worked with you amicably by allowing you additional time that was made necessary, at least in part, by SMS's poor performance. In exchange, you agreed that you would not be entitled to any additional time extensions due to future module delays.

III. MODULE DELAYS CONTINUED AFTER THE 2012 AGREEMENT

Despite the Consortium's assurances, module production did not improve after the 2012 Agreement. The Consortium issued a module delivery and assembly baseline schedule, dated August 10, 2012, as called for in the 2012 Agreement. That schedule contained a series of milestone dates, including the following on-hook dates for CA-20 and CA-01:

Activity	Unit 2 Milestone Date
CA-20 On-Hook	January 19, 2013
CA-01 On-Hook	May 28, 2013

The Consortium has not met these on-hook dates or any other milestone dates in that schedule.

A. Module Status In September 2012

As of September 27, 2012, at least thirty of the milestone dates had already come and gone without completion of the associated milestone event. By that time, only 31 of the 72 sub-modules for CA-20 had been delivered to the site. As a result of the module production and delivery delays, we wrote to you on September 27, 2012. That letter stated:

> Due to the current status of the structural modules, the Owner remains concerned that the late fabrication, delivery, and installation of structural modules will impact the Consortium's ability to meet the critical path schedule date of January 28, 2013[1] (CA20 on-hook date), and eventually to meet the revised Unit 2 Guaranteed Substantial Completion Date (GSCD) and possibly the Unit 3 GSCD. The Owner requests the

[1] This date was incorrect. The letter should have referenced a January 19, 2013 CA-20 on-hook date.

> Consortium continue to provide structural module status updates during the weekly project review meetings and other status updates as previously agreed. Also, beginning no later than October 10, 2012, provide bi-weekly written status updates on the fabrication, delivery, and installation of the structural modules, including information on any structural module issues. Finally, the Owner requests the Consortium review with the Owner the Consortium's documented contingency plans concerning the structural modules prior to October 19, 2012. These contingency plans should include, at a minimum, actions to be taken by the Consortium to meet currently scheduled structural modules CA01-CA05 and CA20 on-hook dates and installation dates to support the Project schedule.

The Consortium did not comply with any of these requests.

As of September 2012, you had still not resolved your NRC issues. The NRC performed an unannounced inspection on September 10-14, 2012, which led to another "Notice of Nonconformance" arising out of deficiencies in SMS's quality assurance program. The NRC documented this in its letter of October 24, 2012, which stated:

> During the inspection, the inspectors found that the implementation of your QA program did not to meet [sic] certain NRC requirements imposed on you by your customers or NRC licensees. Specifically, SMS failed to promptly correct conditions adverse to quality and significant questions adverse to quality, failed to effectively implement a corrective action regarding documentation of late entries in a quality records procedure, failed to preclude recurrence of significant conditions adverse to quality related to identification and control of items, and failed to perform adequate corrective actions associated with a nonconformance identified during a previous NRC inspection.

Shortly after this, the NRC advised CB&I of a "chilled work environment" at the Lake Charles facility, which was causing employees to believe that they "are not free to raise safety concerns using all available avenues" and that "individuals have been retaliated against for raising safety concerns."

B. Module Status In March 2013

By March 6, 2013, only 40 of the 72 sub-modules for CA-20 had been received. At our request, a meeting to discuss module production was held among executive officers in Columbia on April 9, 2013. Westinghouse did not attend the meeting, but CB&I was there and it promised that the Consortium would deliver four modules in the

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second quarter of 2013, 40 modules in the third quarter, and 39 modules in the fourth quarter. It also informed us of a significant delay in the on-hook dates, as follows:

Activity	Delayed Unit 2 Date
CA-20 On-Hook	October 31, 2013
CA-01 On-Hook	September 4, 2014

The Consortium missed the revised CA-20 on-hook date of October 31, 2013 and, as of today, has yet to reach this milestone. The Consortium is also not on schedule to meet the revised CA-01 on-hook date of September 4, 2014.

C. Module Status In May 2013

By May 25, 2013, the Consortium had delivered only 41 of the 72 CA-20 sub-modules. And it had delivered only one of these in the preceding eleven weeks.

D. The Consortium Reported Schedule Delays In June 2013

On June 5, 2013, SCE&G publicly disclosed your statement to us that you would not be able to meet the required completion dates in the 2012 Agreement. We reported your estimate that completion of unit 2 would occur in either the fourth quarter of 2017 or the first quarter of 2018 and your estimate that completion of unit 3 would be "similarly delayed." Due to these delays, we also reported that SCE&G's 55% cost of the project could increase by $200 million. We noted that these schedule changes and cost increases resulted from "delays in the schedule for fabrication and delivery of sub-modules for the new units."

E. Module Status In July 2013

We saw no improvement over the next several months. By July 18, 2013, the Consortium had delivered only 44 of the 72 CA-20 sub-modules. This means that it had delivered only three modules in the preceding 11 weeks.

On August 7, we sent you another letter expressing our concerns about delays. On September 17, you advised us that, unless we objected, you would move the work of completing some CA-20 sub-modules from Lake Charles to the site. Your proposal was to move the uncompleted sub-modules into a temporary, onsite quarantine area to complete document processing and make minor repairs. We responded that we would not interfere with your decisions about how best to perform the work.

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F. The Consortium Reported Further Schedule Delays In September 2013

On September 18, 2013, the executives of all involved companies met in Columbia. That meeting resulted in a September 25 letter from you, which included a schedule showing the following activities and dates:

Activity	Unit 2 Target Date	Unit 2 Late Date
CA-20 On-Hook	January 24, 2014	January 27, 2014
CA-01 On-Hook	July 18, 2014	September 18, 2014
Substantial Completion	December 15, 2017	December 15, 2017

Your letter also stated that:

> The Unit 2 CA01 sub-module delivery schedule is being reviewed to incorporate the latest information and will be transmitted to you by October 2, 2013. We have scheduled a management meeting on October 3, 2013, to review these deliverables with your team.

The promised October 2 letter and schedule showed that all CA-20 sub-modules would be delivered by November 4, and CA-01 sub-module shipments would extend between November 3, 2013 and July 18, 2014. The letter and schedule also introduced, for the first time, a CA-20 "minimum configuration" concept that we believe has the potential to further impede your ability to achieve timely project completion. This concept conflicts with the 2012 Agreement, and associated August 10, 2012 baseline schedule, which call for a complete (equipment loaded) CA-20 module to be set on its foundation by January 19, 2013.

Your October 2, 2013 letter went on to state:

> The Consortium is taking additional management measures to add certainty to this schedule. Resources have been added to engineering to reduce the backlog of E&DCRs and N&Ds and improve the turnaround time to disposition these items. Personnel from Lake Charles have been located at the V.C. Summer site to perform final inspections and document closeout. Resources have been added to the modules team to repair or rework any conditions identified on the sub-modules and prepare them for assembly. A daily Lake Charles Plan of the Day process has been implemented to drive schedule, elevate issues and resolve problems. Weekly CBI senior management review and monitoring of Lake Charles progress against the plan has been established. Milestone Managers are

being added to the site team to drive schedule and accountability for module assembly and placement. We believe that actions such as these will improve performance.

Although this letter does not amend the EPC Agreement or modify our commercial positions, we commit our support to the Project in achieving the schedules provided herein. We will maintain frequent and transparent communications with your staff to ensure that any significant change in schedule is raised and understood. We encourage SCANA to monitor our schedules and provide immediate feedback if they are not meeting your expectations.

Of the CA-20 sub-modules remaining to be delivered as of this date, seven were earmarked for delivery to the onsite quarantine area for completion of document processing and minor repairs. Those sub-modules were not ready to be incorporated into the construction.

Weekly module update calls began on October 14. By December, however, the level of participation by Consortium management had begun to wane. "Frequent and transparent" communications did not materialize, and we have not received "immediate feedback" when we have raised schedule issues.

In our letter of October 21, 2013, we stated:

You have represented that this schedule embodies the Consortium's realistic expectations concerning performance of Unit 2 work and its commitment to achieve Unit 2 substantial completion date by December 15, 2017.

We appreciate the Consortium's efforts in preparing these schedules and the Consortium's commitment to allocate additional resources and to perform as to achieve Unit 2 substantial completion by December 15, 2017. We must remind you, however, that the Consortium remains contractually committed to the dates for substantial completion stated in the July 11, 2012 Letter Agreement. As you correctly noted, the schedules in no way amend the Agreement. In the Letter Agreement, the parties agreed to a Unit 2 Guaranteed Substantial Completion Date of March 15, 2017, and a Unit 3 Guaranteed Substantial Completion Date of May 15, 2018.

G. Design Deficiencies Came To Light During September 2013 On-Site Assembly

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On September 3, 2013, Westinghouse informed us that it had identified problems with the design of CA-04. The Consortium had planned to set that module on the Nuclear Island in September 2013, but it delayed that work because of the need to modify the concrete foundation. The foundation placement was then put on hold during the foundation redesign and associated procurement.

H. Module Status In December 2013

By December 4, 2013, all 72 CA-20 sub-modules had finally been delivered to the site, although 30 of them required documentation processing and repairs at the on-site quarantine area. The modification effort continued well into 2014.

On January 8, 2014, Westinghouse informed us that six Engineering and Design Coordination Reports (E&DCR) had to be completed before placement of CA-20. It also advised us that another sixteen E&DCRs would need to be completed after placement of CA-20, but before placement of wall concrete.

As of February 2014, none of the 47 CA-01 sub-modules had been delivered, although 20 should have been delivered by then, according to the October 2, 2013 schedule.

I. Module Status In March 2014

The Consortium has been providing our construction team with daily email updates relating to CA-20, but the updates continue to illustrate performance shortcomings. The March 11, 2014 email update reflected an on-hook date of March 31. The email updates of March 12 and 13 reflected the same date, but stated that such date was "in jeopardy" and pending management review. The March 14, 15, 17 and 18 email updates all reflected a date of April 7 for this activity. Those from March 20, 21, 22, 23, 25, 26 and 27 all stated that the April 7 date was "under review." Beginning on March 28, the email updates stated that the on-hook date had slipped again to May 10. In short, the projected on-hook date for CA-20 continues to slip and, by the end of March, we were farther away from completion of that activity than the Consortium had stated we were at the beginning of March.

The Consortium's progress with CA-01 has also been poor. Westinghouse has informed us that it is reviewing its design for that module and future changes could delay its placement. Due to these design issues, documentation approving placement of CA-01 is not expected until August 31, 2014.

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IV. DESIGN ISSUES HAVE CONTRIBUTED TO THE PROJECT DELAY

A. IFC Design Delays

Other design issues, in addition to those identified above, have also delayed the project and are expected to contribute to future delays. Foremost among these is the delayed completion of Issued For Construction (IFC) drawings. The IFC percentage complete is the Consortium's primary metric for evaluating the status of design. That information shows that the Consortium has failed to meet expectations for design finalization and has misjudged its own performance.

The Consortium's early reports of design progress were optimistic. For example, in the March 17, 2011 Monthly Project Review minutes, the Consortium reported that it had delivered 90.49% of the scheduled IFC documents. As a result, the Consortium stated, "Design finalization is coming to an end and transitioning to support the Certified for Construction (CFC) design."

The May 19, 2011 Monthly Project Review minutes continued to reflect satisfactory progress. They reported Westinghouse's statement that design finalization was considered to be complete by the Department of Energy (DOE) and according to WEC's definition. The minutes also reported Westinghouse's estimate that the design was 95% complete. In addition, they reported Westinghouse's statement that the remaining engineering had been defined in a resource-loaded schedule, which it would use to monitor progress to completion.

The October 20, 2011 Monthly Project Review minutes reported Westinghouse's statement that site-specific engineering was winding down and that design finalization should be complete in the summer of 2012.

The Consortium began reporting design delays in May 2012, when you advised us that you would not meet the October 11, 2012 schedule for many of the IFC packages. On December 31, 2013, the Consortium reported to us that the IFC design documents were now only 94% complete. The Consortium continued this trend of revising design progress downward. On March 31, 2014, Westinghouse reported that the IFC documents were only 88% complete.

B. Design Issues Impact Nuclear Island Civil/Structural Work

Westinghouse's many design changes have also adversely impacted the Nuclear Island (NI) civil/structural work. One example concerns the A2 I wall in the Auxiliary

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Building, which is a fairly simple reinforced concrete wall. Two of the construction packages are VS2-1210-COW-003 (rebar/embeds for I wall areas 4 and 5) and VS2-1210-CCW-001 (concrete for I wall areas 4 and 5). There were 109 unique E&DCRs between the two work packages. Ninety-two (92) of the E&DCRs were WEC initiated. This wall placement was delayed several weeks due to the design clarifications and changes.

C. Design Issues Are Requiring Multiple License Amendment Requests

The lack of WEC design maturity is evident in the high numbers of License Amendment Requests (LARs) and Departures to the Final Safety Analysis Report (FSAR) being submitted. As noted in the April 17, 2014 project status review meeting, 90 LARs have been identified; the NRC has approved 11 LARs; and 15 LARs are under NRC review. The following are three examples of these LARs and their importance:

- LAR 13-01/WEC LAR 54 (base mat shear reinforcement design spacing requirements) adversely impacted the schedule for Unit 2 nuclear island base mat concrete placement.

- LAR 13-02/WEC LAR 55 (base mat shear reinforcement design details revising the licensing basis from ACI 349 to ACI 318) also adversely impacted the schedule for Unit 2 nuclear island base mat concrete placement.

- LAR 14-01/WEC LAR 60 (Auxiliary Building structural details) has adversely impacted the schedules for construction of Auxiliary Building walls and floors and construction of structural module CA 20.

Furthermore, we anticipate that LAR 13-33/WEC LAR 53 (condensate return in the Containment Building) will impact construction progress. The same is true of LAR 14-07/WEC LAR 78 (CA04 tolerances); LAR 14-05/WEC LAR 72 – CA05; LAR 13-13/WEC LAR 02a (Turbine Building structural layout, which has been approved for Plant Vogtle); and LAR 13-14/WEC LAR 08 (Battery Room changes). We also anticipate that an LAR will be needed for coating thermal conductivity methods, which will impact Containment Vessel ring 1.

In addition to the LARs, the Consortium has also had a large number of Departures. The April 17, 2014 project status report states that 595 Departures have

been identified. Of these 237 are in process and 358 are in the queue. These Departures do not require NRC review but have the potential for impacting the project schedule due to Westinghouse's design changes.

V. OUR FRUSTRATION CONTINUES TO MOUNT

As a result of these events, our frustration continues to mount. You have made promise after promise, but fulfilled few of them.

We are aware that the Consortium is in the process of preparing yet another re-baseline of the project schedule. We are entitled to a re-baseline schedule that reflects all mitigation measures reasonably possible to ensure completion of Units 2 and 3 on or near the currently projected completion dates. Please note that this statement of our rights is not an acceleration order. The currently projected completion dates are already past the dates to which the parties agreed in the 2012 Agreement. The delays since then have been solely the Consortium's fault. Thus, you are contractually obligated to take the steps necessary to mitigate the delays at your own expense.

Your unexcused delays will cause our project costs to increase greatly. We intend to hold you strictly to all provisions of the EPC Agreement and expect you to reimburse us for all our additional costs.

We have prepared a preliminary estimate of the added costs associated with your most recent completion projections, that is, completion of unit 2 in either the fourth quarter of 2017 or the first quarter of 2018 and a similar delay to completion of unit 3. Based on such delays, we estimate that we will incur about $150 million in additional site costs, and will be entitled to about $100 million in liquidated damages. If you fail to meet your most recent completion projections, these amounts will be even higher. We are in the process of investigating other additional costs that we are incurring due to the unexcused delays or associated changes to your work plan. We will advise you of their categories and amounts once we have completed our investigation.

Any future delays to those projections will require further adjustments to the payment schedules.

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VI. CONCLUSION

It is imperative that the Consortium demonstrate a renewed commitment to this project. To help achieve that, we wish to discuss these performance deficiencies and associated delays with you, as well as the measures that you intend to take to mitigate the delays. We also wish to explore with you the extent to which the Consortium's unexcused project delays constitute breaches of material provisions of the EPC Agreement.

Respectfully,

Lonnie N. Carter	Kevin B. Marsh
President & CEO Santee Cooper	President & CEO SCANA

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Internal Memorandum

Date: March 11, 2013

From: Howard Axelrod, Energy Strategies Inc.

To: Sylleste Davis, Santee Cooper

Subject: Summary Report on Energy Strategy's VCS Marketing Activities

CONFIDENTIAL

Background

Santee Cooper is a co-owner with South Carolina Gas and Electric in the construction of two Westinghouse AP-1000 Advance nuclear power plants – V. C. Summer 2 & 3 (VCS). Each unit is capable of producing 1,117 MW of capacity for a total of 2,234 MW, enough to serve the electrical needs of over 230,000 customers. The planned start-up date is 2018 and 2019, respectively. The cost for these two plants has been estimated at $9.8 billion plus transmission and financing charges. Santee Cooper will own approximately 1,000 MW of the two power plants.

Between two to three years ago, Santee Cooper re-evaluated its generation expansion requirements and due, in part, to recessionary impacts of economic expansion and in part, to a loss of a major customer, revised its need for power (i.e. VCS) assessment which resulted in a reduction of approximately 500 MW of new generation in the forecasted planning horizon. At that point, Santee Cooper initiated a strategy to sell either 500 MW of VCS capacity or the equivalent output via long term purchase power agreements (PPA).

Over this three year period, Santee Cooper contacted a range of investor-owned, public power utilities and joint action agencies in the Southeast region of the United States. While several entities contacted indicated an interest to further pursue its investigation of the VCS offering, to date, only Duke Energy is in active negotiations with Santee Cooper with regards to the direct

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sale of VCS 2 & 3 assets.[1] No other utility that was approached by Santee Cooper has indicated an interest in either an outright asset purchase or the execution of a long term PPA.

In 2012, Energy Strategies, Inc. was retained to assist in the development and execution of a strategic marketing plan for VCS. Four primary tasks were identified including:

1. Develop a comprehensive strategic marketing plan
2. Track and identify emerging opportunities and alternative marketing strategies
3. Perform in-depth analysis of potential candidates including the development of "buyer-specific" marketing presentations
4. Participate in and support Santee Cooper's upcoming strategic planning process as requested.

This report summarizes the findings and recommendations of this strategic marketing assessment. While the following two sections will outline our findings and recommendations (next steps). A highlight of the most significant observations is as follows:

- *Until VSC construction is complete, both plants are operational, and all costs are known with a high degree of certainty, it is unlikely, that any utility, albeit with few exceptions[2], would likely entertain such an asset acquisition unless the offering was significantly discounted to reflect the risks and uncertainties associated with a $10 billion ongoing project.*
- *There is a greater likelihood that a utility might engage in a short to intermediate term PPA for either VCS or a slice of the Santee Cooper system including VCS as part of the portfolio if the price was competitive. However, annual revenue requirements for VCS as*

[1] A separate internal marketing report being prepared by Sylleste Davis provides in greater detail the contacts and experiences of Santee Cooper's marketing efforts during this period.

[2] Duke and TVA are two feasible candidates for varying reasons. While Duke continues to negotiate with Santee, TVA has indicated that its position on nuclear expansion is in flux. In order to rationally evaluate whether a given utility would be a serious candidate for a nuclear sale, we evaluated four criteria:

- Need for base load generation within V. C. Summer planning horizon
- A "sophisticated" understanding of nuclear generation, i.e., ownership or PPA with other nuclear power projects
- Prior acceptance of minority interest in a major project
- Transmission access to V.C. Summer

Only Duke and TVA were ranked as Priority 1 having the greatest propensity to buy a portion of VCS.

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measured by its unit costs will be higher than currently available alternative sources of generation including a new combined cycle gas turbine. In order for Santee to offer a competitively priced PPA for VCS, would require, for a period of time, a measurable "discount" relative to VCS's embedded costs. Depending upon the forecasted assumptions, it could take over ten years before VCS's annualized costs are below competitive prices in the Southeast.

- *Nuclear power, especially newer units are currently viewed by its opponents as uneconomic and non-competitive with CCGTs. This misunderstanding of nuclear power economics is short sighted as it fails to consider future rising natural gas prices and the cost of carbon emissions whether in the form of a carbon tax or cap and trade protocol. Our studies found that there is a high probability that nuclear power can be economically advantageous to alternative state-of-the-art CCGT.*
- *Nuclear power, as a utility investment, especially for investor owned utilities, can be a double edged sword: on the one hand, its capital concentration adds risk to the company's balance sheet should regulators limit cost recovery, but on the other hand, the profits derived from a nuclear plant are projected to be between 5 to 8 times greater than that of a CCGT.* [3] *With limited opportunities for earnings growth, a nuclear investment can offer sizable contributions to earnings for an investor owned utility .*

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[3] *Assuming that both nuclear and CCGT were economically equivalent (as measured by net present value of life cycle revenue requirements), the profits derived from a nuclear plant would be between 5 to 8 times greater than that of a CCGT.*

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Summary of Findings

Over the last several months I have been able to achieve a greater understanding of the dynamics of the Southeast markets, the changing shift from coal and nuclear to natural gas and the impact the economy has taken on load growth and ultimately on generation planning.

I have found that a number of my pre-conceptions as to utility risk aversion were validated. I also achieved a better appreciation for the conservative nature of public power – whether a stand-alone utility or a joint action agency, short term rate impacts and competitive positioning trumped longer term growth and earnings related objectives.

My investigation included in-depth discussions with executives and staff from The Energy Authority, Old Dominion, AMP Ohio, MEAG, Cogentrix (formerly a Goldman Sacks subsidiary) , and SERC. The focus of these discussions was to ascertain not only their interest in buying nuclear energy or capacity, but what they, as industry leaders, understood as the benefits and pediments to such an acquisition. A sample of the content of our findings was as follows and is further discussed in Appendix A:

- For Old Dominion (Rick Bean, VP of Generation Planning and Supply), its Board of Trustees were adamantly opposed to any investment in a power plant with capital costs four times greater than other sources of generation.
- For AMP (Marc Gerkin, CEO), they would be glad to consider a VCS PPA, but it had to be cost competitive.
- For Cogentrix (John Gasbarro, Sr VP Asset Management), they would never consider such an investment unless it was accompanied by a long term PPA to buy back the electricity produced by the plant.

Finally, our analysis of several viable prospects using a ranking system discussed above, found that TVA was a Priority 1 candidate. TVA was an aggressive developer of nuclear power, had emphatically achieved the support of its Board of Trustees to retire coal units while planning to add some 7,000 MW of new nuclear generation over the next twenty years and was a leading supporter the next generation of small scale nuclear reactors. Yet, the meeting with TVA found

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that it had done a 180 as to nuclear. Part of the reason may have been the difficulties they faced in completing Watts Bar 2 or the fact that the new leadership team was reviewing and re-evaluating TVA's strategic business plans that had up until recently been focused on nuclear expansion.

My risk analysis of state-of-the-art advance nuclear design (AP1000) versus state-of-the-art combined cycle gas turbines revealed that under current conditions, namely:

- Natural gas prices are at their lowest levels in decades, with supplies rising at a faster pace than demand,
- The lack of a comprehensive national carbon dioxide regulation that was expected to include a carbon tax or cap and trade mechanism,
- A lackluster recovery of the US and Southeast economies,
- The continued decline in the correlation between growth in GNP and the growth in electric demand, due in part to shifts in consumption patterns, energy efficiency, and a loss of more energy intensive industries to China and Mexico,

there is a definite economic advantage to CCGT over nuclear measured in both annual levelized unit costs and net present value (NPPV) of life cycle revenue requirements. The capital cost of the CCGT is a quarter of a nuclear plant, the time to plan through construction is also one quarter, and a reasonably economical size can be as low as 300 MW to better match load growth. My study shows that under these conditions, there is an 80%+ chance that even under a range of conditions the NPPV of a CCGT will be less than that of a new nuclear plant.

However, this same study shows that minor, but highly realistic changes in a few key areas will reverse this finding.

Natural gas prices, while still at historical lows, have increased by nearly half this year. The rational for adding more drilling rigs is finally seeing a diminishing trend as not only supply has outstripped demand, but storage capabilities have been maxed out. With global demand for natural gas expected to continue, surplus gas planned to be exported as LNG, and environmental controls imposed on shale gas developers, natural gas prices will likely rise. The recently

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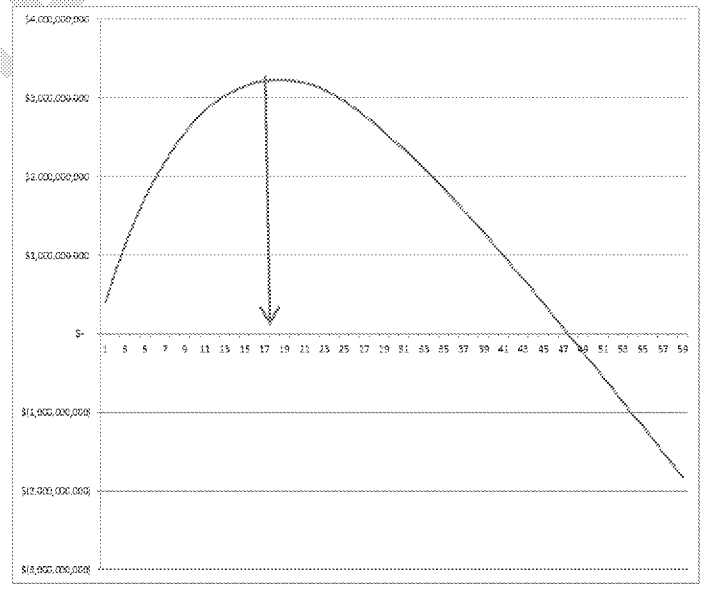
released 2013 EIA long range energy outlook projects natural gas prices to be 20% greater than the 2012 forecast for the same forward years.

During the early to mid-2000 period, there was a political push for Congress to impose a carbon tax on power plant CO_2 emissions. The range of expectations was between $10 to $20 per ton beginning in 2010. While a costly measure, environmentalists argued that CO_2 abatement would cost far more - up to $80 per ton. With the recession emerging and continued scientific debate over the causes of global warming, no legislation was passed. However, there is a renewed debate over the need for CO_2 control. The President has promised that during his current term, he would impose administrative measures if Congress would not pass such a bill.

Modest increases in CCGT costs caused by slightly higher natural gas prices and a moderate fee for CO_2 emissions would shift the economic comparison where there is over 84% chance that the nuclear NPV is less than CCGT.

Until electric demand begins to rise and/or as utilities begin to retire older, less efficient coal fired generation, it will take several years before utility planners begin to seriously evaluate the long term benefits of nuclear vis-à-vis CCGT.



As the economic pendulum swings to nuclear power, the sale of VCS may continue to pose a financial dilemma for many utility systems especially, public power. As discussed above, for both investor-owned and public power, a nuclear power plant's capital costs can strain either type of utility's balance sheet, and more significantly raise the ire of consumers, politicians and nuclear opponents if retail rates are forced to rise. Under one of our case studies where nuclear power has over an 83% chance of being less costly

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than CCGT, in terms of NPV, it would still take over 18 years before annual revenue requirements would be less than CCGT. The accompanying chart provides an illustration of how long it would take to reach the point when a nuclear's annual cost was less than a comparable CCGT.

For a municipal electric system, the ability to either pass through higher costs or defer such charges until a later date when nuclear costs are less than market prices, raises a significant barrier.

For a large investor-owned utility, this issue can be mitigated as the cost of this added nuclear generation is averaged against other sources of cost generation in its portfolio. Rates could further be level out by employing a rate base phase-in plan. Most importantly, however, from an investor's perspective, an economically equivalent nuclear plant can produce up to eight times the amount of earnings vis-à-vis a CCGT.

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Proposed Next Steps

Summary

- Focus on designing a market based PPA for VCS recognizing that the price may not recover all of VCS' costs, especially during the first ten years of operation.
- Evaluate the feasibility of a deferred revenue deficiency account that would track and record bypassed revenues, the difference between VCS' embedded costs and revenues.
- Explore the use of financial derivatives such as contracts for differences and collars to supplement the PPA in order to offset uncertainty in exchange for fixed prices.
- Solicit interest for 5 – 10 year PPA's at prices competitive with projected regional avoided costs.
- Track Ohio's unique renewable portfolio standard that promises to offer monetary credits for advanced nuclear generation. Values as high as $20 per ton of displaced CO_2 have been cited.

With the possible exception of Duke, it is unlikely that any utility in the Southeast would consider acquiring a portion of VCS until a high level of uncertainty as to ultimate capital cost and construction completion is achieved. Over the next five years; however, the marketability of VCS could be far more favorable as:

- Budget and scheduling milestones are met
- Natural gas prices begin to rise (as predicted by the EIA in its 2013 Long range Energy Outlook)
- Carbon emissions are addressed by Congress or the EPA.
- Economic recovery accelerates

It is further assumed that Santee Cooper, for statutory reasons, cannot discount the cost of its portion of the VCS plants being sold to reflect scheduling and budgeting risks. Otherwise,

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Santee could auction the plant to the highest bidder and then write-off the difference. As a result, the asset sale of VCS, may have to wait until the above mentioned conditions improve.

On the other hand, a market oriented and well-crafted PPA could be a viable transitional tool that would mitigate the cost of carrying VCS especially during the initial start-up years. As noted earlier, VCS annualized costs will go through three stages:

1. The initial period where annual costs are greater than market based prices and as such, sales at market based prices will result in an accrual of deferred cost recovery account.
2. An intermediate period where VCS costs are below market prices, and the excess is used to "pay down" the deferred cost account.
3. A final period where VCS costs are substantially below market prices and the reserve account is closed.

During the initial period, even as VCS' annualized costs are above market prices, its variable costs should be well below market prices and as such, any sales at market will cover variable costs as well as a contribution to fixed costs, namely, depreciation, interest charges, and any reserve accounts including decommissioning expenses.

It appears as if it will take more than ten years before market prices will exceed VCS embedded costs and as a result, the deferred account will continue to grow although at a diminishing rate. Santee could limit its "losses" by indexing the PPA's annual adjustments to external indices that have the highest likelihood of exceeding the expected escalation rate of regional wholesale electric prices.

Santee could mitigate its losses by offering a PPA for a slice of the system including VCS as opposed to VCS as a dedicated offering. While reducing the size of the deferred account, it also lowers the amount of VCS under contract.

Santee could also mitigate market price volatility by procuring financial instruments that would serve to swap price uncertainty for fixed payments. Such instruments might include contracts for differences or collars. These financial instruments would not be linked to the actual PPAs, but serve as "side bets" which limit Santee's exposure to declining market driven prices.

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Finally, we need to closely track Ohio's renewable portfolio standard which broadens the definition of renewable resources to include advanced technologies including the Westinghouse AP1000 advance nuclear design. Credits would be received for avoided carbon emissions. To date, this facet of the program has not been fully implemented and additional legislation is pending that would enhance this unique program. With AMP Ohio considering joining the TEA team, the prospects for CNS sales into Ohio could be prove viable if the value of the credits exceeded $20/ton which would translate into about $20/MWH of displaced coal generation and $10/MWH for simple cycle gas turbines.

Concluding Comments

The VCS plants will someday be a valuable asset for Santee Cooper. By the time these plants are operational, it is more than likely that any rational assessment comparing base load nuclear to coal or CCGT would demonstrate the economic and environmental advantage of VCS.

Santee Cooper has assumed significant risk in its acquisition of 45% of the two VCS plants. While, at the moment, it is too early to extract any real value from the investment, there will be a time when VCS will be a low cost provider of electricity. For Santee to sell a portion of its ownership in VCS now or in the near future, even at a price equal to its accumulated total costs, would fail to recover the value of the risk it has assumed in obtaining a license to construct a state-of-the-art set of nuclear plants or the value of future opportunities to either provide its own customer base with low cost, low emitting generation or the ability to sell this energy at a market price above embedded costs.

Financial considerations will dictate what Santee will need to do; however, if at all possible, a marketing strategy that focuses on purchase power agreements will preserve Santee's options for the future.

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Appendix A

Interview Notes

The following are my summary notes of conversations on V. C. Summer sales opportunities and barriers. On December 5, I interviewed Rick Bean, Vice President of Generation and Supply at Old Dominion. On December 10, Mike Cool and I met with TEA staff members Dave McCue, Mike Trobaugh and Jim Richardson. On January 4, I met with AMP CEO Marc Gerkin and Jolene Thompson, Sr. VP Member Services & External Affairs.

ODEC

Rick indicated that there little or no chance that ODEC would be interested in an ownership share of V. C. Summer. He also was not optimistic about a long term PPA. He stated the following reasons:

- Concerned over adequacy of firm transmission from ODEC to V. C. Summer
- ODEC did evaluate nuclear but its Board was concerned over capital intensity and impact on balance sheet
- ODEC still schedules generation through the PJM
- After detailed resource review, ODEC is planning to build a CCGT. If not build, it will consider having another entity build and then execute a long term PPA
- Rick noted that Dominion (Virginia Power) has already approached ODEC for additional ownership of North Anna, which ODEC owns 11.6% (208MW)
- He also noted that Dominion was also looking to offload or retire nuclear generation in Wisconsin (Kewaunee).

TEA

The following areas of inquiry were provided to TEA and used as the basis for our two hour meeting:

1. Transmission congestion and reliability constraints in southeast

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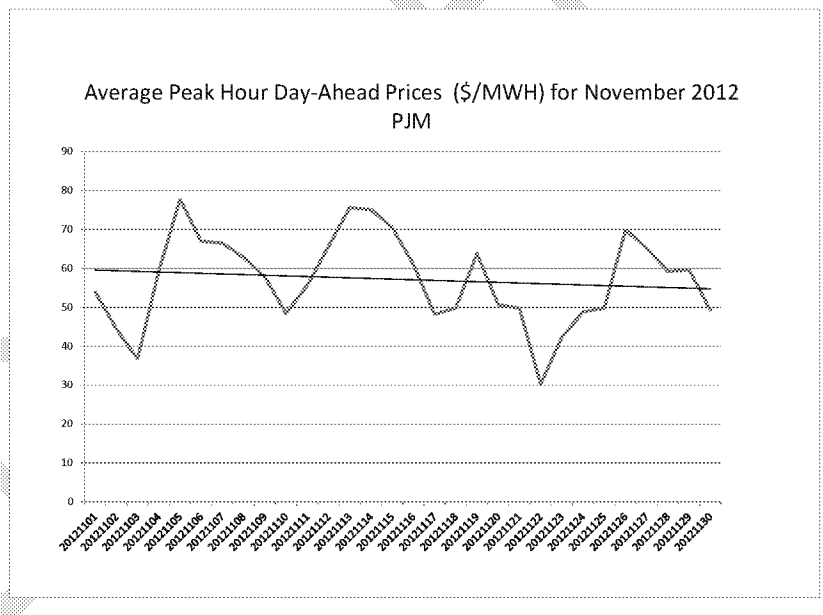
2. Access to markets in Florida, MISO and PJM – potential barriers and opportunities
3. Identified need for power opportunities know to TEA
4. Any insights on Ohio's Alternative Energy Portfolio Standard

Generally, I found the following comments the most interesting:

1. Transmission throughout the southeast should not be a major problem, although the cost of wheels through Southern ($5) was slightly more than Duke ($4). Wheels through Entergy; however, could be costly.
2. While scheduling into the PJM ISO is feasible; capacity credit would be minimal, if any at all. While real time price would be the last price cleared, peak hour clearing prices averaged below $60/MWH in November and similarly so in August, 2012. Off Peak prices averaged below $30/MWH.



Furthermore, energy-only contracts, without installed capacity credit, would likely to be for only shorter term durations of three years or less. Most load serving entities in the PJM are limited by their respective regulatory commissions to short and intermediate term conditions. Independent power suppliers serving the competitive retail markets would unlikely be able to

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commit the collateral requirements associated with long term PPAs. Finally, there are few large muni or coop systems in New Jersey and Pennsylvania, excluding AMP Ohio.

3. TEA staff suggested the following potential opportunities:

- Progress South (Florida) : TEA staff emphasized the potential opportunity with Progress South. Its Crystal River nuclear plant has been shut down since the fall of 2009 and could cost the company over $2.5 billion in repair and replacement power costs. The company has also spent over $1.1 billion on its new Levy County nuclear plant that is expected to cost an unbelievable $24 billion with completion by 2024. (I need to re-check this, but it is a figure reported by the Florida PSC.) Under a liberalized rate recovery mechanism, Progress has already collected from customers $750 million.

  TEA's thoughts were that if Levy County was mothballed, the $750 could be far better served buying a piece of V. C. Summer. Finally, I found that the company has projected that if Crystal River does not return to service by 2017, over 70 percent of its electrical generation will come from natural gas plants.

- Georgia Power: Apparently the Georgia Public Service Commission rejected a Georgia Power proposal to sign two long term PPAs based on its most recent IRP plan. I could not find any reference to this PSC decision and did not want to contact Southern or GPC at this point in time. However, there may be an opportunity to negotiate such a replacement deal with GPC; although I would think they will need to issue a new RFP. I will contact TEA after the New Year's to get more information as I have spent considerable time checking the Ga PSC dockets with no success. If TEA is correct, I have a very close relationship with Jeff Burleson. Jeff was the Director of Resource Planning at GPC, just prior to being promoted to VP System Operations for Southern Company. (Just a note of interest: I believe that Jeff's wife Pat, was Kim Green's (now at TVA) secretary when she was at Southern – small world.)
- EDF: Rumor has it that EDF (Électricité de France S.A.) is on the prowl for base load generation, possible including nuclear, in the Southeast. I am checking for a contact we might approach.

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- AMP Ohio: TEA also noted that AMP Ohio might be a good candidate for VC Summer. However, no specifics were offered. I did not elaborate as Santee is already in discussions with AMP.
- Alabama Municipal Electric Authority: Reiterated what we know, that AMEA has the ability under its new PPA with Alabama Power to reduce its commitment for other sources of generation. While, ownership in VC Summer was not viewed as likely, a long term PPA is possible if the price is right. Transmission through the Southern system would add about $5.
- Piedmont Municipal Power Agency: with its 25% ownership in Catawba Nuclear, PMPA was a "natural" that was mentioned by TEA. I would think that PMPA has been contacted by Santee.
- Power South (Alabama & western Florida): Power South is a G&T coop serving some 20 distribution utilities in Alabama and Florida. PS owns approximately 2,000 MW of generation including: a 556 MW coal plant needing environmental upgrades (Lowman). PS also has an 8.16% interest in Alabama Power's 2,000 MW Miller coal station, but no ownership interest in nuclear and a very small piece of hydro (8 MW). Their generation portfolio could be at significant risk of price uncertainty with emerging carbon taxes and heavy metals regulations as well as rising natural gas prices.
- Reedy Creek (Disney): Reedy Creek was mentioned a remote possibility as it is in need of generation; however, TEA was not sure if nuclear would be cost effective.

<u>AMP Ohio</u>

On January 3 -4, I had meetings with Marc Gerkin and his senior management team at the request of Bob Dyer who has been retained by AMP to review its internal risk management practices and procedures. I informed Marc of my role at Santee and had an opportunity to privately discuss AMP's potential interest in renewing its consideration of a VCS procurement. Bottom-line, Marc felt the prior offering was just too high, but would re-consider if a more attractive offer could be made.

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I also asked Marc if someone at AMP could help me understand and facilitate interest in VCS, as an advanced nuclear technology, in response to the more innovative Ohio Renewable Portfolio Standard that offers RECs for certain advanced technologies including the AP1000. Marc asked Jolene to help me and we are scheduled to have more detailed discussions this or next week. What I did learn was:

- The advance technologies goals have yet to kick in, but were specifically designed to encourage advanced coal and nuclear technologies.
- Currently, the more typical RPS, has had limited success and RECs have declined from a high range in the $20s/MWH to currently below $5. There is, however, a legislative initiative to kick-start the process and get the REC prices up.
- The apparent reason for Ohio's unique advanced technology RPS was the SMR (small modular reactor) being developed by one of Ohio's larger manufactures (B&W?). With goals set for early 2020's, there is not likely to be a commercial SMR and VCS could be a very viable choice.
- There does not appear to be any geographic restrictions to the location of the advanced technology – i.e., it can be located outside of Ohio.
- Using VCS as the State's first advanced technology application might require both utility and political support including a push from the Governor's office.
- The most likely candidate is First Energy. Duke, like in South Carolina is impossible to work with.
- Finally, while AMP is exempt from the RPS regulations, they can accrue and sell RECs.

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ENERGY STRATEGIES, INC.

The V.C. Summer Strategic Marketing Plan

Summary Report

Prepared by: Howard Axelrod, PhD

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Background

Santee Cooper is a co-owner with South Carolina Gas and Electric in the construction of two Westinghouse AP-1000 Advance nuclear power plants – V. C. Summer 2 & 3 (VCS). Each unit is capable of producing 1,117 MW of capacity for a total of 2,234 MW, enough to serve the electrical needs of over 230,000 customers. The planned start-up date is 2018 and 2019, respectively. The cost for these two plants has been estimated at $9.8 billion plus transmission and financing charges. Santee Cooper will own approximately 1,000 MW of the two power plants.

Over three years ago, Santee Cooper re-evaluated its generation expansion requirements and due, in part, to recessionary impacts of economic expansion and in part, to a loss of a major customer, revised its need for power (i.e. VCS) assessment which resulted in a reduction of approximately 500 MW of additional generation in the forecasted planning horizon. At that point, Santee Cooper initiated a strategy to sell either 500 MW of its ownership in VCS 2 & 3 or the equivalent output via long term purchase power agreements (PPA).

Over this three year period, Santee Cooper contacted a number of investor-owned, public power utilities and joint action agencies in the Southeast region of the United States. While several of the entities contacted indicated an interest to further pursue its evaluation of the VCS offering, to date, only Duke Energy is in active negotiations with Santee Cooper with regards to the direct sale of VCS 2 & 3 assets.[1] No other utility that was approached by Santee Cooper has indicated an interest in either an outright asset purchase or the execution of a long term PPA.

In 2012, Energy Strategies, Inc. was retained to assist in the development and execution of a strategic marketing plan for VCS. Four primary tasks were identified including:

1. Support the development of a comprehensive strategic marketing plan
2. Track and identify emerging opportunities and alternative marketing strategies

[1] A separate internal marketing report being prepared by Sylleste Davis provides in greater detail of the contacts and experiences of Santee Cooper's marketing efforts during this period.

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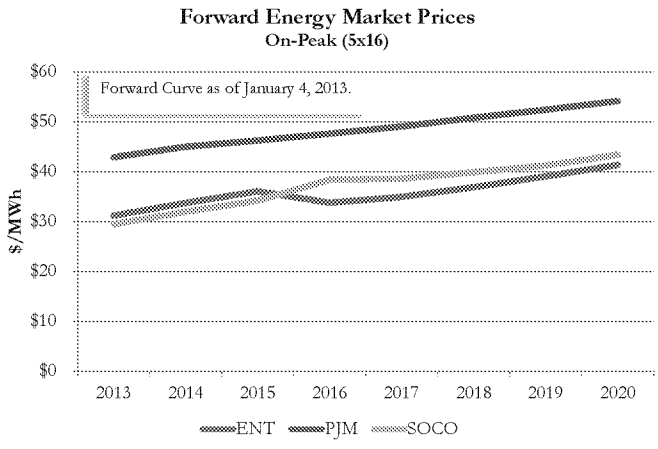
3. Perform in-depth analysis of potential candidates including the development of "buyer-specific" marketing presentations
4. Participate in and support Santee Cooper's upcoming strategic planning process as requested.

This report summarizes the findings and recommendations of this strategic marketing assessment. While the following two sections will outline our findings and recommendations (next steps). A highlight of the most significant observations is as follows:

- *Until VCS construction is complete, the plants are operating at full capacity, and all costs are known with a high degree of certainty, it is unlikely, that any utility, albeit with few exceptions[2], would likely entertain such an asset acquisition unless the offering was significantly discounted to reflect the risks and uncertainties associated with a $10 billion ongoing nuclear construction project.*
- *There is a greater likelihood that a utility might engage in a short to intermediate term (5-10 years) PPA for either VCS or a slice of the Santee Cooper system including VCS as part of the portfolio if the offering price was regionally price competitive. However, annual revenue requirements for VCS as measured by its unit costs will be higher than currently available*



[2] Duke and TVA are two feasible candidates for varying reasons. While Duke continues to negotiate with Santee, TVA has indicated that its position on nuclear expansion is in flux. In order to rationally evaluate whether a given utility would be a serious candidate for a nuclear sale, we evaluated four criteria:

- Need for base load generation within V. C. Summer planning horizon
- A "sophisticated" understanding of nuclear generation, i.e., ownership or PPA with other nuclear power projects
- Prior acceptance of minority interest in a major project
- Transmission access to V.C. Summer

Only Duke and TVA were ranked as Priority 1 having the greatest propensity to buy a portion of VCS.

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alternative sources of generation including a new combined cycle gas turbine. Projected regional forward peak load prices remain at or below $50/MWh[3] *through the end of the decade, which is significantly less than the embedded cost of a new nuclear plant estimated at over $100/MWh. In order for Santee to offer a competitively priced PPA for VCS, would require, for a period of time, a measurable "discount" relative to VCS's embedded costs. Depending upon the forecasted assumptions, it could take over ten years before VCS's annualized costs are below competitive prices in the Southeast.*

- *Nuclear power, especially newer units are currently viewed by many power system analysts as uneconomic and non-competitive when compared to state-of-the-art CCGTs. This view of nuclear power economics appears short sighted as it fails to consider future rising natural gas prices and the cost of carbon emissions whether in the form of a carbon tax or cap and trade protocol. Our studies found that there is a high probability that nuclear power can be economically advantageous to alternative state-of-the-art CCGT.*
- *Nuclear power, as a utility investment, especially for investor owned utilities, can be a double edged sword: on the one hand, its capital concentration adds risk to the company's balance sheet should regulators limit cost recovery, but on the other hand, the profits derived from a nuclear plant are projected to be between 5 to 8 times greater than that of a CCGT.*[4] *With limited opportunities for earnings growth, a nuclear investment can offer sizable contributions to earnings for an investor owned utility.*
- *As a result, while the perceived risks associated with the cost and duration of the nuclear construction cycle is considered extremely high, the earnings potential aspect of such a capital intensive investment can be a very attractive investment once the plants are operational.*

[3] Source: Provided to Sylleste Davis by Mike Cool

[4] *Assuming that both nuclear and CCGT were economically equivalent (as measured by net present value of life cycle revenue requirements), the profits derived from a nuclear plant would be between 5 to 8 times greater than that of a CCGT.*

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I have found that a number of my pre-conceptions as to utility risk aversion were validated namely, that nuclear power is a high cost investment and as long as natural gas prices remain low, i.e., below $5/mmbtu, CCGT will be considered the preferred choice of new generation. I also achieved a better appreciation for the conservative nature of public power – whether a stand-alone utility or a joint action agency, short term rate impacts and competitive positioning trumped longer term growth and earnings related objectives.

My investigation included in-depth discussions with executives and staff from The Energy Authority, Old Dominion, AMP Ohio, MEAG, Cogentrix (formerly a Goldman Sacks subsidiary) , and SERC. The focus of these discussions was to ascertain not only their interest in buying nuclear energy or capacity, but what they, as industry leaders, understood as the benefits and pediments to such an acquisition. A sample of the content of our findings was as follows and is further discussed in Appendix A:

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- For AMP (Marc Gerkin, CEO), they would be glad to consider a VCS PPA, but it had to be cost competitive.
- For Cogentrix (John Gasbarro, Sr VP Asset Management), they would never consider such an investment unless it was accompanied by a long term PPA to buy back the electricity produced by the plant.

Finally, our analysis of several viable prospects using a ranking system discussed above, found that TVA was a Priority 1 candidate. TVA was an aggressive developer of nuclear power, had

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emphatically achieved the support of its Board of Trustees to retire coal units while planning to add some 7,000 MW of new nuclear generation over the next twenty years and was a leading supporter the next generation of small scale nuclear reactors. Yet, Santee's meeting with TVA found that TVA was in the process of re-evaluating its position on the role nuclear power will play in future generation expansion plans. Part of the reason may have been the difficulties they faced in completing Watts Bar 2 or the fact that the new leadership team was reviewing and re-evaluating TVA's strategic business plans that had up until recently been focused on nuclear expansion.

My risk analysis of state-of-the-art advance nuclear design (AP1000) versus state-of-the-art combined cycle gas turbines revealed that under current conditions, namely:

- Natural gas prices are at their lowest levels in decades, with supplies rising at a faster pace than demand,
- The lack of a comprehensive national carbon dioxide regulation that was expected to include a carbon tax or cap and trade mechanism,
- A lackluster recovery of the US and Southeast economies,
- The continued decline in the correlation between growth in GNP and the growth in electric demand, due in part to shifts in consumption patterns, energy efficiency, and a loss of more energy intensive industries to China and Mexico,

there is a definite economic advantage to CCGT over nuclear measured in both annual levelized unit costs and net present value (NPPV) of life cycle revenue requirements. The capital cost of the CCGT is a quarter of a nuclear plant, the time to plan through construction is also one quarter, and a reasonably economical size can be as low as 300 MW to better match load growth. My study shows that under these conditions, there is an 80%+ chance that even under a range of conditions the NPPV of a CCGT will be less than that of a new nuclear plant.[5]

[5] In response to the competitive disadvantage of large scale nuclear power plants, a number of utilities and industry stakeholders have supported the commercialization of small modular reactor (SMR) design. At a target of 300 MW unit size, the SMR would compete with smaller scale CCGT. In April 2013, the 3RD Annual SMR Conference will be held and Howard Axelrod will attend on behalf of Santee Cooper. His goal will not only be to gain further

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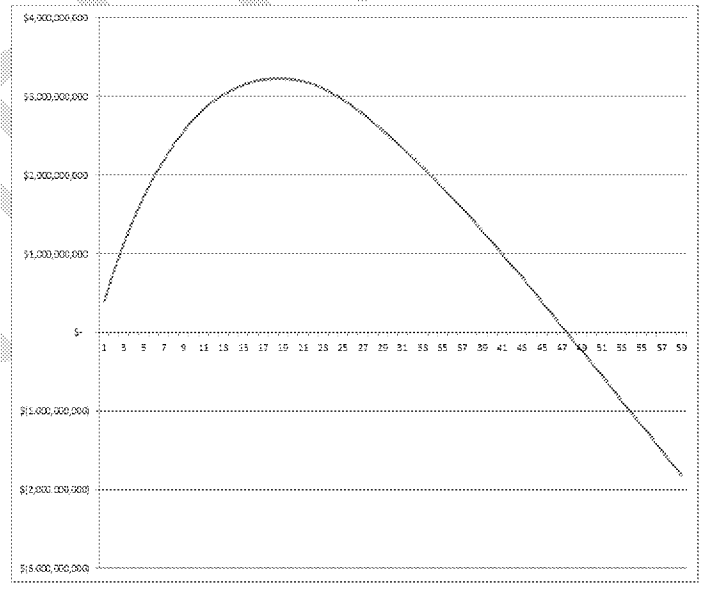
However, this same study shows that modest, but highly realistic changes in a few key inputs to the economic analysis will reverse this finding.

Natural gas prices, while still at historical lows, have increased by nearly fifty percent this year. The rational for adding more drilling rigs is finally seeing a diminishing trend as not only supply has outstripped demand, but storage capabilities have been stressed. With global demand for natural gas expected to continue, surplus gas planned to be exported as LNG, and environmental controls imposed on shale gas developers, natural gas prices will likely rise. The recently released 2013 EIA long range energy outlook projects natural gas prices to be 20% greater than the 2012 forecast for the same forward years.

During the early to mid-2000 period, there was a political push for Congress to impose a carbon tax on power plant CO_2 emissions. The range of expectations was between $10 to $20 per ton beginning in 2010. While a costly measure, environmentalists argued that CO_2 abatement would cost far more - up to $80 per ton. With the recession emerging and continued scientific debate over the causes of global warming, no legislation was passed. However, there is a renewed debate over the need for CO_2 control. The President has promised that during his current term, he would impose administrative measures if Congress would not pass such a bill.



Modest increases in CCGT costs caused by slightly higher natural gas prices and a moderate fee for CO_2 emissions would shift the economic comparison where there is over 84% chance that the nuclear NPV is less than CCGT.

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insights into the progress of SMR deployment, but to identify potential utility candidates who are interested in nuclear expansion regardless of whether it is a standalone SMR or a share of VCS.

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Until electric demand begins to rise and/or as utilities begin to retire older, less efficient coal fired generation, it will take several years before utility planners begin to seriously evaluate the long term benefits of nuclear vis-à-vis CCGT.

As the economic pendulum swings to nuclear power, the sale of VCS may continue to pose a financial dilemma for many utility systems especially, public power. As discussed above, for both investor-owned and public power, a nuclear power plant's capital costs can strain either type of utility's balance sheet, and more significantly raise the ire of consumers, politicians and nuclear opponents if retail rates are forced to rise. Under one of our case studies where nuclear power has over an 83% chance of being less costly than CCGT, in terms of NPV, it would still take over 18 years before annual revenue requirements would be less than CCGT. The accompanying chart provides an illustration of how long it would take to reach the point when a nuclear plant's annual cost was less than a comparable CCGT.

For a municipal electric system, the ability to either pass through higher costs or defer such charges until a later date when nuclear costs are less than market prices, raises a significant barrier, although, not insurmountable.

For a large investor-owned utility, this issue can be mitigated as the cost of this added nuclear generation is averaged against other sources of cost generation in its portfolio. Rates could further be level out by employing a rate base phase-in plan where the accrued capital costs including financing during construction, are staggered into rate base over a specified time period. Most importantly, however, from an investor's perspective, an economically equivalent nuclear plant can produce up to eight times the amount of earnings vis-à-vis a CCGT.

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Proposed Next Steps

Summary

- Focus on designing a market based PPA for VCS recognizing that the price may not recover all of VCS' costs, especially during the first ten years of operation.
- Evaluate the feasibility of a deferred revenue deficiency account that would track and record bypassed revenues, the difference between VCS' embedded costs and revenues.
- Explore the use of financial derivatives such as contracts for differences and collars to supplement the PPA in order to offset uncertainty in exchange for fixed prices.
- Solicit interest for 5 – 10 year PPA's at prices competitive with projected regional avoided costs.
- Utilize the knowledge base and expertise of The Energy Authority (TEA) to assist and support Santee's development of a competitive PPA offering. TEA could provide support in the price discovery process of competitive PPAs in the Southeast, the MISO and the PJM regions. TEA's hedging and risk management capabilities could also be useful in designing a financial hedging strategy to limit Santee's price uncertainty exposure in fixing a PPA's price schedule.
- Track Ohio's unique renewable portfolio standard that promises to offer monetary credits for advanced nuclear generation. Values as high as $20 per ton of displaced CO_2 have been cited.

With the possible exception of Duke, it is unlikely that any utility in the Southeast would consider acquiring a portion of VCS until a high level of uncertainty as to ultimate capital cost and construction completion is achieved. Over the next five years; however, the marketability of VCS could be far more favorable as:

- Budget and scheduling milestones are met
- Natural gas prices begin to rise (as predicted by the EIA in its 2013 Long range Energy Outlook)

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- Carbon emissions are addressed by Congress or the EPA.
- Economic recovery accelerates

It is further assumed that Santee Cooper, for statutory reasons, cannot discount the cost of its portion of the VCS plants being sold to reflect scheduling and budgeting risks. Otherwise, Santee could auction the plant to the highest bidder and then write-off the difference. As a result, the asset sale of VCS, may have to wait until the above mentioned conditions improve.

On the other hand, a market oriented and well-crafted PPA could be a viable transitional tool that would mitigate the cost of carrying VCS especially during the initial start-up years. As noted earlier, VCS annualized costs will go through three stages:

1. The initial period where annual costs are greater than market based prices and as such, sales at market based prices will result in an accrual of deferred cost recovery account.
2. An intermediate period where VCS costs are below market prices, and the excess is used to "pay down" the deferred cost account.
3. A final period where VCS costs are substantially below market prices and the reserve account is closed.

During the initial period, even as VCS' annualized costs are above market prices, its variable costs should be well below market prices and as such, any sales at market will cover variable costs as well as a contribution to fixed costs, namely, depreciation, interest charges, and any reserve accounts including decommissioning expenses.

It appears as if it will take more than ten years before market prices will exceed VCS embedded costs and as a result, the deferred account will continue to grow although at a diminishing rate. Santee could limit its "losses" by indexing the PPA's annual adjustments to external indices that have the highest likelihood of exceeding the expected escalation rate of regional wholesale electric prices.

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Santee could further mitigate its losses by offering a PPA for a slice of the Santee system including VCS as opposed to VCS as a standalone offering. Parenthetically, while reducing the size of the deferred account, it also lowers the amount of VCS under contract.

Santee could also manage market price volatility by procuring financial instruments that would serve to swap price uncertainty for fixed payments. Such instruments might include contracts for differences or collars. These financial instruments would not be linked to the actual PPAs, but serve as "side bets" which limit Santee's exposure to declining market driven prices. It is highly recommended that Santee call upon TEA for its expertise on risk management and hedging to support the development of this strategy.

Finally, we need to closely track Ohio's renewable portfolio standard which broadens the definition of renewable resources to include advanced technologies including the Westinghouse AP1000 advance nuclear design. Credits would be received for avoided carbon emissions. To date, this facet of the program has not been fully implemented and additional legislation is pending that would enhance this unique program. With AMP Ohio considering joining the TEA team, the prospects for REC sales into Ohio could prove a potential opportunity if the value of the credits exceeded $20/ton which would translate into about $20/MWH of displaced coal generation and $10/MWH for simple cycle gas turbines. While AMP Ohio might be an excellent conduit for these sales, the primary utility in Ohio would be FirstEnergy.

Concluding Comments

The VCS plants will someday be a valuable asset for Santee Cooper. By the time these plants are operational, it is more than likely that a rational assessment comparing base load nuclear to coal or CCGT would demonstrate the economic and environmental advantage of VCS.

Santee Cooper has assumed significant risk in its acquisition of 45% of the two VCS plants. While, at the moment, it is too early to extract any real value from the investment, there will be a time when VCS will be a low cost provider of electricity. For Santee to sell a portion of its ownership in VCS now or in the near future, even at a price equal to its accumulated total costs, would fail to recover the value of the risk it has assumed in obtaining a license to construct a

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state-of-the-art set of nuclear plants or the value of future opportunities to either provide its own customer base with low cost, low emitting generation or the ability to sell this energy at a market price above embedded costs.

Financial considerations will dictate what Santee will need to do; however, if at all possible, a marketing strategy that focuses on purchase power agreements will preserve Santee's options for the future.

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Appendix A

Interview Notes

The following are my summary notes of conversations on V. C. Summer sales opportunities and barriers. On December 5, I interviewed Rick Bean, Vice President of Generation and Supply at Old Dominion. On December 10, Mike Cool and I met with TEA staff members Dave McCue, Mike Trobaugh and Jim Richardson. On January 4, I met with AMP CEO Marc Gerkin and Jolene Thompson, Sr. VP Member Services & External Affairs.

ODEC

Rick indicated that there little or no chance that ODEC would be interested in an ownership share of V. C. Summer. He also was not optimistic about a long term PPA. He stated the following reasons:

- Concerned over adequacy of firm transmission from ODEC to V. C. Summer
- ODEC did evaluate nuclear but its Board was concerned over capital intensity and impact on balance sheet
- ODEC still schedules generation through the PJM
- After detailed resource review, ODEC is planning to build a CCGT. If not build, it will consider having another entity build and then execute a long term PPA
- Rick noted that Dominion (Virginia Power) has already approached ODEC for additional ownership of North Anna, which ODEC owns 11.6% (208MW)
- He also noted that Dominion was also looking to offload or retire nuclear generation in Wisconsin (Kewaunee).

TEA

The following areas of inquiry were provided to TEA and used as the basis for our two hour meeting:

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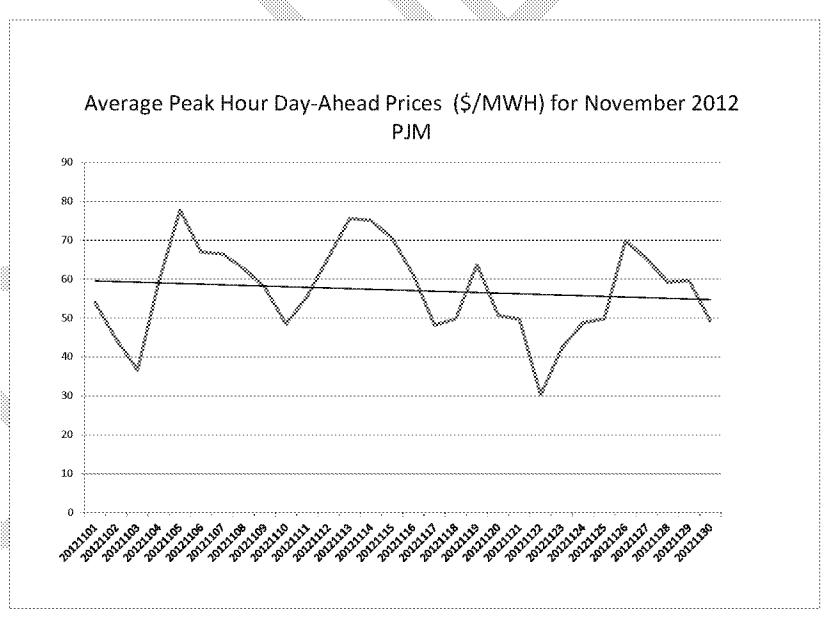
1. Transmission congestion and reliability constraints in southeast
2. Access to markets in Florida, MISO and PJM – potential barriers and opportunities
3. Identified need for power opportunities know to TEA
4. Any insights on Ohio's Alternative Energy Portfolio Standard

Generally, I found the following comments the most interesting:

1. Transmission throughout the southeast should not be a major problem, although the cost of wheels through Southern ($5) was slightly more than Duke ($4). Wheels through Entergy; however, could be costly.
2. While scheduling into the PJM ISO is feasible; capacity credit would be minimal, if any at all. While real time price would be the last price cleared, peak hour clearing prices averaged below $60/MWH in November and similarly so in August, 2012. Off Peak prices averaged below $30/MWH.



Furthermore, energy-only contracts, without installed capacity credit, would likely to be for only shorter term durations of three years or less. Most load serving entities in the PJM are limited by their respective regulatory commissions to short and intermediate term conditions.

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Independent power suppliers serving the competitive retail markets would unlikely be able to commit the collateral requirements associated with long term PPAs. Finally, there are few large muni or coop systems in New Jersey and Pennsylvania, excluding AMP Ohio.

3. TEA staff suggested the following potential opportunities:

- Progress South (Florida) : TEA staff emphasized the potential opportunity with Progress South. Its Crystal River nuclear plant has been shut down since the fall of 2009 and could cost the company over $2.5 billion in repair and replacement power costs. The company has also spent over $1.1 billion on its new Levy County nuclear plant that is expected to cost an unbelievable $24 billion with completion by 2024. (I need to re-check this, but it is a figure reported by the Florida PSC.) Under a liberalized rate recovery mechanism, Progress has already collected from customers $750 million.

  TEA's thoughts were that if Levy County was mothballed, the $750 could be far better served buying a piece of V. C. Summer. Finally, I found that the company has projected that if Crystal River does not return to service by 2017, over 70 percent of its electrical generation will come from natural gas plants.

- Georgia Power: Apparently the Georgia Public Service Commission rejected a Georgia Power proposal to sign two long term PPAs based on its most recent IRP plan. I could not find any reference to this PSC decision and did not want to contact Southern or GPC at this point in time. However, there may be an opportunity to negotiate such a replacement deal with GPC; although I would think they will need to issue a new RFP. I will contact TEA after the New Year's to get more information as I have spent considerable time checking the Ga PSC dockets with no success. If TEA is correct, I have a very close relationship with Jeff Burleson. Jeff was the Director of Resource Planning at GPC, just prior to being promoted to VP System Operations for Southern Company. (Just a note of interest: I believe that Jeff's wife Pat, was Kim Green's (now at TVA) secretary when she was at Southern – small world.)

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- EDF: Rumor has it that EDF (Électricité de France S.A.) is on the prowl for base load generation, possible including nuclear, in the Southeast. I am checking for a contact we might approach.
- AMP Ohio: TEA also noted that AMP Ohio might be a good candidate for VC Summer. However, no specifics were offered. I did not elaborate as Santee is already in discussions with AMP.
- Alabama Municipal Electric Authority: Reiterated what we know, that AMEA has the ability under its new PPA with Alabama Power to reduce its commitment for other sources of generation. While, ownership in VC Summer was not viewed as likely, a long term PPA is possible if the price is right. Transmission through the Southern system would add about $5.
- Piedmont Municipal Power Agency: with its 25% ownership in Catawba Nuclear, PMPA was a "natural" that was mentioned by TEA. I would think that PMPA has been contacted by Santee.
- Power South (Alabama & western Florida): Power South is a G&T coop serving some 20 distribution utilities in Alabama and Florida. PS owns approximately 2,000 MW of generation including: a 556 MW coal plant needing environmental upgrades (Lowman). PS also has an 8.16% interest in Alabama Power's 2,000 MW Miller coal station, but no ownership interest in nuclear and a very small piece of hydro (8 MW). Their generation portfolio could be at significant risk of price uncertainty with emerging carbon taxes and heavy metals regulations as well as rising natural gas prices.
- Reedy Creek (Disney): Reedy Creek was mentioned a remote possibility as it is in need of generation; however, TEA was not sure if nuclear would be cost effective.

<u>AMP Ohio</u>

On January 3 -4, I had meetings with Marc Gerkin and his senior management team at the request of Bob Dyer who has been retained by AMP to review its internal risk management practices and procedures. I informed Marc of my role at Santee and had an opportunity to privately discuss AMP's potential interest in renewing its consideration of a VCS procurement.

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Bottom-line, Marc felt the prior offering was just too high, but would re-consider if a more attractive offer could be made.

I also asked Marc if someone at AMP could help me understand and facilitate interest in VCS, as an advanced nuclear technology, in response to the more innovative Ohio Renewable Portfolio Standard that offers RECs for certain advanced technologies including the AP1000. Marc asked Jolene to help me and we are scheduled to have more detailed discussions this or next week. What I did learn was:

- The advance technologies goals have yet to kick in, but were specifically designed to encourage advanced coal and nuclear technologies.
- Currently, the more typical RPS, has had limited success and RECs have declined from a high range in the $20s/MWH to currently below $5. There is, however, a legislative initiative to kick-start the process and get the REC prices up.
- The apparent reason for Ohio's unique advanced technology RPS was the SMR (small modular reactor) being developed by one of Ohio's larger manufactures (B&W?). With goals set for early 2020's, there is not likely to be a commercial SMR and VCS could be a very viable choice.
- There does not appear to be any geographic restrictions to the location of the advanced technology – i.e., it can be located outside of Ohio.
- Using VCS as the State's first advanced technology application might require both utility and political support including a push from the Governor's office.
- The most likely candidate is First Energy. Duke, like in South Carolina is impossible to work with.
- Finally, while AMP is exempt from the RPS regulations, they can accrue and sell RECs.

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Study: New nuclear projects are uneconomic 'sunk costs'

SNL Power Daily with Market Report

March 15, 2013 Friday

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Section: Exclusive

Length: 962 words

Byline: Matthew Bandyk

Highlight: Ratepayers in states in the Southeast where new nuclear reactors are being built or proposed would save money if the projects were simply abandoned in favor of efficiency and natural gas-fired generation, according to a new study.

Body

Ratepayers in states in the Southeast where new nuclear reactors are being built or proposed would save money if the projects were simply abandoned in favor of energy efficiency initiatives and natural gas-fired generation, according to a study from the Vermont Law School's Institute for Energy and the Environment, released March 14.

Even though billions have already been invested toward new nuclear plants in Georgia, South Carolina and Florida, writing off these costs and moving on without nuclear would be the most economic option, the study said. "You must not allow sunk costs to distort future choices," the institute's senior fellow for economic analysis, Mark Cooper, told reporters on a March 14 conference call. "When should you walk away from $1 billion or $2 billion in sunk costs? When continuing down the wrong path will waste $10 billion more."

According to Cooper's study, about $6 billion has been spent on reactors in the Southeast so far, and the proposed projects will cost $60 billion to $70 billion total. Any further investment would saddle ratepayers with unnecessary bill increases, Cooper said.

Cooper previously has described the "nuclear renaissance" as "mythical" and has opposed proposed cost recovery legislation in Iowa.

In this study, he focused on two projects in particular: the new units at the V.C. Summer plant, being built by SCANA Corp. subsidiary South Carolina Electric & Gas Co., or SCE&G, and South Carolina Public Service Authority d/b/a Santee Cooper; and the Levy County plant, proposed by Duke Energy Corp. subsidiary Florida Power Corp. d/b/a Progress Energy Florida.

In the case of Summer, SCE&G's own reported numbers show that in a base case scenario, the cost of electricity from a generation strategy focused on natural gas-fired, combined-cycle plants would be cheaper than the new reactors by $9.4 billion over a 40-year period, the study said.

Only in a world where gas prices are 100% higher than the base case and there is a tax on carbon dioxide of $30 a ton does nuclear start to look cheaper than gas, based on the analysis.

And SCE&G is excluding some possibilities that could make the new reactors more expensive even in this scenario, Cooper said. "They never look at the full range of alternatives," he said. For example, cutting electricity demand through efficiency would be cheaper than building new gas plants, and would allow new generation to be built in spread-out intervals, further cutting costs versus the Summer units, he said.

Canceling the project would leave a substantial amount of money on the table. The study counts $1.9 billion already sunk into Summer by the end of 2012, in addition to $500 million in cancellation costs. When added to the base case, those sunk costs make the gas alternative more expensive than nuclear by only 0.3 cent per kWh. But assuming the costs of abandonment are amortized over 10 years, natural gas would then be cheaper by 1.3 cents per kWh. Using efficiency to delay and reduce the number of gas plants would reduce costs further.

"The cancellation of the construction of Summer 2 & 3 is very likely to lower consumer costs," the study concluded.

But SCANA believes that the new units are the best long-term strategy to have a balanced portfolio of one-third coal, one-third gas and one-third nuclear, company spokesman Eric Boomhower said in an email. "Our new nuclear strategy has been reviewed and approved numerous times, and has consistently been deemed prudent by the Public Service Commission of South Carolina," he said. "Our construction work on the new units is going well and the projected cost is approximately $615 million below our initial forecast from 2008."

Cooper also said Levy County would prove to be uneconomic. That project is not under construction, but Progress Energy Florida has recently been approved for cost recovery of about $105 million to help pay for work to obtain a license from the U.S. Nuclear Regulatory Commission.

Levy County will likely cost at least $4 billion more than a gas alternative, assuming no cost overruns, which could push the difference as high as $6 billion, Cooper's study said.

While Cooper admitted there are hypothetical scenarios in which the new plants could prove to be cheaper than alternatives, that prospect is risky for ratepayers. "That's a gamble the utilities have been unwilling to take with stockholder money. From the point of view of ratepayers, those ratepayers would be better off driving to Biloxi and playing the roulette table," he said.

Progress Energy Florida spokesman Sterling Ivey said in an email that he has not yet reviewed the study.

But Florida's other utility that has recovered costs for nuclear projects defended the practice as beneficial for customers. Cooper's study did not focus on Florida Power & Light Co. because "we've had success" with nuclear cost recovery, said Erik Hofmeyer, a spokesman for the NextEra Energy Inc. subsidiary. Only about 10% of FPL's cost recovery charges are being used to pay for development of potential new units at the Turkey Point plant. In a typical monthly bill of $94.25, about $1.65 in 2013 is for nuclear-related costs.

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The utility has used most of the money to pay for 500 MW of uprates at its St. Lucie and Turkey Point plants, which will save customers $3.8 billion on fuel costs compared to purchasing fossil fuels, Hofmeyer said.

"Cost recovery is a proven approach that assists regulated utilities with financing for large infrastructure projects to provide the lowest cost to consumers," Nuclear Energy Institute spokesman Steve Kerekes said in an email. "It helps save customers money over the long term and it supports long-term rate stability, since the savings can amount to billions of dollars over the life of a project."

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Moody's: Vogtle Nuclear Plant Cost Hikes, Delays are Negative

The Bond Buyer

March 14, 2013 Thursday

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Length: 389 words

Byline: Shelly Sigo

Body

Moody's Investors Service said Monday that adverse developments at Georgia Power's new Plant Vogtle nuclear construction project that have increased costs and delayed the construction schedule are a credit negative.

However, the costs and delays are manageable at the utility's A3 senior unsecured rating level. The outlook is stable.

On Feb. 28, in a semiannual Vogtle construction monitoring report filed with the Georgia Public Service Commission, Georgia Power requested a $381 million increase in the certified capital cost of its share of the project to approximately $4.8 billion from $4.4 billion, according to Moody's.

The power company also indicated that there would be an increase in financing costs to about $2.1 billion from $1.7 billion because of a delay in the scheduled completion date.

The cost increases and construction schedule delay follow several other negative project developments, including ongoing litigation with the construction consortium over $425 million of additional costs, more than 20 Nuclear Regulatory Commission license amendment requests as a result of deviations to the approved project design, and other concerns, according to Moody's analysts.

The commercial operation date for nuclear Unit 3 has been moved to the fourth quarter of 2017 from April 2016, and to the fourth quarter of 2018 from April 2017 for Unit 4.

Georgia Power, whose parent company is investor-owned Southern Co., owns 45.7% of the project while Oglethorpe Power Corp. owns 30%, Municipal Electric Authority of Georgia owns 22.7%, and Dalton Utilities 1.6%.

MEAG, a public generation and transmission organization, secured most of its financing in March 2010 through the sale of $2.62 billion of bonds.

The authority also has a $1.8 billion loan guarantee from the Department of Energy.

Officials at MEAG could not immediately be reached to find out if its costs will increase or it will require additional financing.

In October, Moody's affirmed its A2 rating on MEAG's $2.27 billion of project M and J bonds, and the Baa2 rating on $390.5 million of project P bonds financing the authority's ownership interest in the new Vogtle units.

Moody's said it was maintaining a negative outlook on MEAG's bonds "to reflect the uncertainty" over the cost dispute with contractors and potential pressure related to cost increases and delays.

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MEAG Ratings Could Be Pressured by Nuke Plant Cost, Delays: Moody's

The Bond Buyer

March 27, 2013 Wednesday

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Section: REGIONAL NEWS; Pg. 3; Vol. 122; No. 59

Length: 515 words

Byline: Shelly Sigo

Body

BRADENTON, Fla. - Moody's Investors Service said Tuesday that $2.7 billion of bonds issued by the Municipal Electric Authority of Georgia could be downgraded if early uncertainties in the construction of two nuclear units in Georgia lead to higher costs cost and further delays beyond those known so far.

The total cost for the new units 3 and 4 at Plant Vogtle originally was estimated at $14 billion to be shared by Georgia Power Corp. at 45.7%, Oglethorpe Power Cooperative at 30%, MEAG at 22.7%, and the city of Dalton at 1.6%. The units were originally projected to come online in 2016 and 2017.

Georgia Power, the builder, recently announced a $600 million construction cost increase and a delay in service of almost two years. Lawsuits are also pending with contractors disputing $900 million in additional costs, and a Georgia Public Service Commission construction monitor has warned about possible further delays.

"The early uncertainties on the ultimate cost and construction schedule of Vogtle nuclear units 3 and 4 give pause as to whether the project will face more serious credit challenges," said Moody's analyst Dan Aschenbach.

The construction schedule delay - "far surpassing expectations" - has exerted negative credit pressure on the MEAG's revenue bonds, Aschenbach said.

"Construction delays are a leading indicator of rising costs," he said. "We think that further delays and new cost over-runs are likely, and there is a finite level that will be tolerated by ratepayers, which could lead to a rating downgrade."

The project has shown recent progress with the pouring of special concrete for the foundation of the new reactors earlier this month.

Moody's said it believes factors that support the project as "an economic and long-term strategic resource" to MEAG Power and its participants, include fuel diversity, replacement generation for the decommissioning of other nuclear units, a predictable stable cost.

Jim Fuller, senior vice president and chief financial officer at MEAG, said the project is progressing and that cost increases as a result of schedule delays are "unfortunate but not unexpected for a project of this magnitude."

MEAG has been "very conservative" and anticipated these types of issues in its financing plans by including sufficient sources of capital when bonds were sold in 2010 and a conditional federal loan guarantee was obtained, he said.

"The cost impacts of the potential delay in the in-service date and related cost impacts are manageable and result in very small impacts to the forecasted production cost from the units and on MEAG Power's forecasted competitive wholesale system power costs," Fuller said.

MEAG secured most of its financing for the nuclear project in 2010 selling $1.03 billion of Project M bonds rated A2 by Moody's, $1.25 billion of Project J bonds rated A2, and $390.5 million of Project P bonds rated Baa2. The agency has an additional $1.8 billion loan guarantee from the Department of Energy.

Fitch Ratings and Standard & Poor's both rate the Project J and M bonds A-plus, while the Project P bonds are rated A-minus.

http://www.bondbuyer.com

Load-Date: October 31, 2013

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SCE&G says construction issues likely to delay new V.C. Summer nuke, add costs

SNL Energy Finance Daily

June 6, 2013 Thursday

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Section: SNL Extra

Length: 404 words

Byline: Andrew Engblom

Highlight: South Carolina Electric & Gas Co. said June 5 that construction delays at its V.C. Summer nuclear project will likely push back the in-service date for at least the first of two planned units under construction at the site.

Body

South Carolina Electric & Gas Co. said June 5 that construction delays at its V.C. Summer nuclear project will likely push back the in-service date for at least the first of two planned units under construction at the site.

V.C. Summer unit 2 is scheduled to come online March 15, 2017, but Steve Byrne, COO and president of generation and transmission at the SCANA Corp. subsidiary, said at a briefing for analysts that construction troubles are expected to delay the start of operations until the fourth quarter of 2017 or first quarter of 2018.

Those delays, Byrne said, are the result of fabrication issues at a Lake Charles, La., factory that is building modules to be installed at the site. Some of the issues at the facility, he said, are likely startup issues, but others "we think go beyond normal startup issues."

He added that some modules have arrived on schedule or even early more recently, but that the company does not necessarily see that as a dependable trend.

Byrne did not provide a new in-service date for Summer unit 3, but that unit also could be affected, according to an executive on the call.

At the upper bounds, Byrne said the delays could add $200 million to SCE&G's 55% share of the cost of the project, but he cautioned that this is a preliminary estimate by SCE&G and not an estimate by its contractors, Westinghouse Inc. and Chicago Bridge & Iron Co. CB&I came to the project through its acquisition of The Shaw Group and has recently replaced the management team at the project.

Who will pay the cost of delays is not completely clear, he said.

Byrne said the delays remain within the 18-month grace period included in the schedule for the plant's construction that was authorized by the South Carolina Public Service Commission, but any delay is likely to add costs to the project.

Overall, though, the project remains under its initial $6.31 billion budget for SCE&G's share, and the company's most recent estimate provided to regulators at the end of May shows an estimated $5.77 billion cost of the project. Those savings, Byrne noted, are largely due to favorable financing and escalation costs.

"Sometimes you are lucky," he said.

The existing Summer plant is a single-unit, 980-MW facility. Each of the two new units will produce 1,117 MW. Santee Cooper, known legally as the South Carolina Public Service Authority, will own a 45% interest in each of the new units. It owns a 33% share of unit 1.

Load-Date: June 12, 2013

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Moody's: Construction delay at Summer nuke is credit negative for SCANA, Santee Cooper

SNL Energy Finance Daily

June 11, 2013 Tuesday

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Section: SNL Extra

Length: 462 words

Byline: Amy Poszywak

Highlight: The most recent delay in the construction of two new units at SCANA and Santee Cooper's V.C. Summer nuclear plant in South Carolina is credit negative for both companies, Moody's said June 10.

Body

The most recent delay in the construction of two new units at SCANA Corp. and Santee Cooper's V.C. Summer nuclear plant in South Carolina is credit negative for both companies, Moody's said June 10.

Bill Hunter, Moody's vice president and senior analyst, said the estimate from SCANA's South Carolina Electric & Gas Co. subsidiary that its share of the cost increases related to the delay could be as much as $200 million translates to an increase of about $165 million for Santee Cooper. Thus, the project's total cost could increase by as much as $365 million as a result of the delay.

SCE&G will own a 55% interest in each of the units, while Santee Cooper will own a 45% interest.

The project's timeline and price tag still remain within the scope that Moody's had expected when the companies first announced it, and the new information does not affect the co-owners' ratings, Hunter said. However, with SCE&G attributing the delays to issues with the delivery of materials from The Shaw Group Inc., the contractor consortium, which includes Westinghouse Electric Co. LLC, is compromised, he said.

Hunter also noted that while SCE&G will need to go to the South Carolina Public Service Commission for approval to recover the additional construction costs in electric rates, the regulators previously have found such cost increase requests to be reasonable.

"A revised budget of approximately $6 billion (the most recent $5.8 billion budget and the possible $200 million overrun) would be within the level of some prior budgets approved by the SCPSC," Hunter wrote. "Since the originally approved budget in 2010, interim budgets have

generally declined because lower cost escalation estimates owing to low inflation more than offset specific cost increases in the construction contract."

Additionally, Moody's considers notable regulatory support for the project to be an important credit driver for SCE&G and SCANA. For Santee Cooper, Moody's considers the fact that the utility can increase its rates without going through the approval process at the commission as a major credit support.

The delays and cost overruns, however, could challenge Santee Cooper's efforts to reduce its ownership stake in the project to 20%. Moody's considers execution of that plan to be critical for Santee Cooper to maintain its current ratings.

"The revised completion date range for Unit 2 (December 2017 to March 2018) remains within the SPSC's deadline of September 2018, but eats up some of the leeway," Hunter wrote. "The increase in costs highlights that the co-owners bear some price risk even though the construction cost is, at least in theory, largely fixed."

Shaw is a subsidiary of Chicago Bridge & Iron Co. Santee Cooper is known legally as South Carolina Public Service Authority.

Load-Date: June 17, 2013

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Santee Cooper s costs raising alarms $5.1B nuclear plant obligations worry credit rating firms as utility prepares to offer $1.75B in bonds

Post & Courier (Charleston, SC)

July 23, 2013 Tuesday

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Section: 01,A; Pg. 1

Length: 1007 words

Body

Santee Cooper is heading to Wall Street. Its mission, in layman s terms, is to refinance part of its mortgage and take out a home equity loan, all on a scale never before seen in South Carolina.

With interest rates still low, the utility is shopping plans to offer nearly $1.75 billion in long-term bonds to investors.

It would be the largest debt issue in state history by a public agency.

It s also prompted three big credit rating firms to point out concerns they have about Moncks Corner-based Santee Cooper. In particular, they re worried about the $5.1 billion the state-owned power and water company is borrowing to help pay for its share of the V.C. Summer Nuclear Station expansion in Fairfield County.

The utility, which provides electricity to 2 million South Carolinians either directly or through local power cooperatives, is looking to sell four types of bonds with the help of Goldman Sachs and other big banks. The interest rates have not been set yet, but the proceeds are already allocated.

Santee Cooper said in presenta

tions to potential investors last week that about $541 million would pay for work at the Summer nuclear plant in Jenkinsville, north of Columbia.

Another $340 million would go toward meeting new environmental regulations and other expenses.

The bulk of the money, $867 million, would be used to refinance older, higher-interest bonds that come due as soon as December. The new debt would extend those obligations three or four decades into the future, said Mollie Gore, Santee Cooper s director of corporate communications.

We can take debt we previously had to repay by 2030, refinance it and pay it out over many more years, Gore said. That s the goal on this.

Overload?

Wall Street s big three credit ratings firm had mixed reactions to the deal, which would increase Santee Cooper s long-term debt load by about 17 percent, to $5.9 billion. All three last week assigned the fourth-highest ratings their firms use to grade the quality of bonds.

Gore pointed out that Standard & Poor s Ratings Services upgraded the utility s long-term debt to stable from negative, citing a new contract extension with Central Electric Power Cooperative, its biggest customer. S&P credit analyst David Bodek said the long-term agreement provides a predictable source of revenue through 2058 and enables Santee Cooper to better align the repayment of its existing and new debt.

Gore added that Santee Cooper remains highly rated among our utility peer group, and we are moving quickly on the opportunity to extend debt over the life of our assets, an opportunity that comes from successfully negotiating a contract amendment with our largest customer.

The two other big rating firms, Moody s Investors Service and Fitch Ratings, also view the deal with Central Electric as a positive move, but both issued downgrades on Santee Cooper. Moody s knocked the outlook on the utility s debt down one notch, which could trigger slightly higher interest rates on the new bonds, while Fitch revised its ratings outlook to negative.

Their shared concern and S&P agrees with them on this point is whether the utility can sell more than half of its ownership stake in the Summer nuclear plant, as it s been trying to do since at least 2011. If it can t, Santee Cooper, also known as the S.C. Public Service Authority, would be saddled with excess power and higher debt repayment costs once the expansion is completed.

The authority s 45 percent ownership interest in Summer leaves the utility with significant excess generating reserves for an extended period and potentially could weaken financial metrics below targeted levels, Fitch wrote in a report last week. The authority s ability to address these challenges over the next 12 to 24 months will be instrumental in resolving the negative outlook.

As for Moody s, it said it believes Santee Cooper s efforts to find a buyer for part of the nuclear plant and reduce its exposure to Summer will take longer than initially expected resulting in further tightening of the utility s financial and competitive position.

It also predicted a challenging period for Santee Cooper between now and the completion of the project in 2018. Its main worry is the enormous costs of adding the two new reactors. Even after the bond sale, Santee Cooper will still need to raise another $2.8 billion to pay for its $5.1 billion share, unless it finds a partner to pick up some of the tab.

These capital requirements will significantly increase the utility s leverage, and the nearly doubling of debt service over the next four years will test ratepayer acceptance of Santee Cooper s longer term power supply plan, Moody s wrote.

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Paying it back

Mark Cooper, senior fellow for economic analysis at Vermont Law School s Institute for Energy and Environment, has taken the cost issue further.

Cooper has said nuclear plants are too expensive to build and operate. He also argued it would be more economical to halt construction and mothball the Summer expansion.

South Carolina Electric & Gas, which owns the other 55 percent of the project, has said the new reactors ultimately will save ratepayers billions of dollars because nuclear fuel costs almost nothing compared with coal and other fossil fuels.

Santee Cooper will be repaying the new debt with revenue from its electricity business. Gore said the utility previously approved a two-part rate increase totaling 7 percent to generate more revenue. Half went into effect in December. The rest kicks in at the end of this year.

A big part of that was focused on debt associated with environmental compliance and with the nuclear build-out, Gore said.

Santee Cooper has not announced any future rate increases.

The utility s board is expected to vote on the bond sale July 31.

Gore said it would be by far Santee Cooper s biggest debt sale in its 79-year history. Based on that, it also would be the largest ever for a public agency in South Carolina, according to the State Treasurer s Office.

Load-Date: July 23, 2013

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SCANA revises CapEx plans to reflect VC Summer delays

SNL Energy Finance Daily

August 2, 2013 Friday

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Section: SNL Extra

Length: 484 words

Byline: Amy Poszywak

Highlight: SCANA Corp. executives on Aug. 1 presented an updated CapEx forecast that includes additional costs stemming from unexpected construction issues that have led to delays at its V.C. Summer nuclear project.

Body

SCANA Corp. executives on Aug. 1 presented an updated CapEx forecast that includes additional costs stemming from unexpected construction issues that have led to delays at the planned V.C. Summer nuclear expansion.

SCANA subsidiary South Carolina Electric & Gas Co. had announced in early June that project construction delays would likely push back in the in-service date for at least the first of two planned units at the site. During the company's second-quarter earnings call Aug. 1, executives said they now expect a similar delay for the second unit as well.

SCANA's revised CapEx estimates reflect the delay in the in-service dates by up to 12 months for unit 2, and a similar delay for unit 3. With unit 2 now expected to come online between the fourth quarter of 2017 and the first quarter of 2018, a similar delay could push the in-service date for unit 3 from 2018 into 2019.

Executive Vice President and CFO Jimmy Addison said during the call that while the construction consortium - Westinghouse Electric Co. LLC and Chicago Bridge & Iron Co. NV - have provided SCANA with their preliminary estimates of cash flow changes for unit 2, they do not yet have revised estimates for unit 3. SCANA has, however, prepared an internal estimate to evaluate the impact of a similar delay on unit 3, Addison said.

"To be clear, this is our current best estimate of the impact of the delay, and the numbers may shift intra-period as they are refined," the CFO said. "These numbers do not include the potential increased costs of up to $200 million, as we have not reached any further conclusions on those matters."

SCANA said it expects to have a more definite estimate of increased costs by the end of 2013.

According to the company's slide presentation, estimated CapEx across all SCANA business lines is now $1.42 billion, $1.63 billion and $1.51 billion for 2013, 2014 and 2015, respectively. The figures compare to the $1.61 billion, $1.70 billion and $1.48 billion estimated by SCANA at its June 5 analyst day.

The company maintains that the delays remain within the 18-month grace period included in the schedule for the plant's construction that was authorized by the South Carolina Public Service Commission. And while SCE&G will need to go to the commission for approval to recover the additional construction costs in electric rates, regulators previously have found such cost increase requests to be reasonable, according to Moody's.

Following the June announcement, Moody's said the delay was credit negative for SCANA and Santee Cooper, which will own a 45% interest of the new units' capacity.

The existing unit 1 at Summer has a current operating capacity of 980 MW, according to SNL Energy data. Each of the two new units will produce 1,117 MW. Santee Cooper is known legally as South Carolina Public Service Authority and owns a 33% share of the output of V.C. Summer 1, according to SNL Energy data.

Load-Date: August 8, 2013

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A CASE STUDY OF ECONOMIC COST AND RISKS ASSOCIATED WITH ADVANCE NUCLEAR GENERATION AND COMBINED CYCLE GAS TURBINES

Prepared by:
Howard Axelrod, PhD
Energy Strategies, Inc.

Prepared for:
Santee Cooper

8/19/2013
Confidential

STUDY OBJECTIVE

In 2005, Energy Strategies, Inc. developed a life cycle comparative economic model for Santee Cooper that evaluate nuclear, CCGT and coal generation options.

While not an optimization or generation expansion tool, it is a stochastic (Monte Carlo) model that computes the relative uncertainty or each option based on a range of input assumptions. Over 2,000 variable are assigned a unique probability distribution based on historical trends and professional forecasts.

The 2005 model has been updated with the latest available forecast and was used to assess the VCS nuclear plant to a state-of-the-art CCGT.

Three specific variable were evaluated that are expected to have significant impact on the comparative economics and associated economic risks of each option. Those three included: natural gas prices -it has been estimated that fuel represents 60 -70% of a CCGT's total costs; Carbon Tax -a $20/ton of C02 has been ·called for and translates into $10/MWH of operating costs; and Production Tax Credit -an additional $18/MWH tax credit available to an investor owned utility.

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STUDY PARAMETERS

Two economic measures were calculated to compare the relative economics of nuclear versus CCGT:

Levelized (2012$) Unit Costs (Cents per kwh)

Total Net Present Value of "All-In" Capital and Operational costs
While there were over 2,000 probability distributions developed to evaluate the range of uncertainty, three Primary Drivers were further tested to evaluate the impact on comparative costs:

- Natural Gas Prices
- The Cost of C02 Mitigation (Le. Carbon Tax)
- Production Tax Credit

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EVALUATIVE CRITERIA

Levelized Unit costs were used to compare this study results (Base Case assumptions) with other similar studies:

For example, our Base Case which used the 2012 EIA natural gas price forecast and with Carbon Tax found Nuclear levelized costs to be $94/MWH and CCGT at $82/MWH.

This compares to EIA estimates of $104 -$115 and $87 - $107. (see next slide) Note: while the nuclear mean value is $94, within 90% confidence the range is $72 -$139/MWH.

NPV Life Cycle Costs were also derived. Two power plants are considered economically equivalent if the difference in NPV is equal to zero. We measured the likelihood that the NPV was equal to, greater than or less than zero. For this analysis a Positive NPV meant that Nuclear was more expensive than CCGT.

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THE 2013 EIA ENERGY OUTLOOK: $108.4 FOR NUCLEAR & $93.4 FOR CCGT

Regional Variation in Levelized Cost of New Dispatchable Cieneration Resources, 2018

Range for tolal system levelized costs (2011 $/megawatthour) for plants entering service in 2018

Plant type	Minimum	Average	Maximum
Oispatchabte Technologies			
Conventional Coal	89.5	100.1	118.3
Advanced Coal	112.6	123	137.9
Advanced Coal With CCS	123.9	135.5	152.7
Natural Gas-fired			
Conventional Combined Cycle	62.5	67.1	78.2
Advanced Combined Cycle	60	65.6	76.1
Advanced CC with CCS	87.4	93.4	107.5
Conventional Combustion Turbine	104	130.3	149.8
Advanced Combustion Turbine	90.3	104.6	119
Advanced Nuclear	104.4	108.4	100.3
Geottlermal	81.4	89.6	100.3
Biomass	98	111	130.8

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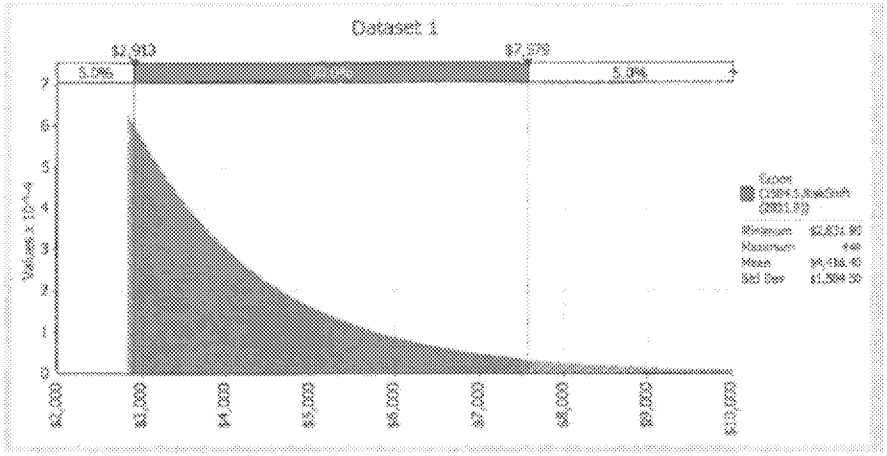
Confidential Competition Sensitive
Proprietary Business Information
FOIA Exempt Response

ESTIMATED NUCLEAR CAPITAL COSTS FOR AP1000

	2008$	2012$
TVA	2516$	3,058
NRG	2900$	3,525
FPL	3108$	3,778
SoCo	4363$	5,303
SC	4386$	5,331
FPL	4540$	5,518
Duke	4924$	5,985



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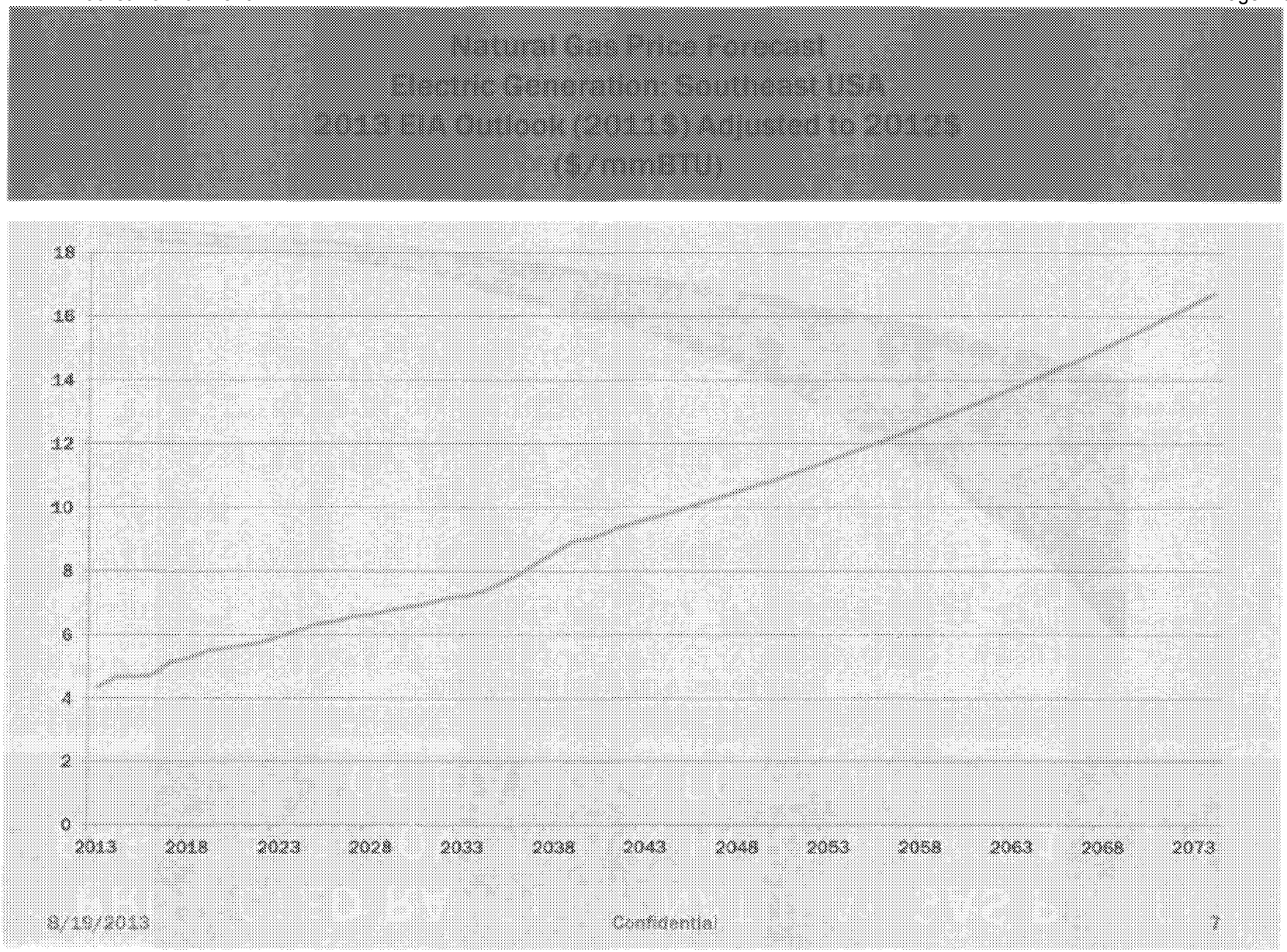

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ABOUT THE COMPARISON

The following set of graphs represent the cumulative probability of possible outcome for the net difference in NPV between equivalent nuclear and CCGT units.

With the cursor (vertical line) set at "zero", the probability that the NPV would be above or below zero is determined.

For Case 1, there is an 81.5 percent chance that the NPV is above zero which means that 81.5% of the time, CCGT would be more economical than nuclear when using the range of assumptions defined for this case.

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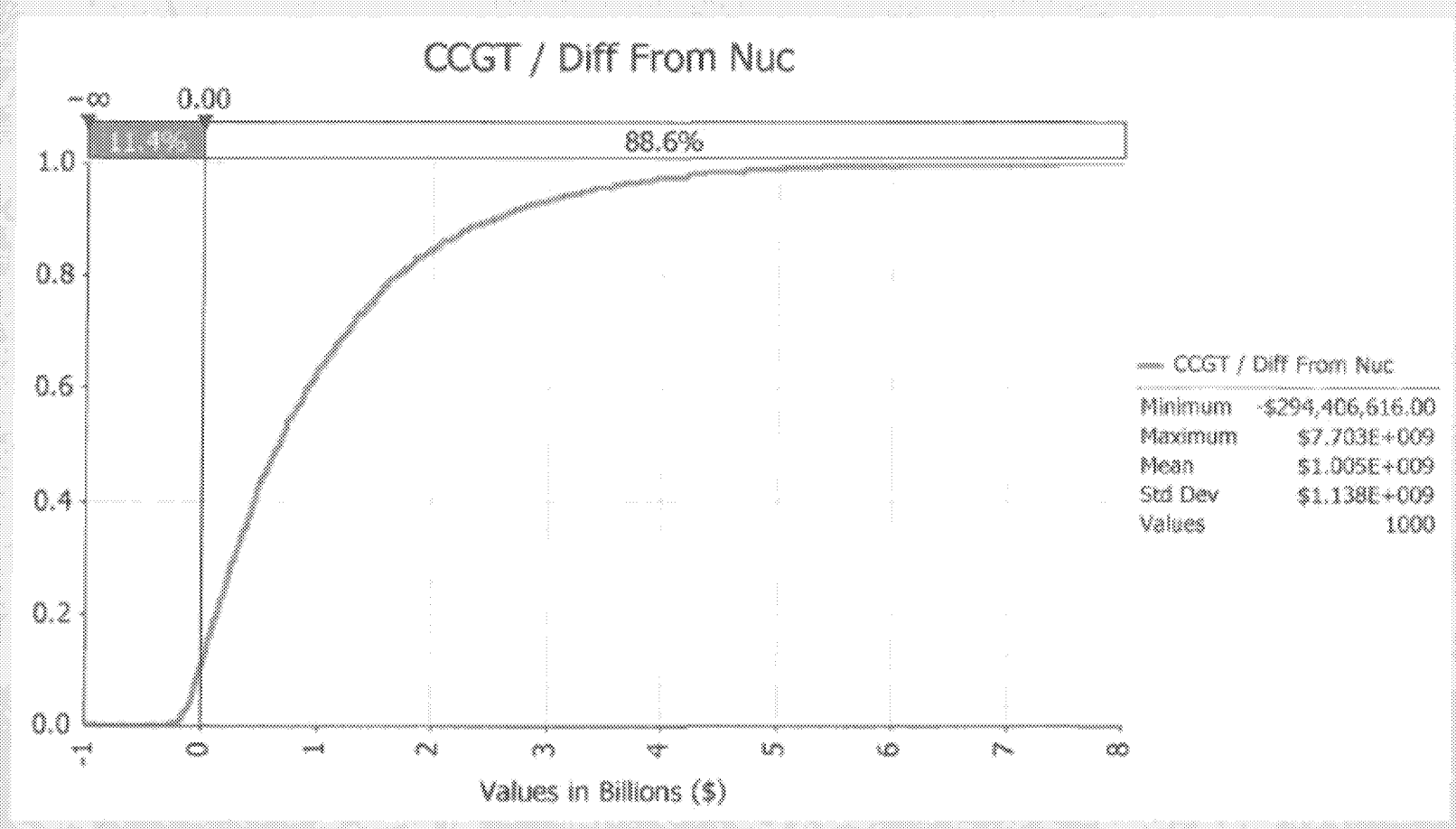
BASE CASE: NO CO2, NO PRODUCTION TAX CREDIT (PTC), ADJ EIA NAT GAS
CCGT HAS AN 88.6% CHANCE OF BEING MORE ECONOMICAL



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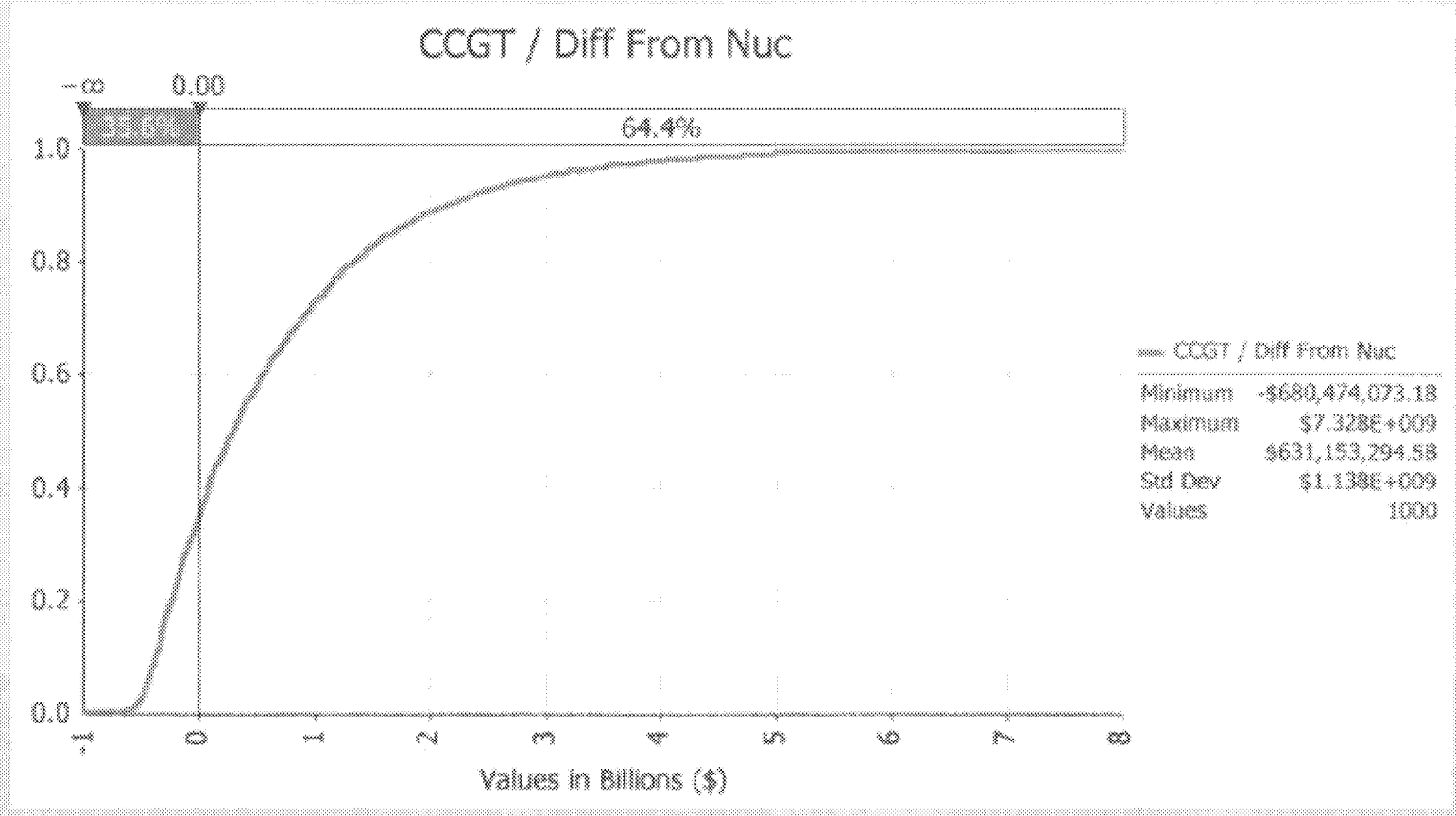
BASE PLUS CO2 (PROB.)
CCGT HAS A 64.4% CHANCE OF BEING MORE ECONOMICAL



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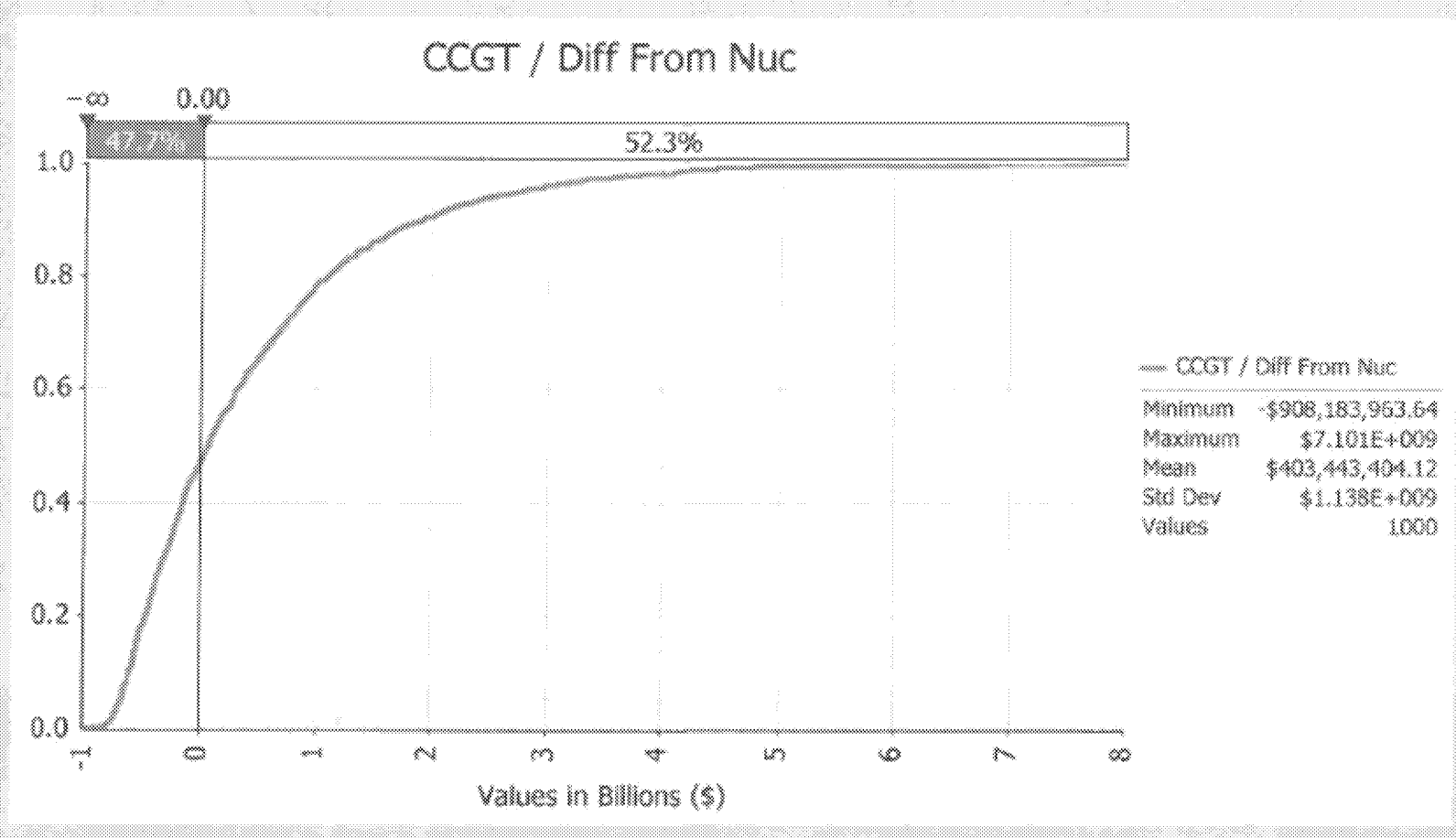
BASE PLUS CO2 (PROB.) & PTC: CCGT HAS A 52.3% CHANCE OF BEING MORE ECONOMICAL



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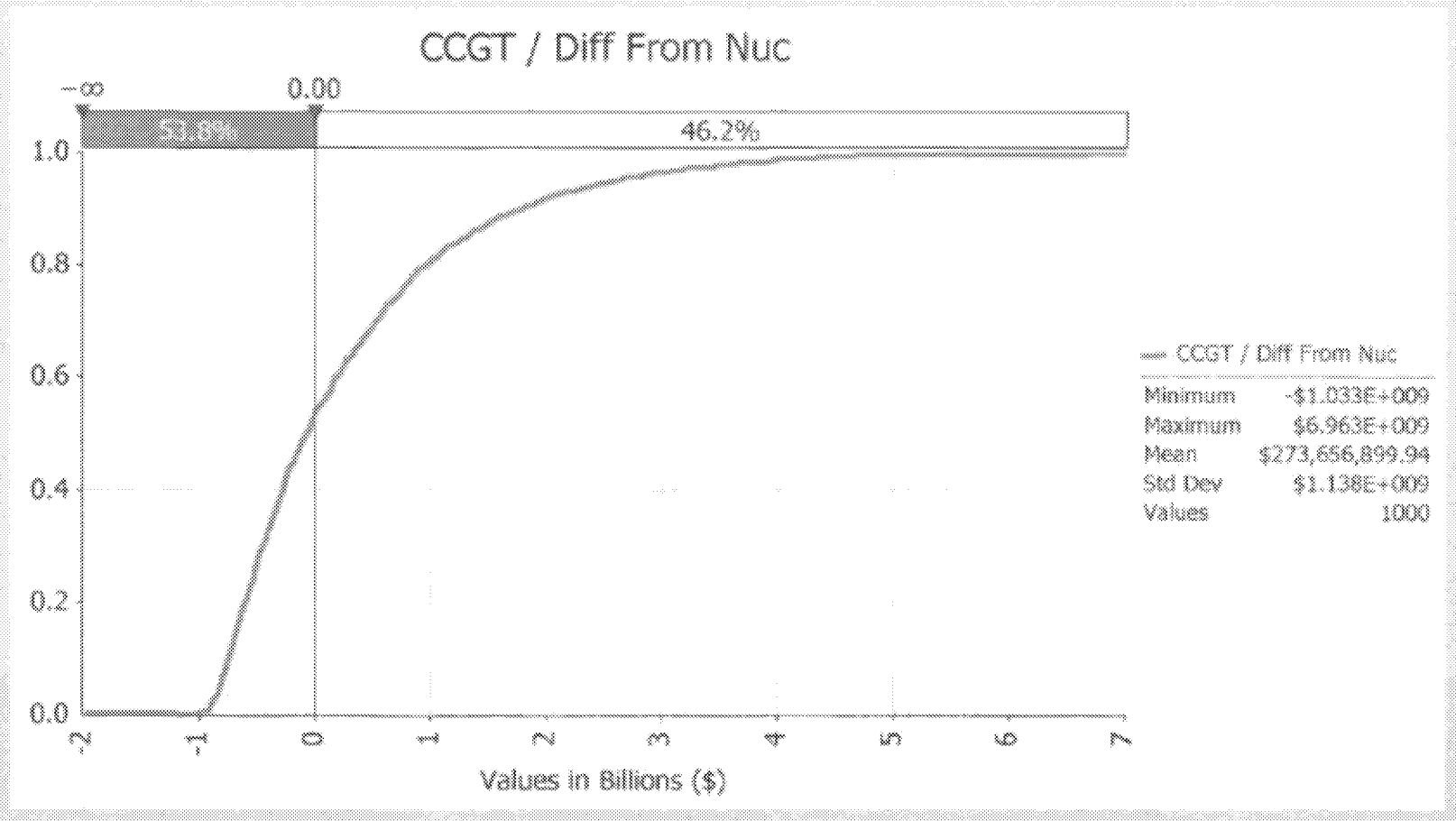
BASE PLUS CO2 ($20) & PTC
NUCLEAR HAS A 53.8% CHANCE OF BEING MORE ECONOMICAL



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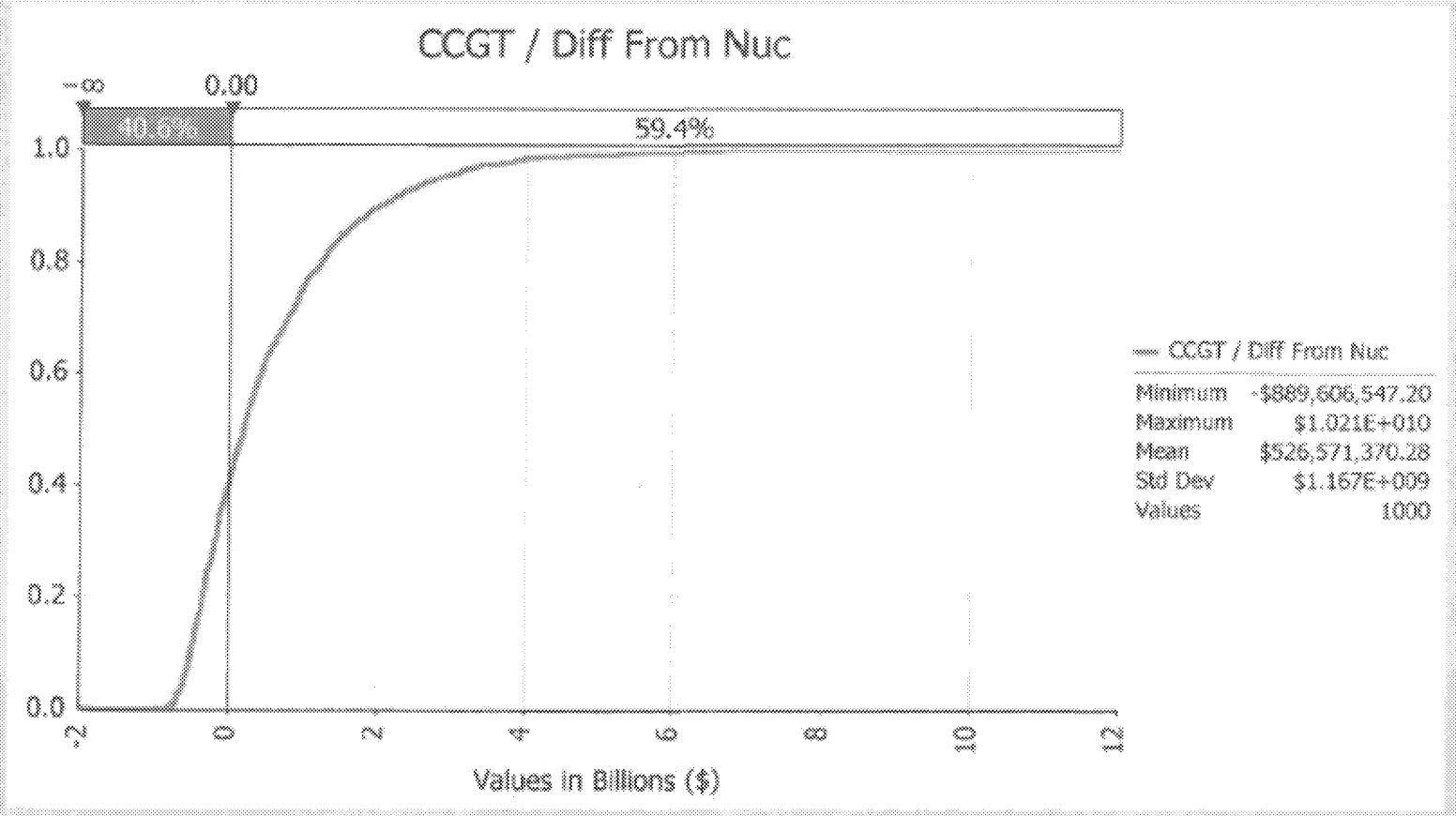
EIA NAT GAS ONLY (UPPER RANGE) CCGT HAS A 59.4% CHANCE OF BEING MORE ECONOMICAL



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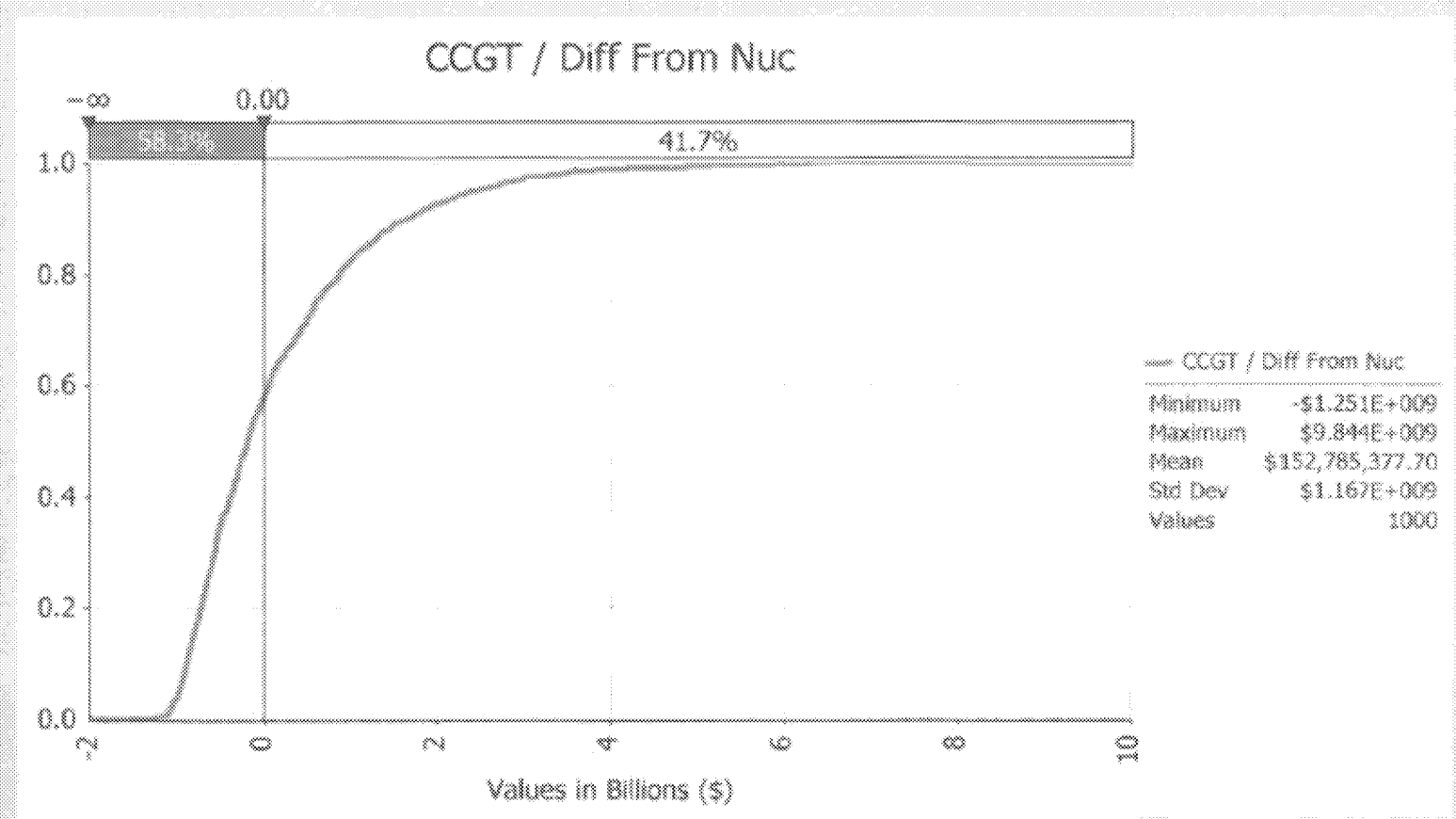
EIA NAT GAS PLUS CO2 PROB
NUCLEAR HAS A 58.3% CHANCE OF BEING MORE ECONOMICAL



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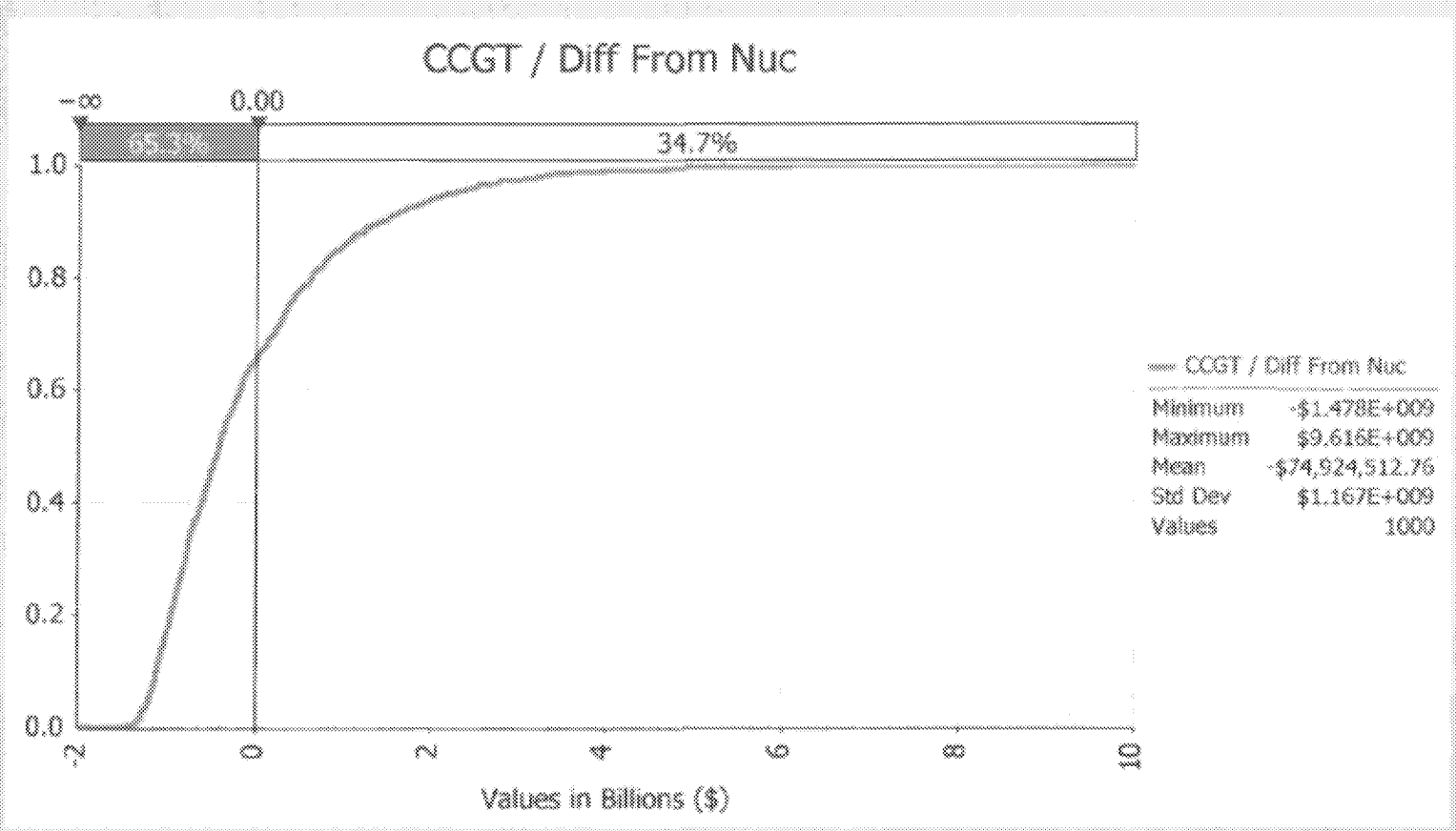
EIA NAT GAS, PROB. CO2, PTC
NUCLEAR HAS A 65.3% CHANCE OF BEING MORE ECONOMICAL



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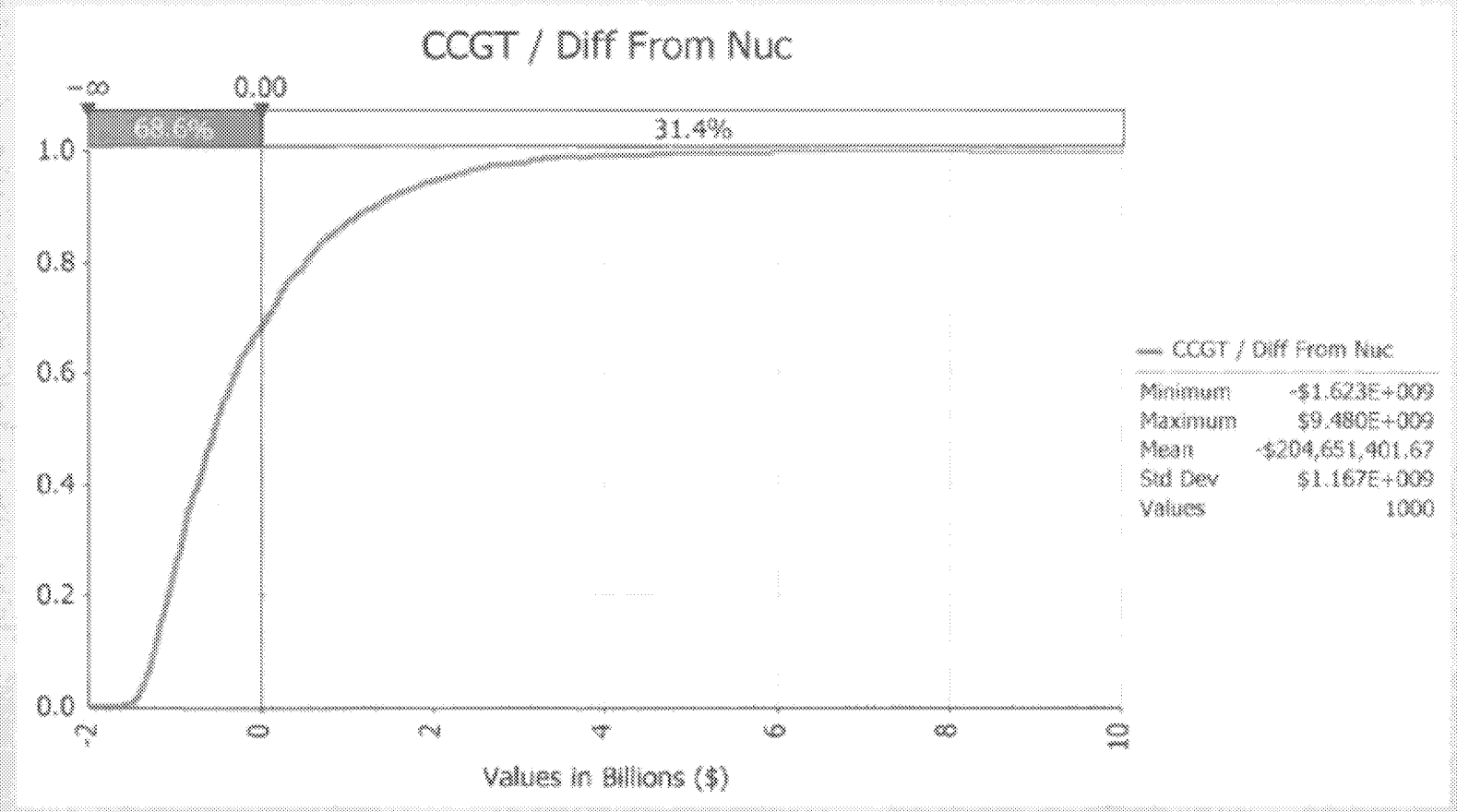
EIA NAT GAS, $20 CO2, PTC
NUCLEAR HAS A 68.6% CHANCE OF BEING MORE ECONOMICAL



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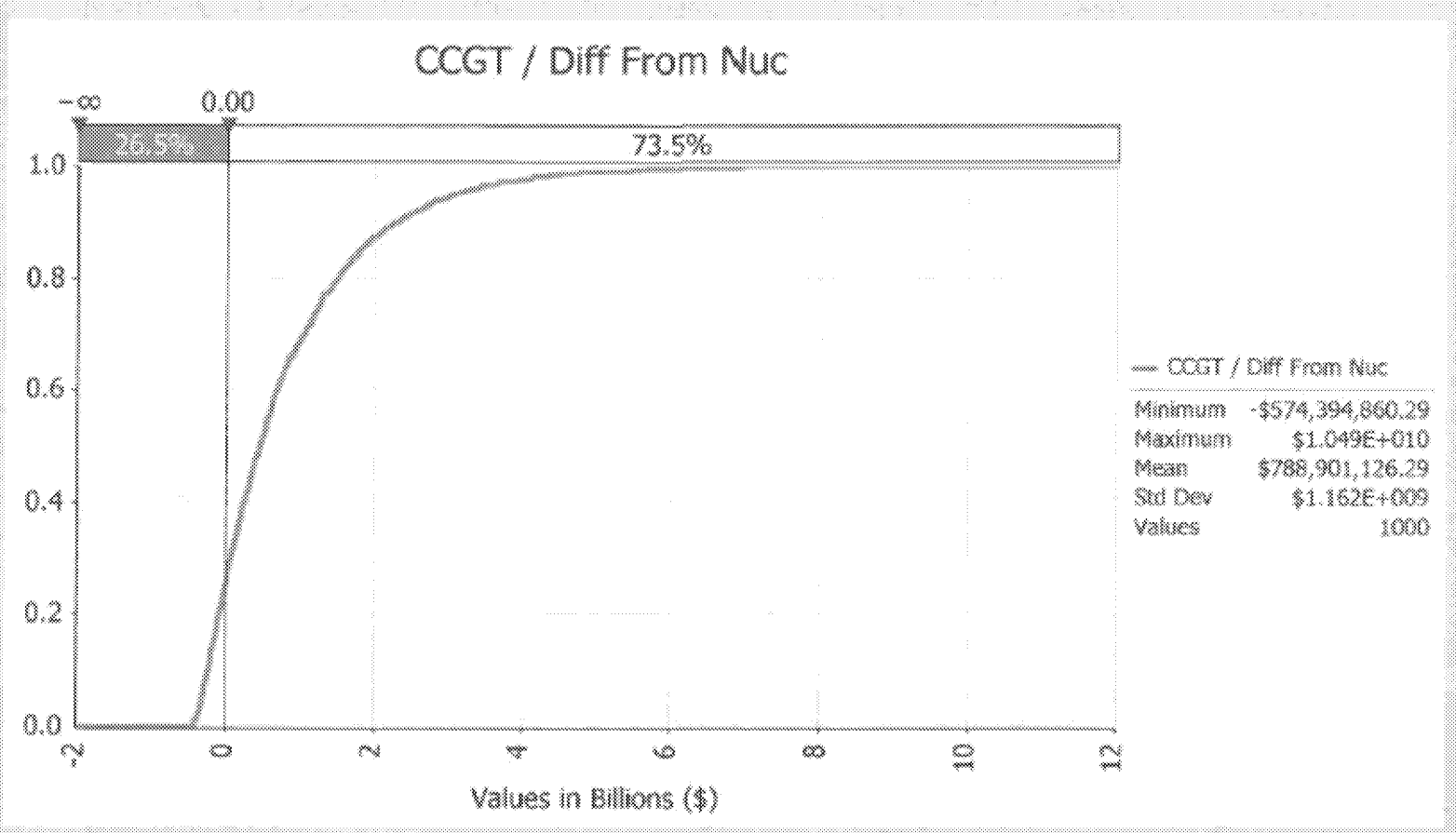
SPECIAL CASE FOR DUKE
BASE NAT. GAS PRICE AND PTC:
WHILE LOW NAT GAS PRICES STILL DRIVE THE ECONOMICS IN FAVOR OF CCGT, THE PTC GENERATED OVER $200 M IN NPV AND REDUCED THE PROBABILITY FROM 88.6% TO 73.5%.



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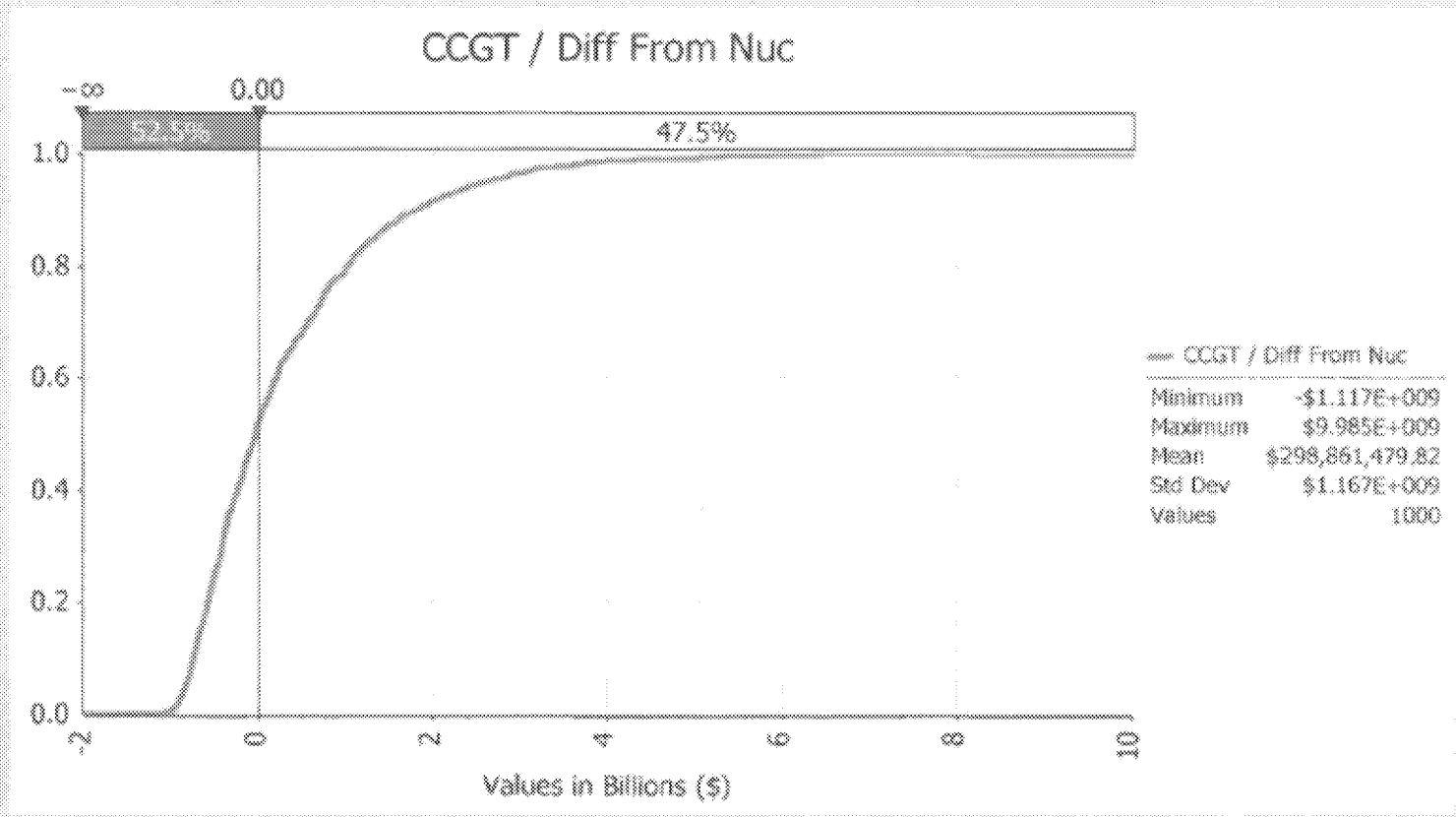
SPECIAL CASE FOR DUKE

AT THE EIA NAT. GAS PRICE FORECAST & PTC, THERE IS A 52.5% CHANCE THAT NUCLEAR IS MORE ECONOMICAL. THIS COMPARES TO 40.6% WITHOUT PTC.



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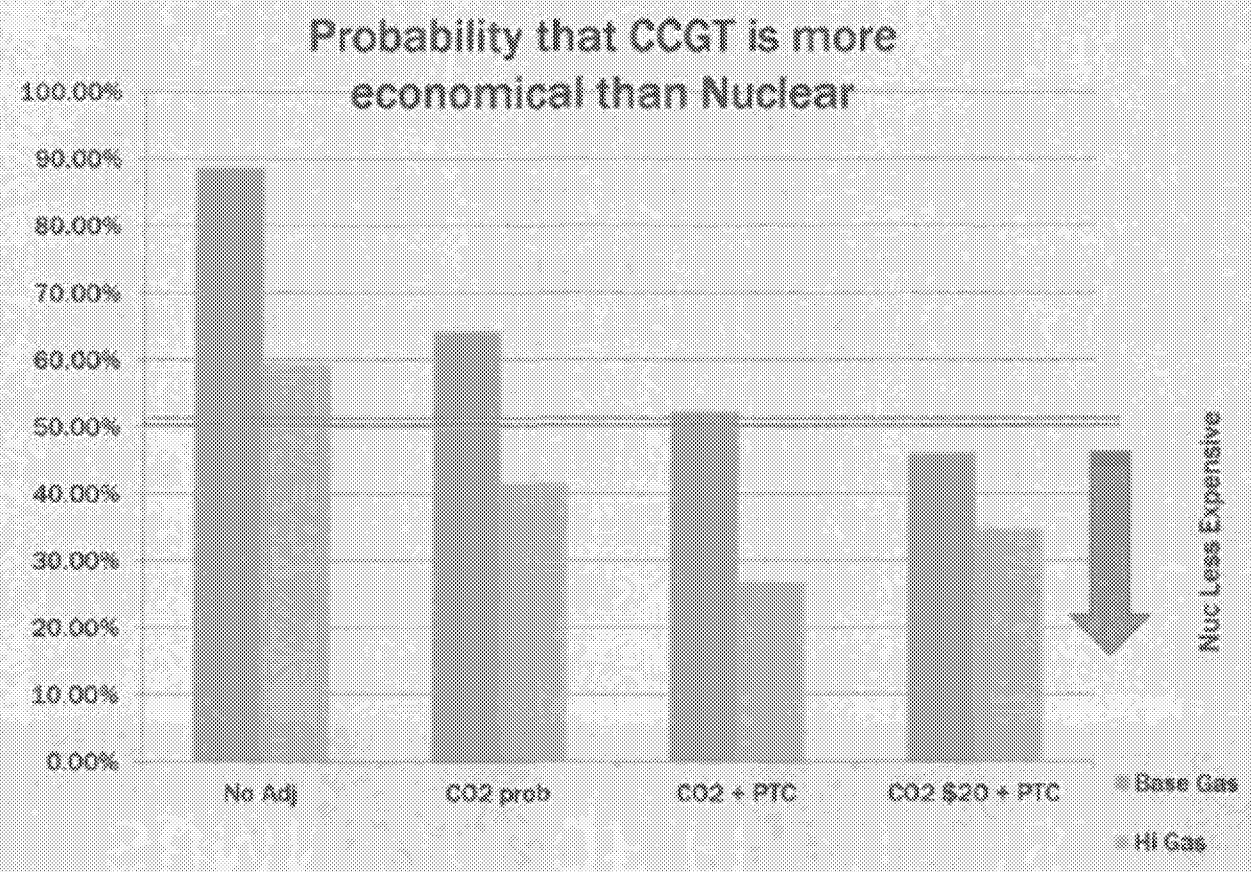
SUMMARY: AT CURRENTLY PROJECTED NATURAL GAS PRICES & EITHER NO OR MODERATE CARBON TAX, CCGT HAS ECONOMIC ADVANTAGE, AT MODERATELY HIGHER NAT. GAS PRICES, NUCLEAR IS THE MORE LIKELY ECONOMICAL CHOICE



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SUMMARY OF FINDINGS

EIA has increased its expectation of rising natural gas prices which, at least for the next few years, is over 20% higher than its 2012 forecasts and 50% higher than current prices included natural gas futures.

Using a moderately reduced forecast, CCGT has a significant economic advantage over nuclear.

However, as natural gas prices rise and carbon emission costs become internalized, nuclear generation offers significant economic benefits.

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WHILE GAS PRICES AND C02 MITIGATION WILL DRIVE ECONOMIC ADVANTAGES FOR NUCLEAR, ANNUAL REVENUE REQUIREMENTS AND FINANCIAL CONSIDERATIONS ARE ALSO PARAMOUNT.

The NPV and Levelized analyses present only one dimension that needs to be considered. For example, as natural gas prices rise and C02 costs are incurred, the overall economic benefit of advanced nuclear generation could produce $billions in savings for the consumer.

However, when comparing annual cost differences, even under highly favorable conditions, annual costs for nuclear will likely exceed CCGT costs for a number of years. While consumers may benefit from nuclear over time, the crossover point could be anywhere from 15 to 30 years. The point of payback could range from 35 -50 more years. The following two examples demonstrate this issue.

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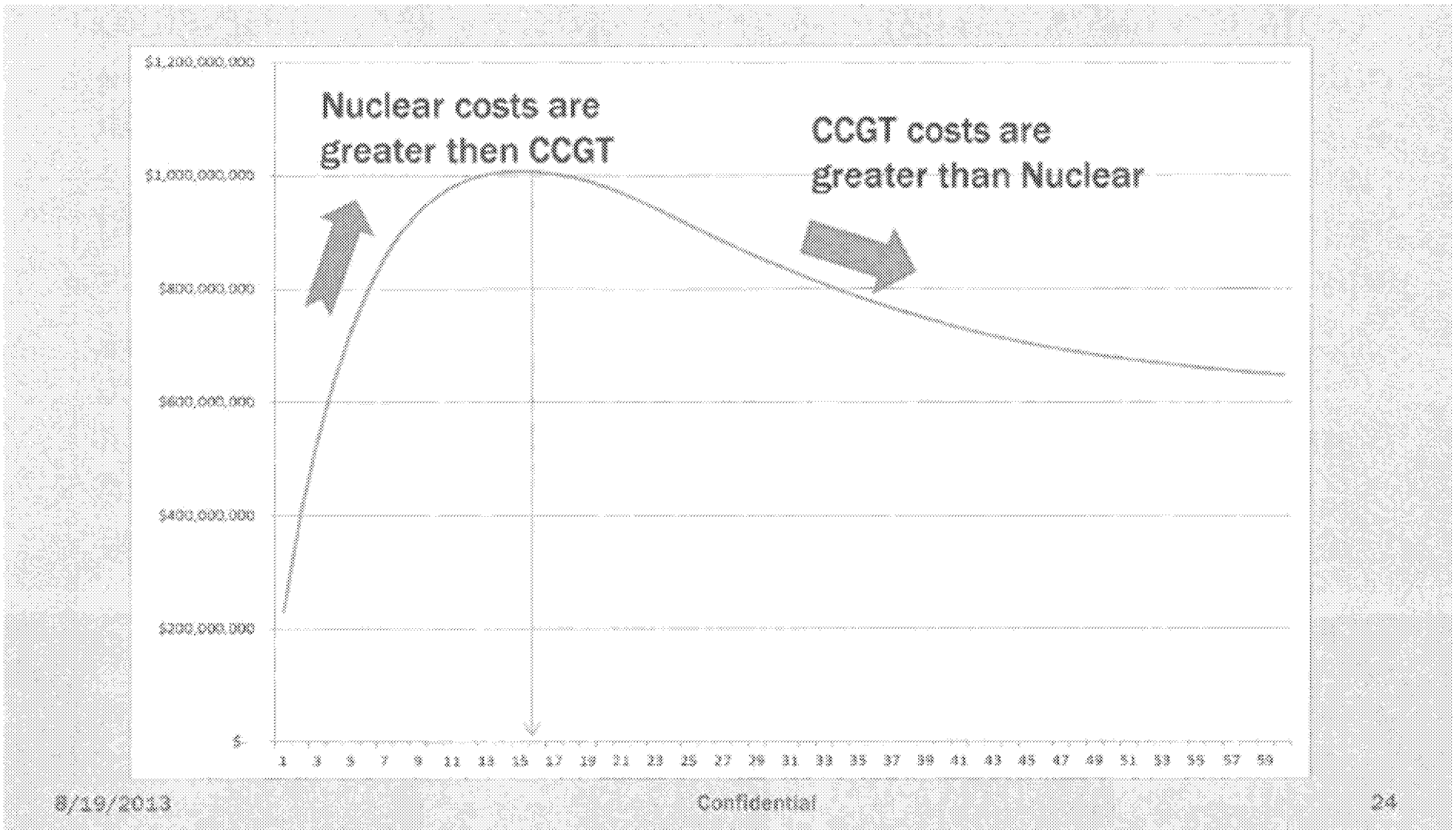
THE ATTACHED GRAPH IS THE CUMULATIVE DIFFERENCES IN ANNUAL TOTAL COSTS (2012$) FOR CASE 2. WHILE THE DIFFERENCE BETWEEN NUCLEAR AND CCGT DIMINISHES, IT TAKES -16 YEARS TO ACHIEVE A POSITIVE BENEFIT FOR THE NUCLEAR OPTION. THE PEAK "LOSS" APPROACHES $1 BILLION, BUT IS REDUCED TO ABOUT $.6 BILLION BY THE END OF ITS OPERATING LICENSE.



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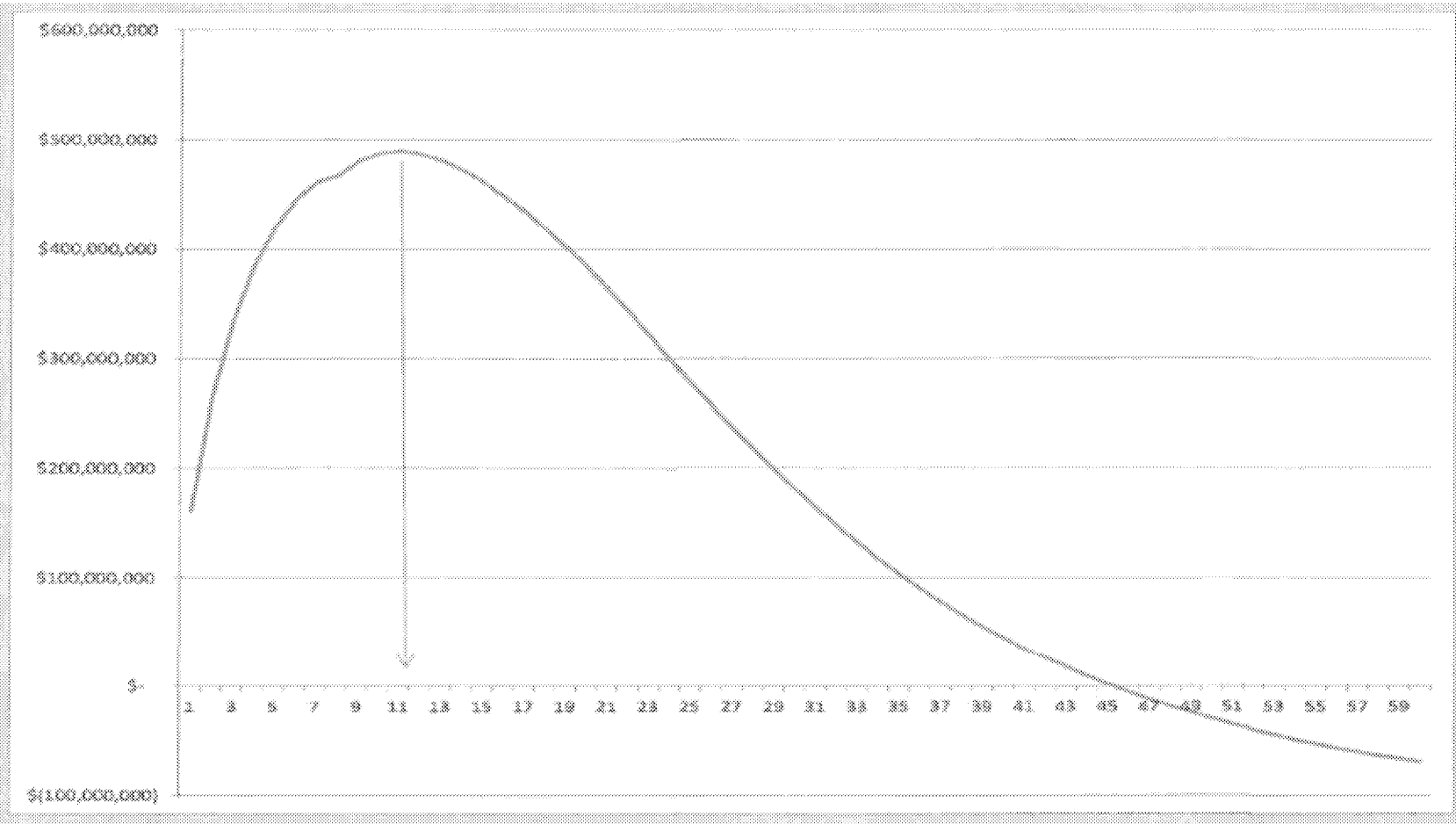
THE FOLLOWING GRAPH IS FOR CASE 6. IT HAS AN 82% CHANCE OF BEING MORE ECONOMICAL THAN A CCGT WITH A MEAN LIFETIME BENEFIT OF $75 MILLION. YET, ANNUAL TOTAL COSTS EXCEED CCGT FOR 11 YEARS, WITH FULL PAYBACK IN 46 YEARS.



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THERE IS ALSO OTHER FINANCIAL CONSIDERATIONS

For an Investor Owned Utility, assuming both plants have identical NPV revenue requirements, capital recovery including profit margins is about $3.5 billion for the CCGT; whereas, for the nuclear option, capital recovery exceeds $13.7 billion.

In other words, with consumers having an equal benefit, albeit deferred for nuclear, the nuclear owner can achieve up to $10 billion in added profits.

However, this added return does come with risk. For example, a one year delay in start-up could incur over $500 million in financing charges per plant.

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WHAT DOES ALL THIS MEAN FOR SANTEE COOPER:

It is very likely that natural gas prices will begin to rise and that global
warming issues will drive regulations that result in carbon mitigation costs.

While it may take a few years to realize these changes, the economic advantage of VCS will become transparent.

Besides the financial advantage available to IOUs, there is also the opportunity to capture available Production Tax Credits (-$18/MWH)

Offsetting these advantages to both public power and IOU are the inherent pre-operational risks associated with schedule and construction costs. Delays at Vogtle have already incurred -$700 million in added costs.

While a PPA offers a buyer far less risk, the annual cost for nuclear, especially during the first 10 -20 years would be greater than a comparable CCGT, although somewhat more competitive to the average regional market price that would include older, less efficient generation. Santee may have to offer a short to intermediate term PPA that produces revenues below actual costs.

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COMPARISON OF ADVANCED NUCLEAR GENERATION TO CCGT

Sources of Information:

- EIA Energy Outlook 2012 & 2013 (Prelim.)
- Economics of Nuclear Power: World Nuclear Organization (Dec. 2012)
- A Manual for the Economic Evaluation of Energy Efficiency and Renewable Energy Technologies, National Renewable Energy laboratory, March 1995

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santee cooper

Lonnie N. Carter
President and
Chief Executive Officer
(843) 761-4192
fax: (843) 761-7037
lncarter@santeecooper.com

Confidential Contract Negotiations

August 23, 2013

Kevin B. Marsh
Chairman & CEO
SCE&G
220 Operation Way D302
Cayce, South Carolina 29033

Dear Kevin:

For almost two years, SCE&G and Santee Cooper have been working with the Consortium (Westinghouse and CB&I) to correct submodule delivery issues from the Lake Charles fabrication facility. When we discussed these problems earlier this year, we were hopeful that the Chicago Bridge & Iron (CB&I) acquisition of The Shaw Group (February 2013) would have an overall positive impact on the project, and particularly, a positive impact on the Consortium's ability to fabricate and deliver submodules.

On April 9, 2013, we met in Columbia with CB&I executive leadership to review its module fabrication status, to include its plan to correct Lake Charles performance issues. CB&I committed to deliver 83 submodules by the end of 2013. Several days after the meeting, CB&I provided its submodule delivery schedule, also dated April 9, 2013, which committed CB&I to only 69 submodules for the remainder of 2013.

As anticipated, the CB&I submodule delivery schedule was integrated into the overall project schedule and resulted in a delay to substantial completion of V.C. Summer Unit 2. This delay was quantified as nine to twelve months and publicly announced to the financial community by SCE&G at an Analyst Day presentation June 5, 2013.

As I am sure you are aware, based on the CB&I schedule, only five of thirteen scheduled submodules have been delivered as of this writing. Although early indications seemed positive that CB&I executive management were engaged in improving the performance at Lake Charles, the delivery record unfortunately demonstrates otherwise, placing the project schedule in jeopardy once again. I know you agree that this is unacceptable.

The Consortium's inability to deliver submodules has been a major source of concern and risk for this project for a long time. At the last president's meeting on June 21, 2013, the Westinghouse and CB&I discussion demonstrated that they do not function well as a team to resolve critical project issues. The Consortium's schedule performance, including any associated module delay costs currently embedded in project costs or future claims against the

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project, are simply unacceptable to Santee Cooper. Our view is that the Consortium's inability to fulfill their contractual commitments in a timely matter places the project's future in danger. SCE&G and Santee Cooper need to examine together the remedies provided for under the EPC for the Consortium's failure to perform and exercise the fullest extent those remedies to protect our interests.

Kevin, based on our discussion, I know that you share my concern for the fabrication of the submodules in a timely manner. This has become a critical issue for the project and our companies. I recommend that we meet with our senior team members involved in the project and develop a plan forward. The plan should make clear that we hold the Consortium accountable for the costs to our companies and should insist on the Consortium providing a realistic plan that can be executed by the Consortium to fabricate and deliver the submodules in a timely manner to complete the project on schedule.

Please call me soon to further discuss this matter.

Sincerely,

Lonnie

Lonnie N. Carter

LNC:alh

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

Commission File Number	Registrant, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
1-8809	**SCANA Corporation** (a South Carolina corporation)	**57-0784499**
1-3375	**South Carolina Electric & Gas Company** (a South Carolina corporation)	**57-0248695**
	100 SCANA Parkway, Cayce, South Carolina 29033	
	(803) 217-9000	

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. SCANA Corporation Yes ☒ No ☐ South Carolina Electric & Gas Company Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). SCANA Corporation Yes ☒ No ☐ South Carolina Electric & Gas Company Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

SCANA Corporation	Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐	Emerging growth company ☐
South Carolina Electric & Gas Company	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
SCANA Corporation ☐ South Carolina Electric & Gas Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
SCANA Corporation Yes ☐ No ☒ South Carolina Electric & Gas Company Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Registrant	Description of Common Stock	Shares Outstanding at July 27, 2018
SCANA Corporation	Without Par Value	142,625,416
South Carolina Electric & Gas Company	Without Par Value	40,296,147 (a)

(a) Held beneficially and of record by SCANA Corporation.

This combined Form 10-Q is separately filed by SCANA Corporation and South Carolina Electric & Gas Company. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. South Carolina Electric & Gas Company makes no representation as to information relating to SCANA Corporation or its subsidiaries (other than South Carolina Electric & Gas Company and its consolidated affiliates).

South Carolina Electric & Gas Company meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and therefore is filing this Form with the reduced disclosure format allowed under General Instruction H(2).

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Statements included in this Quarterly Report on Form 10-Q which are not statements of historical fact are intended to be, and are hereby identified as, "forward-looking statements" for purposes of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include, but are not limited to, statements concerning the proposed merger with Dominion Energy, recovery of Nuclear Project abandonment costs, key earnings drivers, customer growth, environmental regulations and expenditures, leverage ratio, projections for pension fund contributions, financing activities, access to sources of capital, impacts of the adoption of new accounting rules and estimated capital and other expenditures. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "should," "expects," "forecasts," "plans," "targets," "anticipates," "believes," "estimates," "projects," "predicts," "potential" or "continue" or the negative of these terms or other similar terminology. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties, and that actual results could differ materially from those indicated by such forward-looking statements due to the information being of a preliminary nature and subject to further and/or continuing review and adjustment. Other important factors that could cause such material differences include, but are not limited to, the following:

(1) the occurrence of any event, change or other circumstances that could give rise to the failure to consummate the proposed merger with Dominion Energy; (2) the ability of SCE&G to recover through rates the costs expended on the Nuclear Project, and a reasonable return on those costs, under the abandonment provisions of the BLRA or through other means; (3) uncertainties relating to the bankruptcy filing by WEC and WECTEC; (4) further changes in tax laws and realization of tax benefits and credits, and the ability to realize or maintain tax credits and deductions, particularly in light of the abandonment of the Nuclear Project; (5) legislative and regulatory actions, particularly changes related to electric and gas services, rate regulation, regulations governing electric grid reliability and pipeline integrity, environmental regulations including any imposition of fees or taxes on carbon emitting generating facilities, the BLRA, and any actions involving or arising from the abandonment of the Nuclear Project; (6) current and future litigation, including particularly litigation or government investigations or any actions involving or arising from the construction or abandonment of the Nuclear Project or arising from the proposed merger with Dominion Energy, including the possible impacts on liquidity and other financial impacts therefrom; (7) the impact of any decision by SCANA to pay quarterly dividends to its shareholders or the reduction, suspension or elimination of the amount thereof; (8) the results of short- and long-term financing efforts, including prospects for obtaining access to capital markets and other sources of liquidity, and the effect of rating agency actions on the cost of and access to capital and sources of liquidity of SCANA and its subsidiaries (the Company); (9) the ability of suppliers, both domestic and international, to timely provide the labor, secure processes, components, parts, tools, equipment and other supplies needed which may be highly specialized or in short supply, at agreed upon quality and prices, for our construction program, operations and maintenance; (10) the results of efforts to ensure the physical and cyber security of key assets and processes; (11) changes in the economy, especially in areas served by subsidiaries of SCANA; (12) the impact of competition from other energy suppliers, including competition from alternate fuels in industrial markets; (13) the impact of conservation and demand side management efforts and/or technological advances on customer usage; (14) the loss of electricity sales to distributed generation, such as solar photovoltaic systems or energy storage systems; (15) growth opportunities for SCANA's regulated and other subsidiaries; (16) the effects of weather, especially in areas where the generation and transmission facilities of the Company are located and in areas served by SCANA's subsidiaries; (17) changes in SCANA's or its subsidiaries' accounting rules and accounting policies; (18) payment and performance by counterparties and customers as contracted and when due; (19) the results of efforts to license, site, construct and finance facilities, and to receive related rate recovery, for generation and transmission; (20) the results of efforts to operate the Company's electric and gas systems and assets in accordance with acceptable performance standards, including the impact of additional distributed generation; (21) the availability of fuels such as coal, natural gas and enriched uranium used to produce electricity; the availability of purchased power and natural gas for distribution; the level and volatility of future market prices for such fuels and purchased power; and the ability to recover the costs for such fuels and purchased power; (22) the availability of skilled, licensed and experienced human resources to properly manage, operate, and grow the Company's businesses, particularly in light of uncertainties with respect to legislative and regulatory actions surrounding recovery of Nuclear Project costs and the announced potential merger with Dominion Energy; (23) labor disputes; (24) performance of SCANA's pension plan assets and the effect(s) of associated discount rates; (25) inflation or deflation; (26) changes in interest rates; (27) compliance with regulations; (28) natural disasters, man-made mishaps and acts of terrorism that directly affect our operations or the regulations governing them; and (29) the other risks and uncertainties described from time to time in the reports filed by SCANA or SCE&G with the SEC.

SCANA and SCE&G disclaim any obligation to update any forward-looking statements.

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DEFINITIONS

The following abbreviations or terms used in the text have the meanings set forth below unless the context requires otherwise:

TERM	MEANING
Act 258	Act 258 (previously referenced as H. 4375) adopted by the South Carolina General Assembly
AFC	Allowance for Funds Used During Construction
ANI	American Nuclear Insurers
AOCI	Accumulated Other Comprehensive Income (Loss)
ARO	Asset Retirement Obligation
Bankruptcy Court	U.S. Bankruptcy Court for the Southern District of New York
BLRA	Base Load Review Act
CAA	Clean Air Act, as amended
CAIR	Clean Air Interstate Rule
CCR	Coal Combustion Residuals
CEC	Columbia Energy Center
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFTC	Commodity Futures Trading Commission
Citibank	Citibank, N.A.
CO_2	Carbon Dioxide
Company	SCANA, together with its consolidated subsidiaries
Consolidated SCE&G	SCE&G and its consolidated affiliates
Consortium	A consortium consisting of WEC and WECTEC
Court of Appeals	United States Court of Appeals for the District of Columbia
CSAPR	Cross-State Air Pollution Rule
CUT	Customer Usage Tracker (decoupling mechanism)
CWA	Clean Water Act
DER	Distributed Energy Resource
DHEC	South Carolina Department of Health and Environmental Control
District Court	United States District Court for the District of South Carolina
Dodd-Frank	Dodd-Frank Wall Street Reform and Consumer Protection Act
Dominion Energy	Dominion Energy, Inc.
DOR	South Carolina Department of Revenue
DSM Programs	Electric Demand Side Management Programs
ELG Rule	Federal effluent limitation guidelines for steam electric generating units
EMANI	European Mutual Association for Nuclear Insurance
EPA	United States Environmental Protection Agency
EPC Contract	Engineering, Procurement and Construction Agreement dated May 23, 2008, as amended by the October 2015 Amendment
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	United States Federal Energy Regulatory Commission
FILOT	Fee in Lieu of Taxes
Fluor	Fluor Corporation
Fuel Company	South Carolina Fuel Company, Inc.
GAAP	Accounting principles generally accepted in the United States of America
GENCO	South Carolina Generating Company, Inc.
GHG	Greenhouse Gas
GPSC	Georgia Public Service Commission
GWh	Gigawatt hour
IAA	Interim Assessment Agreement dated March 28, 2017, as amended, among SCE&G, Santee Cooper, WEC and WECTEC
IRC	Internal Revenue Code of 1986, as amended

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IRS	Internal Revenue Service
Joint Petition	Joint application and petition of SCE&G and Dominion Energy for review and approval of a proposed business combination as set forth in the Merger Agreement and for a prudency determination regarding the abandonment of the Nuclear Project and associated merger benefits and cost recovery plans, filed with the SCPSC on January 12, 2018
Level 1	A fair value measurement using unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	A fair value measurement using observable inputs other than those for Level 1, including quoted prices for similar (not identical) assets or liabilities or inputs that are derived from observable market data by correlation or other means
Level 3	A fair value measurement using unobservable inputs, including situations where there is little, if any, market activity for the asset or liability
LOC	Lines of Credit
MATS	Mercury and Air Toxics Standards
Merger Agreement	Agreement and Plan of Merger, dated as of January 2, 2018, by and among Dominion Energy, Sedona and SCANA
MGP	Manufactured Gas Plant
MMBTU	Million British Thermal Units
MW or MWh	Megawatt or Megawatt-hour
NAAQS	National Ambient Air Quality Standards
NASDAQ	The NASDAQ Stock Market, Inc.
NAV	Net Asset Value
NCUC	North Carolina Utilities Commission
NEIL	Nuclear Electric Insurance Limited
NERC	North American Electric Reliability Corporation
NOL	Net Operating Loss
NO_X	Nitrogen Oxide
NPDES	National Pollutant Discharge Elimination System
NRC	United States Nuclear Regulatory Commission
NSPS	New Source Performance Standards
Nuclear Project	Project to construct Unit 2 and Unit 3 under the EPC Contract
NYMEX	New York Mercantile Exchange
OCI	Other Comprehensive Income
ORS	South Carolina Office of Regulatory Staff
PHMSA	United States Pipeline Hazardous Materials Safety Administration
Price-Anderson	Price-Anderson Indemnification Act
PSNC Energy	Public Service Company of North Carolina, Incorporated
Registrants	SCANA and SCE&G
Reorganization Plan	Modified Second Amended Joint Chapter 11 Plan of Reorganization, filed by WEC
Request	Request for Rate Relief filed by the ORS on September 26, 2017, as subsequently amended
RICO	The Racketeer Influenced and Corrupt Organizations Act
RSA	Natural Gas Rate Stabilization Act
RTO/ISO	Regional Transmission Organization/Independent System Operator
Santee Cooper	South Carolina Public Service Authority
SCANA	SCANA Corporation, the parent company
SCANA Energy	SCANA Energy Marketing, Inc.
SCANA Services	SCANA Services, Inc.
SCE&G	South Carolina Electric & Gas Company
SCEUC	South Carolina Energy Users Committee
SCPSC	Public Service Commission of South Carolina
SEC	United States Securities and Exchange Commission
Sedona	Sedona Corp., a wholly-owned subsidiary of Dominion Energy
SIP	State Implementation Plan
SLED	South Carolina Law Enforcement Division
SO_2	Sulfur Dioxide
Summer Station	V. C. Summer Nuclear Station

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Supreme Court	United States Supreme Court
Tax Act	An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (previously known as The Tax Cuts and Jobs Act) enacted on December 22, 2017
Toshiba	Toshiba Corporation, parent company of WEC
Toshiba Settlement	Settlement Agreement dated as of July 27, 2017, by and among Toshiba, SCE&G and Santee Cooper
Unit 1	Nuclear Unit 1 at Summer Station
Unit 2	Nuclear Unit 2 at Summer Station (abandoned prior to construction completion)
Unit 3	Nuclear Unit 3 at Summer Station (abandoned prior to construction completion)
VIE	Variable Interest Entity
WARN Act	Worker Adjustment and Retraining Notification Act
WEC	Westinghouse Electric Company LLC
WEC Subcontractors	Subcontractors to the Consortium
WECTEC	WECTEC Global Project Services, Inc. (formerly known as Stone & Webster, Inc.), a wholly-owned subsidiary of WEC
Williams Station	A.M. Williams Generating Station, owned by GENCO
WNA	Weather Normalization Adjustment

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

SCANA Corporation and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

Millions of dollars	June 30, 2018	December 31, 2017
Assets		
Utility Plant In Service	$ 14,926	$ 14,370
Accumulated Depreciation and Amortization	(4,995)	(4,611)
Construction Work in Progress	470	471
Nuclear Fuel, Net of Accumulated Amortization	193	208
Goodwill, net of writedown of $230	210	210
Utility Plant, Net	10,804	10,648
Nonutility Property and Investments:		
Nonutility property, net of accumulated depreciation of $138 and $133	267	270
Assets held in trust, net-nuclear decommissioning	136	136
Other investments	139	68
Nonutility Property and Investments, Net	542	474
Current Assets:		
Cash and cash equivalents	238	409
Receivables:		
Customer, net of allowance for uncollectible accounts of $6 and $6	517	665
Income taxes	206	198
Other	99	105
Inventories (at average cost):		
Fuel and gas supply	119	143
Materials and supplies	167	161
Prepayments	134	99
Other current assets	14	17
Derivative financial instruments	—	54
Total Current Assets	1,494	1,851
Deferred Debits and Other Assets:		
Regulatory assets	5,757	5,580
Other	304	186
Total Deferred Debits and Other Assets	6,061	5,766
Total	$ 18,901	$ 18,739

See Notes to Condensed Consolidated Financial Statements.

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Millions of dollars	June 30, 2018	December 31, 2017
Capitalization and Liabilities		
Common Stock - no par value, 143 million shares outstanding	$ 2,389	$ 2,390
Retained Earnings	2,987	2,915
Accumulated Other Comprehensive Loss	(39)	(50)
Total Common Equity	5,337	5,255
Long-Term Debt, net	6,098	5,906
Total Capitalization	11,435	11,161
Current Liabilities:		
Short-term borrowings	517	350
Current portion of long-term debt	568	727
Accounts payable	263	438
Customer deposits and customer prepayments	151	112
Revenue subject to refund	164	—
Taxes accrued	123	214
Interest accrued	88	87
Dividends declared	18	86
Derivative financial instruments	4	6
Other	69	93
Total Current Liabilities	1,965	2,113
Deferred Credits and Other Liabilities:		
Deferred income taxes, net	1,333	1,261
Asset retirement obligations	578	568
Pension and other postretirement benefits	360	360
Unrecognized tax benefits	19	19
Regulatory liabilities	3,019	3,059
Other	192	198
Total Deferred Credits and Other Liabilities	5,501	5,465
Commitments and Contingencies (Note 10)		
Total	$ 18,901	$ 18,739

See Notes to Condensed Consolidated Financial Statements.

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SCANA Corporation and Subsidiaries
Condensed Consolidated Statements of Income
(Unaudited)

Millions of dollars, except per share amounts	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Operating Revenues:				
Electric	$ 552	$ 679	$ 1,098	$ 1,256
Gas - regulated	148	140	509	461
Gas - nonregulated	143	182	416	456
Total Operating Revenues	843	1,001	2,023	2,173
Operating Expenses:				
Fuel used in electric generation	155	161	315	297
Purchased power	15	21	67	32
Gas purchased for resale	192	227	598	597
Other operation and maintenance	208	179	410	354
Impairment loss	—	—	4	—
Depreciation and amortization	100	95	199	189
Other taxes	70	67	140	133
Total Operating Expenses	740	750	1,733	1,602
Operating Income	103	251	290	571
Other Income, net	4	14	133	27
Interest charges, net of allowance for borrowed funds used during construction of $3, $7, $6 and $14	(95)	(88)	(192)	(175)
Income Before Income Tax Expense	12	177	231	423
Income Tax Expense	4	56	54	131
Net Income	$ 8	$ 121	$ 177	$ 292
Earnings Per Share of Common Stock	$ 0.06	$ 0.85	$ 1.24	$ 2.04
Weighted Average Common Shares Outstanding (millions)	143	143	143	143
Dividends Declared Per Share of Common Stock	$ 0.1237	$ 0.6125	$ 0.7362	$ 1.225

See Notes to Condensed Consolidated Financial Statements.

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SCANA Corporation and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

Millions of dollars	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Net Income	$ 8	$ 121	$ 177	$ 292
Other Comprehensive Income (Loss), net of tax:				
Unrealized Gains (Losses) on Cash Flow Hedging Activities:				
Arising during period, net of tax of $-, $(2), $1, and $(3)	1	(3)	4	(5)
Reclassified as increases to interest expense, net of tax of $1, $1, 2, and $3	2	2	4	4
Reclassified as increases (decreases) to gas purchased for resale, net of tax of $-, $-, $1 and $(1)	—	—	2	(2)
Net unrealized gains (losses) on cash flow hedging activities	3	(1)	10	(3)
Deferred cost of employee benefit plans, net of tax of $-, $-, $-, and $-	—	—	1	—
Other Comprehensive Income (Loss)	3	(1)	11	(3)
Total Comprehensive Income	$ 11	$ 120	$ 188	$ 289

See Notes to Condensed Consolidated Financial Statements.

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SCANA Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

Millions of dollars	Six Months Ended June 30, 2018	2017
Cash Flows From Operating Activities:		
Net income	$ 177	$ 292
Adjustments to reconcile net income to net cash provided from operating activities:		
Impairment loss	4	—
Deferred income taxes, net	69	93
Depreciation and amortization	215	200
Amortization of nuclear fuel	27	19
Allowance for equity funds used during construction	(7)	(18)
Carrying cost recovery	(3)	(11)
Changes in certain assets and liabilities:		
Receivables	139	87
Income taxes receivable	(8)	136
Inventories	(18)	(36)
Prepayments	(34)	(47)
Regulatory assets	(18)	(30)
Regulatory liabilities	(110)	(1)
Accounts payable	(48)	(31)
Revenue subject to refund	164	—
Unrecognized tax benefits	—	49
Taxes accrued	(91)	(87)
Derivative financial instruments	(1)	(3)
Other assets	(138)	(26)
Other liabilities	29	(73)
Net Cash Provided From Operating Activities	348	513
Cash Flows From Investing Activities:		
Property additions and construction expenditures	(597)	(780)
Proceeds from investments and sales of assets (including derivative collateral returned)	79	62
Purchase of investments (including derivative collateral posted)	(136)	(66)
Proceeds upon interest rate derivative contract settlements	115	—
Net Cash Used For Investing Activities	(539)	(784)
Cash Flows From Financing Activities:		
Proceeds from issuance of long-term debt	200	150
Repayment of long-term debt	(174)	(14)
Dividends	(173)	(170)
Short-term borrowings, net	167	188
Net Cash Provided From Financing Activities	20	154
Net Decrease In Cash and Cash Equivalents	(171)	(117)
Cash and Cash Equivalents, January 1	409	208
Cash and Cash Equivalents, June 30	$ 238	$ 91
Supplemental Cash Flow Information:		
Cash for–Interest paid (net of capitalized interest of $6 and $14)	$ 179	$ 168
–Income taxes paid	3	1
–Income taxes received	—	123
Noncash Investing and Financing Activities:		
Accrued construction expenditures	42	81
Capital leases	6	6

See Notes to Condensed Consolidated Financial Statements.

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SCANA Corporation and Subsidiaries
Condensed Consolidated Statements of Changes in Common Equity
(Unaudited)

	Common Stock				Accumulated Other Comprehensive Income (Loss)			
Millions	Shares	Outstanding Amount	Treasury Amount	Retained Earnings	Gains (Losses) from Cash Flow Hedges	Deferred Employee Benefit Plans	Total AOCI	Total
Balance as of January 1, 2018	143	$ 2,402	$ (12)	$ 2,915	$ (37)	$ (13)	$ (50)	$ 5,255
Net Income				177				177
Other Comprehensive Income (Loss)								
Gains arising during the period					4	—	4	4
Losses/amortization reclassified from AOCI					6	1	7	7
Total Comprehensive Income				177	10	1	11	188
Purchase of Treasury Stock	—	—	(1)					(1)
Dividends Declared				(105)				(105)
Balance as of June 30, 2018	143	$ 2,402	$ (13)	$ 2,987	$ (27)	$ (12)	$ (39)	$ 5,337
Balance as of January 1, 2017	143	$ 2,402	$ (12)	$ 3,384	$ (36)	$ (13)	$ (49)	$ 5,725
Net Income				292				292
Other Comprehensive Income (Loss)								
Losses arising during the period					(5)	—	(5)	(5)
Losses/amortization reclassified from AOCI					2	—	2	2
Total Comprehensive Income				292	(3)	—	(3)	289
Purchase of Treasury Stock	—	—	(1)					(1)
Dividends Declared				(175)				(175)
Balance as of June 30, 2017	143	$ 2,402	$ (13)	$ 3,501	$ (39)	$ (13)	$ (52)	$ 5,838

Dividends declared per share of common stock were $0.7362 for the six months ended June 30, 2018 and were $1.225 for the six months ended June 30, 2017.

See Notes to Condensed Consolidated Financial Statements.

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South Carolina Electric & Gas Company and Affiliates
Condensed Consolidated Balance Sheets
(Unaudited)

Millions of dollars	June 30, 2018	December 31, 2017
Assets		
Utility Plant In Service	$ 12,650	$ 12,161
Accumulated Depreciation and Amortization	(4,488)	(4,124)
Construction Work in Progress	322	375
Nuclear Fuel, Net of Accumulated Amortization	193	208
Utility Plant, Net ($690 and $711 related to VIEs)	8,677	8,620
Nonutility Property and Investments:		
Nonutility property, net of accumulated depreciation	73	71
Assets held in trust, net-nuclear decommissioning	136	136
Other investments	1	2
Nonutility Property and Investments, Net	210	209
Current Assets:		
Cash and cash equivalents	222	395
Receivables:		
Customer, net of allowance for uncollectible accounts of $4 and $4	390	390
Affiliated companies	161	32
Income taxes	206	198
Other	69	85
Inventories (at average cost):		
Fuel	72	90
Materials and supplies	154	149
Prepayments	116	82
Derivative financial instrument	—	54
Other current assets	2	2
Total Current Assets ($106 and $191 related to VIEs)	1,392	1,477
Deferred Debits and Other Assets:		
Regulatory assets	5,644	5,476
Other	281	164
Other affiliate	71	—
Total Deferred Debits and Other Assets ($36 and $50 related to VIEs)	5,996	5,640
Total	$ 16,275	$ 15,946

See Notes to Condensed Consolidated Financial Statements.

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Millions of dollars	June 30, 2018	December 31, 2017
Capitalization and Liabilities		
Common Stock - no par value, 40.3 million shares outstanding	$ 2,860	$ 2,860
Retained Earnings	2,060	1,982
Accumulated Other Comprehensive Loss	(4)	(4)
Total Common Equity	4,916	4,838
Noncontrolling Interest	169	142
Total Equity	5,085	4,980
Long-Term Debt, net	4,536	4,441
Total Capitalization	9,621	9,421
Current Liabilities:		
Short-term borrowings	457	252
Current portion of long-term debt	564	723
Accounts payable	123	251
Affiliated payables	260	102
Customer deposits and customer prepayments	119	70
Revenue subject to refund	156	—
Taxes accrued	115	208
Interest accrued	68	67
Dividends declared	—	82
Derivative financial instruments	1	2
Other	32	47
Total Current Liabilities	1,895	1,804
Deferred Credits and Other Liabilities:		
Deferred income taxes, net	1,231	1,173
Asset retirement obligations	538	529
Pension and other postretirement benefits	216	217
Unrecognized tax benefits	19	19
Regulatory liabilities	2,627	2,667
Other	110	97
Other affiliate	18	19
Total Deferred Credits and Other Liabilities	4,759	4,721
Commitments and Contingencies (Note 10)		
Total	$ 16,275	$ 15,946

See Notes to Condensed Consolidated Financial Statements.

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South Carolina Electric & Gas Company and Affiliates
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

Millions of dollars	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Operating Revenues:				
Electric	$ 552	$ 678	$ 1,098	$ 1,256
Electric - nonconsolidated affiliate	1	2	2	3
Gas	79	75	234	216
Gas - nonconsolidated affiliate	—	1	—	1
Total Operating Revenues	632	756	1,334	1,476
Operating Expenses:				
Fuel used in electric generation	126	126	255	239
Fuel used in electric generation - nonconsolidated affiliate	29	35	60	59
Purchased power	15	21	67	32
Gas purchased for resale	45	42	121	108
Other operation and maintenance	113	96	215	197
Other operation and maintenance - nonconsolidated affiliate	51	50	95	91
Impairment loss	—	—	4	—
Depreciation and amortization	81	77	161	154
Other taxes	64	60	126	120
Other taxes - nonconsolidated affiliate	1	2	3	3
Total Operating Expenses	525	509	1,107	1,003
Operating Income	107	247	227	473
Other Income, net	2	8	125	15
Interest charges, net of allowance for borrowed funds used during construction of $3, $7, $5 and $13	(76)	(69)	(152)	(138)
Income Before Income Tax Expense	33	186	200	350
Income Tax Expense	2	60	41	112
Net Income and Total Comprehensive Income	31	126	159	238
Less Net Income and Total Comprehensive Income Attributable to Noncontrolling Interest	5	3	9	7
Earnings and Comprehensive Income Available to Common Shareholder	$ 26	$ 123	$ 150	$ 231
Dividends Declared on Common Stock	$ —	$ 81	$ 74	$ 160

See Notes to Condensed Consolidated Financial Statements.

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South Carolina Electric & Gas Company and Affiliates
Condensed Consolidated Statements of Cash Flows
(Unaudited)

Millions of dollars	Six Months Ended June 30, 2018	2017
Cash Flows From Operating Activities:		
Net income	$ 159	$ 238
Adjustments to reconcile net income to net cash provided from operating activities:		
Impairment loss	4	—
Deferred income taxes, net	58	65
Depreciation and amortization	165	157
Amortization of nuclear fuel	27	19
Allowance for equity funds used during construction	(4)	(16)
Carrying cost recovery	(3)	(11)
Changes in certain assets and liabilities:		
Receivables	—	(5)
Receivables - affiliate	(12)	(1)
Income tax receivable	(8)	53
Inventories	(11)	(22)
Prepayments	(34)	(38)
Regulatory assets	(9)	(26)
Regulatory liabilities	(107)	1
Accounts payable	(19)	4
Accounts payable - affiliate	8	(12)
Revenue subject to refund	156	—
Taxes accrued	(93)	(83)
Unrecognized tax benefit	—	153
Other assets	(131)	(20)
Other liabilities	55	(35)
Net Cash Provided From Operating Activities	201	421
Cash Flows From Investing Activities:		
Property additions and construction expenditures	(464)	(650)
Proceeds from investments and sales of assets (including derivative collateral returned)	31	47
Purchase of investments (including derivative collateral posted)	(17)	(52)
Purchase of investments - affiliate	(113)	—
Proceeds from interest rate derivative contract settlement	115	—
Proceeds from investments - affiliate	42	—
Investment in affiliate	(117)	—
Net Cash Used For Investing Activities	(523)	(655)
Cash Flows From Financing Activities:		
Proceeds from issuance of debt	100	—
Repayment of long-term debt	(170)	(10)
Dividends	(156)	(158)
Money pool borrowings, net	150	(1)
Contribution from parent	20	—
Short-term borrowings, net	205	275
Net Cash Provided From Financing Activities	149	106
Net Decrease In Cash and Cash Equivalents	(173)	(128)
Cash and Cash Equivalents, January 1	395	164
Cash and Cash Equivalents, June 30	$ 222	$ 36
Supplemental Cash Flow Information:		
Cash for–Interest (net of capitalized interest of $5 and $13)	$ 135	$ 129
– Income taxes paid	—	3
– Income taxes received	—	143
Noncash Investing and Financing Activities:		
Accrued construction expenditures	19	61
Capital leases	6	6

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See Notes to Condensed Consolidated Financial Statements.

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South Carolina Electric & Gas Company and Affiliates
Condensed Consolidated Statements of Changes in Common Equity
(Unaudited)

	Common Stock					
Millions	Shares	Amount	Retained Earnings	AOCI	Noncontrolling Interest	Total Equity
Balance at January 1, 2018	40	$ 2,860	$ 1,982	$ (4)	$ 142	$ 4,980
Earnings available to common shareholder			150		9	159
Total Comprehensive Income			150	—	9	159
Contribution from Parent					20	20
Cash dividend declared			(72)		(2)	(74)
Balance at June 30, 2018	40	$ 2,860	$ 2,060	$ (4)	$ 169	$ 5,085
Balance at January 1, 2017	40	$ 2,860	$ 2,481	$ (3)	$ 134	$ 5,472
Earnings available to common shareholder			231		7	238
Total Comprehensive Income			231	—	7	238
Cash dividend declared			(155)		(5)	(160)
Balance at June 30, 2017	40	$ 2,860	$ 2,557	$ (3)	$ 136	$ 5,550

See Notes to Condensed Consolidated Financial Statements.

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SCANA Corporation and Subsidiaries
South Carolina Electric & Gas Company and Affiliates
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The following unaudited notes to the condensed consolidated financial statements are a combined presentation. Except as otherwise indicated herein, each note applies to the Company and Consolidated SCE&G; however, Consolidated SCE&G makes no representation as to information relating solely to SCANA Corporation or its subsidiaries (other than Consolidated SCE&G).

The following condensed notes should be read in conjunction with the Notes to Consolidated Financial Statements appearing in each company's Annual Report on Form 10-K for the year ended December 31, 2017, which also were a combined presentation. These are interim financial statements and, due to the seasonality of each company's business and matters that may occur during the rest of the year, including the matters described in Note 10 under Impairment Considerations, the amounts reported in the Condensed Consolidated Statements of Income and Condensed Consolidated Statements of Comprehensive Income are not necessarily indicative of amounts expected for the full year. In the opinion of management of the respective companies, the information furnished herein reflects all adjustments which are necessary for a fair statement of the results for the interim periods reported, and such adjustments are of a normal recurring nature. In addition, the preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation and Variable Interest Entities

The condensed consolidated financial statements of the Company include, after eliminating intercompany balances and transactions, the accounts of the parent holding company and each of its subsidiaries, including Consolidated SCE&G. Accordingly, discussions regarding the Company's financial results necessarily include the results of Consolidated SCE&G.

SCE&G has determined that it has a controlling financial interest in each of GENCO and Fuel Company (which are considered to be VIEs) and, accordingly, Consolidated SCE&G's condensed consolidated financial statements include the accounts of SCE&G, GENCO and Fuel Company. The equity interests in GENCO and Fuel Company are held solely by SCANA, SCE&G's parent. As a result, GENCO's and Fuel Company's equity and results of operations are reflected as noncontrolling interest in Consolidated SCE&G's condensed consolidated financial statements.

GENCO owns a coal-fired electric generating station with a 605 MW net generating capacity (summer rating). GENCO's electricity is sold, pursuant to a FERC-approved tariff, solely to SCE&G under the terms of a power purchase agreement and related operating agreement. The effects of these transactions are eliminated in consolidation. Substantially all of GENCO's property (carrying value of approximately $497 million) serves as collateral for its long-term borrowings. Fuel Company acquires, owns and provides financing for SCE&G's nuclear fuel, certain fossil fuels and emission and other environmental allowances. See also Note 5.

Income Statement Presentation

Revenues and expenses arising from regulated businesses and, in the case of the Company, the retail natural gas marketing business (including those activities of segments described in Note 11) are presented within Operating Income, and other activities are presented within Other Income (Expense).

Asset Management and Supply Service Agreement

PSNC Energy, a subsidiary of SCANA, utilizes an asset management and supply service agreement with a counterparty for certain natural gas storage facilities. Such counterparty held, through an agency relationship, 41% and 39% of PSNC Energy's natural gas inventory at June 30, 2018 and December 31, 2017, respectively, with a carrying value of $9.8 million and $11.5 million, respectively. Under the terms of this agreement, PSNC Energy receives storage asset management fees of which 75% are credited to customers. This agreement expires on March 31, 2019.

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Earnings Per Share

The Company computes basic earnings per share by dividing net income by the weighted average number of common shares outstanding for the period. When applicable, the Company computes diluted earnings per share using this same formula, after giving effect to securities considered to be dilutive potential common stock utilizing the treasury stock method.

Reclassifications

In the statement of operations, amounts reported for 2017 under the captions "Other income," "Other expense" and "Allowance for equity funds used during construction" have been combined into a single caption titled "Other Income (Expense), Net." Details of the composition of this caption are described in Note 12. Also, the subtotal captioned "Total Other Expense" that previously appeared on the statements of operations has been eliminated.

New Accounting Matters

Recently Adopted

In the first quarter of 2018, the Company and Consolidated SCE&G adopted the following accounting guidance, as applicable, issued by the FASB. The adoption of this guidance had no impact or no significant impact on their respective financial statements except as indicated.

- In January 2017, the FASB issued accounting guidance to simplify the accounting for goodwill impairment by removing Step 2 of the goodwill impairment test. The guidance is effective for years beginning in 2020, though early adoption after January 1, 2017 is allowed. The Company adopted this guidance on January 1, 2018.

- Effective January 1, 2018, the Company and Consolidated SCE&G adopted new accounting guidance for revenue arising from contracts with customers. This guidance uses a five-step analysis in determining when and how revenue is recognized, and requires that revenue recognition depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. As permitted, this guidance was adopted using the modified retrospective method whereby amounts and disclosures for prior periods are not restated. Revenue recognition patterns did not change as a result of adopting this guidance, and no cumulative effect adjustment to Retained Earnings was required. For additional required disclosures, see Note 3.

- Effective January 1, 2018, the Company and Consolidated SCE&G adopted accounting guidance that changed the required presentation of net periodic pension and postretirement benefit costs. As a result, net periodic pension and postretirement benefit costs have been separated into their service cost components and non-service cost components. Service cost components continue to be included within operating income and are presented in the same line item as other compensation costs arising from services rendered by employees during the period. Non-service cost components are now excluded from operating income. This guidance has been applied on a retrospective basis for the presentation of the service cost components and other components, and resulted in the following changes to the amounts reported in 2017.

Increase (Decrease) Millions of dollars	The Company		Consolidated SCE&G	
June 30, 2017	Three Months Ended	Six Months Ended	Three Months Ended	Six Months Ended
Other operation and maintenance	$ (2)	$ (6)	$ (1)	$ (5)
Total Operating Expenses	(2)	(6)	(1)	(5)
Operating Income	2	6	1	5
Other Income (Expense), Net	(2)	(6)	(1)	(5)

In addition, this guidance limits eligibility for capitalization of net periodic pension and postretirement benefit costs to only the service cost component, and requires this change to be applied prospectively. Accordingly, no reclassifications were made related to the capitalization of service costs, and the adoption of this guidance did not result in a material impact on the Company's and Consolidated SCE&G's respective financial statements. Amounts which otherwise would have been capitalized to plant accounts under prior guidance are now being deferred within regulatory assets.

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- Guidance issued in January 2016 changed how entities measure certain equity investments and financial liabilities, among other things.
- Guidance issued in August 2016 is intended to reduce diversity in cash flow statement classification related to certain transactions, and entities must apply the guidance retrospectively to all periods presented.
- Guidance issued in November 2016 clarified how restricted cash should be presented on the statement of cash flows, and entities were to apply the guidance retrospectively to all periods presented.

Pending Adoption

The Company and Consolidated SCE&G will adopt the following accounting guidance issued by the FASB when indicated below.

In February 2016, the FASB issued accounting guidance related to the recognition, measurement and presentation of leases. The guidance applies a right-of-use model and, for lessees, requires all leases with a duration over 12 months to be recorded on the balance sheet, with the rights of use treated as assets and the payment obligations treated as liabilities. Further,
depending primarily on the nature of the assets and the relative consumption of them, lease costs will be recognized either through the separate amortization of the right-of-use asset and the recognition of the interest cost related to the payment obligation, or through the recording of a combined straight-line rental expense. For lessors, the guidance calls for the recognition of income either through the derecognition of assets and subsequent recording of interest income on lease amounts receivable, or through the recognition of rental income on a straight-line basis, also depending on the nature of the assets and relative consumption. In the first quarter of 2018, FASB amended this accounting guidance to clarify that land easements are within the scope of the new guidance and to provide an optional transition practical expedient, that the Company and Consolidated SCE&G intend to adopt, that allows adopters to not evaluate under the new guidance existing or expired land easements that were not previously accounted for as leases. FASB also approved a new transition option in the first quarter of 2018, that the Company and Consolidated SCE&G intend to adopt, that will allow the new standard to be adopted without revising comparative period reporting or disclosures. The new guidance is effective for years beginning in 2019, and the Company and Consolidated SCE&G do not anticipate that its adoption will have a material impact on their respective financial statements other than increasing amounts reported for assets and liabilities on the balance sheet and changing the location on their respective statements of operations where certain expenses are recorded. No impact on net income is expected. The identification and analysis of leasing and related contracts to which the guidance might apply continues. In addition, the Company and Consolidated SCE&G have begun implementation of a third party software tool that will assist with initial adoption and ongoing compliance. Preliminary system configuration has been completed and data from certain leases are being entered.

In June 2016, the FASB issued accounting guidance requiring the use of a current expected credit loss impairment model for certain financial instruments. The new model is applicable to trade receivables and most debt instruments, among other financial instruments, and in certain instances may result in impairment losses being recognized earlier than under current guidance. The Company and Consolidated SCE&G must adopt this guidance beginning in 2020, including interim periods, though the guidance may be adopted in 2019. The Company and Consolidated SCE&G have not determined when this guidance will be adopted or what impact it will have on their respective financial statements.

In August 2017, the FASB issued accounting guidance intended to simplify the application of hedge accounting. Among other things, the new guidance will enable more hedging strategies to qualify for hedge accounting, will allow entities more time to perform an initial assessment of hedge effectiveness, and will permit an entity to perform a qualitative assessment of effectiveness for certain hedges instead of a quantitative one. For cash flow hedges that are highly effective, all changes in the fair value of the derivative hedging instrument will be recorded in other comprehensive income and will be reclassified to earnings in the same period that the hedged item impacts earnings. Fair value hedges will continue to be recorded in current earnings, and any ineffectiveness will impact the income statement. In addition, changes in the fair value of a derivative will be recorded in the same income statement line as the earnings effect of the hedged item, and additional disclosures will be required related to the effect of hedging on individual income statement line items. The guidance must be applied to all outstanding instruments using a modified retrospective method, with any cumulative effect adjustment recorded to opening retained earnings as of the beginning of the first period in which the guidance becomes effective. The Company and Consolidated SCE&G expect to adopt this guidance when required in the first quarter of 2019 and do not expect it to have a significant impact on their respective financial statements.

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In February 2018, the FASB issued accounting guidance allowing entities to reclassify from AOCI to retained earnings any amounts for stranded tax effects resulting from the Tax Act. The guidance must be applied either in the period of adoption or retrospectively to each period in which the effect of the change was recognized. The Company and Consolidated SCE&G must adopt this guidance beginning in 2019, including interim periods, though the guidance may be adopted earlier. The Company and Consolidated SCE&G have not determined when this guidance will be adopted or what impact it will have on their respective statements of financial position. No impact is expected on statements of operations or cash flows.

2. RATE AND OTHER REGULATORY MATTERS

Rate Matters

Tax Act Regulatory Proceedings

The Tax Act contained provisions that lowered the federal corporate tax rate from 35% to 21% effective January 1, 2018. In response, the SCPSC and the NCUC have sought information from utilities under their respective jurisdictions that would disclose the impact of the Tax Act on their individual company's operations and would propose procedures for changing customer rates to reflect those impacts. SCE&G and PSNC Energy provided to their respective commissions the requested information. The ORS filed a petition with the SCPSC that, among other things, requested that the SCPSC order that rates in effect as of January 1, 2018, be subject to refund so that ratepayers receive the benefit of the tax law changes as of January 1, 2018. The ORS has made subsequent filings with the SCPSC making specific recommendations for how it should direct SCE&G to account for the effects of the Tax Act and for the accrual of interest on deferred amounts until new customer rates are made effective. On April 25, 2018, the SCPSC issued an order that requires utilities to track and defer as a regulatory liability the effects resulting from the Tax Act.

SCE&G and PSNC Energy expect their respective commissions will take further action on this matter in 2018 but cannot determine what form those actions will take. As of June 30, 2018, estimates of income tax amounts charged through customer rates that relate to the effects of the Tax Act are being deferred as Revenue subject to refund on the condensed consolidated balance sheet. Such deferrals include the accrual of estimated carrying costs. Such estimates totaled $55.0 million for the Company, of which $46.2 million was attributable to Consolidated SCE&G. In addition, as further discussed under Regulatory Assets and Regulatory Liabilities below, certain accumulated deferred income taxes contained within regulatory liabilities represent excess deferred income taxes arising from the remeasurement of deferred income taxes upon the enactment of the Tax Act. Certain of these amounts are protected under normalization regulations and will be amortized over the remaining lives of related property, and certain of these amounts will be amortized to the benefit of customers over a prescribed period as instructed by regulators.

Electric - BLRA and Joint Petition

On January 12, 2018, SCE&G and Dominion Energy filed with the SCPSC the Joint Petition for review and approval of a proposed business combination whereby SCANA would become a wholly-owned subsidiary of Dominion Energy. In the Joint Petition, approval of a customer benefits plan and a cost recovery plan for the Nuclear Project is also sought. Key provisions of this Joint Petition are summarized at Note 10. The SCPSC has scheduled a hearing on the Joint Petition and two other dockets related to the Nuclear Project, namely the Request by the ORS and a June 2017 complaint filed by the Friends of the Earth and the Sierra Club, to begin November 1, 2018. This hearing schedule was established in response to legislation described below.

On June 27, 2018, the South Carolina General Assembly adopted Act 258, which became law June 28, 2018, to temporarily reduce the amount SCE&G can collect from customers under the BLRA. Act 258 requires the SCPSC to order a reduction in the portion of SCE&G's retail electric rates associated with the Nuclear Project from approximately 18% of the average residential electric customer's bill to approximately 3.2%, or a reduction of approximately $31 million per month, retroactive to April 1, 2018. Absent an earlier ruling from the SCPSC, which could be issued only on the SCPSC's own initiative, these lower rates are to be effective until the SCPSC renders a final decision on the merits of the Joint Petition. On July 2 and 3, 2018, the SCPSC issued orders implementing the rate reduction required by Act 258. Unless the relief discussed in the next paragraph is granted, the new rates and retroactive credits required by Act 258 are to be put into effect with the first billing cycle of August 2018. Retroactive credits for the period April 1, 2018 through June 30, 2018 total approximately $109.3 million, which amount has been deferred within Revenue subject to refund on the condensed consolidated balance sheet of the Company and Consolidated SCE&G. The initial recognition of such retroactive credits includes the effects of cycle billing on unbilled usage. In addition to the reduction of electric rates (which rates had been previously approved by the SCPSC), Act 258

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also alters various procedures previously applicable under the BLRA, including redefining the standard of care required by the BLRA and supplying definitions of key terms that would affect the evidence required to establish SCE&G's ability to recover its costs associated with the Nuclear Project.

On June 29, 2018, SCE&G filed a lawsuit in the District Court challenging the constitutionality of Act 258 along with joint resolution S. 954, which became law on July 2, 2018. Among other things, S. 954 prohibits the SCPSC from holding a hearing on the merits of the Joint Petition before November 1, 2018, and requires it to issue an order on the merits of the Joint Petition by December 21, 2018. In the lawsuit, which was subsequently amended, SCE&G seeks a declaration that the new laws are unconstitutional and asks the court to issue an injunction prohibiting the SCPSC from implementing Act 258. A hearing on SCE&G's motion for the issuance of a preliminary injunction was held July 30-31, 2018. Dominion Energy and Sedona would not be obligated to complete the pending merger with SCANA if Act 258 remains in effect and is implemented.

Electric - Cost of Fuel

On April 25, 2018, the SCPSC approved SCE&G's proposal to increase the total fuel cost component of retail electric rates. Specifically, the SCPSC approved SCE&G's increase to certain environmental, avoided capacity and DER cost components and SCE&G's agreement to maintain its base fuel component to produce a projected under-recovered balance of approximately $1.3 million at the end of the 12-month period beginning with the first billing cycle of May 2018. This projected under-recovered balance includes the effect of offsetting fuel cost recovery with the gains realized from the settlement of certain interest rate derivatives in early 2018. SCE&G also agreed to recover, over a 12-month period beginning with the first billing cycle of May 2018, projected DER program costs of approximately $29.3 million.

Electric - Other

On April 25, 2018, the SCPSC approved SCE&G's request to recover approximately $33.0 million of costs and net lost revenues associated with DSM Programs, along with an incentive to invest in such programs. Changes in rates became effective beginning with the first billing cycle of May 2018.

Gas - SCE&G

On June 15, 2018, SCE&G filed with the SCPSC its monitoring report for the 12-month period ended March 31, 2018 and proposed an approximately $22.6 million, or 5.29%, overall decrease to its natural gas rates under the terms of the RSA including the impact of the lower corporate tax rate resulting from the Tax Act. The ORS is expected to issue an audit report by September 1, 2018, and the SCPSC is expected to issue its order by October 15, 2018. If approved, the rate adjustment will be effective for the first billing cycle of November 2018.

Gas - PSNC Energy

The NCUC has authorized PSNC Energy to use a tracker mechanism to recover the incurred capital investment and associated costs of complying with federal standards for pipeline integrity and safety requirements that are not in current base rates. PSNC Energy has filed biannual applications to adjust its rates for this purpose, and the NCUC has approved those applications for the incremental annual revenue requirements, as follows:

Rates Effective	Incremental Increase
March 1, 2017	$1.9 million
September 1, 2017	$0.7 million
March 1, 2018	$14.7 million

Regulatory Assets and Regulatory Liabilities

Rate-regulated utilities recognize in their financial statements certain revenues and expenses in different periods than do other enterprises. As a result, the Company and Consolidated SCE&G have recorded regulatory assets and regulatory liabilities which are summarized in the following tables. Except for certain unrecovered nuclear project costs and other unrecovered plant, substantially all regulatory assets are either explicitly excluded from rate base or are effectively excluded from rate base due to their being offset by related liabilities.

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Millions of dollars	The Company June 30, 2018	The Company December 31, 2017	Consolidated SCE&G June 30, 2018	Consolidated SCE&G December 31, 2017
Regulatory Assets:				
Unrecovered Nuclear Project costs	$ 4,142	$ 3,976	$ 4,142	$ 3,976
AROs and related funding	451	434	426	410
Deferred employee benefit plan costs	296	305	266	273
Deferred losses on interest rate derivatives	449	456	449	456
Other unrecovered plant	99	105	99	105
DSM Programs	59	59	59	59
Pipeline integrity management costs	61	51	9	8
Environmental remediation costs	29	30	24	25
Deferred storm damage costs	24	24	24	24
Other	147	140	146	140
Total Regulatory Assets	$ 5,757	$ 5,580	$ 5,644	$ 5,476
Regulatory Liabilities:				
Monetization of guaranty settlement	$ 1,098	$ 1,095	$ 1,098	$ 1,095
Accumulated deferred income taxes	1,074	1,076	915	914
Asset removal costs	768	757	535	527
Deferred gains on interest rate derivatives	78	131	78	131
Other	1	—	1	—
Total Regulatory Liabilities	$ 3,019	$ 3,059	$ 2,627	$ 2,667

Regulatory assets for unrecovered Nuclear Project costs have been recorded based on such amounts not being probable of loss in accordance with the accounting guidance on abandonments, whereas the other regulatory assets have been recorded based on the probability of their recovery. All regulatory assets represent incurred costs that may be deferred under applicable GAAP for regulated operations. The SCPSC, the NCUC or the FERC has reviewed and approved through specific orders certain of the items shown as regulatory assets. In addition, regulatory assets include, but are not limited to, certain costs which have not been specifically approved for recovery by one of these regulatory agencies, including unrecovered nuclear project costs that are the subject of regulatory proceedings as further discussed above and in Note 10. In recording such costs as regulatory assets, management believes the costs would be allowable under existing rate-making concepts that are embodied in rate orders or current state law. The costs are currently not being recovered, but are expected to be recovered through rates in future periods. In the future, as a result of deregulation, changes in state law, other changes in the regulatory environment or changes in accounting requirements or other adverse legislative or regulatory developments, the Company or Consolidated SCE&G could be required to write off all or a portion of its regulatory assets and liabilities. Such an event could have a material effect on the Company's and Consolidated SCE&G's financial statements in the period the write-off would be recorded.

Unrecovered Nuclear Project costs represents expenditures by SCE&G that have been reclassified from construction work in progress as a result of the decision to stop construction of Unit 2 and Unit 3 and to pursue recovery of costs under the abandonment provisions of the BLRA or through other regulatory means, net of an estimated impairment loss and of the cost of certain assets that have been or will be placed in service. See also Note 10.

AROs and related funding represents the regulatory asset associated with the legal obligation to decommission and dismantle Unit 1 and conditional AROs related to generation, transmission and distribution properties, including gas pipelines. These regulatory assets are expected to be recovered over the related property lives and periods of decommissioning which may range up to approximately 107 years.

Employee benefit plan costs of the regulated utilities have historically been recovered as they have been recorded under GAAP. Deferred employee benefit plan costs represent amounts of pension and other postretirement benefit costs which were accrued as liabilities and treated as regulatory assets pursuant to FERC guidance, and costs deferred pursuant to specific SCPSC regulatory orders. SCE&G recovers deferred pension costs through utility rates of approximately $2 million annually for electric operations, which will end in 2044, and approximately $1 million annually for gas operations, which will end in

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2027. The remainder of the deferred benefit costs are expected to be recovered through utility rates, primarily over average service periods of participating employees up to approximately 11 years.

Deferred losses or gains on interest rate derivatives represent (i) the effective portions of changes in fair value and payments made or received upon settlement of certain interest rate derivatives designated as cash flow hedges and (ii) the changes in fair value and payments made or received upon settlement of certain other interest rate derivatives not so designated. The amounts recorded with respect to (i) are expected to be amortized to interest expense over the lives of the underlying debt through 2043. The amounts recorded with respect to (ii) are expected to be similarly amortized to interest expense through 2065.

Other unrecovered plant represents the carrying value of coal-fired generating units, including related materials and supplies inventory, retired from service prior to being fully depreciated. Pursuant to SCPSC approval, SCE&G is amortizing these amounts through cost of service rates over the units' previous estimated remaining useful lives through approximately 2025. Unamortized amounts are included in rate base and are earning a current return.

DSM Programs represent SCE&G's deferred costs associated with electric demand reduction programs, and such deferred costs are currently being recovered over approximately five years through an approved rate rider.

Pipeline integrity management costs represent operating costs incurred to comply with federal regulatory requirements related to natural gas pipelines. PSNC Energy is recovering costs totaling $4.1 million annually through 2021. PSNC Energy is continuing to defer pipeline integrity costs, and as of June 30, 2018 costs of $38.1 million have been deferred pending future approval of rate recovery. SCE&G amortizes $1.9 million of such costs annually.

Environmental remediation costs represent costs associated with the assessment and clean-up of sites currently or formerly owned by SCE&G or PSNC Energy. SCE&G's remediation costs are expected to be recovered over periods of up to approximately 17 years, and PSNC Energy's remediation costs of $4.5 million are being recovered over a period that will end in 2021.

Deferred storm damage costs represent costs incurred in excess of amounts previously collected through SCE&G's SCPSC-approved storm damage reserve, and for which SCE&G expects to receive future recovery through customer rates.

Various other regulatory assets are expected to be recovered through rates over varying periods through 2047.

Monetization of guaranty settlement represents proceeds received under or arising from the monetization of the Toshiba Settlement. The SCPSC is expected to determine how SCE&G's customers will realize the value of these proceeds in connection with its consideration of the Request by the ORS and the Joint Petition (see above and Note 10).

Accumulated deferred income taxes contained within regulatory liabilities represent (i) excess deferred income taxes arising from the remeasurement of deferred income taxes upon the enactment of the Tax Act (certain of which are protected under normalization regulations and will be amortized over the remaining lives of related property, and certain of which will be amortized to the benefit of customers over a prescribed period as instructed by regulators) and (ii) deferred income taxes arising from investment tax credits, offset by (iii) deferred income taxes that arise from utility operations that have not been included in customer rates (a portion of which relate to depreciation and are expected to be recovered over the remaining lives of the related property which may range up to approximately 85 years). See also Note 6.

Asset removal costs represent estimated net collections through depreciation rates of amounts to be incurred for the removal of assets in the future.

3. REVENUE RECOGNITION

Identifying Revenue Streams and Related Performance Obligations

Operating Revenues

Operating revenues arise primarily from the sale and transmission of electricity and the sale and transportation of natural gas. Electric and Gas regulated revenues consist primarily of retail sales to residential, commercial and industrial customers under various tariff rates approved by state regulatory commissions. These tariff rates generally include charges for the energy consumed and a standard basic facilities or demand charge designed to recover certain fixed costs incurred to

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provide service to the customer. Tariff rates also include commission-approved regulatory mechanisms in the form of adjustments or riders, such as for weather normalization, fuel and environmental cost recovery, energy conservation programs, interruptible service and real time pricing provisions, among others. Electric revenues also include wholesale sales and transmission service, primarily to municipal customers and other service providers, under contracts or tariffs approved by the FERC.

Gas nonregulated revenues arise from natural gas sales at market-based rates. Such sales to residential and certain commercial customers include charges for natural gas delivered, at either variable or fixed prices, together with any applicable customer service charges, charges originating from an interstate pipeline company, and other incidental charges. The Company has determined that its gas marketing subsidiary serves as an agent for distribution services provided by a nonaffiliated company in its retail market. Accordingly, the pass-through charges to customers related to such services are not considered revenues. Sales to other commercial and to industrial customers include commodity and transportation charges for natural gas delivered at contracted rates, together with applicable fees for storage, injection, demand, and charges originating from one or more interstate pipeline companies.

Performance obligations which have not been satisfied by the Company or Consolidated SCE&G relate primarily to demand or standby service for natural gas. Demand or standby charges for natural gas arise when an industrial customer reserves capacity on assets controlled by the service provider and may use that capacity to move natural gas it has acquired from other suppliers. For all periods presented, the amount of revenue recognized by the Company and Consolidated SCE&G for these charges is equal to the amount of consideration they have a right to invoice, and corresponds directly to the value transferred to the customer. As a result, amounts related to performance obligations that have not been fully satisfied are not disclosed.

Contracts governing the transactions above do not have a significant financing component. Also, due to the nature of the commodities underlying these transactions, no performance obligations arise for returns, refunds or warranties. In addition, taxes billed to customers are excluded from the transaction price. Such amounts are recorded as liabilities until they are remitted to the respective taxing authority and are not included in revenues or expenses in the statements of operations.

Non-Operating Revenues

Non-operating revenues are derived from the sale of appliances and water heaters, as well as from contracts covering the repair of certain appliances, wiring, plumbing and similar systems and fees received for such repairs from customers not under a repair contract. In addition, the portion of fees received under asset management agreements that regulators have recognized to be incentives for the Company and Consolidated SCE&G to engage in such transactions is recorded as non-operating revenues.

Revenues from sales are recorded when the appliance or water heater is delivered to the customer. Repair contract coverage fees are recorded when invoiced, generally on a monthly basis in advance of the period of coverage. Additional charges for service calls and non-covered repairs are billed and collected at the time service is rendered. Revenues from asset management agreements are recorded when the related fixed monthly amounts are due, which corresponds to timing of the value received by the customer.

The point at which the customer controls the use of a purchased product, or has obtained substantially all of the benefits from repair services, corresponds to when revenues are recorded and performance obligations are fulfilled. Contract assets arising from invoicing repair contract fees in advance of the coverage period are not material. Income earned from financing sales of appliances and other products is recorded within interest income. Any performance obligations arising from returns, refunds or warranties are not material.

Non-operating revenues also arise from sources unrelated to contracts with customers, such as carrying costs recorded on certain regulatory assets, gains from property sales and income from rentals and from equity method investments, among others. In 2018, such amounts include gains realized upon the settlement of certain interest rate swaps (see Note 12). Such revenues are outside the scope of revenues from contracts with customers.

Non-operating revenues are further described in Note 12. Such revenues arising from contracts with customers were not material for any period presented, and accordingly, detailed disclosures regarding these revenues are not provided.

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Significant Judgments and Estimates

Electricity and natural gas are sold and delivered to the customer for immediate consumption and the customer controls the use of, and obtains substantially all of the benefits from, the energy and related services as they are delivered. As such, the related performance obligations are satisfied over time and revenue is recognized over the same period. The Company and Consolidated SCE&G have determined that their right to consideration from a customer directly corresponds to the value of the performance completed at the date each customer invoice is rendered. As a result, the Company and Consolidated SCE&G recognize revenue in the amounts for which they have a right to invoice. This includes estimated amounts unbilled at a balance sheet date but which are to be invoiced in the normal cycle.

Regulatory mechanisms exist within electric and gas tariffs or orders from regulators that result in adjustments to customer bills. These regulatory mechanisms are designed:

- To recover costs related to fuel, pension, pipeline integrity and energy conservation, among others;
- To recover carrying costs associated with debt-based financing;
- To replace revenues lost as a result of the utility implementing DER programs and DSM Programs; and
- For gas revenues, to achieve weather normalization or to decouple gas revenues from weather and other factors, such as through the WNA at SCE&G or the CUT at PSNC Energy.

Recovery of deferred costs and carrying costs and the replacement of lost revenues are components of approved tariffs, and therefore, adjustments to customer bills occur as electricity or natural gas is sold and delivered to the customer. As such, the Company and Consolidated SCE&G have concluded that performance obligations related to these adjustments are not capable of being distinct from the underlying tariff based sales. Accordingly, revenues arising from these adjustments are recorded within Operating Revenues - Electric or Gas - regulated on the statements of operations, consistent with revenues from underlying tariff based sales.

Adjustments for SCE&G's WNA increase gas customer bills when weather is milder than normal and decrease gas customer bills when weather is colder than normal. These adjustments are made during the same period that the underlying natural gas is sold and delivered to the customer, and the performance obligations associated with these adjustments are not capable of being distinct from tariff based sales. Such adjustments are recorded within Operating Revenues - Gas - regulated on the statements of operations. When weather is significantly milder than normal, SCE&G limits such adjustments on a gas customer's bill to an amount that would be added if weather were 50% milder than normal. Adjustments exceeding this limit, though still recorded as operating revenue, are deferred within regulatory assets until customers are subsequently billed for the excess with the approval of the SCPSC.

PSNC Energy's CUT is a decoupling mechanism that adjusts bills for residential and commercial customers based on per customer average consumption. When average consumption exceeds actual usage, PSNC Energy records increased revenue associated with this undercollection and defers it within regulatory assets. Likewise, when actual usage exceeds average consumption, a decrement to revenue associated with this overcollection is recorded and deferred within regulatory liabilities. PSNC Energy's tariff based rates are adjusted semiannually, with the approval of the NCUC, to collect or refund these deferred amounts over the subsequent 12 month period.

Amounts deferred for the WNA and the CUT arise under specific arrangements with regulators rather than customers. As a result, the Company and Consolidated SCE&G have concluded that these arrangements represent alternative revenue programs. Revenue from alternative revenue programs is included within Operating Revenues - Gas - regulated on the statements of operations in the month such adjustments are deferred within regulatory accounts, and is shown as Other operating revenues when disaggregated in the table below. As permitted, the Company and Consolidated SCE&G have elected to reduce the regulatory accounts in the period when such amounts are reflected on customer bills without affecting operating revenues.

Disaggregation of Revenues

The impact of several factors on the amount, timing and uncertainty of operating revenues and cash flows can vary significantly by customer class. For electric revenues and nonregulated gas revenues, which do not have weather normalization mechanisms in place, the impact of weather and conservation measures on energy usage typically affect residential and commercial customers to a greater degree than other customer classes. For utilities, revenue requirements result in increases or decreases in tariff rates approved by regulatory bodies and often vary by customer class. Also, certain cost recovery and other mechanisms may have an uneven impact on a particular customer class depending on the underlying tariffs affected. For nonregulated gas, revenues are impacted by competitive market rates tailored to appeal to specific customer classes. The Company and Consolidated SCE&G have disaggregated operating revenues by customer class as follows:

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The Company	Consolidated SCE&G		PSNC Energy		
Millions of dollars	Electric	Gas-regulated	Gas-regulated	Total Gas-regulated	Gas-nonregulated
Three months ended June 30, 2018					
Customer class:					
Residential	$ 243	$ 34	$ 38	$ 72	$ 30
Commercial	171	22	18	40	16
Industrial	106	21	4	25	91
Other	30	2	7	9	6
Revenues from contracts with customers	550	79	67	146	143
Other operating revenues	3	—	2	2	—
Total Operating Revenues	$ 553	$ 79	$ 69	$ 148	$ 143
Six months ended June 30, 2018					
Customer class:					
Residential	$ 495	$ 120	$ 183	$ 303	$ 136
Commercial	340	61	66	127	50
Industrial	191	45	10	55	211
Other	68	7	15	22	19
Revenues from contracts with customers	1,094	233	274	507	416
Other operating revenues	6	1	1	2	—
Total Operating Revenues	$ 1,100	$ 234	$ 275	$ 509	$ 416

Contract Costs

Costs to obtain contracts are generally expensed when incurred. In limited instances, SCE&G provides economic development grants intended to support economic growth within SCE&G's electric service territory and defers such grants as regulatory assets on the condensed consolidated balance sheet. Whenever these grants are contingent on a customer entering into a long-term electric supply contract with SCE&G, they are considered costs to obtain that underlying contract. Such costs that exceed certain thresholds are deferred and amortized on a straight-line basis over the term of the related service contract, which generally ranges from ten to 15 years.

Balances and activity related to contract costs deferred as regulatory assets were as follows:

The Company and Consolidated SCE&G Millions of dollars	Regulatory Assets
January 1, 2018	$ 16.3
Additional costs	—
Amortization	(0.8)
Impairment	—
June 30, 2018	$ 15.5

4. COMMON EQUITY

SCANA shareholders approved the Merger Agreement at a special meeting on July 31, 2018. Certain regulatory approvals must be obtained and other conditions must be met before the merger may be consummated.

SCANA had 200 million shares of common stock authorized as of June 30, 2018 and December 31, 2017.

Authorized shares of SCE&G common stock were 50 million as of June 30, 2018 and December 31, 2017. Authorized shares of SCE&G preferred stock were 20 million, of which 1,000 shares, no par value, were issued and outstanding as of June

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30, 2018 and December 31, 2017. All issued and outstanding shares of SCE&G's common and preferred stock are held by SCANA.

In June 2018, SCANA made an equity contribution to GENCO of $20 million.

SCANA's articles of incorporation do not limit the dividends that may be paid on its common stock, and the articles of incorporation of each of SCANA's subsidiaries contain no such limitations on their respective common stock. SCANA has agreed to obtain the consent of Dominion Energy, which consent cannot be unreasonably withheld, prior to making dividend payments to shareholders greater than $0.6125 per share for any quarter while the Merger Agreement is pending.

SCE&G's bond indenture under which it issues First Mortgage Bonds contains provisions that could limit the payment of cash dividends on its common stock. SCE&G's bond indenture permits the payment of dividends on SCE&G's common stock only either (1) out of its Surplus (as defined in the bond indenture) or (2) in case there is no Surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. In addition, the Federal Power Act requires the appropriation of a portion of certain earnings from hydroelectric projects. At June 30, 2018 and 2017, retained earnings of approximately $97.6 million and $82.3 million, respectively, were restricted by this requirement as to payment of cash dividends on SCE&G's common stock.

PSNC Energy's note purchase and debenture purchase agreements contain provisions that could limit the payment of cash distributions, including dividends, on PSNC Energy's common stock. These agreements generally limit the sum of distributions to an amount that does not exceed $30 million *plus* 85% of Consolidated Net Income (as therein defined) accumulated after December 31, 2008 *plus* the net proceeds of issuances by PSNC Energy of equity or convertible debt securities (as therein defined). As of June 30, 2018, this limitation would permit PSNC Energy to pay cash distributions in excess of $100 million.

5. LONG-TERM DEBT AND LIQUIDITY

Long-term Debt

In June 2018, GENCO redeemed at maturity $160 million of 6.06% secured notes. The repayment was funded using a combination of utility money pool borrowings and an equity contribution from SCANA.

In June 2018, PSNC Energy issued $100 million of 4.33% senior notes due June 15, 2028. In June 2017, PSNC Energy issued $150 million of 4.18% senior notes due June 30, 2047. Proceeds from each of these sales were used to repay short-term debt, to finance capital expenditures, and for general corporate purposes.

Substantially all electric utility plant is pledged as collateral in connection with long-term debt.

Liquidity

Credit agreements are used for general corporate purposes, including liquidity support for each company's commercial paper program and working capital needs and, in the case of Fuel Company, to finance or refinance the purchase of nuclear fuel, certain fossil fuels, and emission and other environmental allowances. Committed long-term facilities are revolving lines of credit under credit agreements with a syndicate of banks. Committed LOC, outstanding LOC advances, commercial paper, and LOC-supported letter of credit obligations were as follows:

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June 30, 2018 (Millions of dollars)	Total	SCANA	Consolidated SCE&G	PSNC Energy
Lines of credit:				
Five-year, expiring December 2020	$ 1,300.0	$ 400.0	$ 700.0	$ 200.0
Fuel Company five-year, expiring December 2020	500.0	—	500.0	—
Three-year, expiring December 2018	200.0	—	200.0	—
Total committed long-term	2,000.0	400.0	1,400.0	200.0
LOC advances	100.0	—	100.0	—
Weighted average interest rate		—	3.31%	—
Outstanding commercial paper (270 or fewer days)	517.4	29.0	457.5	30.9
Weighted average interest rate		2.99%	2.96%	2.61%
Letters of credit supported by LOC	33.7	33.4	0.3	—
Available	$ 1,348.9	$ 337.6	$ 842.2	$ 169.1

December 31, 2017 (Millions of dollars)	Total	SCANA	Consolidated SCE&G	PSNC Energy
Lines of credit:				
Five-year, expiring December 2020	$ 1,300.0	$ 400.0	$ 700.0	$ 200.0
Fuel Company five-year, expiring December 2020	500.0	—	500.0	—
Three-year, expiring December 2018	200.0	—	200.0	—
Total committed long-term	2,000.0	400.0	1,400.0	200.0
Outstanding commercial paper (270 or fewer days)	350.3	—	251.6	98.7
Weighted average interest rate		—	1.92%	1.93%
Letters of credit supported by LOC	3.3	3.0	0.3	—
Available	$ 1,646.4	$ 397.0	$ 1,148.1	$ 101.3

In March 2018, SCE&G borrowed $100 million under the five-year credit agreement expiring December 2020. The interest rate on this draw at June 30, 2018 was 3.31%, and this draw is classified as long-term debt. Proceeds from the draw were deposited with a natural gas supplier to provide contractually required credit support, and this deposit is reflected within other assets on the condensed consolidated balance sheet. The interest rate on this deposit currently exceeds the interest rate on the draw. Also, SCANA has issued a letter of credit in favor of a natural gas supplier to provide contractually required credit support.

SCE&G has obtained FERC authority to issue short-term indebtedness and to assume liabilities as a guarantor (pursuant to Section 204 of the Federal Power Act). SCE&G may issue unsecured promissory notes, commercial paper and direct loans in amounts not to exceed $1.6 billion outstanding with maturity dates of one year or less, and may enter into guaranty agreements in favor of lenders, banks, and dealers in commercial paper in amounts not to exceed $600 million. GENCO has obtained FERC authority to issue short-term indebtedness not to exceed $200 million outstanding with maturity dates of one year or less. The authority described herein will expire in October 2018. Were adverse developments to occur with respect to uncertainties highlighted elsewhere, the ability of SCE&G or GENCO to secure renewal of this short-term borrowing authority may be adversely impacted.

Proceeds received under or arising from the monetization of the Toshiba Settlement in 2017 have been utilized to repay maturing commercial paper balances, which short-term borrowings had been incurred primarily for the construction of Unit 2 and Unit 3 prior to the decision to stop their construction (see Note 10). Should the SCPSC or a court direct that these proceeds be refunded to customers in the near-term, or direct that such funds be escrowed or otherwise made unavailable to SCE&G, it is anticipated that SCE&G would issue commercial paper, draw on its credit facilities or issue long-term debt to fund such requirement. However, if the SCPSC were to rule in favor of the ORS in response to the Request that SCE&G suspend collections from customers of amounts previously authorized under the BLRA, if the temporary rate reduction arising from the implementation of Act 258 were to remain in effect following the order of the SCPSC arising from the Joint Petition, or were other actions of the SCPSC or others taken in order to significantly restrict SCE&G's access to revenues or impose additional adverse refund obligations on SCE&G, the Company's and Consolidated SCE&G's assessments regarding the recoverability of all or a portion of the remaining balance of unrecovered nuclear project costs would be adversely impacted (see Note 2 and Note 10). Further, the recognition of significant additional impairment losses with respect to unrecovered Nuclear Project costs could increase the Company's and Consolidated SCE&G's debt to total capitalization to a level which

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may limit their ability to borrow under their commercial paper programs or under their credit facilities. Borrowing costs for long-term debt issuances could also be impacted.

Each of the Company and Consolidated SCE&G is obligated with respect to an aggregate of $67.8 million of industrial revenue bonds which are secured by letters of credit issued by TD Bank N.A. These letters of credit expire, subject to renewal, in the fourth quarter of 2019.

Consolidated SCE&G participates in a utility money pool with SCANA and another regulated subsidiary of SCANA. Money pool borrowings and investments bear interest at short-term market rates. Consolidated SCE&G's interest income and expense from money pool transactions were not significant for any period presented. Consolidated SCE&G had outstanding money pool borrowings due to an affiliate of $187 million and investments due from an affiliate of $144 million at June 30, 2018. At December 31, 2017 Consolidated SCE&G had outstanding money pool borrowings due to an affiliate of $37 million and investments due from an affiliate of $28 million. For each period presented, money pool borrowings were made by Fuel Company and GENCO, and money pool investments were made by SCE&G. On its condensed consolidated balance sheet, Consolidated SCE&G includes money pool borrowings within Affiliated payables and money pool investments within Affiliated companies receivables.

6. INCOME TAXES

The Company files consolidated federal income tax returns which include Consolidated SCE&G, and the Company and its subsidiaries file various applicable state and local income tax returns.

The Company's federal returns through 2007 are closed by statute. In addition, federal returns for 2008 and 2009 are closed except to the extent of the examination of amended return claims discussed below. The IRS is also currently examining SCANA's federal returns for years 2010 through 2016 as a result of those claims. With few exceptions, the Company, including Consolidated SCE&G, is no longer subject to state and local income tax examinations by tax authorities for years before 2010.

During 2013 and 2014, the Company amended certain of its income tax returns for 2008 through 2012 to claim additional tax-defined research and experimentation deductions (under IRC Section 174) and credits (under IRC Section 41) and to reflect related impacts on other items such as domestic production activities deductions (under IRC Section 199). The Company also made similar claims in filing its original 2013 and 2014 returns in 2014 and 2015, respectively. In 2016, 2017 and 2018, the Company claimed significant research and experimentation deductions and credits (offset by reductions in its domestic production activities deductions), related to the design and construction activities of the Nuclear Project, in its 2015, 2016 and 2017 income tax returns. These claims followed the issuance of final IRS regulations in 2014 regarding such treatment with respect to expenditures related to the design and construction of pilot models.

The IRS examined the claims in the amended 2008-2012 returns, and as the examination progressed without resolution, the Company and Consolidated SCE&G evaluated and recorded adjustments to unrecognized tax benefits; however, none of these changes materially affected the Company's and Consolidated SCE&G's effective tax rate. In October 2016, the examination of the amended tax returns progressed to the IRS Office of Appeals. In addition, the IRS has begun an examination of SCANA's 2013 through 2016 income tax returns, and it is expected that the IRS will also examine later returns.

These IRC Section 174 income tax deductions and IRC Section 41 credits were considered to be uncertain tax positions, and under relevant accounting guidance, estimates of the amounts of related tax benefits which may not be sustained upon examination by the taxing authorities were recorded as unrecognized tax benefits in the financial statements. Also, following the abandonment of the Nuclear Project, the Company and Consolidated SCE&G claimed an abandonment loss deduction under IRC Section 165 on the 2017 tax return. As such, certain of the IRC Section 174 deductions, to the extent they are denied, would instead be expected to be deductible in 2017 under IRC Section 165. The abandonment loss deduction is also considered an uncertain tax position; however, under relevant accounting guidance, no estimated unrecognized tax benefits were recorded as of June 30, 2018. The remaining unrecognized tax benefits include the impact of the IRC Section 174 deductions on domestic production activities deductions, credits, and certain unrecognized state tax benefits.

As of June 30, 2018, the Company and Consolidated SCE&G have recorded an unrecognized tax benefit of $98 million ($19 million net of the impact of state deductions on federal returns, net of NOL and credit carryforwards, and net of receivables related to the uncertain tax positions). If recognized, $98 million of the tax benefit would affect the Company's and Consolidated SCE&G's effective tax rates. These unrecognized tax benefits are not expected to increase significantly within the next 12 months. It is also reasonably possible that these unrecognized tax benefits may decrease by $11 million within the next

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12 months. No other material changes in the status of the Company's or Consolidated SCE&G's tax positions have occurred through June 30, 2018 (see Note 10).

In connection with the research and experimentation deduction and credit claims reflected on the 2015, 2016 and 2017 income tax returns and under the provisions of an SCPSC order, the Company and Consolidated SCE&G recorded regulatory assets for estimated foregone domestic production activities deductions, offset by estimated tax credits, with the expectation that these deferred costs and related interest thereon would be recoverable through customer rates in future years. However, an impairment loss with respect to such deferred regulatory asset was recorded in 2017 (see Note 10).

Also under the provisions of an SCPSC order, estimated interest expense accrued with respect to the unrecognized tax benefits related to the research and experimentation deductions in the 2015 and 2016 income tax returns was deferred as a regulatory asset and was expected to be recoverable through customer rates in future years. An impairment loss with respect to these deferred amounts was also recorded as of December 31, 2017 (see Note 10). Otherwise, the Company and Consolidated SCE&G recognize interest accrued related to unrecognized tax benefits within interest expense or interest income and recognize tax penalties within other expenses. Related to the unrecognized tax benefits noted above, the Company and Consolidated SCE&G accrued interest expense of $5.9 million and interest income of $1.0 million during 2018. Amounts recorded for such interest income and interest expense were mostly deferred within regulatory assets during 2017 and were subsequently included within the impairment loss recorded by the Company and Consolidated SCE&G in 2017. Penalties were not material in either period presented.

In December of 2017, the Tax Act was enacted to lower the federal statutory corporate tax rate from 35% to 21%. The rate change resulted in the remeasurement of all federal deferred income tax assets and liabilities to reflect a 21% federal statutory corporate tax rate as of December 31, 2017. Due to the regulated nature of the Company's and Consolidated SCE&G's operations, the effect of this remeasurement is primarily reflected in deferred income tax balances within regulatory liabilities. As of June 30, 2018, the amortization of amounts arising from remeasurement have not affected the Company's or Consolidated SCE&G's effective tax rate due to such amortizations being deferred until such time as regulators prescribe how the benefits of such excess deferred tax amounts will be realized by customers. Upon the filing of the Company's superseding 2017 consolidated income tax return later this year, adjustments to deferred income taxes may be recorded; however, these adjustments are not expected to have a material impact on the Company's financial position, results of operations, or cash flows.

The State of North Carolina lowered its corporate income tax rate to 3.0% in 2017 and 2.5% effective January 1, 2019. In connection with these changes in tax rates, related state deferred tax amounts were remeasured, with the change in their balances being credited to a regulatory liability. The changes in income tax rates did not and are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

On July 2, 2018, the Company received a tax refund of approximately $206 million related to carry-back losses arising from the abandonment loss claimed by SCE&G under IRC Section 165 on the 2017 tax return.

7. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative instruments are recognized either as assets or liabilities in the statement of financial position and are measured at fair value. Changes in the fair value of derivative instruments are recognized either in earnings, as a component of other comprehensive income (loss) or, for regulated operations, within regulatory assets or regulatory liabilities, depending upon the intended use of the derivative and the resulting designation.

Policies and procedures, and in some cases risk limits, are established to control the level of market, credit, liquidity and operational and administrative risks. SCANA's Board of Directors has delegated to a Risk Management Committee the authority to set risk limits, establish policies and procedures for risk management and measurement, and oversee and review the risk management process and infrastructure for SCANA and each of its subsidiaries. The Risk Management Committee, which is comprised of certain officers, including the Risk Management Officer and other senior officers, apprises the Board of Directors with regard to the management of risk and brings to their attention significant areas of concern. Written policies define the physical and financial transactions that are approved, as well as the authorization requirements and limits for transactions.

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Commodity Derivatives

The Company uses derivative instruments to hedge forward purchases and sales of natural gas, which create market risks of different types. Instruments designated as cash flow hedges are used to hedge risks associated with fixed price obligations in a volatile market and risks associated with price differentials at different delivery locations. Instruments designated as fair value hedges are used to mitigate exposure to fluctuating market prices created by fixed prices of stored natural gas. The basic types of financial instruments utilized are exchange-traded instruments, such as NYMEX futures contracts or options, and over-the-counter instruments such as options and swaps, which are typically offered by energy companies and financial institutions. Cash settlements of commodity derivatives are classified as operating activities in the consolidated statements of cash flows.

PSNC Energy hedges natural gas purchasing activities using over-the-counter options and NYMEX futures and options. PSNC Energy's tariffs include a provision for the recovery of actual gas costs incurred, including any costs of hedging. PSNC Energy records premiums, transaction fees, margin requirements and any realized gains or losses from its hedging program in deferred accounts as a regulatory asset or liability for the under- or over-recovery of gas costs. These derivative financial instruments are not designated as hedges for accounting purposes.

Unrealized gains and losses on qualifying cash flow hedges of nonregulated operations are deferred in AOCI. When the hedged transactions affect earnings, previously recorded gains and losses are reclassified from AOCI to cost of gas. The effects of gains or losses resulting from these hedging activities are either offset by the recording of the related hedged transactions or are included in gas sales pricing decisions made by the business unit.

As an accommodation to certain customers, SCANA Energy, as part of its energy management services, offers fixed price supply contracts which are accounted for as derivatives. These sales contracts are offset by the purchase of supply futures and swaps which are also accounted for as derivatives. Neither the sales contracts nor the related supply futures and swaps are designated as hedges for accounting purposes.

Interest Rate Swaps

Interest rate swaps may be used to manage interest rate risk and exposure to changes in fair value attributable to changes in interest rates on certain debt issuances. In cases in which swaps designated as cash flow hedges are used to synthetically convert variable rate debt to fixed rate debt, periodic payments to or receipts from swap counterparties related to these derivatives are recorded within interest expense.

Forward starting swap agreements that are designated as cash flow hedges may be used in anticipation of the issuance of debt. Except as described in the following paragraph, the effective portions of changes in fair value and payments made or received upon termination of such agreements for regulated subsidiaries are recorded in regulatory assets or regulatory liabilities. For SCANA and its nonregulated subsidiaries, such amounts are recorded in AOCI. Such amounts are amortized to interest expense over the term of the underlying debt. Ineffective portions of fair value changes are recognized in income.

Pursuant to regulatory orders, interest rate derivatives entered into by SCE&G after October 2013 have not been designated for accounting purposes as cash flow hedges, and fair value changes and settlement amounts related to them have been recorded as regulatory assets and liabilities. Settlement losses on swaps generally have been amortized over the lives of subsequent debt issuances, and gains have been amortized to interest expense or have been applied as otherwise directed by the SCPSC. See Note 2 and Note 12 regarding the settlement gain realized in the first quarter of 2018.

Cash payments made or received upon termination of these financial instruments are classified as investing activities for cash flow statement purposes.

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Quantitative Disclosures Related to Derivatives

The Company was party to natural gas derivative contracts outstanding in the following quantities:

	Commodity and Other Energy Management Contracts (in MMBTU)		
Hedge designation	Gas Distribution	Gas Marketing	Total
As of June 30, 2018			
Commodity contracts	6,090,000	14,412,000	20,502,000
Energy management contracts (a)	—	41,876,028	41,876,028
Total (a)	6,090,000	56,288,028	62,378,028
As of December 31, 2017			
Commodity contracts	6,430,000	13,433,000	19,863,000
Energy management contracts (a)	—	41,856,890	41,856,890
Total (a)	6,430,000	55,289,890	61,719,890

(a) Includes amounts related to basis swap contracts totaling 11,864,000 MMBTU in 2018 and 2,582,000 MMBTU in 2017.

The aggregate notional amounts of the interest rate swaps were as follows:

Interest Rate Swaps

	The Company		Consolidated SCE&G	
Millions of dollars	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Designated as hedging instruments	$ 106.8	$ 111.2	$ 36.4	$ 36.4
Not designated as hedging instruments	35.0	735.0	35.0	735.0

The following table shows the fair value and balance sheet location of derivative instruments. Although derivatives subject to master netting arrangements are netted on the consolidated balance sheet, the fair values presented below are shown gross, and cash collateral on the derivatives has not been netted against the fair values shown.

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Fair Values of Derivative Instruments

Millions of dollars	Balance Sheet Location	The Company Asset	The Company Liability	Consolidated SCE&G Asset	Consolidated SCE&G Liability
As of June 30, 2018					
Designated as hedging instruments					
Interest rate contracts	Derivative financial instruments	—	$ 3	—	$ 1
	Other deferred credits and other liabilities	—	17	—	6
Commodity contracts	Prepayments	$ 1	—	—	—
Total		$ 1	$ 20	—	$ 7
Not designated as hedging instruments					
Interest rate contracts	Other deferred credits and other liabilities	—	$ 3	—	$ 3
Commodity contracts	Prepayments	$ 1	—	—	—
Energy management contracts	Other current assets	1	—	—	—
	Other deferred debits and other assets	1	—	—	—
	Other current liabilities	—	1	—	—
	Derivative financial instruments	—	1	—	—
Total		$ 3	$ 5	—	$ 3
As of December 31, 2017					
Designated as hedging instruments					
Interest rate contracts	Derivative financial instruments	—	$ 3	—	$ 1
	Other deferred credits and other liabilities	—	24	—	9
Commodity contracts	Prepayments	—	2	—	—
	Other current assets	—	1	—	—
Total		—	$ 30	—	$ 10
Not designated as hedging instruments					
Interest rate contracts	Derivative financial instruments	$ 54	$ 1	$ 54	$ 1
	Other deferred credits and other liabilities	—	4	—	4
Commodity contracts	Other current assets	1	—	—	—
Energy management contracts	Prepayments	—	1	—	—
	Other current assets	3	—	—	—
	Other deferred debits and other assets	1	—	—	—
	Derivative financial instruments	—	2	—	—
Total		$ 59	$ 8	$ 54	$ 5

The effect of derivative instruments on the consolidated statements of income is as follows:

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Derivatives in Cash Flow Hedging Relationships

The Company and Consolidated SCE&G:

	Gain (Loss) Deferred in Regulatory Accounts			Gain (Loss) Reclassified from Deferred Accounts into Income		
Millions of dollars	2018	2017	Location	2018	2017
Three Months Ended June 30,					
Interest rate contracts	—	$ (1)	Interest expense	$ (1)	—
Six Months Ended June 30,					
Interest rate contracts	$ 2	$ (1)	Interest expense	$ (1)	$ (1)

The Company:

	Gain (Loss) Recognized in OCI, net of tax			Gain (Loss) Reclassified from AOCI into Income, net of tax	
Millions of dollars	2018	2017	Location	2018	2017
Three Months Ended June 30,					
Interest rate contracts	—	$ (1)	Interest expense	$ (2)	$ (2)
Commodity contracts	$ 1	(2)	Gas purchased for resale	—	—
Total	$ 1	$ (3)		$ (2)	$ (2)
Six Months Ended June 30,					
Interest rate contracts	$ 2	$ (1)	Interest expense	$ (4)	$ (4)
Commodity contracts	2	(4)	Gas purchased for resale	(2)	2
Total	$ 4	$ (5)		$ (6)	$ (2)

As of June 30, 2018, the Company expects that during the next 12 months reclassifications from AOCI to earnings arising from cash flow hedges will include approximately $8.6 million as an increase to interest expense. Reclassifications related to commodity and energy management contracts are not expected to be significant. As of June 30, 2018, all of the Company's commodity cash flow hedges settle by their terms before the end of the second quarter of 2021.

As of June 30, 2018, each of the Company and Consolidated SCE&G expects that during the next 12 months reclassifications from regulatory accounts to earnings arising from cash flow hedges designated as hedging instruments will include approximately $1.1 million as an increase to interest expense.

Hedge Ineffectiveness

For the Company and Consolidated SCE&G, ineffectiveness on interest rate hedges designated as cash flow hedges was insignificant during all periods presented.

Derivatives Not designated as Hedging Instruments

The Company and Consolidated SCE&G:

	Gain (Loss) Deferred in Regulatory Accounts			Gain (Loss) Reclassified from Deferred Accounts into Income	
Millions of dollars	2018	2017	Location	2018	2017
Three Months Ended June 30,					
Interest rate contracts	—	$ (35)	Interest Expense	$ (1)	—
			Other Income	—	—
Six Months Ended June 30,					
Interest rate contracts	$ 65	$ (24)	Interest Expense	$ (1)	$ (1)
			Other Income	115	—

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As of June 30, 2018, each of the Company and Consolidated SCE&G expects that during the next 12 months reclassifications from regulatory accounts to earnings arising from derivatives not designated as hedges will include $2.7 million as an increase to interest expense.

Credit Risk Considerations

Certain derivative contracts contain contingent credit features. These features may include (i) material adverse change clauses or payment acceleration clauses that could result in immediate payments or (ii) the posting of letters of credit or termination of the derivative contract before maturity if specific events occur, such as a credit rating downgrade below investment grade or failure to post collateral.

Derivative Contracts with Credit Contingent Features

	The Company		Consolidated SCE&G	
Millions of dollars	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
in Net Liability Position				
Aggregate fair value of derivatives in net liability position	$ 24.1	$ 33.7	$ 10.3	$ 14.7
Fair value of collateral already posted	25.3	28.9	10.9	10.1
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	$ (1.2)	$ 4.8	$ (0.6)	$ 4.6
in Net Asset Position				
Aggregate fair value of derivatives in net asset position	—	$ 53.5	—	$ 53.5
Fair value of collateral already posted	—	—	—	—
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	—	$ 53.5	—	$ 53.5

In addition, for fixed price supply contracts offered to certain of SCANA Energy's customers, the Company could have called on letters of credit in the amount of $0.5 million related to $2.8 million in commodity derivatives that are in a net asset position at June 30, 2018, compared to letters of credit in the amount of $1.2 million related to derivatives of $4.0 million at December 31, 2017, if all the contingent features underlying these instruments had been fully triggered.

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Information related to the offsetting of derivative assets follows:

Derivative Assets	The Company				Consolidated SCE&G
Millions of dollars	Interest Rate Contracts	Commodity Contracts	Energy Management Contracts	Total	Interest Rate Contracts
As of June 30, 2018					
Gross Amounts of Recognized Assets	—	$ 2	$ 2	$ 4	—
Gross Amounts Offset in Statement of Financial Position	—	—	—	—	—
Net Amounts Presented in Statement of Financial Position	—	2	2	4	—
Gross Amounts Not Offset - Financial Instruments	—	—	—	—	—
Gross Amounts Not Offset - Cash Collateral Received	—	—	—	—	—
Net Amount	—	$ 2	$ 2	$ 4	—
Balance sheet location					
Prepayments				$ 2	—
Other current assets				1	—
Other deferred debits and other assets				1	—
Total				$ 4	—
As of December 31, 2017					
Gross Amounts of Recognized Assets	$ 54	$ 1	$ 4	$ 59	$ 54
Gross Amounts Offset in Statement of Financial Position	—	—	—	—	—
Net Amounts Presented in Statement of Financial Position	54	1	4	59	54
Gross Amounts Not Offset - Financial Instruments	—	—	—	—	—
Gross Amounts Not Offset - Cash Collateral Received	—	—	—	—	—
Net Amount	$ 54	$ 1	$ 4	$ 59	$ 54
Balance sheet location					
Other current assets				$ 58	$ 54
Other deferred debits and other assets				1	—
Total				$ 59	$ 54

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Information related to the offsetting of derivative liabilities follows:

Derivative Liabilities	The Company				Consolidated SCE&G
Millions of dollars	Interest Rate Contracts	Commodity Contracts	Energy Management Contracts	Total	Interest Rate Contracts
As of June 30, 2018					
Gross Amounts of Recognized Liabilities	$ 23	—	$ 2	$ 25	$ 10
Gross Amounts Offset in Statement of Financial Position	—	—	—	—	—
Net Amounts Presented in Statement of Financial Position	23	—	2	25	10
Gross Amounts Not Offset - Financial Instruments	—	—	—	—	—
Gross Amounts Not Offset - Cash Collateral Posted	(24)	—	(1)	(25)	(11)
Net Amount	$ (1)	—	$ 1	—	$ (1)
Balance sheet location					
Derivative financial instruments				$ 4	$ 1
Other current liabilities				1	—
Other deferred credits and other liabilities				20	9
Total				$ 25	$ 10
As of December 31, 2017					
Gross Amounts of Recognized Liabilities	$ 32	$ 3	$ 3	$ 38	$ 15
Gross Amounts Offset in Statement of Financial Position	—	—	(1)	(1)	—
Net Amounts Presented in Statement of Financial Position	32	3	2	37	15
Gross Amounts Not Offset - Financial Instruments	—	—	—	—	—
Gross Amounts Not Offset - Cash Collateral Posted	28	—	(1)	27	—
Net Amount	$ 60	$ 3	$ 1	$ 64	$ 15
Balance sheet location					
Other current assets				$ 2	—
Derivative financial instruments				7	$ 2
Other deferred credits and other liabilities				28	13
Total				$ 37	$ 15

8. FAIR VALUE MEASUREMENTS, INCLUDING DERIVATIVES

The Company and Consolidated SCE&G value available for sale securities using quoted prices from a national stock exchange, such as the NASDAQ, on which the securities are actively traded or are open-ended mutual funds registered with the SEC and maintain a stable NAV and are invested in government money market agreements or fully collateralized repurchase agreements. For commodity derivative and energy management assets and liabilities, the Company uses unadjusted NYMEX prices to determine fair value, and considers such measures of fair value to be Level 1 for exchange traded instruments and Level 2 for over-the-counter instruments. The Company's and Consolidated SCE&G's interest rate swap agreements are valued using discounted cash flow models with independently sourced data. Fair value measurements, and the level within the fair value hierarchy in which the measurements fall, were as follows:

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	As of June 30, 2018			As of December 31, 2017			
	The Company		Consolidated SCE&G	The Company		Consolidated SCE&G	
Millions of dollars	Level 1	Level 2	Level 2	Level 1	Level 2	Level 1	Level 2
Assets:							
Available for sale securities	$ 15	—	—	$ 119	—	$ 100	—
Held to maturity securities	—	$ 6	—	—	$ 6	—	—
Interest rate contracts	—	—	—	—	54	—	$ 54
Commodity contracts	2	—	—	1	—	—	—
Energy management contracts	—	2	—	—	4	—	—
Liabilities:							
Interest rate contracts	—	23	$ 10	—	32	—	15
Commodity contracts	—	—	—	2	1	—	—
Energy management contracts	—	4	—	1	4	—	—

The Company and Consolidated SCE&G had no Level 3 fair value measurements for either period presented, and there were no transfers of fair value amounts into or out of Levels 1, 2 or 3 during either period presented.

Financial instruments for which the carrying amount may not equal estimated fair value were as follows:

Long-Term Debt	June 30, 2018		December 31, 2017	
Millions of dollars	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
The Company	$ 6,665.5	$ 6,925.0	$ 6,632.9	$ 7,399.7
Consolidated SCE&G	5,099.7	5,265.0	5,163.3	5,790.3

Fair values of long-term debt instruments are based on net present value calculations using independently sourced market data that incorporate a developed discount rate using similarly rated long-term debt, along with benchmark interest rates. As such, the aggregate fair values presented above are considered to be Level 2. Early settlement of long-term debt may not be possible or may not be considered prudent.

Carrying values of short-term borrowings approximate fair value, and are based on quoted prices from dealers in the commercial paper market. The resulting fair value is considered to be Level 2.

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9. EMPLOYEE BENEFIT PLANS

Components of net periodic benefit cost recorded by the Company and Consolidated SCE&G were as follows:

The Company	Pension Benefits		Other Postretirement Benefits	
Millions of dollars	2018	2017	2018	2017
Three months ended June 30,				
Service cost	$ 4.9	$ 5.3	$ 1.1	$ 1.2
Interest cost	8.6	9.4	2.7	2.9
Expected return on assets	(14.3)	(13.8)	—	—
Prior service cost amortization	0.2	0.4	—	—
Amortization of actuarial losses	2.9	3.9	0.6	0.4
Net periodic benefit cost	$ 2.3	$ 5.2	$ 4.4	$ 4.5
Six months ended June 30,				
Service cost	$ 9.9	$ 10.5	$ 2.3	$ 2.3
Interest cost	17.1	18.9	5.4	5.9
Expected return on assets	(28.6)	(27.6)	—	—
Prior service cost amortization	0.3	0.8	—	—
Amortization of actuarial losses	5.9	7.9	1.1	0.7
Net periodic benefit cost	$ 4.6	$ 10.5	$ 8.8	$ 8.9

Consolidated SCE&G	Pension Benefits		Other Postretirement Benefits	
Millions of dollars	2018	2017	2018	2017
Three months ended June 30,				
Service cost	$ 4.0	$ 4.4	$ 0.8	$ 1.0
Interest cost	7.2	8.1	2.2	2.4
Expected return on assets	(12.1)	(11.8)	—	—
Prior service cost amortization	0.1	0.3	—	—
Amortization of actuarial losses	2.5	3.4	0.5	0.3
Net periodic benefit cost	$ 1.7	$ 4.4	$ 3.5	$ 3.7
Six months ended June 30,				
Service cost	$ 8.1	$ 8.8	$ 1.8	$ 1.9
Interest cost	14.4	16.1	4.3	4.8
Expected return on assets	(24.2)	(23.6)	—	—
Prior service cost amortization	0.2	0.7	—	—
Amortization of actuarial losses	5.0	6.7	0.9	0.6
Net periodic benefit cost	$ 3.5	$ 8.7	$ 7.0	$ 7.3

No significant contribution to the pension trust is expected for the foreseeable future based on current market conditions and assumptions, nor is a limitation on benefit payments expected to apply. SCE&G recovers current pension costs through either a rate rider that may be adjusted annually for retail electric operations or through cost of service rates for gas operations. PSNC Energy recovers pension costs through cost of service rates.

10. COMMITMENTS AND CONTINGENCIES

Abandoned Nuclear Project

SCE&G, on behalf of itself and as agent for Santee Cooper, entered into the EPC Contract with the Consortium in 2008 for the design and construction of Unit 2 and Unit 3. Various difficulties were encountered which affected the ability of the Consortium to adhere to established budgets and construction schedules for the Nuclear Project and which, in light of Santee Cooper's decision to suspend construction of the Nuclear Project, led to the Company's decision on July 31, 2017 to stop the construction and seek recovery under the abandonment provisions of the BLRA. These difficulties and other developments occurring prior to the bankruptcy filing by WEC and WECTEC and other matters are described in Note 10 to the consolidated financial statements included in the Company's and Consolidated SCE&G's combined Form 10-K for the year ended December

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31, 2017. Significant developments and continuing contingencies regarding the abandoned Nuclear Project subsequent to December 31, 2017 are discussed below.

EPC Contract and BLRA Matters

Contractor Bankruptcy Proceedings and Related Uncertainties

On March 29, 2017, WEC and WECTEC, the two members of the Consortium, and certain of their affiliates filed petitions for protection under Chapter 11 of the U.S. Bankruptcy Code, citing a liquidity crisis arising from project contract losses attributable to the Nuclear Project and similar units being built for an unaffiliated company as a material factor that caused WEC and WECTEC to seek protection under the bankruptcy laws. As part of such filing, WEC and WECTEC publicly announced their inability to complete Unit 2 and Unit 3 under the terms of the EPC Contract.

On September 1, 2017, SCE&G, for itself and as agent for Santee Cooper, filed with the Bankruptcy Court Proofs of Claim for unliquidated damages against each of WEC and WECTEC. These Proofs of Claim are based upon the anticipatory repudiation and material breach by the Consortium of the EPC Contract, and assert against WEC and WECTEC any and all claims that are based thereon or that may be related thereto. These claims were sold to Citibank on September 27, 2017 as part of a monetization transaction discussed below. Notwithstanding the sale of the claims, SCE&G and Santee Cooper remain responsible for any claims that may be made by WEC and WECTEC against them relating to the EPC Contract.

WEC's Reorganization Plan was confirmed by the Bankruptcy Court on March 28, 2018, and became effective August 1, 2018. In connection with the effectiveness of the Reorganization Plan, the EPC Contract was deemed rejected. Initially, WEC had projected that its Reorganization Plan would pay in full or nearly in full its pre-petition trade creditors, including several of the WEC Subcontractors which have alleged non-payment by the Consortium for amounts owed for work performed on the Nuclear Project and have filed liens on property in Fairfield County, South Carolina, where Unit 2 and Unit 3 were to be located (Unit 2/3 Property). SCE&G is contesting approximately $290 million of filed liens in Fairfield County. Most of these asserted liens are "pre-petition" claims that relate to work performed by WEC Subcontractors before the WEC bankruptcy, although some of them are "post-petition" claims arising from work performed after the WEC bankruptcy.

WEC has now indicated that some unsecured creditors have sought or may seek amounts beyond what WEC allocated when it submitted the Reorganization Plan. If any unsecured creditor is successful in its attempt to include its claim as part of the class of general unsecured creditors beyond the amounts in the Reorganization Plan allocated by WEC, it is possible that the Reorganization Plan will not provide for payment in full or nearly in full to its pre-petition trade creditors. The shortfall could be significant. See also discussion below regarding limitations with respect to SCE&G's pre-petition lien obligations arising from its monetization of the Toshiba Settlement.

SCE&G and Santee Cooper are responsible for amounts owed to WEC for valid work performed by WEC Subcontractors on the Nuclear Project after the WEC bankruptcy filing (i.e., post-petition). While SCE&G and Santee Cooper funded amounts to WEC for such post-petition obligations on a weekly basis, SCE&G and Santee Cooper remain obligated to the extent amounts owed exceed (1) the amounts advanced to WEC for such purposes while the IAA was in effect or (2) the amounts held by WEC after the IAA was terminated. SCE&G intends to oppose any previously unasserted claim that is asserted against it, whether directly or indirectly by a claim through the IAA. Some WEC Subcontractors have made claims against SCE&G and Santee Cooper for damages the WEC Subcontractors claim arose after termination of the IAA. SCE&G intends to oppose these claims. To the extent any such claim is determined to be valid, SCE&G may be responsible for paying its 55% share thereof.

Toshiba Settlement and Subsequent Monetization

Payment and performance obligations under the EPC Contract are joint and several obligations of WEC and WECTEC. In 2015 Toshiba, WEC's parent company, reaffirmed its guaranty of WEC's payment obligations. In satisfaction of such guaranty obligations, on July 27, 2017, the Toshiba Settlement was executed under which Toshiba was to make periodic settlement payments beginning in October 2017 in the total amount of approximately $2.2 billion ($1.2 billion for SCE&G's 55% share), subject to certain offsets for payments by WEC in bankruptcy that would have the effect of satisfying the liens discussed above and below.

In September and October 2017, proceeds totaling approximately $1.997 billion were received in full satisfaction of the Toshiba Settlement ($1.098 billion for SCE&G's 55% share). The proceeds were obtained through the receipt of a payment from Toshiba and a payment from Citibank arising from its purchase of all other scheduled payments, including amounts related to the contractor liens discussed below. The purchase agreement with Citibank provides that SCE&G and Santee Cooper

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(each according to its pro rata share) would indemnify Citibank for its losses arising from misrepresentations or covenant defaults under the purchase agreement. SCE&G and Santee Cooper also assigned their claims under the WEC bankruptcy process to Citibank, and agreed to use commercially reasonable efforts to cooperate with Citibank and provide reasonable support necessary for its enforcement of those claims. The proceeds received under or arising from the monetization of the Toshiba Settlement are recorded as a regulatory liability on the accompanying condensed consolidated balance sheets, as the net value of the proceeds will be utilized to benefit SCE&G's customers in a manner to be determined by the SCPSC.

As described above, several WEC Subcontractors have filed liens against the Unit 2/3 Property, which SCE&G is contesting. Payments under the Toshiba Settlement are subject to reduction if WEC pays WEC Subcontractors holding pre-petition liens directly. Under these circumstances, SCE&G and Santee Cooper, each in its pro rata share, would be required to make Citibank whole for the reduction. On January 2, 2018, the purchase agreement with Citibank was amended to limit the amount that SCE&G and Santee Cooper could be required to reimburse Citibank for valid subcontractor and vendor pre-petition liens to $60 million ($33 million for SCE&G's 55% share).

Regulatory, Political and Legal Developments

In September 2017, the Company was served with a subpoena issued by the United States Attorney's Office for the District of South Carolina seeking documents relating to the Nuclear Project. The subpoena requires the Company to produce a broad range of documents related to the project. Also, SLED is conducting a criminal investigation into the handling of the Nuclear Project by SCANA and SCE&G. In October 2017, the staff of the SEC's Division of Enforcement also issued a subpoena for documents related to an investigation they are conducting related to the Nuclear Project. These investigations are ongoing, and the Company and Consolidated SCE&G intend to fully cooperate with them. Also in connection with the abandonment of the Nuclear Project, various state and local governmental authorities have attempted and may further attempt to challenge, reverse or revoke previously-approved tax or economic development incentives, benefits or exemptions and have attempted and may further attempt to apply such actions retroactively. No assurance can be given as to the timing or outcome of these matters. See Claims and Litigation for a description of specific challenges.

On September 26, 2017, the South Carolina Office of Attorney General issued an opinion stating, among other things, that "as applied, portions of the BLRA are constitutionally suspect," including the abandonment provisions. Also on September 26, 2017, and in reliance on the opinion from the Office of Attorney General, the ORS filed the Request seeking an order from the SCPSC directing SCE&G to immediately suspend all revised rates collections from customers which were previously approved by the SCPSC pursuant to the authority of the BLRA. In the Request, the ORS noted the existence of an allegation that SCE&G failed to disclose information to the ORS, which the ORS believes should have been disclosed, that would have appeared to provide a basis for challenging prior requests, and asserted that SCE&G should not be allowed to continue to benefit from nondisclosure. The ORS also asked for an order that, if the BLRA is found to be unconstitutional or the South Carolina General Assembly amends or revokes the BLRA, then SCE&G should make credits to future bills or refunds to customers for prior revised rates collections. On October 17, 2017, the ORS filed a motion with the SCPSC to amend the Request, in which motion the ORS asked the SCPSC to consider the most prudent manner by which SCE&G will enable its customers to realize the value of the monetized Toshiba Settlement payments and other payments made by Toshiba towards satisfaction of its obligations to SCE&G.

On December 20, 2017, the SCPSC denied a motion by SCE&G to dismiss the Request and the SCPSC requested that the ORS carry out an inspection, audit and examination of SCE&G's revenue requirements to assist the SCPSC in determining whether SCE&G's present schedule of rates is fair and reasonable. Parties who have intervened in the Request or who filed a letter in support of it include the state's Governor, Office of Attorney General and Speaker of the House of Representatives, the Electric Cooperatives of South Carolina, Santee Cooper, the SCEUC, certain large industrial customers, and several environmental groups. The SCPSC has scheduled a hearing on the Joint Petition and two other dockets related to the Nuclear Project, namely the Request by the ORS and a June 2017 complaint filed by the Friends of the Earth and the Sierra Club, to begin November 1, 2018. This schedule was established in response to legislation described below. SCE&G intends to continue vigorously contesting the Request, but cannot give any assurance as to the timing or outcome of this matter. See also Note 2.

In 2017, special committees of the South Carolina General Assembly, both in the House of Representatives and in the Senate, conducted public hearings regarding the Company's decision to abandon the Nuclear Project. Several legislative proposals adverse to the Company and Consolidated SCE&G resulted from the work of these committees, two of which became law in 2018 and are described below.

On June 27, 2018, the South Carolina General Assembly adopted Act 258, which became law June 28, 2018, to temporarily reduce the amount SCE&G can collect from customers under the BLRA. Act 258 requires the SCPSC to order a reduction in the portion of SCE&G's retail electric rates associated with the Nuclear Project from approximately 18% of the

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average residential electric customer's bill to approximately 3.2%, or a reduction of approximately $31 million per month, retroactive to April 1, 2018. Absent an earlier ruling from the SCPSC, which could be issued only on the SCPSC's own initiative, these lower rates are to be effective until the SCPSC renders a final decision on the merits of the Joint Petition. On July 2 and 3, 2018, the SCPSC issued orders implementing the temporary rate reduction required by Act 258. Unless the relief discussed in the next paragraph is granted, the new rates and retroactive credits required by Act 258 are to be put into effect with the first billing cycle of August 2018. Retroactive credits for billed and unbilled amounts for the period April 1, 2018 through June 30, 2018 total approximately $109.3 million, which amount has been deferred within Revenue subject to refund on the condensed consolidated balance sheet of the Company and Consolidated SCE&G. The initial recognition of such retroactive credits includes the effects of cycle billing on unbilled usage. In addition to the reduction of electric rates (which rates had been previously approved by the SCPSC), Act 258 alters various procedures previously applicable under the BLRA, including redefining the standard of care required by the BLRA and supplying definitions of key terms that would affect the evidence required to establish SCE&G's ability to recover its costs associated with the Nuclear Project.

On June 29, 2018, SCE&G filed a lawsuit in the District Court challenging the constitutionality of Act 258 along with joint resolution S. 954, which became law on July 2, 2018. Among other things, S. 954 prohibits the SCPSC from holding a hearing on the merits of the Joint Petition before November 1, 2018, and requires it to issue an order on the merits of the Joint Petition by December 21, 2018. In the lawsuit, which was subsequently amended, SCE&G seeks a declaration that the new laws are unconstitutional and asks the court to issue an injunction prohibiting the SCPSC from implementing Act 258. A hearing on SCE&G's motion for the issuance of a preliminary injunction was held July 30-31, 2018. Dominion Energy and Sedona would not be obligated to complete the pending merger with SCANA if Act 258 remains in effect and is implemented. The Company and Consolidated SCE&G cannot predict the timing or outcome of this matter.

Proposals to Resolve Outstanding Issues

On November 16, 2017, SCE&G announced for public consideration a proposal to resolve outstanding issues relating to the Nuclear Project. Under the proposal, SCE&G electric customers were to receive a 3.5% electric rate reduction, the addition of an existing 540-MW natural gas fired power plant by SCE&G with the acquisition cost borne by SCANA shareholders, and the addition of approximately 100-MW of large scale solar energy by SCE&G. The proposal also provided for the recovery of the nuclear construction costs (net of the proceeds of the Toshiba Settlement not utilized for liquidation of project liens) over 50 years. While SCE&G's proposal was not formally submitted for regulatory approval at that time, discussions with key stakeholders over the ensuing weeks indicated that SCE&G's proposal would not be sufficient to resolve the outstanding issues.

On January 2, 2018, SCANA entered into the Merger Agreement with Dominion Energy, and on January 12, 2018, SCE&G and Dominion Energy filed the Joint Petition requesting SCPSC approval of the merger or a finding that either the merger is in the public interest or that there is an absence of harm arising from the merger. In this petition, the parties commit to providing an up-front, one time rate credit to SCE&G's electric customers totaling approximately $1.3 billion within 90 days of the merger's closing, providing at least a 5% reduction in customer bills (later adjusted to approximately 7% in light of the effects of the Tax Act), shortening the amortization period for costs related to the Nuclear Project to 20 years, forgoing recovery of approximately $1.7 billion in costs related to the Nuclear Project, and to SCE&G's purchasing an existing 540-MW natural gas fired power plant with no initial investment borne by customers. The SCPSC is scheduled to hold a hearing on the Joint Petition beginning on November 1, 2018, and as noted above, pursuant to S. 954 the SCPSC is required to issue an order related to the Joint Petition no later than December 21, 2018. No assurance can be given as to the timing or outcome of efforts to consummate the Merger Agreement or to obtain approval of the Joint Petition.

On May 9, 2018, SCE&G completed its purchase of CEC, the existing 540-MW natural gas fired power plant referred to above, for approximately $180 million. As disclosed in Note 10 to the Company's and Consolidated SCE&G's Form 10-K for December 31, 2017, an impairment loss recorded in the fourth quarter of 2017 included $180 million related to SCE&G's commitment to not seek recovery from customers for the acquisition cost of this natural gas fired power plant, and accordingly, this amount was recorded as a reduction to unrecovered Nuclear Project costs within regulatory assets on the Company's and Consolidated SCE&G's consolidated balance sheets at December 31, 2017. As indicated above, the cost of the plant is being borne by SCANA shareholders. As such, the Company's and Consolidated SCE&G's condensed consolidated balance sheet as of June 30, 2018 reflect the cost for CEC within Utility Plant in Service, and the $180 million impairment initially recorded as unrecovered Nuclear Project costs within regulatory assets is now reflected within Accumulated Depreciation and Amortization, which results in the carrying value of CEC being entirely written off. SCE&G's commitment to not seek recovery from customers for the acquisition cost of CEC was one element of certain broader rate mitigation proposals contained within the Joint Petition. Assuming that the SCPSC approves either of the mitigating proposals as outlined in the Joint Petition, SCE&G will not seek recovery of CEC acquisition costs.

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Impairment Considerations

At June 30, 2018, SCE&G estimated that revised rates collections previously approved under the BLRA totaled approximately $445 million annually. SCE&G estimates that such revised rates collections for 2018 would be reduced by approximately $279 million if Act 258 remains in effect and is implemented through December 21, 2018, which is the expected pendency of the SCPSC proceeding with respect to the Joint Petition and related dockets. This reduction is comprised of the retroactive credits described above of approximately $109.3 million which are recorded as revenues subject to refund, with the remainder being related to revenues subject to refund that SCE&G expects to collect in July 2018 and lower revised rates during the period from the first billing cycle in August 2018 until the date new rates take effect. Such new rates would take effect after the SCPSC issues an order on the Joint Petition and other related matters pending before it, which order is to be issued no later than December 21, 2018. On a cumulative basis, at June 30, 2018, SCE&G estimated that revised rates collections previously approved under the BLRA totaled approximately $2.1 billion. Such estimates include the approximately $109.3 million of revenues subject to refund.

On June 28, 2018, SCANA's Board of Directors declared a dividend of $0.1237 per share payable on July 18, 2018 to shareholders of record on July 10, 2018. This quarterly cash dividend reflects a reduction from the $0.6125 per share paid on SCANA's common stock for the first quarter of 2018. The approximately eighty percent reduction in the dividend corresponds to the portion of the dividend attributable to SCE&G's electric operations and serves to partially mitigate the liquidity impacts arising from the reduced revenues resulting from the implementation of Act 258.

Under the current regulatory construct in South Carolina, pursuant to the BLRA or through other means, the ability of SCE&G to recover costs incurred in connection with Unit 2 and Unit 3, and a reasonable return on them, will be subject to review and approval by the SCPSC. In light of the contentious nature of activity involving the General Assembly and other officials and the Request being considered by the SCPSC that could result in the suspension of all rates currently being collected under the BLRA, as well as the return of such amounts previously collected, there is significant uncertainty as to SCE&G's ultimate ability to recover its costs of Unit 2 and Unit 3 and a return on them from its customers. SCE&G continues to contest the specific challenges described above. However, based on the consideration of those challenges, and particularly in light of SCE&G's proposed solution announced on November 16, 2017 and details in the Joint Petition filed by SCE&G and Dominion Energy with the SCPSC on January 12, 2018, the Company and Consolidated SCE&G determined that a disallowance of recovery of part of the cost of the abandoned Nuclear Project is both probable and reasonably estimable under applicable accounting guidance. In addition, the Company and Consolidated SCE&G determined that full recovery of certain other related costs deferred within regulatory assets is less than probable. As a result, in 2017 the Company and Consolidated SCE&G recognized a pre-tax impairment loss totaling $1.118 billion ($690 million net of tax). Also, in the first quarter of 2018, the Company and Consolidated SCE&G recognized an additional pre-tax impairment loss of approximately $3.6 million ($2.7 million net of tax) in order to further reduce to estimated fair value the carrying value of nuclear fuel which had been acquired for use in Unit 2 and Unit 3.

It is reasonably possible that a change in estimated impairment loss could occur in the near term and could be material; however, all such changes cannot be reasonably estimated. The impairment loss recorded in 2017 reflects impacts similar to those that would have resulted had the proposed solution announced on November 16, 2017 been implemented. If the merger benefits and cost recovery plan outlined in the Joint Petition are implemented (upon closing of the merger as contemplated in the Merger Agreement), an additional impairment loss and other charges totaling as much as approximately $1.7 billion (approximately $1.3 billion net of tax) would be expected to be recorded. This additional impairment loss would result from the write-off of unrecovered Nuclear Project costs of approximately $842 million recorded within regulatory assets and the recording of additional liabilities for customer refunds totaling approximately $1.875 billion, net of approximately $1.065 billion, which amount represents the monetization of guaranty settlement recorded within regulatory liabilities less amounts that may be required to settle contractor liens.

If (i) the SCPSC does not approve the Joint Petition and instead approves the Request by the ORS; (ii) the BLRA is found to be unconstitutional; or (iii) the General Assembly further amends or revokes the BLRA or approves other legislation with a similar effect, the Company and Consolidated SCE&G may be required to record an additional impairment loss and other charges totaling as much as approximately $4.9 billion (approximately $3.7 billion net of tax). This additional impairment loss would result from the write-off of approximately $3.962 billion in regulatory assets (comprised of remaining unrecovered Nuclear Project costs of $4.142 billion offset by $180 million in previously impaired costs related to CEC, which would result from the proposals put forward in the Joint Petition not being approved by the SCPSC) and the refund of revised rates collections under the BLRA described above of approximately $2.0 billion (comprised of the $2.1 billion revised rates collections on a cumulative basis as of June 30, 2018, offset by $109.3 million of such collections that have been recorded as revenue subject to refund), net of the monetization of guaranty settlement recorded within regulatory liabilities less amounts that may be required to settle contractor liens. While Act 258 requires the Company and Consolidated SCE&G to refund certain

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revenues collected from customers beginning April 1, 2018, the Company and Consolidated SCE&G do not currently anticipate that any amounts collected prior to April 1, 2018, will be subject to refund (other than amounts arising due to the effects of the Tax Act); however, no assurance can be given as to the outcome of this matter.

At June 30, 2018, the Company and Consolidated SCE&G included considerations of the impact of Act 258 in the evaluation as to their ability to recover the remaining Nuclear Project costs and a reasonable return on those costs. Because Act 258 explicitly provides for an experimental rate that is temporary and does not disallow any of the costs currently deferred as a regulatory asset, and because the experimental rate is to be replaced by rates that the SCPSC is to determine and order no later than December 21, 2018, the Company and Consolidated SCE&G have concluded that the recording of additional impairment charges related to unrecovered Nuclear Project costs would not be appropriate at this time. However, if a disallowance were ordered or the rates under Act 258 were made other than temporary by the SCPSC in the Joint Petition proceeding, the Company and Consolidated SCE&G would reevaluate this conclusion. Were a disallowance ordered or were the rates under Act 258 made other than temporary following the SCPSC's final decision on the Joint Petition, and without consideration of any other factors that may be embodied in such an order, an additional pre-tax impairment charge totaling as much as approximately $1.7 billion may be required.

Liquidity Considerations

As a result of the legislative and regulatory reactions to the decision to stop construction of Unit 2 and Unit 3, downgrades by credit ratings agencies occurred. The Company and Consolidated SCE&G have significant obligations that must be paid within the next 12 months, including long-term debt maturities and capital lease payments of $568 million for the Company (including $564 million for Consolidated SCE&G), short-term borrowings of $517 million for the Company (including $457 million for Consolidated SCE&G), interest payments of approximately $318 million for the Company (including $238 million for Consolidated SCE&G), future minimum payments for operating leases of $11 million for the Company (including $3 million for Consolidated SCE&G), and revenues collected subject to refund arising from the effects of the Tax Act of approximately $55 million for the Company (including $46 million for Consolidated SCE&G). Working capital requirements, such as those for fuel supply and similar obligations, also arise due to the lag between when such amounts are paid and when related collection of such costs through customer rates occurs. In addition, as described above under *Impairment Considerations*, SCE&G has been ordered to reduce revised rates previously approved under the BLRA by approximately $279 million in 2018. This reduction assumes that Act 258 remains in effect and is implemented through December 21, 2018, which is the expected pendency of the SCPSC proceeding with respect to the Joint Petition and related dockets, and would include a refund of approximately $109.3 million previously recorded for the period April 1 through June 30, 2018.

During the pendency of SCE&G's lawsuit filed June 29, 2018 in the District Court, as amended, SCE&G may be required to escrow funds or to secure a bond corresponding to the amount it may be required to refund if its lawsuit is unsuccessful. In addition, any adverse final judgment by a court in any matter of litigation, or any levy for amounts assessed by a regulatory agency, including but not limited to matters described in Claims and Litigation, could require the Company and/or Consolidated SCE&G to escrow funds or to post one or more bonds equal to the monetary amount of the judgment or assessment while the decision is being appealed or challenged.

Management believes as of the date of issuance of these financial statements that it has access to available sources of cash to pay obligations when due over the next 12 months. These sources include committed, long-term lines of credit that expire in December 2020 totaling $1.8 billion for the Company (including $1.2 billion for Consolidated SCE&G). In addition, as of the date of issuance of these financial statements, SCE&G continues to collect the BLRA-related customer rates that remain after reductions ordered as a result of Act 258, as well as amounts provided for in other orders related to non-BLRA electric and gas rates. In 2018, however, certain of SCANA's credit ratings have fallen below investment grade, which has constrained its ability and that of Fuel Company to issue commercial paper.

Regulatory and legislative proceedings described above, and/or proceedings described under Claims and Litigation below, which are outside of the Company's and Consolidated SCE&G's control, may result in the temporary or permanent suspension of all or a portion of the approximately $445 million annually of rates being collected currently under the BLRA, the return of such amounts collected through June 30, 2018, of $2.1 billion, or the requirement that SCE&G's share of payments received from the Toshiba Settlement ($1.098 billion) be placed in escrow or be refunded to customers in the near term. Neither the Company nor Consolidated SCE&G can predict if or when these matters may be resolved or what additional actions, if any, may be proposed or taken, including other legislative or regulatory actions related to the BLRA or other litigation.

Were the SCPSC to grant the relief sought by the ORS in the Request or grant similar relief resulting from legislative action, and as further discussed above in Impairment Considerations, an additional impairment loss or other charges totaling as much as approximately $4.9 billion (approximately $3.7 billion net of tax) may be required. Such an impairment loss or other

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charges would further stress the Company's and Consolidated SCE&G's debt to total capitalization ratio and may result in the Company's and Consolidated SCE&G's ratio of debt to total capitalization exceeding maximum levels prescribed in their respective credit agreements. Such an event likely would limit the Company's and Consolidated SCE&G's ability to borrow under their commercial paper programs and credit facilities and their ability to pay future dividends or may trigger events of default under such agreements.

Known and knowable conditions and events when considered in the aggregate as of the date of issuance of these financial statements do not suggest it is probable that the Company and Consolidated SCE&G will not be able to meet obligations as they come due over the next 12 months. However, possible future actions, including but not limited to actions related to the disallowance of all or part of the remaining unrecovered nuclear regulatory asset, rate reductions, refunds or lawsuits, could have a material adverse impact on the Company's and Consolidated SCE&G's financial condition, liquidity, results of operations and cash flows such that management's conclusion with respect to its ability to pay obligations when due could change.

Claims and Litigation

Following the Company's decision to stop construction of Unit 2 and Unit 3, purported derivative and class action lawsuits have been filed in multiple state circuit courts and federal district court on behalf of customers, shareholders and SCANA (in the case of the derivative shareholder actions), against SCANA, SCE&G, or both, and in certain cases some of their officers and/or directors. The plaintiffs allege various causes of action, including but not limited to waste, breach of fiduciary duty, negligence, unfair trade practices, unjust enrichment, conspiracy, fraud, constructive fraud, misrepresentation and negligent misrepresentation, promissory estoppel, constructive trust, and money had and received, among other causes of action. Plaintiffs generally seek compensatory and consequential damages and statutory treble damages and such further relief as the court deems just and proper. In addition, certain plaintiffs seek a declaration that SCE&G may not charge its customers to reimburse itself for past and continuing costs of the Nuclear Project. Certain plaintiffs also seek to freeze or appoint a receiver for certain of SCE&G's assets, including all money SCE&G has received under the Toshiba payment guaranty and related settlement agreement and money to be collected from customers for the Nuclear Project.

Purported class action lawsuits have been filed on behalf of investors in federal court against SCANA and certain of its current and former executive officers and directors. The plaintiffs allege, among other things, that defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and RICO. In addition, one plaintiff alleges that director defendants violated Section 14(a) of the Exchange Act and SEC Rule 14a-9 by allowing or causing misleading proxy statements to be issued. The plaintiffs in each of these suits seek compensatory and consequential damages and such further relief as the court deems proper. The plaintiffs also allege, among other things, that defendants violated their fiduciary duties to shareholders by executing a merger agreement that unfairly deprived plaintiffs of the true value of their SCANA stock, and that Dominion Energy and Sedona aided and abetted these actions. Among other remedies, the plaintiffs seek to enjoin the merger and rescind the Merger Agreement or to have the Merger Agreement amended to provide more favorable terms for plaintiffs, monetary damages, attorneys' fees and such further relief as the court deems proper.

Lawsuits seeking class action status have also been filed on behalf of investors and shareholder derivative actions have been filed in the Court of Common Pleas in the Counties of Lexington and Richland, South Carolina, against SCANA, its CEO and directors, Dominion Energy and Sedona. Following removal of certain of these class action lawsuits and shareholder derivative actions from state courts to federal court and remand from the District Court back to state courts, in at least one instance such action was appealed to the United States Court of Appeals for the Fourth Circuit on July 26, 2018 by Dominion Energy.

On July 13, 2018, SCANA's Board of Directors elected two new, independent directors and exercised its right under South Carolina corporate law to form a Special Litigation Committee comprised solely of these newly elected members ("SLC") to investigate the claims asserted against current and former officers and directors of SCANA in derivative shareholder actions and related actions ("Derivative Litigation") and to determine SCANA's best interests with respect to these actions. On July 24, 2018, SCANA, acting at the direction of the SLC, filed a motion to stay all federal court proceedings in the Derivative Litigation *(In Re SCANA Corporation Derivative Litigation)* to allow time for the SLC to conduct an independent investigation into the facts and circumstances giving rise to the Derivative Litigation, and to determine what course of action is in the best interests of SCANA and its shareholders with respect to the Derivative Litigation (e.g., prosecution of the claims in the name of SCANA, seeking dismissal of some or all of the claims, or taking other remedial actions).

A complaint has been filed by Fairfield County against SCE&G making allegations of breach of contract, fraud, negligent misrepresentation, breach of fiduciary duty, breach of the implied duty of good faith and fair dealing, and unfair trade

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practices related to SCE&G's termination of the FILOT agreement. Plaintiff seeks injunctive relief to prevent SCE&G from terminating the FILOT agreement; actual and consequential damages; treble damages; punitive damages; and attorneys' fees.

The Company has also been served with subpoenas issued by the United States Attorney's Office for the District of South Carolina and the staff of the SEC's Division of Enforcement seeking documents relating to the Nuclear Project. Also, SLED is conducting a criminal investigation into the handling of the Nuclear Project by SCANA and SCE&G. These investigations are ongoing, and the Company and Consolidated SCE&G intend to fully cooperate with them.

The DOR has initiated an audit of SCE&G's sales and use tax returns for the periods September 1, 2008 through December 31, 2017. The DOR's position is that the exemption for sales and use tax for purchases related to the Nuclear Project should not apply because Unit 2 and Unit 3 will not be placed into service and no electricity will be manufactured for sale. On June 1, 2018, SCE&G received from the DOR a notice of proposed assessment arising from that audit of approximately $410 million, plus interest. While SCE&G intends to protest the proposed assessment, it is reasonably possible that a loss estimated to be as much as $410 million, plus interest, could be incurred, of which SCE&G's proportionate share as a co-owner of the Nuclear Project would be 55%.

On July 17, 2018, a case filed in the District Court styled Pennington *et al.* v. SCANA, Fluor Corporation and Fluor Enterprises was certified as a class action on behalf of persons who were formerly employed at the Nuclear Project. The plaintiffs allege, among other things, that the defendants violated the WARN Act in connection with the decision to stop construction at the Nuclear Project. The plaintiffs allege that the defendants failed to provide adequate advance written notice of their terminations of employment. While SCANA and SCE&G intend to contest this case, it is reasonably possible that a loss estimated to be as much as $75 million could be incurred, due to the likelihood the Fluor defendants would seek indemnification from them, of which SCE&G's proportionate share as a co-owner of the Nuclear Project would be 55%.

While the Company and Consolidated SCE&G intend to vigorously contest the lawsuits, claims, and audit positions which have been filed or initiated against them, they cannot predict the timing or outcome of these matters or others that may arise, including any claims that may be asserted by or against Santee Cooper, and adverse outcomes from some of these matters would not be covered by insurance. Except as noted above, the various claims for damages do not specify an amount for those damages and the number of plaintiffs that are ultimately certified in any class action lawsuits is unknown. In addition, each of the cases referred to above is in its early stages. For these reasons, the Company and Consolidated SCE&G (i) have not determined that a loss is probable and (ii) except as noted above, cannot provide any estimate or range of potential loss for these matters at this time. Therefore, no accrual for these potential losses has been included in the condensed consolidated financial statements. However, outcomes could have a material adverse impact on the Company's and Consolidated SCE&G's results of operations, cash flows and financial condition.

The Company and Consolidated SCE&G are subject to various other claims and litigation incidental to their business operations which management anticipates will be resolved without a material impact on the Company's and Consolidated SCE&G's results of operations, cash flows or financial condition.

Nuclear Insurance

Under Price-Anderson, SCE&G (for itself and on behalf of Santee-Cooper) maintains agreements of indemnity with the NRC that, together with private insurance, cover third-party liability arising from any nuclear incident occurring at Unit 1. Price-Anderson provides funds up to $13.1 billion for public liability claims that could arise from a single nuclear incident. Each nuclear plant is insured against this liability to a maximum of $450 million by ANI with the remaining coverage provided by a mandatory program of deferred premiums that could be assessed, after a nuclear incident, against all owners of commercial nuclear reactors. Each reactor licensee is liable for up to $127.3 million per reactor owned for each nuclear incident occurring at any reactor in the United States, provided that not more than $18.9 million of the liability per reactor would be assessed per year. SCE&G's maximum assessment, based on its two-thirds ownership of Unit 1, would be $84.8 million per incident, but not more than $12.6 million per year. Both the maximum assessment per reactor and the maximum yearly assessment are adjusted for inflation at least every five years.

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SCE&G currently maintains insurance policies (for itself and on behalf of Santee Cooper) with NEIL. The policies provide coverage to Unit 1 for property damage and outage costs up to $2.75 billion resulting from an event of nuclear origin and up to $2.33 billion resulting from an event of a non-nuclear origin. The NEIL policies in aggregate, are subject to a maximum loss of $2.75 billion for any single loss occurrence. The NEIL policies permit retrospective assessments under certain conditions to cover insurer's losses. Based on the current annual premium, SCE&G's portion of the retrospective premium assessment would not exceed $23.4 million. SCE&G currently maintains an excess property insurance policy (for itself and on behalf of Santee Cooper) with EMANI. The policy provides coverage to Unit 1 for property damage and outage costs up to $415 million resulting from an event of a non-nuclear origin. The EMANI policy permits retrospective assessments under certain conditions to cover insurer's losses. Based on the current annual premium, SCE&G's portion of the retrospective premium assessment would not exceed $2.0 million.

To the extent that insurable claims for property damage, decontamination, repair and replacement and other costs and expenses arising from an incident at Unit 1 exceed the policy limits of insurance, or to the extent such insurance becomes unavailable in the future, and to the extent that SCE&G's rates would not recover the cost of any purchased replacement power, SCE&G will retain the risk of loss as a self-insurer. SCE&G has no reason to anticipate a serious nuclear or other incident. However, if such an incident were to occur, it likely would have a material impact on the Company's and Consolidated SCE&G's results of operations, cash flows and financial position.

Environmental

On August 3, 2015, the EPA issued a revised standard for new power plants by re-proposing NSPS under the CAA for emissions of CO_2 from newly constructed fossil fuel-fired units. The final rule required all new coal-fired power plants to meet a carbon emission rate of 1,400 pounds CO_2 per MWh and new natural gas units to meet 1,000 pounds CO_2 per MWh. While most new natural gas plants will not be required to include any new technologies, no new coal-fired plants could be constructed without partial carbon capture and sequestration capabilities. The Company and Consolidated SCE&G are monitoring the final rule, but do not plan to construct new coal-fired units in the foreseeable future.

On August 3, 2015, the EPA issued its final rule on emission guidelines for states to follow in developing plans to address GHG emissions from existing units. The rule included state-specific goals for reducing national CO_2 emissions by 32% from 2005 levels by 2030, and established a phased-in compliance approach beginning in 2022. The rule gave each state from one to three years to issue its SIP, which would ultimately define the specific compliance methodology that would be applied to existing units in that state. On February 9, 2016, the Supreme Court stayed the rule pending disposition of a petition of review of the rule in the Court of Appeals. As a result of an Executive Order on March 28, 2017, the EPA placed the rule under review and the Court of Appeals agreed to hold the case in abeyance. On October 10, 2017, the Administrator of the EPA signed a notice proposing to repeal the rule on the grounds that it exceeded the EPA's statutory authority. In a separate but related action, the EPA issued an Advance Notice of Proposed Rulemaking on December 18, 2017, to solicit information from the public about a potential future rulemaking to limit greenhouse gas emissions from existing units. The Company and Consolidated SCE&G expect any costs incurred to comply with such rule to be recoverable through rates.

In July 2011, the EPA issued the CSAPR to reduce emissions of SO_2 and NO_X from power plants in the eastern half of the United States. The CSAPR replaces the CAIR and requires a total of 28 states to reduce annual SO_2 emissions and annual and ozone season NO_X emissions to assist in attaining the ozone and fine particle NAAQS. The rule establishes an emissions cap for SO_2 and NO_X and limits the trading for emission allowances by separating affected states into two groups with no trading between the groups. The State of South Carolina has chosen to remain in the CSAPR program, even though recent court rulings exempted the state. This allows the state to remain compliant with regional haze standards. Air quality control installations that SCE&G and GENCO have already completed have positioned them to comply with the existing allowances set by the CSAPR. Any costs incurred to comply with CSAPR are expected to be recoverable through rates.

In April 2012, the EPA's MATS rule containing new standards for mercury and other specified air pollutants became effective. The MATS rule has been the subject of ongoing litigation even while it remains in effect. Rulings on this litigation are not expected to have an impact on SCE&G or GENCO due to plant retirements, conversions, and enhancements. SCE&G and GENCO are in compliance with the MATS rule and expect to remain in compliance.

The CWA provides for the imposition of effluent limitations that require treatment for wastewater discharges. Under the CWA, compliance with applicable limitations is achieved under state-issued NPDES permits such that, as a facility's NPDES permit is renewed, any new effluent limitations would be incorporated. The ELG Rule had become effective on January 4, 2016, after which state regulators could modify facility NPDES permits to match more restrictive standards, which would require facilities to retrofit with new wastewater treatment technologies. Compliance dates varied by type of wastewater, and some were based on a facility's five-year permit cycle and thus could range from 2018 to 2023. However, the ELG Rule is

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under reconsideration by the EPA and has been stayed administratively. The EPA has decided to conduct a new rulemaking that could result in revisions to certain flue gas desulfurization wastewater and bottom ash transport water requirements in the ELG Rule. Accordingly, in September 2017 the EPA finalized a rule that resets compliance dates under the ELG Rule to a range from November 1, 2020 to December 31, 2023. The EPA indicates that the new rulemaking process may take up to three years to complete, such that any revisions to the ELG Rule likely would not be final until the summer of 2020. While the Company and Consolidated SCE&G expect that wastewater treatment technology retrofits will be required at Williams and Wateree Stations, any costs incurred to comply with the ELG Rule are expected to be recoverable through rates.

The CWA Section 316(b) Existing Facilities Rule became effective in October 2014. This rule establishes national requirements for the location, design, construction and capacity of cooling water intake structures at existing facilities that reflect the best technology available for minimizing the adverse environmental impacts of impingement and entrainment. SCE&G and GENCO are conducting studies and implementing plans as required by the rule to determine appropriate intake structure modifications to ensure compliance with this rule. Any costs incurred to comply with this rule are expected to be recoverable through rates.

The EPA's final rule for CCR became effective in the fourth quarter of 2015. This rule regulates CCR as a non-hazardous waste under Subtitle D of the Resource Conservation and Recovery Act and imposes certain requirements on ash storage ponds and other CCR management facilities at SCE&G's and GENCO's coal-fired generating facilities. SCE&G and GENCO have already closed or have begun the process of closure of all of their ash storage ponds and have previously recognized AROs for such ash storage ponds under existing requirements. The Company and Consolidated SCE&G do not expect the incremental compliance costs associated with this rule to be significant and expect to recover such costs in future rates.

SCE&G is responsible for four decommissioned MGP sites in South Carolina which contain residues of by-product chemicals. These sites are in various stages of investigation, remediation and monitoring under work plans approved by or under review by DHEC and the EPA. SCE&G anticipates that major remediation activities at all these sites will continue at least through 2019 and will cost an additional $9.8 million, which is accrued in Other within Deferred Credits and Other Liabilities on the condensed consolidated balance sheet. SCE&G expects to recover any cost arising from the remediation of MGP sites through rates. At June 30, 2018, deferred amounts, net of amounts previously recovered through rates and insurance settlements, totaled $23.9 million and are included in regulatory assets.

Other

The Company and Consolidated SCE&G have recorded an estimated liability for amounts collected in customer rates during the period that arise from the impact of the Tax Act and from the impact of the legislatively-mandated refund related to rates previously approved under the BLRA. Such amounts have been recorded subject to refund, and are described in Note 2.

11. SEGMENT OF BUSINESS INFORMATION

Regulated operations measure profitability using operating income; therefore, net income is not allocated to the Electric Operations and Gas Distribution segments. The Gas Marketing segment measures profitability using net income.

The Company's Gas Distribution segment is comprised of the local distribution operations of SCE&G and PSNC Energy which meet the criteria for aggregation. All Other includes the parent company, a services company and other nonreportable segments that were insignificant for all periods presented.

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The Company

Millions of dollars	External Revenue	Intersegment Revenue	Operating Income	Net Income
Three Months Ended June 30, 2018				
Electric Operations	$ 552	$ 2	$ 106	n/a
Gas Distribution	148	1	3	n/a
Gas Marketing	143	29	n/a	$ 3
All Other	—	118	—	(24)
Adjustments/Eliminations	—	(150)	(6)	29
Consolidated Total	$ 843	$ —	$ 103	$ 8
Six Months Ended June 30, 2018				
Electric Operations	$ 1,098	$ 3	$ 179	n/a
Gas Distribution	509	1	116	n/a
Gas Marketing	416	60	n/a	$ 20
All Other	—	223	—	(49)
Adjustments/Eliminations	—	(287)	(5)	206
Consolidated Total	$ 2,023	$ —	$ 290	$ 177
Three Months Ended June 30, 2017				
Electric Operations	$ 679	$ 2	$ 246	n/a
Gas Distribution	140	1	4	n/a
Gas Marketing	182	34	n/a	$ 1
All Other	—	102	—	(7)
Adjustments/Eliminations	—	(139)	1	127
Consolidated Total	$ 1,001	$ —	$ 251	$ 121
Six Months Ended June 30, 2017				
Electric Operations	$ 1,256	$ 3	$ 428	n/a
Gas Distribution	461	1	117	n/a
Gas Marketing	456	58	n/a	$ 16
All Other	—	196	—	(7)
Adjustments/Eliminations	—	(258)	26	283
Consolidated Total	$ 2,173	$ —	$ 571	$ 292

Consolidated SCE&G

Millions of dollars	External Revenue	Operating Income	Earnings Available to Common Shareholder
Three Months Ended June 30, 2018			
Electric Operations	$ 553	$ 107	n/a
Gas Distribution	79	—	n/a
Adjustments/Eliminations	—	—	$ 26
Consolidated Total	$ 632	$ 107	$ 26
Six Months Ended June 30, 2018			
Electric Operations	$ 1,100	$ 180	n/a
Gas Distribution	234	47	n/a
Adjustments/Eliminations	—	—	$ 150
Consolidated Total	$ 1,334	$ 227	$ 150

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Three Months Ended June 30, 2017			
Electric Operations	$ 680	$ 247	n/a
Gas Distribution	76	—	n/a
Adjustments/Eliminations	—	—	$ 123
Consolidated Total	$ 756	$ 247	$ 123
Six Months Ended June 30, 2017			
Electric Operations	$ 1,259	$ 429	n/a
Gas Distribution	217	44	n/a
Adjustments/Eliminations	—	—	$ 231
Consolidated Total	$ 1,476	$ 473	$ 231

Segment Assets	The Company		Consolidated SCE&G	
Millions of dollars	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Electric Operations	$ 12,082	$ 11,979	$ 12,082	$ 11,979
Gas Distribution	3,292	3,259	895	869
Gas Marketing	214	230	n/a	n/a
All Other	1,039	1,042	n/a	n/a
Adjustments/Eliminations	2,274	2,229	3,298	3,098
Consolidated Total	$ 18,901	$ 18,739	$ 16,275	$ 15,946

12. AFFILIATED TRANSACTIONS

The Company and Consolidated SCE&G:

SCE&G owns 40% of Canadys Refined Coal, LLC, which is involved in the manufacturing and sale of refined coal to reduce emissions. SCE&G accounts for this investment using the equity method. The net of the total purchases and total sales are recorded in Other expenses on the consolidated statements of income (for the Company) and of comprehensive income (for Consolidated SCE&G).

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of Dollars	2018	2017	2018	2017
Purchases from Canadys Refined Coal, LLC	$ 44.8	$ 52.8	$ 77.3	$ 97.4
Sales to Canadys Refined Coal, LLC	44.6	52.5	76.9	96.8

Millions of Dollars	June 30, 2018	December 31, 2017
Receivable from Canadys Refined Coal, LLC	$ 17.3	$ 4.9
Payable to Canadys Refined Coal, LLC	17.4	4.9

Consolidated SCE&G:

SCE&G purchases natural gas and related pipeline capacity from SCANA Energy to serve its retail gas customers and certain electric generation requirements.

SCANA Services, on behalf of itself and its parent company, provides the following services to Consolidated SCE&G, which are rendered at direct or allocated cost: information systems, telecommunications, customer support, marketing and sales, human resources, corporate compliance, purchasing, financial, risk management, public affairs, legal, investor relations, gas supply and capacity management, strategic planning, general administrative, and retirement benefits. In addition, SCANA Services processes and pays invoices for Consolidated SCE&G and is reimbursed. Costs for these services include amounts capitalized. Amounts expensed are primarily recorded in Other operation and maintenance - nonconsolidated affiliate and Other Income (Expense), net on the consolidated statements of comprehensive income.

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Consolidated SCE&G has provided $71.0 million in funding to a rabbi trust consolidated with SCANA in connection with the potential change in control arising from the Merger Agreement. This funding is recorded as long-term Other affiliate assets on the condensed consolidated balance sheet of Consolidated SCE&G.

Millions of Dollars	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Purchases from SCANA Energy	$ 28.7	$ 34.3	$ 60.0	$ 58.2
Direct and Allocated Costs from SCANA Services	76.0	82.9	135.4	155.4

Millions of Dollars	June 30, 2018	December 31, 2017
Payable to SCANA Energy	$ 10.6	$ 10.0
Payable to SCANA Services	43.2	42.0

Consolidated SCE&G's money pool borrowings from an affiliate are described in Note 5. Certain disclosures regarding SCE&G's participation in SCANA's noncontributory defined benefit pension plan and unfunded postretirement health care and life insurance programs are included in Note 9.

13. OTHER INCOME (EXPENSE), NET

Components of other income (expense), net are as follows:

	The Company				Consolidated SCE&G			
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
Millions of dollars	2018	2017	2018	2017	2018	2017	2018	2017
Revenues from contracts with customers	$ 5	—	$ 10	—	$ 2	—	$ 3	—
Other income	7	$ 16	136	$ 33	4	$ 7	130	$ 15
Other expense	(11)	(11)	(20)	(24)	(5)	(6)	(12)	(16)
Allowance for equity funds used during construction	3	9	7	18	1	7	4	16
Other income, net	$ 4	$ 14	$ 133	$ 27	$ 2	$ 8	$ 125	$ 15

The recording of revenue from contracts with customers within other income (expense) arose upon the adoption of related accounting guidance described in Note 1, and as permitted, prior periods have not been restated. Other income in 2018 includes gains from the settlement of interest rate derivatives of approximately $115 million (see Note 7). Non-service cost components of pension and other postretirement benefits are included in Other expense.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Pursuant to General Instruction H of Form 10-Q, SCE&G is permitted to omit certain information related to itself and its consolidated affiliates called for by Item 2 of Part I of Form 10-Q, and instead provide a management's narrative analysis of its consolidated results of operation and other information described therein. Such information is presented hereunder specifically for Consolidated SCE&G, but may be presented alongside information presented for the Company generally. Consolidated SCE&G makes no representation as to information relating solely to SCANA and its subsidiaries (other than Consolidated SCE&G).

RESULTS OF OPERATIONS
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2018
AS COMPARED TO THE CORRESPONDING PERIODS IN 2017

The following discussion should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in SCANA's and SCE&G's Annual Report on Form 10-K for the year ended December 31, 2017. The results of operations of the Company include those of the parent holding company and each of its subsidiaries, including Consolidated SCE&G. Accordingly, discussions regarding the Company's results of operations necessarily include those of Consolidated SCE&G.

Earnings

Earnings were as follows:

	Second Quarter		Year to Date	
The Company	2018	2017	2018	2017
Earnings per share	$ 0.06	$ 0.85	$ 1.24	$ 2.04
Consolidated SCE&G				
Net income (millions of dollars)	$ 31.0	$ 125.7	$ 158.7	$ 238.0

The Company's earnings per share and Consolidated SCE&G's net income reflect the impact of an electric rate reduction made effective for the second quarter of 2018 and the effect of weather in 2018 and 2017, while the Company's earnings per share in 2018 also reflect higher legal costs and costs incurred in connection with the Nuclear Project and the Company's announced merger with Dominion Energy. These and other results are discussed below.

Matters Impacting Future Results

SCANA shareholders approved the Merger Agreement at a special meeting on July 31, 2018. Certain regulatory approvals must be obtained and other conditions must be met before the merger may be consummated.

The Company's decision on July 31, 2017 to stop construction of Unit 2 and Unit 3 and to pursue recovery of the cost of the abandoned Nuclear Project has had and could continue to have significant adverse impacts on the Company's and Consolidated SCE&G's future earnings, cash flows and financial position, including those related to the ultimate recovery of regulatory assets, the sustainability of tax positions, the results of litigation and the outcome of various regulatory and governmental proceedings and investigations. The Company continues to believe the decision to abandon the Nuclear Project was prudent, and that costs incurred with respect to the Nuclear Project were prudent, and has contested specific challenges to this decision. The Company also believes that the issues related to the recovery of the cost of the abandoned Nuclear Project and related to the rates currently being collected under the BLRA for financing costs should be resolved in future proceedings before the SCPSC. However, based on various events following the abandonment, there is significant uncertainty as to SCE&G's ultimate ability to recover its costs of Unit 2 and Unit 3 and a return on them from its customers. These events include the contentious nature of reviews by legislative committees and others, the General Assembly's passage of certain legislation in 2018, including in particular Act 258 discussed below, and the Request being considered by the SCPSC that could result in the permanent suspension of all or a portion of rates currently being collected under the BLRA, as well as the return of such amounts previously collected. There is also significant uncertainty as to the timing and the ultimate resolution of the litigation and the various other proceedings discussed herein.

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In 2017, the Company and Consolidated SCE&G determined that a disallowance of recovery of part of the cost of the abandoned Nuclear Project was both probable and reasonably estimable under applicable accounting guidance, and recorded a pre-tax impairment loss with respect to disallowance of unrecovered Nuclear Project costs and other related deferred costs totaling approximately $1.118 billion ($690 million net of tax). In the first quarter of 2018, the Company and Consolidated SCE&G recognized an additional pre-tax impairment loss totaling approximately $3.6 million ($2.7 million net of tax) in order to further reduce to estimated fair value the carrying value of nuclear fuel that had been acquired for use in Unit 2 and Unit 3. See additional discussion at Note 10 to the condensed consolidated financial statements.

It is reasonably possible that further changes in these estimates will occur in the near term and could be material; however, all such changes cannot be reasonably estimated. The impairment loss recorded in 2017 reflects impacts similar to those that would have resulted had the proposed solution announced on November 16, 2017 been implemented. If the merger benefits and cost recovery plan outlined in the Joint Petition is implemented (upon closing of the merger as contemplated in the Merger Agreement), an additional impairment loss and other charges totaling as much as approximately $1.7 billion (approximately $1.3 billion net of tax) would be expected to be recorded.

If (i) the SCPSC does not approve the Joint Petition and instead approves the Request by the ORS; (ii) the BLRA is found to be unconstitutional; or (iii) the General Assembly further amends or revokes the BLRA or approves other legislation with a similar effect, the Company and Consolidated SCE&G may be required to record an additional impairment loss and other charges totaling as much as approximately $4.9 billion (approximately $3.7 billion net of tax). This additional impairment loss would result from the write-off of approximately $3.962 billion in regulatory assets (comprised of the remaining unrecovered Nuclear Project costs of $4.142 billion offset by $180 million in previously impaired costs related to CEC, which would result from the proposals put forward in the Joint Petition not being approved by the SCPSC) and the refund of revised rates collections under the BLRA described above of approximately $2.0 billion (comprised of the $2.1 billion revised rates collections on a cumulative basis as of June 30, 2018, offset by $109.3 million of such collections that have been recorded as revenue subject to refund), net of the monetization of guaranty settlement recorded within regulatory liabilities less amounts that may be required to settle contractor liens. While Act 258 requires the Company and Consolidated SCE&G to refund certain revenues collected from customers effective April 1, 2018, the Company and Consolidated SCE&G do not currently anticipate that any amounts collected prior to April 1, 2018, will be subject to refund (other than amounts arising due to the effects of the Tax Act); however, no assurance can be given as to the outcome of this matter. Were a disallowance ordered of any of the Nuclear Project costs currently deferred as a regulatory asset or were the rates under Act 258 made other than temporary following the SCPSC's final decision on the Joint Petition, and without consideration of any other factors that may be embodied in such an order, an additional pre-tax impairment charge totaling as much as approximately $1.7 billion may be required.

On June 27, 2018, the South Carolina General Assembly adopted Act 258, which became law June 28, 2018, to temporarily reduce the amount SCE&G can collect from customers under the BLRA. Act 258 requires the SCPSC to order a reduction in the portion of SCE&G's retail electric rates associated with the Nuclear Project from approximately 18% of the average residential electric customer's bill to approximately 3.2%, or a reduction of approximately $31 million per month, retroactive to April 1, 2018. Absent an earlier ruling from the SCPSC, which could be issued only on the SCPSC's own initiative, these lower rates are to be effective until the SCPSC renders a final decision on the merits of the Joint Petition. On July 2 and 3, 2018, the SCPSC issued orders implementing the temporary rate reduction required by Act 258. Unless the relief discussed in the next paragraph is granted, the new rates and retroactive credits required by Act 258 are to be put into effect with the first billing cycle of August 2018. Retroactive credits for billed and unbilled amounts for the period April 1, 2018 through June 30, 2018 total approximately $109.3 million, which amount has been deferred within Revenue subject to refund on the condensed consolidated balance sheet of the Company and Consolidated SCE&G. The initial recognition of such retroactive credits includes the effects of cycle billing on unbilled usage. In addition to the reduction of electric rates (which rates had been previously approved by the SCPSC), Act 258 alters various procedures previously applicable under the BLRA, including redefining the standard of care required by the BLRA and supplying definitions of key terms that would affect the evidence required to establish SCE&G's ability to recover its costs associated with the Nuclear Project.

On June 29, 2018, SCE&G filed a lawsuit in the District Court challenging the constitutionality of Act 258 along with joint resolution S. 954, which became law on July 2, 2018. Among other things, S. 954 prohibits the SCPSC from holding a hearing on the merits of the Joint Petition before November 1, 2018, and requires it to issue an order on the merits of the Joint Petition by December 21, 2018. In the lawsuit, which was subsequently amended, SCE&G seeks a declaration that the new laws are unconstitutional and asks the court to issue an injunction prohibiting the SCPSC from implementing Act 258. A hearing on SCE&G's motion for the issuance of a preliminary injunction was held July 30-31, 2018. Dominion Energy and Sedona would not be obligated to complete the pending merger with SCANA if Act 258 remains in effect and is implemented. The Company and Consolidated SCE&G cannot predict the timing or outcome of this matter.

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In December 2017, the Tax Act was enacted, resulting in the remeasurement of all federal deferred income tax assets and liabilities to reflect a 21% federal statutory corporate tax rate. Due to the regulated nature of the Company's and Consolidated SCE&G's operations, the effect of this remeasurement is primarily reflected in excess deferred income tax balances within regulatory liabilities. As described in Note 2 to the condensed consolidated financial statements, SCE&G and PSNC Energy have responded to orders from state regulators seeking information regarding the effects the Tax Act would have on their respective operations. In 2018, the Company and Consolidated SCE&G are recording estimates of revenue that will be subject to refund to customers of its regulated operations. Such amounts result in reductions to revenue and are deferred within Revenue subject to refund on the condensed consolidated balance sheet. Such reductions in revenue largely correspond to reductions in current period tax expense. Going forward, once state regulators order reductions in customer rates, the lower tax expense resulting from the reduced federal statutory corporate tax rate will result in similar reductions to amounts collected from customers through electric and gas rates, and no significant impact on financial results is expected. However, the refund of revenue collected in 2018 will negatively impact cash flow. In addition, certain of these regulatory liabilities will be amortized to the benefit of customers over the remaining lives of related property in accordance with the normalization provisions of the IRC and Code of Federal Regulations, thereby mitigating any significant negative cash impact due to the extended amortization period. See also Note 6 to the condensed consolidated financial statements for additional discussion related to deferred tax assets and liabilities.

These matters impacting future results are further discussed under Liquidity Considerations and Impact of Abandonment of Nuclear Project within LIQUIDITY AND CAPITAL RESOURCES, in Note 2 and Note 10 to the condensed consolidated financial statements and in Part II, Item 1A. Risk Factors.

Dividends Declared

On February 22, 2018, SCANA's Board of Directors declared a dividend of $0.6125 per share. This dividend was payable on April 1, 2018 to shareholders of record on March 12, 2018. On June 28, 2018, SCANA's Board of Directors declared a dividend of $0.1237 per share payable on July 18, 2018 to shareholders of record on July 10, 2018. When a dividend payment date falls on a weekend or holiday, the payment is made the following business day. SCANA's Board of Directors evaluates the payment of dividends each quarter.

Electric Operations

Electric Operations for the Company and for Consolidated SCE&G is comprised of the electric operations of SCE&G, GENCO and Fuel Company. Electric Operations operating income (including transactions with affiliates) was as follows:

	The Company				Consolidated SCE&G			
	Second Quarter		Year to Date		Second Quarter		Year to Date	
Millions of dollars	2018	2017	2018	2017	2018	2017	2018	2017
Operating revenues	$ 553.1	$ 680.1	$ 1,100.5	$ 1,258.6	$ 553.1	$ 680.1	$ 1,100.5	$ 1,258.6
Fuel used in electric generation	155.4	161.2	314.7	297.6	155.4	161.2	314.7	297.6
Purchased power	15.1	20.7	67.2	31.8	15.1	20.7	67.2	31.8
Other operation and maintenance	142.8	123.4	268.8	244.4	146.4	127.0	275.3	251.5
Impairment loss	—	—	3.6	—	—	—	3.6	—
Depreciation and amortization	75.8	73.1	151.7	146.1	73.1	70.1	146.1	140.1
Other taxes	57.2	55.6	114.5	110.2	56.5	55.0	113.3	109.1
Operating Income	$ 106.8	$ 246.1	$ 180.0	$ 428.5	$ 106.6	$ 246.1	$ 180.3	$ 428.5

Electric operations can be significantly impacted by the effects of weather. SCE&G estimates the effects on its electric business of actual temperatures in its service territory as compared to historical averages to develop an estimate of electric revenue and fuel costs attributable to the effects of abnormal weather. Results in both 2018 and 2017 reflect milder than normal weather in the first quarter, with 2017 being significantly milder than 2018, and warmer than normal weather in the second quarter, with 2018 being significantly warmer than 2017.

The Company and Consolidated SCE&G expect, if Act 258 remains in effect and is implemented, that electric operating revenues will decrease by approximately $31 million each month through the remainder of 2018 when compared to operating revenues recorded in corresponding periods in 2017.

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Second Quarter

- Operating revenues decreased in 2018 by $109.3 million due to the recognition of estimated amounts to be refunded to customers as a result of the enactment of Act 258, by $10.9 million due to the recognition of estimated amounts to be refunded to customers as a result of the Tax Act, lower residential and commercial average use of $18.6 million and lower fuel cost recovery of $17.7 million. These revenue decreases were partially offset by the effects of weather of $15.7 million, residential and commercial growth of $5.0 million, industrial growth and higher usage of $1.7 million and revenue recognized under the DER program of $4.6 million.

- Fuel used in electric generation and purchased power expenses decreased in 2018 due to lower fuel prices of $17.7 million and lower residential and commercial average use of $5.1 million. These decreases were partially offset by higher amortization of DER program costs of $3.8 million, increased sales volumes associated with residential and commercial customer growth of $1.2 million, higher industrial usage of $1.4 million, higher sales volumes associated with the effects of weather of $4.8 million and higher fuel handling expenses of $0.3 million.

- Other operation and maintenance expenses increased in 2018 due to wind down costs associated with the abandonment of the Nuclear Project of $3.4 million, higher legal and other costs related to the abandonment of the Nuclear Project of approximately $10.0 million, higher non-labor generation and other electric operations costs of $4.2 million and higher injuries and damages expenses of $3.0 million. These increases were partially offset by lower labor costs of $4.4 million, primarily due to lower incentive compensation costs.

- Depreciation and amortization increased primarily due to net plant additions.

- Other taxes increased primarily due to higher property taxes associated with net plant additions.

Year to Date

- Operating revenues decreased in 2018 by $113.7 million pursuant to an SCPSC order whereby fuel cost recovery is offset with gains realized upon the settlement of certain interest rate derivative contracts, as further described in Other Income (Expense) below, related to fuel cost recovery. Operating revenue also decreased by $109.3 million due to the recognition of estimated amounts to be refunded to customers as a result of Act 258, by $35.0 million due to the recognition of estimated amounts to be refunded to customers as a result of the Tax Act, lower collections under the rate rider for pension costs of $2.6 million and lower residential and commercial average use of $20.7 million. The downward adjustment related to fuel costs recovery had no effect on net income as it was fully offset by the recognition within other income of gains realized upon the settlement of certain derivative interest rate contracts. The lower pension rider collections had no impact on net income as they were fully offset by the recognition, within other operation and maintenance expenses, of lower pension costs. These revenue decreases were partially offset by the effects of weather of $63.2 million, residential and commercial growth of $11.4 million, industrial growth and higher usage of $4.3 million, revenue recognized under the DER program of $6.7 million and higher fuel cost recovery of $30.7 million.

- Fuel used in electric generation and purchased power expenses increased due to higher fuel prices of $30.7 million, amortization of DER program costs of $5.4 million, increased sales volumes associated with residential and commercial customer growth of $2.6 million, higher industrial usage of $2.2 million, higher sales volumes associated with the effects of weather of $15.4 million and higher fuel handling expenses of $1.7 million. These increases were partially offset by lower residential and commercial average use of $5.4 million.

- Other operation and maintenance expenses increased due to wind down costs associated with the abandonment of the Nuclear Project of $7.1 million, higher legal and other costs related to the abandonment of the Nuclear Project of approximately $10.7 million at the Company and approximately $10.4 million at Consolidated SCE&G, higher non-labor generation and other electric operations costs of $3.2 million and higher injuries and damages expenses of $2.4 million. These increases were partially offset by lower labor costs of $6.2 million, primarily due to lower incentive compensation costs.

- Impairment loss represents the writedown of nuclear fuel acquired for use in Unit 2 and Unit 3 to its estimated fair value in the first quarter of 2018.

- Depreciation and amortization increased primarily due to net plant additions.

- Other taxes increased primarily due to higher property taxes associated with net plant additions.

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Sales volumes (in GWh) related to the electric operations above, by class, were as follows:

	Second Quarter		Year to Date	
Classification	2018	2017	2018	2017
Residential	1,968	1,916	3,955	3,553
Commercial	1,870	1,872	3,574	3,504
Industrial	1,612	1,565	3,101	3,024
Other	149	147	280	281
Total Retail Sales	5,599	5,500	10,910	10,362
Wholesale	244	228	486	441
Total Sales	5,843	5,728	11,396	10,803

Second Quarter and Year to Date

Retail and wholesale sales volumes increased primarily due to the effects of weather.

Gas Distribution

Gas Distribution is comprised of the local distribution operations of SCE&G, and for the Company, also includes PSNC Energy. Gas Distribution operating income (including transactions with affiliates) was as follows:

	The Company				Consolidated SCE&G			
	Second Quarter		Year to Date		Second Quarter		Year to Date	
Millions of dollars	2018	2017	2018	2017	2018	2017	2018	2017
Operating revenues	$ 148.7	$ 140.2	$ 509.7	$ 462.3	$ 79.5	$ 75.9	$ 234.1	$ 216.8
Gas purchased for resale	67.2	61.5	237.8	196.3	45.2	42.1	120.6	108.0
Other operation and maintenance	42.7	43.1	84.7	85.5	17.8	18.7	35.1	36.0
Depreciation and amortization	23.1	21.1	46.0	41.9	7.6	7.2	15.1	14.2
Other taxes	12.2	11.1	24.3	21.9	8.1	7.2	16.2	14.4
Operating Income	$ 3.5	$ 3.4	$ 116.9	$ 116.7	$ 0.8	$ 0.7	$ 47.1	$ 44.2

The effect of abnormal weather conditions on gas distribution operating income is mitigated by the WNA at SCE&G and the CUT at PSNC Energy as further described in Revenue Recognition in Note 3 of the condensed consolidated financial statements. The WNA and the CUT do not affect sales volumes.

Second Quarter

- Operating revenues increased at SCE&G primarily due to increased base rates under the RSA of $1.5 million, customer growth of $2.4 million and higher average use of $1.4 million. These increases were partially offset by a decrease of $1.5 million due to the recognition of estimated amounts to be refunded to customers as a result of the Tax Act and lower gas cost recovery of $0.3 million. In addition to these factors, operating revenues at the Company increased due to weather at PSNC Energy of $6.1 million and customer growth of $1.1 million. These increases were partially offset by a CUT adjustment of $3.8 million, decreased cost of gas recoveries of $1.4 million and $1.8 million due to the recognition of estimated amounts to be refunded to customers as a result of the Tax Act.

- Gas purchased for resale increased at SCE&G due to higher average use of $1.9 million, increased sales volumes due to weather of $0.8 million and firm customer growth of $1.4 million. These increases were partially offset by lower gas prices of $1.1 million. In addition to these factors, gas purchased for resale at the Company reflects increased sales volumes due to weather at PSNC Energy of $2.8 million. These increases were partially offset by decreased gas costs of $1.4 million and a CUT adjustment of $1.3 million.

- Other operation and maintenance expenses decreased primarily due to lower labor costs, including lower incentive compensation.

- Depreciation and amortization increased primarily due to net plant additions.

- Other taxes increased primarily due to higher property taxes associated with net plant additions.

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Year to Date

- Operating revenues increased at SCE&G primarily due to increased base rates under the RSA of $5.9 million, customer growth of $6.2 million, higher average use of $2.6 million and higher gas cost recovery of $6.3 million. These increases were partially offset by a decrease of $4.6 million due to the recognition of estimated amounts to be refunded to customers as a result of the Tax Act. In addition to these factors, operating revenues at the Company increased due to weather at PSNC Energy of $60.0 million, customer growth of $6.2 million and pipeline integrity management tracking recovered costs of $3.9 million. These increases were partially offset by a CUT adjustment of $20.1 million, decreased cost of gas recoveries of $15.6 million and $8.6 million due to the recognition of estimated amounts to be refunded to customers as a result of the Tax Act.

- Gas purchased for resale increased at SCE&G due to higher average use of $3.0 million, increased sales volumes due to weather of $13.4 million and firm customer growth of $3.2 million. These increases were partially offset by lower gas prices of $7.1 million. In addition to these factors, gas purchased for resale at the Company reflects increased sales volumes due to weather at PSNC Energy of $29.8 million, customer growth of $2.8 million and the effect of a CUT adjustment that decreased gas purchased for resale by $9.2 million. These increases were partially offset by decreased gas costs of $15.6 million.

- Other operation and maintenance expenses decreased primarily due to lower labor costs, including lower incentive compensation.

- Depreciation and amortization increased primarily due to net plant additions.

- Other taxes increased primarily due to higher property taxes associated with net plant additions.

Sales volumes (in MMBTU) related to gas distribution above by class, including transportation, were as follows:

	The Company				Consolidated SCE&G			
	Second Quarter		Year to Date		Second Quarter		Year to Date	
Classification (in thousands)	2018	2017	2018	2017	2018	2017	2018	2017
Residential	4,093	3,202	27,281	19,762	1,432	1,043	8,467	5,948
Commercial	5,361	5,107	17,418	14,576	2,735	2,650	7,153	6,402
Industrial	5,370	4,758	10,878	10,080	4,890	4,347	9,540	9,000
Transportation	13,877	12,494	26,024	23,448	1,570	1,530	3,072	3,086
Total	28,701	25,561	81,601	67,866	10,627	9,570	28,232	24,436

Second Quarter

Residential and commercial firm sales volumes for the Company and Consolidated SCE&G increased due to customer growth, higher average use and the effects of weather. Industrial firm sales volumes increased at SCE&G due to customer growth and higher average use, and industrial interruptible volumes increased due to higher average use. Industrial sales and transportation volumes at the Company increased due to the effects of weather at PSNC Energy. Transportation volumes also increased at the Company due to a significant customer expansion and increased natural gas fired electric generation within PSNC Energy's territory.

Year to Date

Residential and commercial firm sales volumes for the Company and Consolidated SCE&G increased due to the effects of weather, customer growth and higher average use. Industrial firm sales volumes increased at SCE&G due to customer growth and higher average use and industrial interruptible volumes decreased due to increased curtailments in 2018. Industrial sales and transportation volumes at the Company increased due to the effects of weather at PSNC Energy. Transportation volumes also increased at the Company due to a significant customer expansion and increased natural gas fired electric generation within PSNC Energy's territory.

Gas Marketing

Gas Marketing is comprised of the Company's nonregulated marketing operation, SCANA Energy, which operates in the southeast and includes Georgia’s retail natural gas market. Gas Marketing operating revenues and net income were as follows:

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	Second Quarter		Year to Date	
Millions of dollars	2018	2017	2018	2017
Operating revenues	$ 171.7	$ 216.3	$ 475.8	$ 514.3
Net income	3.6	1.1	20.6	16.2

Second Quarter and Year to Date

Revenues are lower primarily due to lower commodity pricing. Net income increased primarily due to the effects of the Tax Act.

Other Operating Expenses

Other operating expenses were as follows:

	The Company				Consolidated SCE&G			
	Second Quarter		Year to Date		Second Quarter		Year to Date	
Millions of dollars	2018	2017	2018	2017	2018	2017	2018	2017
Other operation and maintenance	$ 208.3	$ 178.8	$ 410.0	$ 354.0	$ 164.2	$ 145.7	$ 310.4	$ 287.5
Impairment loss	—	—	3.6	—	—	—	3.6	—
Depreciation and amortization	99.4	94.6	198.6	189.0	80.7	77.3	161.2	154.3
Other taxes	69.7	67.1	139.6	133.0	64.5	62.2	129.4	123.5

Other operation and maintenance increased primarily due to certain legal and other costs incurred in connection with the Nuclear Project and the proposed merger with Dominion Energy. Other changes in other operating expenses are also largely attributable to the electric operations and gas distribution segments and are addressed in those discussions.

Other Income (Expense)

Other income (expense) includes the results of certain incidental non-utility activities of regulated subsidiaries, the activities of certain non-regulated subsidiaries, the costs of certain governance activities at the parent company and AFC. AFC is a utility accounting practice under which a portion of the cost of both equity and borrowed funds used to finance construction (which is shown on the condensed consolidated balance sheet as construction work in progress) is capitalized. Each of the Company and Consolidated SCE&G includes an equity portion of AFC in nonoperating income and a debt portion of AFC in interest charges (credits), both of which have the effect of increasing reported net income. Components of other income (expense) and AFC were as follows:

	The Company				Consolidated SCE&G			
	Second Quarter		Year to Date		Second Quarter		Year to Date	
Millions of dollars	2018	2017	2018	2017	2018	2017	2018	2017
Other income	$ 11.6	$ 15.6	$ 145.6	$ 32.5	$ 5.2	$ 7.6	$ 132.6	$ 15.3
Other expense	(10.6)	(10.8)	(20.2)	(24.4)	(5.2)	(6.6)	(11.7)	(16.1)
AFC - equity funds	3.0	9.1	7.2	18.2	1.3	7.5	4.2	16.1

Second Quarter

Other income at the Company and at Consolidated SCE&G decreased by $4.0 million due to lower carrying costs on certain regulatory assets. Other expense at the Company and at Consolidated SCE&G decreased $1.8 million and $1.2 million, respectively, due to varying levels of non-service costs components of pension and other postretirement benefit expense recognized within other expense. Equity AFC decreased primarily due to the abandonment of the Nuclear Project.

Year to Date

Other income at the Company and at Consolidated SCE&G increased primarily due to the recognition of $113.7 million of gains realized upon the settlement of certain interest rate derivative contracts and $8.2 million of gains from land sales. The gains related to the settlement of interest rate derivative contracts were fully offset by downward adjustments to electric revenues pursuant to a previously received SCPSC order related to fuel cost recovery and had no effect on net income. These increases were partially offset by $8.1 million of lower carrying costs on certain regulatory assets. Other expense at the Company and at Consolidated SCE&G decreased $5.6 million and $4.4 million, respectively, due to varying levels of non-

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service costs components of pension and other postretirement benefit expense recognized within other expense. Equity AFC decreased primarily due to the abandonment of the Nuclear Project.

Interest Expense

Interest charges increased primarily due to the accrual of interest related to uncertain tax positions and lower debt AFC due to the abandonment of the Nuclear Project. In 2017, certain of such interest accruals were deferred in regulatory assets, and such deferred amounts were subsequently included in an impairment loss recorded in the fourth quarter of 2017.

Income Taxes

Income tax expense decreased in 2018 due to lower income before taxes and a lower effective tax rate. The lower effective tax rate in 2018 was primarily due to the federal corporate tax rate changing from 35% to 21% as a result of the Tax Act.

LIQUIDITY AND CAPITAL RESOURCES

The Company and Consolidated SCE&G have experienced significant adverse events leading up to their decision to stop construction of Unit 2 and Unit 3, as well as significant adverse events since that decision was made. These difficulties and other developments occurring prior to the bankruptcy filing by WEC and WECTEC and other matters are described in Liquidity and Capital Resources and in Note 10 to the consolidated financial statements included in the Company's and Consolidated SCE&G's combined Form 10-K for the year ended December 31, 2017. Significant developments affecting liquidity subsequent to December 31, 2017 are discussed below.

Liquidity Considerations

The Company and Consolidated SCE&G have significant obligations that must be paid within the next 12 months, including long-term debt maturities and capital lease payments of $568 million for the Company (including $564 million for Consolidated SCE&G), short-term borrowings of $517 million for the Company (including $457 million for Consolidated SCE&G), interest payments of approximately $318 million for the Company (including $238 million for Consolidated SCE&G), future minimum payments for operating leases of $11 million for the Company (including $3 million for Consolidated SCE&G), and revenues collected subject to refund arising from the effects of the Tax Act of approximately $55 million for the Company (including $46 million for Consolidated SCE&G). Working capital requirements, such as those for fuel supply and similar obligations, also arise due to the lag between when such amounts are paid and when related collection of such costs through customer rates occurs. In addition, as described under *Impairment Considerations* in Note 10 to the condensed consolidated financial statements, SCE&G has been ordered to reduce revised rates previously approved under the BLRA by approximately $279 million in 2018. This reduction assumes that Act 258 remains in effect and is implemented through December 21, 2018, which is the expected pendency of the SCPSC proceeding with respect to the Joint Petition and related dockets, and would include a refund of approximately $109.3 million previously recorded for the period April 1 through June 30, 2018.

On June 27, 2018, the South Carolina General Assembly adopted Act 258, which became law June 28, 2018, to temporarily reduce the amount SCE&G can collect from customers under the BLRA. Act 258 requires the SCPSC to order a reduction in the portion of SCE&G's retail electric rates associated with the Nuclear Project from approximately 18% of the average residential electric customer's bill to approximately 3.2%, or a reduction of approximately $31 million per month, retroactive to April 1, 2018. Absent an earlier ruling from the SCPSC, which could be issued only on the SCPSC's own initiative, these lower rates are to be effective until the SCPSC renders a final decision on the merits of the Joint Petition. On July 2 and 3, 2018, the SCPSC issued orders implementing the temporary rate reduction required by Act 258. Unless the relief discussed in the next paragraph is granted, the new rates and retroactive credits required by Act 258 are to be put into effect with the first billing cycle of August 2018. Retroactive credits for billed and unbilled amounts for the period April 1, 2018 through June 30, 2018 total approximately $109.3 million, which amount has been deferred within Revenue subject to refund on the condensed consolidated balance sheet of the Company and Consolidated SCE&G. The initial recognition of such retroactive credits includes the effects of cycle billing on unbilled usage. In addition to the reduction of electric rates (which rates had been previously approved by the SCPSC), Act 258 alters various procedures previously applicable under the BLRA, including redefining the standard of care required by the BLRA and supplying definitions of key terms that would affect the evidence required to establish SCE&G's ability to recover its costs associated with the Nuclear Project.

On June 29, 2018, SCE&G filed a lawsuit in the District Court challenging the constitutionality of Act 258 along with joint resolution S. 954, which became law on July 2, 2018. Among other things, S. 954 prohibits the SCPSC from holding a

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hearing on the merits of the Joint Petition before November 1, 2018, and requires it to issue an order on the merits of the Joint Petition by December 21, 2018. In the lawsuit, which was subsequently amended, SCE&G seeks a declaration that the new laws are unconstitutional and asks the court to issue an injunction prohibiting the SCPSC from implementing Act 258. A hearing on SCE&G's motion for the issuance of a preliminary injunction was held July 30-31, 2018. Dominion Energy and Sedona would not be obligated to complete the pending merger with SCANA if Act 258 remains in effect and is implemented. The Company and Consolidated SCE&G cannot predict the timing or outcome of this matter.

On June 28, 2018, SCANA's Board of Directors declared a dividend of $0.1237 per share payable on July 18, 2018 to shareholders of record on July 10, 2018. This quarterly cash dividend reflects a reduction from the $0.6125 per share paid on SCANA's common stock for the first quarter of 2018. The approximately eighty percent reduction in the dividend corresponds to the portion of the dividend attributable to SCE&G's electric operations and serves to partially mitigate the liquidity impacts arising from the reduced revenues resulting from the implementation of Act 258. The payment of future dividends will be evaluated quarterly by the Board of Directors.

Management believes as of the date of issuance of this report that it has access to available sources of cash to pay obligations when due over the next 12 months. These sources include committed long-term lines of credit that expire in December 2020 totaling $1.8 billion for the Company (including $1.2 billion for Consolidated SCE&G). In addition, as of the date of issuance of this report, SCE&G continues to collect the BLRA-related customer rates that remain after reductions ordered as a result of Act 258, as well as amounts provided for in other orders related to non-BLRA electric and gas rates. In 2018, however, certain of SCANA's credit ratings have fallen to below investment grade, which has constrained its ability and that of Fuel Company to issue commercial paper.

Were the SCPSC to grant the relief sought by ORS in the Request or grant similar relief resulting from legislative action, as further discussed in Note 10 in the condensed consolidated financial statements, an additional impairment loss or other charges totaling as much as approximately $4.9 billion (approximately $3.7 billion net of tax) may be required. Such an impairment loss or other charges would further stress the Company's and Consolidated SCE&G's debt to total capitalization ratio and may result in the Company's and Consolidated SCE&G's ratio of debt to total capitalization exceeding maximum levels prescribed in their respective credit agreements. Such an event likely would limit the Company's and Consolidated SCE&G's ability to borrow under their commercial paper programs and credit facilities and their ability to pay future dividends or may trigger events of default under such agreements.

Known and knowable conditions and events when considered in the aggregate as of the date of issuance of this report do not suggest it is probable that the Company and Consolidated SCE&G will not be able to meet obligations as they come due over the next 12 months. However, possible future actions, including but not limited to actions related to the disallowance of all or part of the remaining unrecovered nuclear regulatory asset, rate reductions, refunds or lawsuits, could have a material adverse impact on the Company's and Consolidated SCE&G's financial condition, liquidity, results of operations and cash flows such that management's conclusion with respect to its ability to pay obligations when due could change.

Impact of Abandonment of Nuclear Project

Regulatory proceedings being considered by the SCPSC include the Request filed by the ORS which, if granted, would require SCE&G to (1) immediately suspend all revised rates collections from customers which were previously approved by the SCPSC pursuant to the authority of the BLRA, and (2) make credits to future bills or refunds to customers for prior revised rates collections in the event that the BLRA is found to be unconstitutional or the South Carolina General Assembly further amends or revokes it. SCE&G estimates that revised rates collections, including collections related to transmission assets which have been or are expected to be placed into service and prior to implementation of Act 258, total approximately $445 million annually, and such amounts accumulated as of June 30, 2018 total approximately $2.1 billion. In an amendment to the Request, the ORS has asked the SCPSC to consider the most prudent manner by which SCE&G will enable its customers to realize the value of the monetized Toshiba Settlement payments and other payments made by Toshiba towards satisfaction of its obligations to SCE&G. SCE&G's 55% share of such amounts totals $1.098 billion.

Parties who have intervened in the Request or who filed a letter in support of the Request, as amended, include the state's Governor, Office of Attorney General and Speaker of the House of Representatives, the Electric Cooperatives of South Carolina, Santee Cooper, the SCEUC, certain large industrial customers, and several environmental groups. The SCPSC has scheduled a hearing on the Joint Petition and two other dockets related to the Nuclear Project, namely the Request by the ORS and a June 2017 complaint filed by the Friends of the Earth and the Sierra Club, to begin November 1, 2018. This schedule was established in response to legislation described above. SCE&G intends to continue vigorously contesting the Request, but cannot give any assurance as to the timing or outcome of this matter. Any adverse action by the SCPSC, such as that sought by

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the ORS in the Request, could have a material adverse impact on the Company's and Consolidated SCE&G's results of operations, cash flows and financial condition.

Should the SCPSC or a court direct that proceeds arising from the Toshiba Settlement be refunded to customers in the near-term, or direct that such funds be escrowed or otherwise made unavailable to SCE&G, it is anticipated that SCE&G would issue commercial paper, draw on its credit facilities or issue long-term debt to fund such requirement if such sources are available. However, were the SCPSC to rule in favor of the ORS in response to the Request that SCE&G suspend collections from customers of amounts previously authorized under the BLRA, or were other actions of the SCPSC or others taken in order to significantly restrict SCE&G's access to revenues or impose additional adverse refund obligations on SCE&G, the Company's and Consolidated SCE&G's assessments regarding the recoverability of all or a portion of the remaining balance of unrecovered Nuclear Project costs (see Note 2 and Note 10 to the condensed consolidated financial statements) would be adversely impacted and additional impairment losses would likely be recorded. Further, the recognition of significant additional impairment losses with respect to unrecovered Nuclear Project costs could increase the Company's and Consolidated SCE&G's debt to total capitalization to a level which may limit their ability to borrow under their commercial paper programs or under their credit facilities and also could constitute a default under these credit facilities. Borrowing costs for long-term debt issuances and access to capital markets could also be negatively impacted.

For additional background on the Nuclear Project and further details on the matters described above, see Note 10 to the condensed consolidated financial statements under Abandoned Nuclear Project - Toshiba Settlement and Subsequent Monetization and Regulatory, Political and Legal Developments.

Adverse developments relating to the WEC bankruptcy, including the decision to stop construction of Unit 2 and Unit 3, and a decline in the regulatory and legislative environment in 2017 and 2018 have caused credit ratings agencies to place SCANA and SCE&G's credit ratings on negative outlook or evolving status. On January 3, 2018, after SCANA announced a proposed merger with Dominion Energy, each of the three agencies affirmed or reported no change to their respective credit ratings, and one agency revised its rating outlook for SCANA and its rated operating companies from negative to evolving. However, on January 31, 2018, the South Carolina House of Representatives overwhelmingly approved a bill (similar provisions from which later would become Act 258) designed to temporarily repeal rates SCE&G collects under the BLRA. As a result, on February 5, 2018, one agency downgraded its ratings for SCANA and SCE&G, and attributed the downgrade to the passage of this bill and the politically charged environment that is expected to weigh heavily on any decisions by the SCPSC related to SCE&G's electric rates. As of June 30, 2018, the issuer ratings and the senior unsecured debt ratings for SCANA are considered below investment grade by two agencies; the issuer ratings for SCE&G are considered to be at the threshold for investment grade by two agencies while its senior secured debt ratings remain above investment grade; and the issuer ratings for PSNC Energy are considered to be at the threshold for investment grade by one agency while its senior unsecured debt ratings remain above investment grade. On July 2 and 3, 2018, the agencies affirmed their ratings; however, one agency changed its outlook from review to negative. As a result, all of the ratings for SCANA, SCE&G and PSNC Energy have either a negative or evolving outlook, indicating that the ratings are being scrutinized for possible rating actions either currently or dependent on the outcome of uncertain future events.

During the pendency of SCE&G's lawsuit filed June 29, 2018 in the District Court, as amended, SCE&G may be required to escrow funds or to secure a bond corresponding to the amount it may be required to refund if its lawsuit is unsuccessful. In addition, any adverse final judgment by a court in any matter of litigation, or any levy for amounts assessed by a regulatory agency, including but not limited to matters described in Part II, Item 1. Legal Proceedings, could require the Company and/or Consolidated SCE&G to escrow funds or to post one or more bonds equal to the monetary amount of the judgment or assessment while the decision is being appealed or challenged.

Any actions taken by or anticipated to be taken by regulators or legislators that are viewed as adverse, including a further change to the BLRA or a requirement that SCE&G make additional credits to future bills or refunds to customers or any requirement that SCE&G make such credits or refunds in the absence of the merger being consummated, or deterioration of the rated companies' commonly monitored financial credit metrics or any additional adverse developments with respect to the Nuclear Project, could further negatively affect their debt ratings. If these rating agencies were to further lower any of these ratings, borrowing costs on new issuances of long-term debt and commercial paper would increase, which could adversely impact financial results, and refinancing opportunities would be limited or eliminated to the extent that the potential pool of investors and funding sources decreased. In addition, further ratings downgrades may result in lower collateral thresholds being applied to the Company's and Consolidated SCE&G's commodity derivatives, or the removal of such thresholds altogether. This action would have the effect of requiring the Company to post additional collateral for commodity derivative instruments with unfavorable fair values. Ratings downgrades have also resulted in prepayments and demands from vendors for letters of credit, cash deposits, or other forms of credit support under certain gas supply and other agreements. SCANA has obtained a letter of credit of $30.4 million in favor of a natural gas distributor, which is in addition to a $3 million letter of credit that

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previously existed, and in March 2018, SCE&G borrowed $100 million under a credit agreement to fund a deposit with one of its natural gas transporters. These actions have reduced amounts available under the credit facilities (see Note 5 to the condensed consolidated financial statements). Further ratings downgrades could result in requirements for additional deposits or the provision of additional credit support in order to conduct business under these agreements.

Significant Tax Deductions and Credits

The Company and Consolidated SCE&G have claimed significant research and experimentation tax deductions and credits related to the design and construction activities of Unit 2 and Unit 3. A significant portion of these claims followed the issuance of final IRS regulations in 2014 regarding such treatment with respect to expenditures related to the design and construction of pilot models. (See also Note 6 to the condensed consolidated financial statements.) The Company and Consolidated SCE&G have also claimed a significant tax deduction related to the decision to stop construction and to abandon the Nuclear Project in 2017. Following that claim and a related carry back of tax net operating losses, on July 2, 2018, the Company received a refund of federal taxes previously paid totaling approximately $206 million.

These tax claims primarily involve the timing of recognition of tax deductions rather than permanent tax attributes, and their permanent attributes (net), as well as most of the interest accruals required to be recorded with respect to them, had been deferred within regulatory assets until December 31, 2017, at which time these deferrals were considered to be impaired. These claims have contributed significantly to the Company's and Consolidated SCE&G's cash flows by providing a significant source of capital and lessening the level of debt and equity financing that the Company and Consolidated SCE&G have needed to raise in the financial markets.

The research and experimentation claims made to date are under (or are expected to come under) examination, and are considered controversial by the IRS. Tax deductions which have been claimed in connection with the determination to abandon the construction of Unit 2 and Unit 3 also are considered controversial; therefore, it is also expected that the IRS will examine future tax returns. To the extent that any of these claims are not sustained as ordinary losses on examination or through any subsequent appeal, the Company and Consolidated SCE&G will be required to repay any cash received for tax benefit claims which are ultimately disallowed, along with interest on those amounts. Such amounts could be significant and could adversely affect the Company's and Consolidated SCE&G's liquidity, cash flows, results of operations and financial condition. In certain circumstances, which management considers to be remote, penalties for underpayment of income taxes could also be assessed. Additionally, in such circumstances, the Company and Consolidated SCE&G may need to access the capital markets to fund those tax and interest payments, which could in turn adversely impact their ability to access those markets for other purposes.

Other Liquidity Requirements and Restrictions

The terms of the Merger Agreement place limits on the Company and its subsidiaries as to certain investing and financing transactions. While the Merger Agreement permits the Company and its subsidiaries to refinance and issue certain long-term debt, make capital expenditures at certain levels, consummate certain planned investments, and make regular quarterly dividend payments to its shareholders at certain levels, transactions above these levels would require consent from Dominion Energy, which consent cannot be unreasonably withheld. Permitted transactions include, but are not limited to, the planned refinancing of $710 million of long-term debt maturing in 2018 at Consolidated SCE&G ($160 million of which matured in June 2018; see Note 5 to the condensed consolidated financial statements), the new issuance of $100 million of long-term debt at PSNC Energy which was completed in June 2018, the purchase of an existing 540-MW gas fired power plant which was completed in May 2018, and the payment by SCANA of regular quarterly dividends to its shareholders subject to certain limits. In addition, SCANA's Supplementary Key Executive Severance Benefits Plan provides certain payments to qualified senior executive officers in connection with a change in control. In 2018, the Company has provided approximately $116 million in a rabbi trust, designated as irrevocable subject to the change in control, to fund payments pursuant to this and certain other deferred compensation, incentive and retirement plans, which might arise in connection with a change in control and/or a termination of employment or service if and when such payments become due. Under the terms of the rabbi trust, if the change in control does not occur, SCANA could request a return of all or part of those funds.

The Company expects to meet contractual cash obligations in 2018 through internally generated funds and additional short- and long-term borrowings. Subject to the outcome of the regulatory, legislative and legal proceedings discussed above, the Company expects that, barring a future impairment of the capital markets or its access to such markets, it has or can obtain adequate sources of financing to meet its projected cash requirements over the next 12 months, including the cash requirements for refinancing maturing long-term debt. As noted above, adverse developments in regulatory, legislative or legal proceedings could alter these conclusions. The Company's ratio of earnings to fixed charges for the six and 12 months ended June 30, 2018 was 2.17 and (0.04), respectively. Consolidated SCE&G's ratio of earnings to fixed charges for the six and 12 months ended

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June 30, 2018 was 2.27 and (0.55), respectively. These ratios reflect impairment losses recorded in 2017 and 2018 related to the Nuclear Project, which are discussed in Note 10 to the condensed consolidated financial statements and in SCANA's and SCE&G's combined Form 10-K for the year ended December 31, 2017. Also, these ratios reflect the 2018 temporary reduction of retail electric rates required by Act 258. See Note 2 and Note 10 to the condensed consolidated financial statements.

SCANA's ability to pay dividends on its common stock may be limited by existing covenants that limit the right of its subsidiaries to pay dividends on their common stock. Further, SCANA has agreed to obtain the consent of Dominion Energy, which consent cannot be unreasonably withheld, prior to making dividend payments to shareholders greater than $0.6125 per share for any quarter while the Merger Agreement is pending. For the quarter ended June 30, 2018, SCANA's board of directors declared a dividend of $0.1237 per share, which represents an approximately 80% reduction from the dividend paid to its shareholders for the quarter ended March 31, 2018. The reduction corresponds to the portion of dividend attributable to SCE&G's electric operations and serves to partially mitigate the liquidity impacts arising from the reduced revenues resulting from the implementation of Act 258. Any determination to pay dividends to holders of SCANA common stock in the future, as well as the amount of any dividend, are subject to approval by the board of directors, and will depend upon many factors that the board of directors deems relevant. Any further or sustained reduction in SCANA's payment of dividends in the future may result in a decline in the value of its common stock. Such a decline in value could limit SCANA's ability to raise debt and equity capital.

Cash requirements for SCANA's regulated subsidiaries arise primarily from their operational needs, funding their construction programs and payment of dividends to SCANA. The ability of the regulated subsidiaries to replace existing plant investment, to expand to meet future demand for electricity and gas and to install equipment necessary to comply with environmental regulations, will depend on their ability to attract the necessary financial capital on reasonable terms. Regulated subsidiaries recover the costs of providing services through rates charged to customers. Rates for regulated services are generally based on historical costs. As customer growth and inflation occur and these subsidiaries continue their ongoing construction programs, rate increases will be sought. The future financial position and results of operations of regulated subsidiaries will be affected by their ability to obtain adequate and timely rate and other regulatory relief.

Rating agencies consider qualitative and quantitative factors when assessing SCANA and its rated operating companies' credit ratings, including the legislative and regulatory environment, capital structure and the ability to meet liquidity requirements. As previously noted, adverse developments with respect to recovery of Nuclear Project costs have negatively affected the Company's and Consolidated SCE&G's debt ratings. Further adverse developments, changes in the legislative and regulatory environment or deterioration of SCANA's or its rated operating companies' commonly monitored financial credit metrics could cause the Company and Consolidated SCE&G to pay higher interest rates on its long- and short-term indebtedness, could limit the Company's and Consolidated SCE&G's access to capital markets and liquidity, and could trigger more stringent collateral requirements on interest rate and commodity hedges and under gas supply agreements and other contracts.

SCE&G has obtained FERC authority to issue short-term indebtedness and to assume liabilities as a guarantor (pursuant to Section 204 of the Federal Power Act). SCE&G may issue unsecured promissory notes, commercial paper and direct loans in amounts not to exceed $1.6 billion outstanding with maturity dates of one year or less, and may enter into guaranty agreements in favor of lenders, banks, and dealers in commercial paper in amounts not to exceed $600 million. GENCO has obtained FERC authority to issue short-term indebtedness not to exceed $200 million outstanding with maturity dates of one year or less. The authority described herein will expire in October 2018. Were adverse developments to occur with respect to uncertainties highlighted elsewhere, the ability of SCE&G or GENCO to secure renewal of this short-term borrowing authority may be adversely impacted.

Cash provided from operating activities in 2017 reflects significant tax benefits (reductions in income tax payments and tax refunds) arising from the deductions previously described under Significant Tax Deductions and Credits. The Company's decision in 2017 to stop construction of Unit 2 and Unit 3 and to abandon the Nuclear Project resulted in a significant tax deduction and an associated NOL for tax purposes. The Company obtained a refund of taxes paid in certain prior years as a result of the carryback of the NOL, and expects to benefit from the carryforward of the NOL in future years. These cash flows are expected to fund operations and may be used to reduce short-term borrowings.

Enactment of the Tax Act resulted in the remeasurement of deferred income tax assets and liabilities and the recognition as regulatory liabilities of certain excess deferred income taxes (see Note 2 and Note 6 to the condensed consolidated financial statements). Certain of these regulatory liabilities will be amortized to the benefit of customers over the remaining lives of related property in accordance with the normalization provisions of the IRC and Code of Federal Regulations, thereby mitigating any significant negative cash impact. However, since the majority of the Company's and

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Consolidated SCE&G's businesses are rate regulated, lower income taxes payable in future years due to the Tax Act will also result in lower collections from customers in rates.

Cash flows from operating activities in 2018 reflect the posting of credit assurance deposits with a natural gas transporter.

Cash flows from investing activities in both periods were primarily related to capital expenditures, and in 2018 includes the acquisition of CEC for approximately $180 million. In 2018, investing inflows included proceeds received upon the settlement of certain interest rate swaps.

Cash flows from financing activities in both periods included dividend payments, increases in commercial paper balances and proceeds from the issuance of debt. In 2018, such inflows included proceeds from a draw on a long-term credit facility.

In June 2018, GENCO redeemed at maturity $160 million of 6.06% secured notes at their face value. Funds to pay the notes were primarily borrowings from the utility money pool and a $20 million equity contribution from SCANA.

In June 2018, PSNC Energy issued $100 million of 4.33% senior notes due June 15, 2028. Proceeds from this sale were used to repay short-term debt, to finance capital expenditures, and for general corporate purposes.

In June 2017, PSNC Energy issued $150 million of 4.18% senior notes due June 30, 2047. Proceeds from this sale were used to repay short-term debt, to finance capital expenditures, and for general corporate purposes.

OTHER MATTERS

SCANA shareholders approved the Merger Agreement at a special meeting on July 31, 2018. Certain regulatory approvals must be obtained and other conditions must be met before the merger may be consummated.

For information related to environmental matters, nuclear generation, and claims and litigation, see Note 10 of the condensed consolidated financial statements. For information related to the Company's and Consolidated SCE&G's unrecognized tax benefits, see Note 6 of the condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

SCANA:

Interest Rate Risk - Interest rates on all outstanding long-term debt are fixed either through the issuance of fixed rate debt or through the use of interest rate derivatives. The Company is not aware of any facts or circumstances that would significantly affect exposures on existing indebtedness in the near future.

For further discussion of changes in long-term debt and interest rate derivatives, including changes in the Company's market risk exposures relative to interest rate risk, see the Liquidity and Capital Resources section in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes 2, 5, 7 and 8 of the condensed consolidated financial statements.

Commodity price risk - The Company uses derivative instruments to hedge forward purchases and sales of natural gas, which create market risks of different types. See Note 7 and 8 of the condensed consolidated financial statements. The following tables provide information about the Company’s financial instruments, which are limited to financial positions of SCANA Energy and PSNC Energy, that are sensitive to changes in natural gas prices. Weighted average settlement prices are per 10,000 MMBTU. Fair value represents quoted market prices for these or similar instruments.

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Expected Maturity	2018	2019	2020	2021
Futures - Long				
Settlement Price (a)	2.97	2.95	2.89	—
Contract Amount (b)	27.1	32.9	2.9	—
Fair Value (b)	27.4	33.0	2.9	—
Futures - Short				
Settlement Price (a)	2.91	—	—	—
Contract Amount (b)	0.9	—	—	—
Fair Value (b)	0.9	—	—	—
Options - Purchased Call (Long)				
Strike Price (a)	3.26	3.08	—	—
Contract Amount (b)	8.7	10.3	—	—
Fair Value (b)	0.6	0.8	—	—
Options Sold Call (Short)				
Strike Price (a)	0.20	—	—	—
Contract Amount (b)	0.3	—	—	—
Fair Value (b)	0.3	—	—	—
Swaps - Commodity				
Pay fixed/receive variable (b)	5.6	7.1	3.3	0.3
Average pay rate (a)	3.2210	2.9257	2.8627	2.7890
Average received rate (a)	2.9520	2.8581	2.7039	2.7157
Fair value (b)	5.1	6.9	3.2	0.2
Pay variable/receive fixed (b)	14.5	18.3	3.3	—
Average pay rate (a)	2.9532	2.8607	2.7172	—
Average received rate (a)	3.0556	2.9001	2.8586	—
Fair value (b)	15.0	18.5	3.5	—
Swaps - Basis				
Pay variable/receive variable (b)	19.8	15.2	—	—
Average pay rate (a)	2.9162	3.0094	—	—
Average received rate (a)	2.9004	3.0033	—	—
Fair value (b)	19.7	15.2	—	—

(a) Weighted average, in dollars
(b) Millions of dollars

ITEM 4. CONTROLS AND PROCEDURES

As of June 30, 2018, management for each of the Registrants has evaluated, with the participation of the CEO and CFO, (a) the effectiveness of the design and operation of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) and (b) any change in internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Based on this evaluation, the CEO and CFO concluded that, as of June 30, 2018, these disclosure controls and procedures were effective. There has been no change in internal control over financial reporting during the quarter ended June 30, 2018 that has materially affected or is reasonably likely to materially affect internal control over financial reporting for either of the Registrants.

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PART II. OTHER INFORMATION
ITEM 1. LEGAL PROCEEDINGS

SCANA and SCE&G:

The following describes certain legal proceedings that originated or have been terminated during the three months ended June 30, 2018 or for which developments have occurred during the period. The Company and Consolidated SCE&G intend to vigorously contest the lawsuits which have been filed against them. For developments related to these or other proceedings subsequent to June 30, 2018, if any, see Note 2 and Note 10 to the condensed consolidated financial statements. No reference to, or disclosure of, any proceeding, item or matter described below shall be construed as an admission or indication that such proceeding, item or matter is material or that such proceeding, item or matter is required to be referred to or disclosed in this Form 10-Q.

Ratepayer Class Actions

In May 2018, certain purported ratepayer class actions were consolidated. These include actions which in previous Exchange Act filings were defined as the Cleckley Lawsuit, the Lightsey Lawsuit, and an action filed by plaintiff Edwinda Goodman. The consolidated complaint is styled Richard Lightsey, LeBrian Cleckley, Phillip Cooper *et al.* on behalf of themselves and all others similarly situated v. SCE&G, SCANA, and the State of South Carolina (the "SCE&G Ratepayer Case") and was filed in the State Court of Common Pleas in Hampton County (the "Hampton County Court"). The plaintiffs allege, among other things, that SCE&G was negligent and unjustly enriched, breached alleged fiduciary and contractual duties, and committed fraud and misrepresentation in failing to properly manage the Nuclear Project, and that SCE&G committed unfair trade practices and violated state anti-trust laws. The plaintiffs seek a declaratory judgment that SCE&G may not charge its customers for any past or continuing costs of the Nuclear Project. In addition, the plaintiffs also seek to have the defendants' assets frozen and all monies recovered from Toshiba and other sources be placed in a constructive trust for the benefit of ratepayers. The plaintiffs seek specific performance of the alleged implied contract to construct the now abandoned project, as well as compensatory, punitive and statutory treble damages, attorneys' fees, and any other relief the court deems proper. At June 30, 2018, the Motion for Class Certification and other motions were pending.

On September 7, 2017, a purported class action was filed against Santee Cooper, SCE&G, Palmetto Electric Cooperative, Inc. and Central Electric Power Cooperative, Inc. by plaintiff Jessica Cook, on behalf of herself and all others similarly situated (the "Santee Cooper Ratepayer Case") in the Hampton County Court. The plaintiff makes substantially similar allegations as the SCE&G Ratepayer Case. The plaintiff seeks a declaratory judgment that defendants may not charge the purported class for reimbursement for past or future costs of the Nuclear Project, as well as other compensatory and statutory treble damages, attorneys' fees, and any other relief the court deems proper. On March 27, 2018, the plaintiff and additional named plaintiffs filed an amended complaint including as additional named defendants current and former directors of Santee Cooper and SCANA. On June 25, 2018, Santee Cooper filed a Notice of Petition for Original Jurisdiction with the Supreme Court of South Carolina, which Notice was pending at June 30, 2018.

On January 31, 2018, a purported class action was filed by Plaintiff Timothy Glibowski, on behalf of himself and all others similarly situated, in the District Court (the "Glibowski Lawsuit"). The action, as subsequently amended on April 23, 2018, is against SCANA, SCE&G, Kevin Marsh, Jimmy Addison, Stephen Byrne, Martin Phalen, Mark Cannon, Russell Harris, Ronald T. Lindsay, James Micali, and Lonnie Carter. The plaintiff alleges, among other things, that the Company, SCE&G and the individual defendants participated in an unlawful racketeering enterprise in violation of RICO 18 U.S.C. §1961 et seq., and conspired to violate RICO 18 U.S.C. §1962(c) by fraudulently inflating utility bills to generate unlawful proceeds. Plaintiff seeks treble damages, attorneys' fees, and any other relief the court deems proper. As amended, the Glibowski Lawsuit effectively consolidated the claims brought by Christine Delmater as reported in previous Exchange Act filings. The case Christine Delmater *et al*. v. SCANA was dismissed on May 18, 2018.

State Court Shareholder Derivative Actions

On September 26, 2017, a purported shareholder derivative action was filed against defendants Kevin Marsh, Gregory Aliff, James Bennett, John Cecil, Sharon Decker, Maybank Hagood, Lynne Miller, James Roquemore, Maceo Sloan, Alfredo Trujillo, Jimmy Addison, Stephen Byrne, and nominal defendant SCANA by plaintiff John Crangle, purportedly on behalf of SCANA, in the State Court of Common Pleas in Richland County, South Carolina (the "Richland County Court") (the "Crangle Lawsuit"). The plaintiff alleges, among other things, that the defendants breached their fiduciary duties to shareholders by their gross mismanagement of the Nuclear Project, and that the defendants Marsh, Addison, and Byrne were unjustly enriched by bonuses they were paid in connection with the project. The plaintiff seeks compensatory and consequential damages, attorneys' fees, and any other relief the court deems proper. Defendants filed a Motion for Consolidation and appointment of lead

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plaintiff's counsel in this case and the Todd Lawsuit (as hereinafter defined) on November 29, 2017, and also filed a motion to have these cases transferred to the Richland County Business Court. On January 8, 2018, the court notified the parties that the Crangle Lawsuit and the Todd Lawsuit would be transferred to the Business Court Pilot Program in Richland County. On March 5, 2018, Defendants' Motion to Stay these shareholder derivative actions pending the resolution of the ongoing related regulatory proceedings, ratepayer class actions, securities class actions, and government investigations was denied. On May 9, 2018, defendants' Motion for Consolidation was denied. At June 30, 2018, various motions to dismiss remain pending.

On October 30, 2017, a purported shareholder derivative action was filed by plaintiff R. Wayne Todd, purportedly on behalf of SCANA, in Richland County Court (the "Todd Lawsuit"). The defendants named in the Todd Lawsuit are identical to those of the Crangle Lawsuit. The plaintiff also makes substantially similar allegations as those alleged in the Crangle Lawsuit, and alleges that the defendants Marsh, Addison, and Byrne were unjustly enriched by bonuses they were paid in connection with the Nuclear Project. The plaintiff seeks compensatory and consequential damages, punitive damages, attorneys' fees, and any other relief the court deems proper. While the Todd Lawsuit has not been consolidated with the Crangle Lawsuit, these cases are being heard by the same judge, and the disposition and pendency of various motions made by the defendants and the plaintiff are the same and are described above with the Crangle Lawsuit.

On December 13, 2017, a purported shareholder derivative action was filed against Kevin Marsh, Jimmy Addison, Stephen Byrne, Maybank Hagood, Lynne Miller, James Bennett, Maceo Sloan, Sharon Decker, James Roquemore, Alfredo Trujillo, John F.A.V. Cecil, Gregory Aliff, James Micali, Harold Stowe, and nominal defendant SCANA by plaintiff Firemen's Retirement System of St. Louis, purportedly on behalf of SCANA, in the Richland County Court. The plaintiff makes substantially similar allegations as those alleged in the Crangle and Todd Lawsuits. On January 8, 2018, the court notified the parties that this lawsuit, the Crangle Lawsuit and the Todd Lawsuit would be consolidated in the Business Court Pilot Program in Richland County. On January 12, 2018, the suit was amended to add Dominion Energy and Sedona as defendants and to assert putative class action claims alleging, among other things, that defendants violated their fiduciary duties to shareholders by executing a merger agreement that unfairly deprived plaintiffs of the true value of their SCANA stock, and that Dominion Energy and Sedona aided and abetted these actions. Among other remedies, the plaintiff seeks to enjoin defendants from finalizing and consummating the proposed merger and seeks compensatory and consequential damages, injunctive relief, restitution, attorneys' fees, and any other relief the court deems proper. On February 21, 2018, Dominion Energy removed the case to the District Court. On June 27, 2018, the case was remanded back to the Richland County Court.

On January 23, 2018, a purported class action was filed against SCANA, Dominion Energy, Sedona, Jimmy Addison, Gregory Aliff, James Bennett, John Cecil, Sharon Decker, Maybank Hagood, Lynne Miller, James Roquemore, Maceo Sloan, and Alfredo Trujillo, by plaintiff City of Warren Police and Fire Retirement System in the State Court of Common Pleas in Lexington County, South Carolina (the "Lexington County Court"). The plaintiff alleges, among other things, that defendants violated their fiduciary duties to shareholders by executing a merger agreement that would unfairly deprive plaintiffs of the true value of their SCANA stock, and that Dominion Energy and Sedona aided and abetted these actions. Among other remedies, the plaintiff seeks to enjoin and/or rescind the proposed merger, as well as unspecified monetary damages, attorneys' fees, costs and any other relief the court deems proper. On February 21, 2018, Dominion Energy removed the case to the District Court, and filed its Motion to Dismiss on March 9, 2018. On June 27, 2018, the case was remanded back to the Lexington County Court.

On February 8, 2018, a purported class action was filed against Gregory Aliff, James Bennett, John Cecil, Sharon Decker, Maybank Hagood, Lynne Miller, James Roquemore, Maceo Sloan, Alfredo Trujillo, Dominion Energy, and Sedona by plaintiffs Metzler Asset Management GmbH and Joseph Heinz in the Richland County Court. The plaintiffs allege, among other things, that defendants violated their fiduciary duties to shareholders by executing a merger agreement that would unfairly deprive plaintiffs of the true value of their SCANA stock, and that Dominion Energy and Sedona aided and abetted these actions. Among other remedies, the plaintiffs seek to enjoin and/or rescind the proposed merger, as well as unspecified monetary damages, attorneys' fees, and any other relief the court deems proper. On February 21, 2018, Dominion Energy removed the case to the District Court, and filed its Motion to Dismiss on March 9, 2018. At June 30, 2018, the Motion to Dismiss was pending.

Federal Court Shareholder Derivative Actions

On November 21, 2017, a purported shareholder derivative action was filed against Kevin Marsh, Gregory Aliff, James Bennett, John Cecil, Sharon Decker, Maybank Hagood, Lynn Miller, James Roquemore, Maceo Sloan, Aldredo Trujillo, Jimmy Addison, Stephen Byrne, and SCANA by plaintiff Colleen Witmer, purportedly on behalf of SCANA in the District Court (the "Witmer Lawsuit"). The plaintiff alleges, among other things, that the defendants violated their fiduciary duties to shareholders by disseminating false and misleading information about the Nuclear Project, failing to maintain proper internal controls, failing to properly oversee and manage the company, and that the individual defendants were unjustly enriched in their

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compensation. The plaintiff seeks compensatory and consequential damages, disgorgement of compensation, punitive damages, attorneys' fees, and any other relief the court deems proper. On January 23, 2018, the District Court granted consolidation of the Wickstrom Lawsuit (as hereinafter defined), and the Witmer Lawsuit, and granted plaintiffs' requests for appointment of lead counsel. The consolidated case is captioned *In re SCANA Corporation Derivative Litigation*. On January 30, 2018, the plaintiffs filed their consolidated amended complaint. On June 27, 2018, the court denied defendants' motions to dismiss.

On November 22, 2017, a purported shareholder derivative action was filed against Kevin Marsh, Gregory Aliff, James Bennett, John Cecil, Sharon Decker, Maybank Hagood, Lynn Miller, James Roquemore, Maceo Sloan, Aldredo Trujillo, and SCANA by plaintiff Richard Wickstrom, purportedly on behalf of SCANA in the District Court (the "Wickstrom Lawsuit"). The plaintiff alleges, among other things, that the defendants violated their fiduciary duties to shareholders by affirmatively making and allowing material misstatements to be made to shareholders regarding the Nuclear Project. The plaintiff seeks compensatory and consequential damages, disgorgement of Marsh's compensation, attorneys' fees, and any other relief the court deems proper. As noted, on January 23, 2018, this case was consolidated and is captioned *In re SCANA Corporation Derivative Litigation*.

Federal Court 10b-5 and Merger Actions

On September 27, 2017, a purported class action was filed against SCANA, Kevin B. Marsh, Jimmy E. Addison, and Stephen A. Byrne by plaintiff Robert L. Norman, on behalf of himself and all others similarly situated, in the District Court (the "Norman Lawsuit"). The plaintiff alleges, among other things, that the defendants violated §10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, and that the individual named defendants are liable under §20(a) of the Exchange Act. The plaintiff seeks compensatory and consequential damages, attorneys' fees, and any other relief the court deems proper. On January 23, 2018, the District Court granted consolidation of the Norman Lawsuit, the Evans Lawsuit, the Fox Lawsuit, and the West Palm Beach Lawsuit, (as such terms are hereinafter defined), and granted plaintiffs' requests for appointment of lead counsel. The consolidated case is captioned *In re SCANA Corporation Securities Litigation*.The plaintiffs filed a consolidated amended complaint on March 30, 2018. At June 30, 2018, the defendants' motions to dismiss were pending.

On October 5, 2017, a purported class action was filed against SCANA, Kevin B. Marsh, and Jimmy E. Addison by plaintiff Kenneth Evans on behalf of himself and all others similarly situated in the District Court (the "Evans Lawsuit"). The plaintiff makes substantially similar allegations as those alleged in the Norman Lawsuit, and seeks substantially similar relief. As noted, on January 23, 2018, this case was consolidated and is captioned *In re SCANA Corporation Securities Litigation*.

On November 10, 2017, a purported class action was filed against SCANA, Kevin Marsh, Jimmy Addison, and Steve Byrne by plaintiff Marsha Fox on behalf of herself and all others similarly situated in the District Court (the "Fox Lawsuit"). The plaintiff makes substantially similar allegations as those alleged in the Norman Lawsuit, and seeks substantially similar relief. As noted, on January 23, 2018, this case was consolidated and is captioned *In re SCANA Corporation Securities Litigation*.

On November 17, 2017, a purported class action was filed against SCANA, Kevin B. Marsh, Jimmy E. Addison, and Steve B. Byrne by plaintiff West Palm Beach Firefighters' Pension Fund on behalf of itself and all others similarly situated in the District Court (the "West Palm Beach Lawsuit"). The plaintiff makes substantially similar allegations as those alleged in the Norman Lawsuit, and seeks substantially similar relief. As noted, on January 23, 2018, this case was consolidated and is captioned *In re SCANA Corporation Securities Litigation*.

On March 15, 2018, a purported class action was filed against SCANA, Dominion Energy, Sedona, Jimmy E. Addison, Gregory E. Aliff, James A. Bennett, John F.A.V. Cecil, Sharon A. Decker, D. Maybank Hagood, Lynne M. Miller, James W. Roquemore, Maceo K. Sloan, and Alfredo Trujillo by plaintiff Mary Turner, on behalf of herself and all others similarly situated in the District Court. The plaintiff alleges, among other things, that the defendants violated provisions of Section 14(a) of the Exchange Act and SEC Rule 14a-9 by allowing or causing misleading proxy statements to be issued. The plaintiffs alternatively seek to enjoin the merger, monetary damages, attorneys' fees, and any other relief the court deems proper. The defendants' motions for extension of time to respond to the plaintiff's Complaint have been granted. Defendants' responses are due July 31, 2018.

FILOT Litigation

On November 29, 2017, Fairfield County filed a Complaint and a Motion for Temporary Injunction against SCE&G in the State Court of Common Pleas in Fairfield County, making allegations of breach of contract, fraud, negligent misrepresentation, breach of fiduciary duty, breach of the implied duty of good faith and fair dealing, and unfair trade practices related to SCE&G's termination of the FILOT agreement between SCE&G and Fairfield County, related to Unit 2 and Unit 3.

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Plaintiff sought a temporary and permanent injunction to prevent SCE&G from terminating the FILOT; actual and consequential damages; treble damages; punitive damages; and attorneys' fees. Plaintiff sought a hearing within ten days on their motion for temporary injunction. The court heard arguments on December 15, 2017 on the motion for temporary injunction, and asked the parties to submit supplemental briefing and proposed orders by December 20, 2017. Plaintiff voluntarily withdrew the Motion for Temporary Injunction on December 20, 2017. On April 12, 2018, the court denied SCE&G's Motion to Transfer Venue. On May 9, 2018, the defendant served its written responses to the plaintiff's interrogatories and documents responsive to the plaintiff's request for production. On May 31, 2018, the plaintiff issued a subpoena for production of evidence to Ernst & Young with respect to SCANA's income tax reporting position as it pertains to the Nuclear Project and the FILOT. On June 13, 2018, Ernst & Young objected to the subpoena. At June 30, 2018, the defendant's motion to dismiss was pending.

Regulatory and Governmental Proceedings and Investigations

On January 26, 2018, the DOR notified SCANA that it was initiating an audit of SCE&G's sales and use tax returns for the periods September 1, 2008 through December 31, 2017. The Company and Consolidated SCE&G understand that the DOR's position is that the exemption for sales and use tax for purchases related to the Nuclear Project should not apply because Unit 2 and Unit 3 will not be placed into service and no electricity will be manufactured for sale. On April 6, 2018, SCE&G responded to the DOR in a letter setting out certain reasons why SCE&G believes the exemptions apply and the audit is improper. On June 1, 2018, SCE&G received from the DOR a notice of proposed assessment arising from that audit of approximately $410 million plus $10.9 million in interest. Under the South Carolina Revenue Procedures Act, SCE&G has 90 days, or until August 30, 2018, to provide a protest to the proposed assessment. The Company and Consolidated SCE&G intend to vigorously contest the DOR's position.

Employment Class Action

On August 8, 2017, a purported class action was filed against SCANA, SCE&G, and its co-defendants Fluor and Fluor Enterprises, Inc., by plaintiffs Harry Pennington III and Timothy Lorenz, on behalf of themselves and all others similarly situated, in the District Court. The plaintiffs allege, among other things, that the defendants violated the WARN Act in connection with the decision to stop construction on the Nuclear Project. The plaintiffs allege that the defendants failed to provide adequate advance written notice of their terminations of employment. SCANA's and SCE&G's Motion to Dismiss has been denied.

Act 258 and S. 954

On June 29, 2018, SCE&G filed a lawsuit in the District Court challenging the constitutionality of Act 258 along with joint resolution S. 954, which became law on July 2, 2018. Among other things, S. 954 prohibits the SCPSC from holding a hearing on the merits of the Joint Petition before November 1, 2018, and requires it to issue an order on the merits of the Joint Petition by December 21, 2018. In the lawsuit, SCE&G seeks a declaration that the new laws are unconstitutional and asks the court to issue an injunction prohibiting the SCPSC from implementing Act 258. A hearing on SCE&G's motion for the issuance of a preliminary injunction was scheduled to begin July 30, 2018.

ITEM 1A. RISK FACTORS

The risk factors from the Registrants' combined Annual Report on Form 10-K for the year ended December 31, 2017, and Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, have been updated and are restated below in their entirety.

The risk factors that follow relate in each case to the Company, and where indicated the risk factors also relate to Consolidated SCE&G.

The completion of the merger is subject to the receipt of consents, approvals and/or findings from governmental entities, which may impose conditions that could have an adverse effect on Dominion Energy or SCANA or could cause either Dominion Energy or SCANA to terminate the merger. The completion of the merger is also subject to there having not been certain substantive changes in certain South Carolina laws that have or would reasonably be expected to have an adverse effect on SCANA or its subsidiaries or changes in law that impose any condition that would reasonably be expected to result in specified changes to the Joint Petition. Additionally, any such changes in certain South Carolina law could affect the considerations which were relied upon by SCANA and/or Dominion Energy prior to the signing of the Merger Agreement.

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Dominion Energy and SCANA are not required to complete the merger until after the requisite authorizations, approvals, consents and/or permits are received from the FERC, NRC, SCPSC, NCUC and GPSC. The FERC and the GPSC have approved the merger. Any of the remaining relevant governmental entities may oppose the merger, fail to approve the merger, fail to make required findings in favor of the merger, or impose certain requirements or obligations as conditions for their consent, approval or findings or in connection with their review. Regulatory approvals of the merger or findings with respect to the merger may not be obtained on a timely basis or at all, and such approvals or findings may include conditions that could have an adverse effect on the Company or Consolidated SCE&G, and/or result in the termination of the merger. No assurance can be given that the necessary approvals or findings will be obtained or that any required conditions will not have an adverse effect on Dominion Energy following the merger. Notwithstanding the approval of the Merger Agreement by SCANA shareholders at a special meeting on July 31, 2018, Dominion Energy or SCANA may make decisions after the special meeting to waive a condition or approve certain actions required to obtain regulatory approvals or findings without seeking further approval of the SCANA shareholders.

Subject to the terms and conditions set forth in the Merger Agreement, the Merger Agreement requires Dominion Energy to accept conditions from regulators that could adversely impact Dominion Energy after the merger without either of Dominion Energy or SCANA having the right to refuse to close the merger on the basis of those regulatory conditions, except that Dominion Energy is generally not required, and SCANA is generally not permitted without Dominion Energy's prior approval, to take any action or accept any condition that results in a burdensome condition.

In addition, the Merger Agreement provides that Dominion Energy (but not SCANA) will have the right to refuse to complete the merger if, since the date of the Merger Agreement, any governmental entity shall have enacted any order, or there shall have been any change in law (including the BLRA and the other laws governing South Carolina public utilities), which imposes any material change to the terms, conditions or undertakings set forth in the Joint Petition, or any significant changes to the economic value of the Joint Petition, in each case as determined by Dominion Energy in good faith. One such law (Act 258) could affect the economic value of the Joint Petition. See additional discussion in the next paragraph.

The Merger Agreement further provides that Dominion Energy (but not SCANA) will have the right to refuse to complete the merger if there shall have occurred any substantive change in the BLRA or other laws governing South Carolina public utilities which has or would reasonably be expected to have an adverse effect on SCANA or any of its subsidiaries. One such law (Act 258) makes substantive changes to the BLRA and orders the SCPSC to temporarily reduce collections from rates previously approved by the SCPSC under the BLRA. SCE&G has filed a lawsuit in the District Court challenging the constitutionality of Act 258. If Act 258 remains in effect and is implemented, Dominion Energy would not be obligated to complete the merger.

Certain lawsuits and regulatory actions have been filed against SCANA and SCE&G, and several motions are currently pending, in connection with the abandonment of the Nuclear Project. If the relief requested in these matters (including a request for declaratory judgment that the BLRA is unconstitutional) is granted, Dominion Energy might not be obligated to complete the merger.

No assurance can be given that these risks will not materialize and either adversely impact Dominion Energy after the completion of the merger or, if such conditions rise to the thresholds discussed above, some of which, as described above, are in the subjective determination of Dominion Energy acting in good faith, or if the required authorizations, approvals, consents and/or permits are not obtained or received, result in the termination of the merger and adversely impact the results of operations, cash flows and financial conditions of the Company and Consolidated SCE&G.

Failure to complete the merger could negatively impact the stock price and the future business and financial results of SCANA.

If the merger is not completed, the ongoing business of the Company and Consolidated SCE&G may be adversely affected and the Company and Consolidated SCE&G could be subject to several risks, including the following:

- the price of SCANA common stock may decline to the extent that the current market price reflects an expectation by the market that the merger will be completed;
- obligations to pay certain costs relating to the merger, such as legal, accounting, financial advisory, filing, proxy solicitation, printing and mailing fees;
- the disruption of the Company's and Consolidated SCE&G's ongoing business or inconsistencies in its services, standards, controls, procedures and policies due to management's focus on the merger, any of which could adversely affect the ability of the Company and Consolidated SCE&G to maintain relationships with customers, regulators, vendors and employees, or could otherwise adversely affect the business and financial results of the

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Company or Consolidated SCE&G, without realizing any of the benefits of having the merger completed;

- the potential negative impact on the Company and Consolidated SCE&G of ultimately resolving the rate and regulatory issues, including pending investigations and legal challenges, relating to the abandonment of the Nuclear Project in a manner satisfactory to SCANA on account of SCANA working with Dominion Energy to pursue the resolution of these issues as contemplated by the Merger Agreement rather than pursuing its regulatory and legal options for resolving these issues independently of considerations and obligations related to the merger; and
- the loss of other opportunities that could be beneficial to the Company and Consolidated SCE&G that could have been pursued during the pendency of the merger, without realizing any of the benefits of having the merger completed.

In addition to the above risks, SCANA may be required, under certain circumstances, to pay to Dominion Energy a termination fee of $240 million.

If the merger is not completed, no assurance can be given that these risks will not materialize and will not materially adversely affect SCANA's business, financial results and stock price.

The Merger Agreement contains provisions that limit SCANA's ability to pursue alternatives to the merger, which could discourage a potential competing acquirer of SCANA or could result in any competing proposal being at a lower price than it might otherwise be.

The Merger Agreement contains provisions that, subject to certain exceptions, restrict SCANA's ability to initiate, solicit, knowingly encourage, facilitate or discuss competing third-party proposals to acquire all or a significant part of SCANA, or provide information to a third party that could reasonably be expected to lead to such a proposal. In addition, Dominion Energy generally has an opportunity to offer to modify the terms of the merger in response to any superior acquisition proposal that may be made before the SCANA board of directors is permitted to withdraw or qualify its recommendation. In some circumstances on termination of the Merger Agreement, SCANA may be required to pay to Dominion Energy a termination fee of $240 million.

These provisions, which the SCANA board regards as customary for transactions of this type, could discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of SCANA from considering or proposing that acquisition, even if it were prepared to pay consideration with a higher per share cash or market value than the merger consideration, or might result in a potential competing acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable by SCANA in certain circumstances.

The pendency of the merger could adversely affect the business and operations of SCANA.

In connection with the pending merger, some current or prospective customers or vendors of SCANA's utilities may delay or defer decisions regarding their existing or proposed relationships with those utilities, which could negatively impact the operations, revenues, earnings, cash flows and expenses of the Company and Consolidated SCE&G, regardless of whether the merger is completed. Similarly, current and prospective employees of SCANA and its utilities may experience uncertainty about their future roles following the merger, which may adversely affect the ability of SCANA and its utilities to attract and retain key personnel during the pendency of the merger. In addition, due to operating covenants in the Merger Agreement, during the pendency of or following the merger, SCANA and its utilities may be unable to pursue strategic transactions, undertake significant capital projects, undertake certain significant financing or other specified transactions or pursue actions that are not in the ordinary course of business, even if such actions would prove beneficial.

Following the merger, Dominion Energy may be unable to successfully integrate the Company's and Consolidated SCE&G's businesses.

Dominion Energy and SCANA currently operate as independent public companies. After the merger, Dominion Energy will be required to devote significant management attention and resources to integrating the Company's and Consolidated SCE&G's business. Potential difficulties Dominion Energy may encounter in the integration process include the following:

- the complexities associated with integrating SCANA and its utility businesses, while at the same time providing consistent, high quality services;
- the complexities of integrating a company with different core services, markets and customers;

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- the inability to attract and retain key employees;
- potential unknown liabilities and unforeseen increased expenses, delays or regulatory conditions associated with the merger;
- difficulties in managing political and regulatory conditions related to SCANA's utility businesses after the merger;
- the cost recovery plan outlined in the Joint Petition includes a moratorium on filing requests for adjustments in SCANA's base electric rates until 2021 if the merger is approved by the SCPSC, which would limit Dominion Energy's ability to recover increases in non-fuel related costs of electric operations for SCE&G's customers; and
- performance shortfalls as a result of the diversion of Dominion Energy management's attention caused by completing the merger and integrating SCANA's utility businesses.

For these reasons, it is possible that the integration process following the merger could result in the distraction of Dominion Energy's management, the disruption of Dominion Energy's ongoing business or inconsistencies in its services, standards, controls, procedures and policies, any of which could adversely affect the ability of Dominion Energy to maintain or establish relationships with current and prospective customers, vendors and employees or could otherwise adversely affect the business and financial results of Dominion Energy.

Dominion Energy, the Company and Consolidated SCE&G have been and may continue to be adversely affected by negative publicity related to the merger and in connection with other related matters, including the abandonment of the Nuclear Project.

Political and public sentiment in connection with the merger and in connection with other matters, including the abandonment of the Nuclear Project, have resulted in and may continue to result in a significant amount of adverse press coverage and other adverse public statements affecting Dominion Energy and the Company and Consolidated SCE&G. Adverse press coverage and other adverse statements, whether or not driven by political or public sentiment, may also result in further investigations by regulators, legislators and law enforcement officials or in legal claims. Responding to these investigations and lawsuits, regardless of the ultimate outcome of the proceedings, as well as responding to and addressing adverse press coverage and other adverse public statements, can divert the time and effort of senior management from the management of Dominion Energy's, the Company's and Consolidated SCE&G's respective businesses.

Addressing any adverse publicity, governmental scrutiny or enforcement or other legal proceedings is time consuming and expensive and, regardless of the factual basis for the assertions being made, can have a negative impact on the reputation of Dominion Energy, the Company and Consolidated SCE&G, on the morale and performance of their employees and on their relationships with their respective regulators, customers and commercial counterparties. It may also have a negative impact on their ability to take timely advantage of various business and market opportunities. The direct and indirect effects of negative publicity, and the demands of responding to and addressing it, may have an adverse effect on Dominion Energy's, the Company's and Consolidated SCE&G's respective businesses, financial condition, results of operations and prospects.

Pending litigation against SCANA and Dominion Energy could result in an injunction preventing the completion of the merger or requiring the Merger Agreement to be amended, or may require the payment of monetary damages or may adversely affect the combined company's business, financial condition or results of operations following the merger.

Following the announcement of the merger, multiple lawsuits were filed asserting claims relating to the merger. Purported class actions on behalf of SCANA shareholders have been filed in the Court of Common Pleas of the Counties of Lexington and Richland, South Carolina, respectively, and in the District Court against SCANA, the members of the SCANA board of directors, Dominion Energy and Sedona, and certain current and former officers of SCANA, alleging breaches of various fiduciary duties by the members of the SCANA board of directors in connection with the merger and alleging that SCANA, Dominion Energy and Sedona aided and abetted such alleged breaches. Plaintiffs also allege that SCANA, SCE&G and individual defendants violated or conspired to violate RICO, and that defendants violated provisions of Section 14(a) of the Exchange Act and SEC Rule 14a-9 by allowing or causing misleading proxy statements to be issued. Among other remedies, the plaintiffs seek to enjoin the merger and rescind the Merger Agreement or to have the Merger Agreement amended to provide more favorable terms for plaintiffs, monetary damages, attorney's fees and such further relief as the court deems proper or, in certain cases, seeking compensatory and consequential damages.

While the defendants believe that dismissal is warranted, the outcome of any such litigation is inherently uncertain. The defense or settlement of any lawsuit or claim that remains unresolved at the time the merger closes may adversely affect the combined company's business, financial condition or results of operations.

There is uncertainty as to whether the Company and Consolidated SCE&G will be able to recover costs expended for the Nuclear Project, and a reasonable return on those costs, under the abandonment provisions of the BLRA or through

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other means. In 2017 the Company and Consolidated SCE&G recognized a significant estimated impairment loss with respect to such investment and related costs. In the event the Company and Consolidated SCE&G were to determine that all or an additional portion of their remaining unrecovered Nuclear Project and related costs are probable of being disallowed and that significant additional impairment losses must be recognized, further material adverse impacts on their results of operations, cash flows and financial condition would occur.

During the term of the Interim Assessment Agreement, SCE&G and Santee Cooper evaluated the various elements of the Nuclear Project, including forecasted costs and completion dates, while construction continued, and SCE&G and Santee Cooper continued to make payments for such work. Based on this evaluation, and in light of Santee Cooper's decision to suspend construction, on July 31, 2017, the Company determined to stop construction of Unit 2 and Unit 3 and to pursue recovery of costs incurred in connection with such construction under the abandonment provisions of the BLRA or through other means. On July 31, 2017, SCE&G gave WEC a five-day notice of termination of the Interim Assessment Agreement, and notified WEC of its determination to stop construction of Unit 2 and Unit 3.

On August 1, 2017, SCE&G senior management provided an allowable ex parte briefing to the SCPSC regarding the Nuclear Project and this decision, and SCE&G also filed a petition with the SCPSC which included its plan of abandonment and certain proposed actions which would mitigate related customer rate increases, including a proposal to return to customers the net value of the proceeds received by SCE&G under or arising from the Toshiba Settlement.

The BLRA provides that, in the event of abandonment prior to plant completion, costs incurred, including AFC, and a return on those costs may be recoverable through rates, if the SCPSC determines that the decision to abandon the Nuclear Project was prudent. Through its August 1, 2017 petition, SCE&G had sought recovery of such costs expended on the construction of the project, including certain costs incurred subsequent to SCE&G's last revised rates update, and a reasonable return on those costs, and certain other costs under the abandonment provisions of the BLRA. Subsequently, SCE&G's management met with various stakeholders and members of the South Carolina General Assembly, including legislative leaders, to discuss the abandonment of the Nuclear Project and to hear their concerns. In response to those concerns, and to allow for adequate time for governmental officials to conduct their reviews, SCE&G voluntarily withdrew its August 1, 2017 petition from the SCPSC on August 15, 2017.

In August 2017, special committees of the South Carolina General Assembly, both in the House of Representatives and in the Senate, began conducting public hearings regarding the decision to abandon the Nuclear Project. Members of SCE&G's senior management, along with representatives from Santee Cooper, the ORS and other interested parties, testified before these committees. Several legislative proposals adverse to the Company and Consolidated SCE&G resulted from the work of these committees, two of which became law in 2018 and are described below.

In September 2017, the Company was served with a subpoena issued by the United States Attorney's Office for the District of South Carolina seeking documents relating to the Nuclear Project. The subpoena requires the Company to produce a broad range of documents related to the project. Also, SLED is conducting a criminal investigation into the handling of the Nuclear Project by SCANA and SCE&G. In October 2017, the staff of the SEC's Division of Enforcement also issued a subpoena for documents related to an investigation they are conducting related to the Nuclear Project. These investigations are ongoing, and the Company and Consolidated SCE&G intend to fully cooperate with them. No assurance can be given as to the timing or outcome of these matters. Also in connection with the abandonment of the Nuclear Project, various state and local governmental authorities have attempted and may further attempt to challenge, reverse or revoke one or more previously-approved tax or economic development incentives, benefits or exemptions and have attempted and may further attempt to apply such actions retroactively. No assurance can be given as to the timing or outcome of these matters.

On September 26, 2017, the South Carolina Office of Attorney General issued an opinion stating, among other things, that "as applied, portions of the BLRA are constitutionally suspect," including the abandonment provisions. Also on September 26, 2017, and in reliance on the opinion from the Office of Attorney General, the ORS filed the Request seeking an order from the SCPSC directing SCE&G to immediately suspend all revised rates collections from customers which were previously approved by the SCPSC pursuant to the authority of the BLRA. In the Request, the ORS noted the existence of an allegation that SCE&G failed to disclose information to the ORS that should have been disclosed and that would have appeared to provide a basis for challenging prior requests, and asserted that SCE&G should not be allowed to continue to benefit from nondisclosure. The ORS also asked for an order that, if the BLRA is found to be unconstitutional or the South Carolina General Assembly amends or revokes the BLRA, then SCE&G should make credits to future bills or refunds to customers for prior revised rates collections. On October 17, 2017, the ORS filed a motion with the SCPSC to amend the Request, in which motion the ORS asked the SCPSC to consider the most prudent manner by which SCE&G will enable its customers to realize the value of the monetized Toshiba Settlement payments and other payments made by Toshiba towards satisfaction of its obligations to SCE&G.

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On December 20, 2017, the SCPSC denied a motion by SCE&G to dismiss the Request and the SCPSC requested that the ORS carry out an inspection, audit and examination of SCE&G's revenue requirements to assist the SCPSC in determining whether SCE&G's present schedule of rates is fair and reasonable. Parties who have intervened in the Request or who filed a letter in support of it include the state's Governor, Office of Attorney General and Speaker of the House of Representatives, the Electric Cooperatives of South Carolina, Santee Cooper, the SCEUC, certain large industrial customers, and several environmental groups. The SCPSC has scheduled a hearing on the Joint Petition and two other dockets related to the Nuclear Project, namely the Request by the ORS and a June 2017 complaint filed by the Friends of the Earth and the Sierra Club, to begin November 1, 2018. This schedule was established in response to legislation (Act 258 and S. 954) described below. SCE&G intends to continue vigorously contesting the Request, but cannot give any assurance as to the timing or outcome of this matter.

On September 27, 2017, certain scheduled payments under the Toshiba Settlement were purchased by Citibank, including amounts related to certain liens that SCE&G was contesting but for which SCE&G may ultimately have been liable. This transaction, together with an October 2017 payment received from Toshiba, resulted in the receipt of $1.997 billion (approximately $1.098 billion for SCE&G's 55% share). A regulatory liability has been recorded on the condensed consolidated balance sheets to reflect the amount related to the Toshiba Settlement that will be utilized to benefit SCE&G's customers in a manner to be determined by the SCPSC. It is possible that the outcome of regulatory or legal proceedings could result in requiring SCE&G's share of these proceeds to be placed in escrow pending their final disposition, or could require these proceeds to be refunded to customers in the near-term or otherwise make these funds unavailable to SCE&G. If any of these circumstances were to arise, it is anticipated that SCE&G may issue commercial paper, draw on its credit facilities or issue long-term debt to fund such requirement. However, such sources may not be available. Any such requirement would significantly harm the Company's and Consolidated SCE&G's results of operations, cash flows and financial condition. In addition, the purchase agreement with Citibank provides that SCE&G and Santee Cooper (each according to its pro rata share) would indemnify Citibank for its losses arising from misrepresentations or covenant defaults under the purchase agreement.

On June 27, 2018, the South Carolina General Assembly adopted Act 258, which became law June 28, 2018, to temporarily reduce the amount SCE&G can collect from customers under the BLRA related to the Nuclear Project. Act 258 requires the SCPSC to order a reduction in the portion of SCE&G's retail electric rates associated with the Nuclear Project from approximately 18% of the average residential electric customer's bill to approximately 3.2%, or a reduction of approximately $31 million per month, retroactive to April 1, 2018. Absent an earlier ruling from the SCPSC, which could be issued only on the SCPSC's own initiative, these lower rates are to be effective until the SCPSC renders a final decision on the merits of the Joint Petition. On July 2 and 3, 2018, the SCPSC issued orders implementing the temporary rate reduction required by Act 258. Unless the relief discussed in the next paragraph is granted, the new rates and retroactive credits required by Act 258 are to be put into effect with the first billing cycle of August 2018. Retroactive credits for billed and unbilled amounts for the period April 1, 2018 through June 30, 2018 total approximately $109.3 million. The initial recognition of such retroactive credits includes the effects of cycle billing on unbilled usage. In addition to the reduction of electric rates (which rates had been previously approved by the SCPSC), Act 258 alters various procedures previously applicable under the BLRA, including redefining the standard of care required by the BLRA and supplying definitions of key terms that would affect the evidence required to establish SCE&G's ability to recover its costs associated with the Nuclear Project.

On June 29, 2018, SCE&G filed a lawsuit in the District Court challenging the constitutionality of Act 258 along with joint resolution S. 954, which became law on July 2, 2018. Among other things, S. 954 prohibits the SCPSC from holding a hearing on the merits of the Joint Petition before November 1, 2018, and requires it to issue an order on the merits of the Joint Petition by December 21, 2018. In the lawsuit, which was subsequently amended, SCE&G seeks a declaration that the new laws are unconstitutional and asks the court to issue an injunction prohibiting the SCPSC from implementing Act 258. A hearing on SCE&G's motion for the issuance of a preliminary injunction was held on July 30-31, 2018. Dominion Energy and Sedona would not be obligated to complete the pending merger with SCANA if Act 258 remains in effect and is implemented. The Company and Consolidated SCE&G cannot predict the timing or outcome of this matter.

In 2017, SCE&G recorded a pre-tax impairment loss of $1.118 billion related to unrecovered nuclear project costs and other related costs. In the first quarter of 2018, SCE&G recorded an additional pre-tax impairment loss of $3.6 million related to the fair value of nuclear fuel. These impairment losses have had the effect of increasing the Company's and Consolidated SCE&G's ratio of debt to total capitalization. If the SCPSC were to rule in favor of the ORS in response to the Request that SCE&G suspend collections from customers of amounts previously authorized under the BLRA, or were other actions of the SCPSC or others taken in order to significantly restrict SCE&G's access to revenues or impose additional adverse refund obligations on SCE&G, the Company's and Consolidated SCE&G's assessments regarding the recoverability of all or a portion of the remaining balance of unrecovered Nuclear Project costs would be adversely impacted. Resulting additional pre-tax impairment losses and other charges could total as much as $4.9 billion. Also, the recognition of significant additional

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impairment losses with respect to unrecovered Nuclear Project or other related costs could further increase the Company's and Consolidated SCE&G's ratio of debt to total capitalization to a level which could constitute a default under their credit facilities. If such a default occurred, the Company and Consolidated SCE&G would be unable to borrow under their commercial paper programs or, absent a waiver from lenders, under their credit facilities. Borrowing costs for long-term debt issuances and access to capital markets could also be negatively impacted.

The ability of SCE&G to recover its costs related to the construction and subsequent abandonment of the Nuclear Project, and a reasonable return on them, through rates will be subject to review and approval by the SCPSC. An application under the abandonment provisions of the BLRA, and the regulatory process contemplated thereby, have never been pursued or legally challenged. As a result, and in light of recently enacted legislation such as Act 258 and S. 954, the contentious nature of activities involving the General Assembly and other officials, and the Request being considered by the SCPSC, it is uncertain whether SCE&G will be able to successfully recover the costs of the abandoned units, and a reasonable return on them. The SCPSC's hearing to consider the Joint Petition, the Request and a related docket is scheduled to begin November 1, 2018. In any case, anticipated appeals of any ruling by the SCPSC could be protracted. Further, should the regulatory construct in South Carolina change in such a manner that recovery is sought through other legal proceedings or through regulatory proceedings outside the provisions of the BLRA, such as in a general rate case, other uncertainties may arise, such as those highlighted with respect to the Merger Agreement.

Further downgrades in the credit ratings of SCANA or any of SCANA's subsidiaries, including SCE&G, could negatively affect our ability to access capital and to operate our businesses, thereby adversely affecting results of operations, cash flows and financial condition.

Various rating agencies currently rate SCE&G's senior secured debt and the senior unsecured debt of PSNC Energy as investment grade. One rating agency currently rates SCANA's senior unsecured debt as investment grade, and two rating agencies rate SCANA's senior unsecured debt as below investment grade. In addition, rating agencies maintain ratings on the short- and long-term debt of SCANA, SCE&G and PSNC Energy and the short-term debt of Fuel Company (which ratings are based upon the guarantee of SCE&G). Rating agencies consider qualitative and quantitative factors when assessing SCANA and its rated operating companies' credit ratings, including regulatory environment, capital structure and the ability to meet liquidity requirements.

In the first quarter of 2017, the rating agencies placed SCANA and SCE&G's credit ratings on negative outlook or watch status due to adverse developments relating to the WEC bankruptcy. In the third quarter of 2017, two agencies lowered their ratings for SCANA and its rated subsidiaries, citing a decline in the regulatory environment as a principal reason for the downgrades, and both agencies maintained their negative outlook. On January 3, 2018, after SCANA announced a proposed merger with Dominion Energy, each of the three agencies affirmed or reported no change to their respective credit ratings, and one agency revised its rating outlook for SCANA and its rated operating companies from negative to evolving. However, on January 31, 2018, the South Carolina House of Representatives overwhelmingly approved a bill (which later would become Act 258) designed to temporarily repeal rates SCE&G collects under the BLRA. As a result, on February 5, 2018, one agency downgraded its ratings for SCANA and SCE&G, and attributed the downgrade to the passage of this bill and the politically charged environment that is expected to weigh heavily on any decisions by the SCPSC related to SCE&G's electric rates. After Act 258 became law, on July 2 and 3, 2018, the agencies affirmed their ratings; however, one agency changed its outlook from review to negative. As a result, all of the ratings for SCANA, SCE&G and PSNC Energy have either a negative or evolving outlook, indicating that the ratings are being scrutinized for possible rating actions either currently or dependent on the outcome of uncertain future events.

Any actions taken by or anticipated to be taken by regulators or legislators that are viewed as adverse, including a further change to the BLRA or a requirement that SCE&G make credits to future bills or refunds to customers or any requirement that SCE&G make such credits or refunds in the absence of the merger being consummated, or deterioration of our rated companies' commonly monitored financial credit metrics and additional adverse developments with respect to the Nuclear Project (including adverse litigation outcomes), could further negatively affect their debt ratings. If these rating agencies were to further lower any of these ratings, borrowing costs on new issuances of long-term debt and commercial paper would increase, which could adversely impact financial results, and refinancing opportunities would be limited or eliminated to the extent that the potential pool of investors and funding sources decreased. Any further lowering of these ratings could also trigger higher interest costs as well as more stringent collateral requirements on interest rate and commodity hedges and under gas supply agreements and a reduction in the availability of suppliers.

The Company and Consolidated SCE&G are defendants in numerous legal proceedings and the subject of ongoing governmental investigations, examinations and other inquiries stemming from the decision to abandon the Nuclear Project.

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The outcome of each of these matters is uncertain, and any resolution adverse to the Company and Consolidated SCE&G could adversely affect results of operations, cash flows and financial condition.

Following the Company's decision to abandon construction of Unit 2 and Unit 3, purported derivative and class action lawsuits have been filed in multiple state circuit courts and federal district court on behalf of customers, shareholders and SCANA (in the case of the derivative shareholder actions), against SCANA, SCE&G, or both, and in certain cases some of their officers and/or directors. The plaintiffs allege various causes of action, including waste, breach of fiduciary duty, negligence, unfair trade practices, unjust enrichment, conspiracy, fraud, constructive fraud, misrepresentation and negligent misrepresentation, promissory estoppel, constructive trust, and money had and received, among other causes of action. Plaintiffs generally seek compensatory, consequential and statutory treble damages and such further relief as the court deems just and proper. In addition, certain plaintiffs seek a declaration that SCE&G may not charge its customers to reimburse itself for past and continuing costs of the Nuclear Project. Certain plaintiffs also seek to freeze or appoint a receiver for certain of SCE&G's assets, namely all money SCE&G has received under the Toshiba payment guaranty and related settlement agreement for the Nuclear Project.

Purported class action lawsuits have been filed on behalf of investors in federal court against SCANA and certain of its current and former executive officers and directors. The plaintiffs allege, among other things, that defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and RICO. In addition, one plaintiff alleges that director defendants violated Section 14(a) of the Exchange Act and SEC Rule 14a-9 by allowing or causing misleading proxy statements to be issued. The plaintiffs in each of these suits seek compensatory and consequential damages and such further relief as the court deems proper. The plaintiffs also allege, among other things, that defendants violated their fiduciary duties to shareholders by executing a merger agreement that unfairly deprived plaintiffs of the true value of their SCANA stock, and that Dominion Energy and Sedona aided and abetted these actions. Among other remedies, the plaintiffs seek to enjoin the merger and rescind the Merger Agreement or to have the Merger Agreement amended to provide more favorable terms for plaintiffs, monetary damages, attorneys' fees and such further relief as the court deems proper.

Lawsuits seeking class action status have also been filed on behalf of investors and shareholder derivative actions have been filed in the Court of Common Pleas in the Counties of Lexington and Richland, South Carolina, against SCANA, its CEO and directors, Dominion Energy and Sedona. Following removal of certain of these class action lawsuits and shareholder derivative actions from state courts to federal court and remand from the District Court back to state courts, in at least one instance such action was appealed to the United States Court of Appeals for the Fourth Circuit on July 26, 2018 by Dominion Energy.

On July 13, 2018, SCANA's Board of Directors elected two new, independent directors and exercised its right under South Carolina corporate law to form a Special Litigation Committee comprised solely of these newly elected members ("SLC") to investigate the claims asserted against current and former officers and directors of SCANA in derivative shareholder actions and related actions ("Derivative Litigation") and to determine SCANA's best interests with respect to these actions. On July 24, 2018, SCANA, acting at the direction of the SLC, filed a motion to stay all federal court proceedings in the Derivative Litigation *(In Re SCANA Corporation Derivative Litigation)* to allow time for the SLC to conduct an independent investigation into the facts and circumstances giving rise to the Derivative Litigation, and to determine what course of action is in the best interests of SCANA and its shareholders with respect to the Derivative Litigation (e.g., prosecution of the claims in the name of SCANA, seeking dismissal of some or all of the claims, or taking other remedial actions).

On July 17, 2018, a case filed in the District Court styled Pennington *et al.* v. SCANA, Fluor Corporation and Fluor Enterprises was certified as a class action on behalf of persons who were formerly employed at the Nuclear Project. The plaintiffs allege, among other things, that the defendants violated the WARN Act in connection with the decision to stop construction on the Nuclear Project. The plaintiffs allege that the defendants failed to provide adequate advance written notice of their terminations of employment.

A complaint has been filed by Fairfield County against SCE&G making allegations of breach of contract, fraud, negligent misrepresentation, breach of fiduciary duty, breach of the implied duty of good faith and fair dealing, and unfair trade practices related to SCE&G's termination of the FILOT agreement. Plaintiff seeks injunctive relief to prevent SCE&G from terminating the FILOT agreement; actual and consequential damages; treble damages; punitive damages; and attorneys' fees.

The Company has also been served with subpoenas issued by the United States Attorney's Office for the District of South Carolina and the staff of the SEC's Division of Enforcement seeking documents relating to the Nuclear Project. Also, SLED is conducting a criminal investigation into the handling of the Nuclear Project by SCANA and SCE&G. These investigations are ongoing, and the Company and Consolidated SCE&G intend to fully cooperate with them.

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The DOR has initiated an audit of SCE&G's sales and use tax returns for the periods September 1, 2008 through December 31, 2017. The DOR's position is that the exemption for sales and use tax for purchases related to the Nuclear Project should not apply because Unit 2 and Unit 3 will not be placed into service and no electricity will be manufactured for sale. On June 1, 2018, SCE&G received from the DOR a notice of proposed assessment arising from that audit of approximately $410 million, plus interest. SCE&G intends to protest the proposed assessment.

While the Company and Consolidated SCE&G intend to vigorously contest the lawsuits, claims, and audit positions or assessments which have been filed or initiated against them, they cannot predict the timing or outcome of these matters or other claims, allegations or assessments which may arise, including any claims that may be asserted by Santee Cooper, and it is possible that adverse outcomes from some of these matters would not be covered by insurance. A resolution adverse to the Company and Consolidated SCE&G could adversely affect results of operations, cash flows and financial condition.

The Company and Consolidated SCE&G are engaged in activities for which they have claimed research and experimentation tax deductions and credits and tax abandonment losses, all of which are the subject of uncertainty and which may be considered controversial by the taxing authorities. The outcome of those uncertainties could adversely impact cash flows, results of operations and financial condition.

The Company and Consolidated SCE&G have claimed significant research and experimentation tax deductions and credits related to the design and construction activities of Unit 2 and Unit 3. A significant portion of these claims followed the issuance of final IRS regulations in 2014 regarding such treatment with respect to expenditures related to the design and construction of pilot models. The Company and Consolidated SCE&G have also claimed a significant tax deduction related to the decision to stop construction and to abandon the Nuclear Project in 2017.

These tax claims primarily involve the timing of recognition of tax deductions rather than permanent tax attributes, and their permanent attributes (net), as well as most of the interest accruals required to be recorded with respect to them, had been deferred within regulatory assets. As such, until December 31, 2017 when these deferrals were considered to be impaired, these claims had not had, and were not expected to have in the future, significant direct effects on the Company's and Consolidated SCE&G's results of operations. Nonetheless, the claims have contributed significantly to the Company's and Consolidated SCE&G's cash flows by providing a significant source of capital and lessening the level of debt and equity financing that the Company and Consolidated SCE&G have needed to raise in the financial markets.

The claims made to date are under (or are expected to come under) examination and are considered controversial by the IRS. To the extent that any of these claims are not sustained as ordinary losses on examination or through any subsequent appeal, the Company and Consolidated SCE&G will be required to repay any cash received for tax benefit claims which are ultimately disallowed, along with interest on those amounts. Such amounts could be significant and could adversely affect the Company's and Consolidated SCE&G's liquidity, cash flows, results of operations and financial condition. In certain circumstances, which management considers to be remote, penalties for underpayment of income taxes could also be assessed. Additionally, in such circumstances, the Company and Consolidated SCE&G may need to access the capital markets to fund those tax and interest payments, which could in turn adversely impact their ability to access capital markets for other purposes.

The Company and Consolidated SCE&G are subject to numerous environmental laws and regulations that require significant capital expenditures, can increase our costs of operations and may impact our business plans or expose us to environmental liabilities.

The Company and Consolidated SCE&G are subject to extensive federal, state and local environmental laws and regulations, including those relating to water quality and air emissions (such as reducing NO_X, SO_2, mercury and particulate matter). Some form of regulation is expected at the federal and state levels to impose regulatory requirements specifically directed at reducing GHG emissions from fossil fuel-fired electric generating units. On August 3, 2015, the EPA issued a revised standard for new power plants by re-proposing NSPS under the CAA for emissions of CO_2 from newly constructed fossil fuel-fired units. No new coal-fired plants could be constructed without partial carbon capture and sequestration capabilities. The Company and Consolidated SCE&G do not plan to construct new coal-fired units in the foreseeable future. In addition, on August 3, 2015, the EPA issued its final rule on emission guidelines for states to follow in developing plans to address GHG emissions from existing units. On October 10, 2017, the Administrator of the EPA signed a notice proposing to repeal the rule on the grounds that it exceeds the EPA's statutory authority. The EPA is further considering the scope of any potential replacement rule and plans to formally solicit information on systems of emission reduction that are in accord with the EPA's interpretation of its statutory authority. However, a number of bills have been introduced in Congress that seek to require GHG emissions reductions from fossil fuel-fired electric generation facilities, natural gas facilities and other sectors of the economy, although none has yet been enacted. In April 2012, the EPA issued the finalized MATS for power plants that requires

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reduced emissions from new and existing coal and oil-fired electric utility steam generating facilities. The EPA's rule for cooling water intake structures to meet the best technology available became effective in October 2014, and the EPA also issued a final rule in December 2014 regarding the handling of coal ash and other combustion by-products produced by power plant operations. Furthermore, the EPA finalized new standards under the CWA governing effluent limitation guidelines for electric generating units in September 2015. The rule setting forth these new standards has been stayed administratively, and the EPA has begun a new rulemaking process that could take until 2020 before revisions to the effluent limitation guidelines for electric generating units is complete.

Compliance with these environmental laws and regulations requires us to commit significant resources toward environmental monitoring, installation of pollution control equipment, emissions fees and permitting at our facilities. These expenditures have been significant in the past and are expected to continue or even increase in the future. Changes in compliance requirements, additional regulations and related costs, or more restrictive interpretations by governmental authorities of existing requirements may impose additional costs on us (such as more stringent clean-up of contaminated sites or reduced emission allowances) or require us to incur additional expenditures or curtail some of our cost savings activities (such as the recycling of fly ash and other coal combustion products for beneficial use). Compliance with any GHG emission reduction requirements, including any mandated renewable portfolio standards, also may impose significant costs on us, and the resulting price increases to our customers may lower customer consumption. Such costs of compliance with environmental regulations could negatively impact our businesses and our results of operations and financial position, especially if emissions or discharge limits are reduced or more onerous permitting requirements or additional regulatory requirements are imposed. Additionally, there can be no assurance that a federal tax or fee for carbon emitting generating facilities will not be imposed.

Renewable and/or alternative electric generation portfolio standards may be enacted at the federal or state level. Such renewable energy may not be readily available in our service territories and could be costly to build, finance, acquire, integrate, and/or operate. Resulting increases in the price of electricity to recover the cost of these types of generation, and the costs of their integration to the electric system, could result in lower usage of electricity by our customers. In addition, DER generation at customers' facilities could result in the loss of sales to those customers. Compliance with potential future portfolio standards could significantly impact our capital expenditures and our results of operations and financial condition. Utility scale solar development companies are currently working in South Carolina to develop projects in SCE&G's service territory. The integration of those resources at high penetration levels may be challenging.

The compliance costs of these environmental laws and regulations are important considerations in the Company's and Consolidated SCE&G's strategic planning and, as a result, significantly affect the decisions to construct, operate, and retire facilities, including generating facilities. In turn, they affect the costs and rates of the Company and Consolidated SCE&G. For example, in effecting compliance with MATS, SCE&G has retired three of its oldest and smallest coal-fired units and converted three others such that they are gas-fired.

Commodity price changes, delays in delivery of commodities, commodity availability and other factors may affect the operating cost, capital expenditures and competitive positions of the Company's and Consolidated SCE&G's energy businesses, thereby adversely impacting results of operations, cash flows and financial condition.

Our energy businesses are sensitive to changes in coal, natural gas, uranium and other commodity prices (as well as their transportation costs), availability and deliverability. Any such changes could affect the prices these businesses charge, their operating costs, and the competitive position of their products and services. In addition, the abandonment of the Nuclear Project may heighten the Company's and Consolidated SCE&G's future exposure to volatility in prices of non-nuclear commodities such as natural gas. Consolidated SCE&G is permitted to recover the prudently incurred cost of purchased power and fuel (including transportation) used in electric generation through retail customers' bills, but purchased power and fuel cost increases affect electric prices and therefore the competitive position of electricity against other energy sources. In addition, when natural gas prices are low enough relative to coal to result in the dispatch of gas-fired electric generation ahead of coal-fired electric generation, higher inventories of coal, with related increased carrying costs, may result. This may adversely affect our results of operations, cash flows and financial condition.

In the case of regulated natural gas operations, costs prudently incurred for purchased gas and pipeline capacity may be recovered through retail customers' bills. However, in both our regulated and deregulated natural gas markets, increases in gas costs affect total retail prices and therefore the competitive position of gas relative to electricity and other forms of energy. Accordingly, customers able to do so may switch to alternate forms of energy and reduce their usage of gas from the Company and Consolidated SCE&G. Customers on a volumetric rate structure unable to switch to alternate fuels or suppliers may reduce their usage of gas from the Company and Consolidated SCE&G. A regulatory mechanism applies to residential and commercial customers at PSNC Energy to mitigate the earnings impact of an increase or decrease in gas usage.

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Certain construction-related commodities, such as copper and aluminum used in our transmission and distribution lines and in our electrical equipment, and steel, concrete and rare earth elements, have experienced significant price fluctuations due to changes in worldwide demand. To operate our air emissions control equipment, we use significant quantities of ammonia, limestone and lime. With EPA-mandated industry-wide compliance requirements for air emissions controls, increased demand for these reagents, combined with the increased demand for low sulfur coal, may result in higher costs for coal and reagents used for compliance purposes.

Changing and complex laws and regulations to which the Company and Consolidated SCE&G are subject could adversely affect revenues, increase costs, or curtail activities, thereby adversely impacting results of operations, cash flows and financial condition.

The Company and Consolidated SCE&G operate under the regulatory authority of the United States government and its various regulatory agencies, including the FERC, NRC, SEC, IRS, EPA, the Department of Homeland Security, CFTC and PHMSA. In addition, the Company and Consolidated SCE&G are subject to regulation by the state governments of South Carolina, North Carolina and Georgia via regulatory agencies, state environmental agencies, and state employment commissions. Accordingly, the Company and Consolidated SCE&G must comply with extensive federal, state and local laws and regulations. Such governmental oversight and regulation broadly and materially affect the operation of our businesses. In addition to many other aspects of our businesses, these requirements impact the services mandated or offered to our customers, and the licensing, siting, construction and operation of facilities. They affect our management of safety, the reliability of our electric and natural gas systems, the physical and cyber security of key assets, customer conservation through DSM Programs, information security, the issuance of securities and borrowing of money, financial reporting, interactions among affiliates, the pricing of utility services, the payment of dividends and employment programs and practices. Changes to governmental regulations are continual and potentially costly to effect compliance. Non-compliance with these requirements by third parties, such as our contractors, vendors and agents, may subject the Company and Consolidated SCE&G to operational risks and to liability. We cannot predict the future course of changes in this regulatory environment or the ultimate effect that this changing regulatory environment will have on the Company's or Consolidated SCE&G's businesses. Non-compliance with these laws and regulations could result in fines, litigation, loss of licenses or permits, mandated capital expenditures and other adverse business outcomes, as well as reputational damage, which could adversely affect the cash flows, results of operations, and financial condition of the Company and Consolidated SCE&G.

Furthermore, changes in or uncertainty in monetary, fiscal, tax, economic, trade, or regulatory policies of the Federal government may adversely affect the debt and equity markets and the economic climate for the nation, region or particular industries, such as ours or those of our customers. The Company and Consolidated SCE&G also could be adversely impacted by changes in tax policy, or taxes related to the usage of certain fuel types in our businesses or our ownership and/or operation of certain types of generating facilities. Future, unknown regulation of hydraulic fracturing activities also could impact the operations and finances of the Company and Consolidated SCE&G.

The Company and Consolidated SCE&G are subject to extensive rate regulation which could adversely affect operations. Large capital projects (including the abandonment of Unit 2 and Unit 3 as previously described), results of DSM Programs, results of DER programs, and/or increases in operating costs may lead to requests for regulatory relief and any related administrative or legislative action, decision, regulation or law affecting rates, such as rate increases, which may be denied, in whole or part, by rate regulators. Rate increases may also result in reductions in customer usage of electricity or gas, legislative action and lawsuits. Additionally, in 2018 certain state legislative proposals became law (Act 258 and S. 954) which could lead to adverse impacts on SCE&G's rate recovery with respect to the Nuclear Project. Furthermore, there can be no assurance that other legislation which might modify or repeal the BLRA in a manner which would adversely impact SCE&G's rate recovery, including its reasonable return on costs, with respect to its abandonment of Unit 2 and Unit 3 will not be proposed and passed. Any such action, particularly Act 258 remaining in effect and implemented, could also result in a failure to consummate the merger.

SCE&G's electric operations in South Carolina and the Company's gas distribution operations in South Carolina and North Carolina are regulated by state utilities commissions. The ability of SCE&G to recover the cost of the Nuclear Project, including abandonment costs, and a reasonable return on those costs, is subject to rate regulation by the SCPSC. Consolidated SCE&G's generating facilities are subject to extensive regulation and oversight from the NRC and SCPSC. SCE&G's electric transmission system is subject to extensive regulations and oversight from the SCPSC, NERC and FERC. Implementing and maintaining compliance with the NERC's mandatory reliability standards, enforced by FERC, for bulk electric systems could result in higher operating costs and capital expenditures. Non-compliance with these standards could subject SCE&G to substantial monetary penalties. Our gas marketing operations in Georgia are subject to state regulatory oversight and, for a portion of its operations, to rate regulation. There can be no assurance that Georgia's gas delivery regulatory framework will remain unchanged as market conditions evolve.

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Furthermore, Dodd-Frank affects the use and reporting of derivative instruments. The regulations under this legislation provide for substantial additional regulation of over-the-counter and security-based derivative instruments, among other things, and require numerous rule-makings by the CFTC and the SEC to implement, many of which are still pending final action by those federal agencies. The Company and Consolidated SCE&G have determined that they meet the end-user exception to mandatory clearing of swaps under Dodd-Frank. In addition, the Company and Consolidated SCE&G have taken steps to ensure that they are not the party required to report these transactions in real-time (the "reporting party") by transacting solely with swap dealers and major swap participants, when possible, as well as entering into reporting party agreements with counterparties who also are not swap dealers or major swap participants, which establishes that those counterparties are obligated to report the transactions in accordance with applicable Dodd-Frank regulations. While these actions minimize the reporting obligations of the Company, they do not eliminate required recordkeeping for any Dodd-Frank regulated transactions. Despite qualifying for the end-user exception to mandatory clearing and ensuring that neither the Company nor Consolidated SCE&G is the reporting party to a transaction required to be reported in real-time, we cannot predict when the final regulations will be issued or what requirements they will impose.

Our ability to charge customer rates that will allow us to maintain reasonable rates of return is dependent upon regulatory determinations, and there can be no assurance that we will be able to implement rate adjustments when sought.

The Company and Consolidated SCE&G are subject to the reputational risks that may result from a failure to adhere to high standards related to compliance with laws and regulations, ethical conduct, operational effectiveness, customer service and the safety of employees, customers and the public. These risks could adversely affect the valuation of our common stock and the Company's and Consolidated SCE&G's access to capital.

The Company and Consolidated SCE&G are committed to comply with all laws and regulations, to assure reliability of provided services, to focus on the safety of employees, customers and the public, to ensure environmental compliance, to maintain the physical and cyber security of their operations and assets, to maintain the privacy of information related to our customers and employees, and to maintain effective communications with the public and key stakeholder groups, particularly during emergencies and times of crisis. Traditional news media and social media can very rapidly convey information, whether factual or not, to large numbers of people, including customers, investors, regulators, legislators and other stakeholders, and the failure to effectively manage timely, accurate communication through these channels could adversely impact our reputation. The Company and Consolidated SCE&G also are committed to operational excellence, to quality customer service, and, through our Code of Conduct and Ethics, to maintain high standards of ethical conduct in our business operations. A failure to meet these commitments, or a perceived failure to meet these commitments, may subject the Company and Consolidated SCE&G not only to fraud, regulatory action, litigation or financial loss, but also to reputational risk that could adversely affect the valuation of SCANA's stock, adversely affect the Company's and Consolidated SCE&G's access to capital, and result in further regulatory oversight. Insurance may not be available or adequate to respond to these events.

A failure of the Company and Consolidated SCE&G to maintain the physical and cyber security of its operations may result in the failure of operations, damage to equipment, or loss of information, and could result in a significant adverse impact to the Company's and Consolidated SCE&G's financial condition, results of operations and cash flows.

The Company and Consolidated SCE&G depend on maintaining the physical and cyber security of their operations and assets. As much of our business is part of the nation's critical infrastructure, the loss or physical impairment of the assets associated with that portion of our businesses could have serious adverse impacts on the customers and communities that we serve. Virtually all of the Company's and Consolidated SCE&G's operations are dependent in some manner upon our cyber systems, which encompass electric and gas operations, nuclear and fossil fuel generating plants, human resource and customer systems and databases, information system networks, and systems containing confidential corporate information. Cyber systems, such as those of the Company and Consolidated SCE&G, are often targets of malicious cyber attacks. A successful physical or cyber attack could lead to outages, failure of operations of all or portions of our businesses, damage to key components and equipment, and exposure of confidential customer, vendor, shareholder, employee, or corporate information. The Company and Consolidated SCE&G may not be readily able to recover from such events. In addition, the failure to secure our operations from such physical and cyber events may cause us reputational damage. Litigation, penalties and claims from a number of parties, including customers, regulators and shareholders, may ensue. Insurance may not be adequate to mitigate the adverse impacts of these events. As a result, the Company's and Consolidated SCE&G's financial condition, results of operations, and cash flows may be adversely affected.

The Company and Consolidated SCE&G are vulnerable to interest rate increases, which would increase our borrowing costs, and we may not have access to capital at favorable rates, if at all. Additionally, potential disruptions in the capital and credit markets may further adversely affect the availability and cost of short-term funds for liquidity

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requirements and our ability to meet long-term commitments; each could in turn adversely affect our results of operations, cash flows and financial condition.

The Company and Consolidated SCE&G rely on the capital markets, particularly for publicly offered debt and equity, as well as the banking and commercial paper markets, to meet our financial commitments and short-term liquidity needs if internal funds are not available from operations. Changes in interest rates affect the cost of borrowing. The Company's and Consolidated SCE&G's business plans, which include significant investments in energy generation and other internal infrastructure projects, reflect the expectation that we will have access to the capital markets on satisfactory terms to fund commitments. Moreover, the ability to maintain short-term liquidity by utilizing commercial paper programs is dependent upon maintaining satisfactory short-term debt ratings and the existence of a market for our commercial paper generally.

The Company's and Consolidated SCE&G's ability to draw on our respective bank revolving credit facilities is dependent on the ability of the banks that are parties to the facilities to meet their funding commitments and on our ability to timely renew such facilities. Those banks may not be able to meet their funding commitments to the Company or Consolidated SCE&G if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from us and other borrowers within a short period of time. Longer-term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives or failures of significant financial institutions could adversely affect our access to liquidity needed for our businesses. Any disruption could require the Company and Consolidated SCE&G to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged. Such measures could include deferring capital expenditures or other discretionary uses of cash or reducing or eliminating dividend payments. Disruptions in capital and credit markets also could result in higher interest rates on debt securities, limited or no access to the commercial paper market, increased costs associated with commercial paper borrowing or limitations on the maturities of commercial paper that can be sold (if at all), increased costs under bank credit facilities and reduced availability thereof, and increased costs for certain variable interest rate debt securities of the Company and Consolidated SCE&G.

Disruptions in the capital markets and their actual or perceived effects on particular businesses and the greater economy also adversely affect the value of the investments held within SCANA's pension trust. A significant long-term decline in the value of these investments may require us to make or increase contributions to the trust to meet future funding requirements. In addition, a significant decline in the market value of the investments may adversely impact the Company's and Consolidated SCE&G's results of operations, cash flows and financial condition, including its shareholders' equity.

Operating results may be adversely affected by natural disasters, man-made mishaps and abnormal weather.

The Company has delivered less gas and, in deregulated markets, received lower prices for natural gas when weather conditions have been milder than normal, and as a consequence earned less income from those operations. Mild weather in the future could adversely impact the revenues and results of operations and harm the financial condition of the Company and Consolidated SCE&G. Hot or cold weather could result in higher bills for customers and result in higher write-offs of receivables and in a greater number of disconnections for non-payment. In addition, for the Company and Consolidated SCE&G, severe weather can be destructive, causing outages and property damage, adversely affecting operating expenses and revenues.

Natural disasters (such as hurricanes or other significant weather events, electromagnetic events, earthquakes, flooding or fires) or man-made mishaps (such as natural gas transmission pipeline failure, electric utility companies' ash pond failures, and cyber-security failures experienced by many businesses) could have direct significant impacts on the Company and Consolidated SCE&G and on our key contractors and suppliers or could impact us through changes to federal, state or local policies, laws and regulations, and have a significant impact on our financial condition, operating expenses, and cash flows.

The costs of large capital projects, such as the Company's and Consolidated SCE&G's construction and environmental compliance programs, are significant, and these projects are subject to a number of risks and uncertainties that may adversely affect the cost, timing and completion of these projects.

The Company's and Consolidated SCE&G's businesses are capital intensive and require significant investments in electric generation and in other internal infrastructure projects, including projects for environmental compliance. Achieving the intended benefits of any large construction project is subject to many uncertainties. For instance, the ability to adhere to established budgets and construction schedules may be affected by many variables, such as the regulatory, legal, training and construction processes associated with securing approvals, permits and licenses and necessary amendments to them within projected timeframes, the availability of labor and materials at estimated costs, the availability and cost of financing, and weather. There also may be contractor or supplier performance issues or adverse changes in their creditworthiness and/or

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financial stability, unforeseen difficulties meeting critical regulatory requirements, contract disputes and litigation, and changes in key contractors or subcontractors. There may be unforeseen engineering problems or unanticipated changes in project design or scope. Our ability to complete construction projects as well as our ability to maintain current operations at reasonable cost could be affected by the availability of key components or commodities, increases in the price of or the unavailability of labor, commodities or other materials, increases in lead times for components, adverse changes in applicable laws and regulations, new or enhanced environmental or regulatory requirements, supply chain failures (whether resulting from the foregoing or other factors), and disruptions in the transportation of components, commodities and fuels. To the extent that, in connection with the construction of a project, delays occur, costs become unrecoverable, or we otherwise become unable to effectively manage and complete the project, our results of operations, cash flows and financial condition, as well as our qualifications for applicable governmental programs, benefits and tax credits may be adversely affected.

A significant portion of Consolidated SCE&G's generating capacity is derived from nuclear power, the use of which exposes us to regulatory, environmental and business risks. These risks could increase our costs or otherwise constrain our business, thereby adversely impacting our results of operations, cash flows and financial condition.

SCE&G jointly owns and is the operator of Unit 1. Various risks of nuclear generation to which SCE&G is subject include the following:

- The potential harmful effects on the environment and human health resulting from a release of radioactive materials in connection with the operation of nuclear facilities and the storage, handling and disposal of radioactive materials;
- Limitations on the amounts and types of insurance commercially available to cover losses that might arise in connection with our nuclear operations or those of others in the United States;
- The possibility that new laws and regulations could be enacted that could adversely affect the liability structure that currently exists in the United States;
- Uncertainties with respect to procurement of nuclear fuel and suppliers thereof, fabrication of nuclear fuel and related vendors, and the storage of spent nuclear fuel;
- Uncertainties with respect to contingencies if insurance coverage is inadequate;
- Uncertainties with respect to possible future increased regulation of nuclear facilities and nuclear generation, and related costs thereof; and
- Uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of their operating lives.

The NRC has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities. In the event of non-compliance, the NRC has the authority to impose fines or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. Revised safety requirements promulgated by the NRC could necessitate capital expenditures at nuclear plants such as ours. In today's environment, there is a heightened risk of terrorist attack on the nation's nuclear facilities, which has resulted in increased security costs at our nuclear plant. Although we have no reason to anticipate a serious nuclear incident, a major incident at a nuclear facility anywhere in the world could cause the NRC to limit or prohibit the operation or licensing of any domestic nuclear unit, resulting in costly changes to units in operation and adversely impacting our results of operations, cash flows and financial condition. Furthermore, a major incident at a domestic nuclear facility could result in retrospective premium assessments under our nuclear insurance coverages.

Potential competitive changes may adversely affect our gas and electricity businesses due to the loss of customers, reductions in revenues, or write-down of stranded assets.

The utility industry has been undergoing structural change for a number of years, resulting in increasing competitive pressures on electric and natural gas utility companies. Competition in wholesale power sales via an RTO/ISO is in effect across much of the country, but the Southeastern utilities have retained the traditional bundled, vertically integrated structure. Should an RTO/ISO-market be implemented in the Southeast, potential risks emerge from reliance on volatile wholesale market prices as well as increased costs associated with new transmission and distribution infrastructure.

Some states have also mandated or encouraged unbundled retail competition. Should this occur in South Carolina or North Carolina, increased competition may create greater risks to the stability of utility earnings generally and may in the future reduce earnings from retail electric and natural gas sales. In a deregulated environment, formerly regulated utility companies that are not responsive to a competitive energy marketplace may suffer erosion in market share, revenues and profits as competitors gain access to their customers. In addition, the Company's and Consolidated SCE&G's generation assets would be exposed to considerable financial risk in a deregulated electric market. If market prices for electric generation do not

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produce adequate revenue streams and the enabling legislation or regulatory actions do not provide for recovery of the resulting stranded costs, a write-down in the value of the related assets could be required.

The Company and Consolidated SCE&G are subject to the risk of loss of sales due to the growth of distributed generation especially in the form of renewable power such as solar photovoltaic systems, which systems have undergone a rapid decline in their costs. As a result of federal and state subsidies, potential regulations allowing third-party retail sales, and advances in distributed generation technology, particularly when combined with storage solutions, the growth of such distributed generation could be significant in the future. Such growth will lessen Company and Consolidated SCE&G sales and will slow growth, potentially causing higher rates to customers.

The Company and Consolidated SCE&G are subject to risks associated with changes in business and economic climate which could adversely affect revenues, results of operations, cash flows and financial condition and could limit access to capital.

Sales, sales growth and customer usage patterns are dependent upon the economic climate in the service territories of the Company and Consolidated SCE&G, which may be affected by regional, national or even international economic factors. Adverse events, economic or otherwise, may also affect the operations of suppliers and key customers. Such events may result in the loss of suppliers or customers, in higher costs charged by suppliers, in changes to customer usage patterns and in the failure of customers to make timely payments to us. Such events also could adversely impact the results of operations through the recording of a goodwill or other asset impairment. Also, in connection with the pending merger, some customers or vendors of the Company and Consolidated SCE&G may delay or defer decisions, which could negatively impact the revenues, earnings, cash flows and expenses of the Company and Consolidated SCE&G regardless of whether the merger is completed. The success of local and state governments in attracting new industry to our service territories is important to our sales and growth in sales, as are stable levels of taxation (including property, income or other taxes) which may be affected by local, state, or federal budget deficits, adverse economic climates generally, legislative actions (including tax reform), or regulatory actions. Industrial and commercial customer growth also potentially is affected by the availability of "clean" energy options in our service territory. Budget cutbacks also adversely affect funding levels of federal and state support agencies and non-profit organizations that assist low income customers with bill payments.

In addition, conservation and demand side management efforts and/or technological advances, including storage technology, may cause or enable customers to significantly reduce their usage of the Company's and SCE&G's products and adversely affect sales, sales growth, and customer usage patterns. For instance, improvements in energy storage technology, if realized, could have dramatic impacts on the viability of and growth in distributed generation.

Factors that generally could affect our ability to access capital, in addition to issues arising from the Nuclear Project and our credit ratings, include economic conditions and our capital structure. Much of our business is capital intensive, and achievement of our capital plan and long-term growth targets is dependent, at least in part, upon our ability to access capital at rates and on terms that are attractive. If our ability to access capital becomes significantly constrained, our interest costs will likely increase and our financial condition and future results of operations could be adversely impacted.

Problems with operations could cause us to curtail or limit our ability to serve customers or cause us to incur substantial costs, thereby adversely impacting revenues, results of operations, cash flows and financial condition.

Critical processes or systems in the Company's or Consolidated SCE&G's operations could become impaired or fail from a variety of causes, such as equipment breakdown, transmission equipment failure, information systems failure or security breach, operator error, natural disasters, and the effects of a pandemic, terrorist attack or cyber attack on our workforce or facilities or on vendors and suppliers necessary to maintain services key to our operations.

In particular, as the operator of power generation facilities, many of which entered service prior to 1985 and may be difficult to maintain, Consolidated SCE&G could incur problems, such as the breakdown or failure of power generation or emission control equipment, transmission equipment, or other equipment or processes which would result in performance below assumed levels of output or efficiency. The integration of a significant amount of distributed generation into our systems may entail additional cycling of our coal-fired generation facilities and may thereby increase the number of unplanned outages at those facilities. In addition, any such breakdown or failure may result in Consolidated SCE&G purchasing emission allowances or replacement power at market rates, if such allowances and replacement power are available at all. These purchases are subject to state regulatory prudency reviews for recovery through rates. If replacement power is not available, such problems could result in interruptions of service (blackout or brownout conditions) in all or part of SCE&G's territory or elsewhere in the region. Similarly, a natural gas line failure of the Company or Consolidated SCE&G could affect the safety of the public, destroy property, and interrupt our ability to serve customers.

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Events such as these could entail substantial repair costs, litigation, fines and penalties, and damage to reputation, each of which could have an adverse effect on the Company's and Consolidated SCE&G's revenues, results of operations, cash flows, and financial condition. Insurance may not be available or adequate to mitigate the adverse impacts of these events.

SCANA's ability to pay dividends and to make payments on SCANA's debt securities may be limited by covenants in certain financial instruments (including the Merger Agreement) and by the financial results and condition of its subsidiaries, thereby adversely impacting the valuation of our common stock and our access to capital.

We are a holding company that conducts substantially all of our operations through our subsidiaries. Our assets consist primarily of investments in subsidiaries. Therefore, our ability to meet our obligations for payment of interest and principal on outstanding debt and to pay dividends to shareholders and corporate expenses depends on many factors, including the earnings, cash flows, liquidity and results of operations, historical and anticipated financial condition, capital requirements, market conditions, growth strategy and the availability of growth opportunities of our subsidiaries, and the ability of our subsidiaries, principally Consolidated SCE&G, PSNC Energy and SCANA Energy, to pay dividends or to repay funds to us. Our ability to pay dividends on our common stock may also be limited by existing or future covenants limiting the right of our subsidiaries to pay dividends on their common stock. Further, SCANA has agreed to obtain the consent of Dominion Energy, which consent cannot be unreasonably withheld, prior to making dividend payments to shareholders greater than $0.6125 per share for any quarter while the Merger Agreement is pending.

For the quarter ended June 30, 2018, our board of directors declared a dividend that is reduced by approximately 80% from the dividend paid to our shareholders for the quarter ended March 31, 2018. The reduction corresponds to the portion of dividend attributable to SCE&G's electric operations and serves to partially mitigate the liquidity impacts arising from the reduced revenues resulting from the implementation of Act 258. Any determination to pay dividends to holders of our common stock in the future, as well as the amount of any dividend, are subject to approval by our board of directors, and will depend upon many factors, including those described above and other factors that our board of directors deems relevant. Any further or sustained reduction in our payment of dividends in the future may result in a decline in the value of our common stock. Such a decline in value could limit our ability to raise debt and equity capital.

The use of derivative instruments could result in financial losses and liquidity constraints. The Company and Consolidated SCE&G do not fully hedge against financial market risks or price changes in commodities. This could result in increased costs, thereby resulting in lower margins and adversely affecting results of operations, cash flows and financial condition.

The Company and Consolidated SCE&G may use derivative instruments, including futures, forwards, options and swaps, to manage our financial market risks. The Company also uses such derivative instruments to manage certain commodity (i.e., natural gas) market risk. We could be required to provide cash collateral or recognize financial losses on these contracts as a result of volatility in the market values of the underlying commodities and financial contracts or if a counterparty fails to perform under a contract. We could also be required to provide additional cash collateral if credit rating agency downgrades of our debt trigger more stringent requirements.

The Company strives to manage commodity price exposure by establishing risk limits and utilizing various financial instruments (exchange traded and over-the-counter instruments) to hedge physical obligations and reduce price volatility. We do not hedge the entire exposure of our operations from commodity price volatility. To the extent we do not hedge against commodity price volatility or our hedges are not effective, results of operations, cash flows and financial condition may be adversely impacted.

Failure to retain and attract key personnel could adversely affect the Company's and Consolidated SCE&G's operations and financial performance, particularly in light of uncertainties related to and resulting from abandonment of the Nuclear Project and the pending merger.

A significant portion of our workforce will be eligible for retirement during the next few years. Uncertainties related to regulatory, legislative and legal proceedings, as well as the proposed merger, also weigh significantly on the employment considerations made by current and prospective employees. We must attract, retain and develop executive officers and other professional, technical and craft employees with the skills and experience necessary to successfully manage, operate and grow our businesses. Competition for these employees is high, and in some cases we must compete for these employees on a regional or national basis. We may be unable to attract and retain these personnel. Further, the Company's or Consolidated SCE&G's ability to construct or maintain generation or other assets requires the availability of suitable skilled contractor personnel. We may be unable to obtain appropriate contractor personnel at the times and places needed. Labor disputes with employees or

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contractors covered by collective bargaining agreements also could adversely affect implementation of our strategic plan and our operational and financial performance. Furthermore, increased medical benefit costs of employees and retirees could adversely affect the results of operations of the Company and Consolidated SCE&G. Medical costs in this country have risen significantly over the past number of years and are expected to continue to increase at unpredictable rates. Such increases, unless satisfactorily managed by the Company and Consolidated SCE&G, could adversely affect results of operations.

The Company and Consolidated SCE&G are subject to the risk that strategic decisions made by us either do not result in a return of or on invested capital or might negatively impact our competitive position, which can adversely impact our results of operations, cash flows, financial condition, and access to capital.

From time to time, the Company and Consolidated SCE&G make strategic decisions that may impact our direction with regard to business opportunities, the services and technologies offered to customers or that are used to serve customers, and the generating plants and other infrastructure that form the basis of much of our business. These strategic decisions may not result in a return of or on our invested capital, and the effects of these strategic decisions may have long-term implications that are not likely to be known to us in the short-term. Changing political climates and public attitudes, including customers' concerns regarding rate increases, such as the current environment relating to proposed recovery of costs, and a reasonable return on those costs, under the abandonment provisions of the BLRA or through other means, may adversely affect the ongoing acceptability of strategic decisions that have been made (and, in some cases, previously supported by legislation or approved by regulators), to the detriment of the Company or Consolidated SCE&G (e.g., further revision or repeal of the BLRA). In addition, operating covenants in the Merger Agreement require the consent of Dominion Energy prior to SCANA taking certain actions, which consent cannot be unreasonably withheld, during the pendency of the merger. As a result, the Company and Consolidated SCE&G may be unable to pursue strategic transactions, undertake significant capital projects, undertake certain significant financing or other specified transactions or pursue actions that are not in the ordinary course of business even if such actions would prove beneficial. Further, the Company's and Consolidated SCE&G's management and employees may be focused on completion of the merger, which could lead to the disruption of ongoing business or inconsistencies in service, standards, controls, procedures and policies, any of which could adversely affect the ability of the Company and Consolidated SCE&G to maintain relationships with customers, regulators, vendors and employees, or could otherwise adversely affect their business and financial results, without realizing any of the benefits of having the merger completed. Over time, these strategic decisions or changing attitudes toward such decisions, which could be adverse to the Company's or Consolidated SCE&G's interests, may have a negative effect on our results of operations, cash flows and financial condition, as well as limit our ability to access capital.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

SCANA:

The following table provides information about purchases by or on behalf of SCANA or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended (Exchange Act)) of shares or other units of any class of SCANA's equity securities that are registered pursuant to Section 12 of the Exchange Act:

Issuer Purchases of Equity Securities

	(a)	(b)	(c)	(d)
Period	Total number of shares (or units) purchased	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
April 1 - 30	10,197	$ 37.43	10,197	
May 1 - 31	—	—	—	
June 1 - 30	—	—	—	
Total	10,197		10,197	*

*The preceding table represents shares acquired for non-employee directors under the Director Compensation and Deferral Plan. On December 16, 2014, SCANA announced a program to convert from original issue to open market purchase of SCANA common stock for all applicable compensation and dividend reinvestment plans. This program took effect in the first quarter of 2015 and has no stated maximum number of shares that may be purchased and no stated expiration date.

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ITEM 5. OTHER INFORMATION

SCANA and SCE&G:

SCANA and SCE&G post information from time to time regarding developments relating to SCE&G's Nuclear Project and other matters of interest to investors on SCANA's website at www.scana.com (which is not intended to be an active hyperlink; the information on SCANA's website is not a part of this report or any other report or document that SCANA or SCE&G files with or furnishes to the SEC). On SCANA's homepage, there is a yellow box containing links to the Nuclear and Other Investor Information sections of the website. The Nuclear section contains a yellow box with a link to project news and updates. The Other Investor Information section of the website contains a link to recent investor-related information that cannot be found at other areas of the website. Some of the information that will be posted from time to time, including the quarterly reports that SCE&G submits to the SCPSC and the ORS in connection with the Nuclear Project, may be deemed to be material information that has not otherwise become public. Investors, media and other interested persons are encouraged to review this information and can sign up, under the Investor Relations section of the website, for an email alert when there is a new posting in the Nuclear and Other Investor Information yellow box.

ITEM 6. EXHIBITS

SCANA and SCE&G:

Exhibits filed or furnished with this Quarterly Report on Form 10-Q are listed in the following Exhibit Index.

As permitted under Item 601(b) (4) (iii) of Regulation S-K, instruments defining the rights of holders of long-term debt of less than 10% of the total consolidated assets of SCANA, for itself and its subsidiaries, and of SCE&G, for itself and its consolidated affiliates, have been omitted and SCANA and SCE&G agree to furnish a copy of such instruments to the SEC upon request.

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EXHIBIT INDEX

Exhibit No.	Applicable to Form 10-Q of SCANA	SCE&G	Description
2.01*	X		Agreement and Plan of Merger by and among Dominion Energy, Sedona, and SCANA, dated as of January 2, 2018 (Filed as Exhibit 2.1 to Form 8-K on January 5, 2018 (File No. 001-08809 (SCANA)) and incorporated by reference herein)
3.01	X		Restated Articles of Incorporation of SCANA, as adopted on April 26, 1989 (Filed as Exhibit 3-A to Registration Statement No. 33-49145 and incorporated by reference herein). (Filed on paper - hyperlink is not required pursuant to Rule 105 of Regulation S-T).
3.02	X		Articles of Amendment dated April 27, 1995 (Filed as Exhibit 4-A to Registration Statement No. 33-62421 and incorporated by reference herein)
3.03	X		Articles of Amendment effective April 25, 2011 (Filed as Exhibit 4.03 to Registration Statement No. 333-174796 and incorporated by reference herein)
3.04		X	Restated Articles of Incorporation of SCE&G, as adopted on December 30, 2009 (Filed as Exhibit 1 to Form 8-A (File Number 000-53860) and incorporated by reference herein)
3.05	X		By-Laws of SCANA as amended and restated as of December 30, 2016 (Filed as Exhibit 3.05 to Form 10-K for the period ended December 31, 2016 (File No. 001-08809) and incorporated by reference herein)
3.06		X	By-Laws of SCE&G as revised and amended on February 22, 2001 (Filed as Exhibit 3.05 to Registration Statement No. 333-65460 and incorporated by reference herein)
12.01	X	X	Statement Re Computation of Ratios (Filed herewith)
31.01	X		Certification of Principal Executive Officer Required by Rule 13a-14 (Filed herewith)
31.02	X		Certification of Principal Financial Officer Required by Rule 13a-14 (Filed herewith)
31.03		X	Certification of Principal Executive Officer Required by Rule 13a-14 (Filed herewith)
31.04		X	Certification of Principal Financial Officer Required by Rule 13a-14 (Filed herewith)
32.01	X		Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 (Furnished herewith)
32.02		X	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 (Furnished herewith)
101. INS**	X	X	XBRL Instance Document
101. SCH**	X	X	XBRL Taxonomy Extension Schema
101. CAL**	X	X	XBRL Taxonomy Extension Calculation Linkbase
101. DEF**	X	X	XBRL Taxonomy Extension Definition Linkbase
101. LAB**	X	X	XBRL Taxonomy Extension Label Linkbase
101. PRE**	X	X	XBRL Taxonomy Extension Presentation Linkbase

* Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. SCANA agrees to furnish supplementally to the SEC a copy of any omitted schedule upon request by the SEC.

** Pursuant to Rule 406T of Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each of the registrants has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of each registrant shall be deemed to relate only to matters having reference to such registrant and any subsidiaries thereof.

SCANA CORPORATION
SOUTH CAROLINA ELECTRIC & GAS COMPANY
(Registrants)

By: /s/James E. Swan, IV

Date: August 2, 2018

James E. Swan, IV
Vice President and Controller
(Principal accounting officer)

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Exhibit 12.01

COMPUTATION OF RATIOS
June 30, 2018

RATIO OF EARNINGS TO FIXED CHARGES

SCANA: Dollars in Millions	Six Months Ended June 30, 2018	Twelve Months Ended June 30, 2018	Years ended December 31, 2017	2016	2015	2014	2013
Fixed Charges as defined:							
Interest on debt	$196.5	$387.2	$377.6	$356.8	$327.8	$318.2	$305.9
Amortization of debt premium, discount and expense (net)	2.0	4.0	4.0	4.5	4.7	9.7	5.3
Interest component on rentals	1.7	3.3	3.3	3.5	3.7	4.1	4.9
Total Fixed Charges (A)	$200.2	$394.5	$384.9	$364.8	$336.2	$332.0	$316.1
Earnings as defined:							
Pretax income (loss) from continuing operations	$231.6	($421.8)	($230.7)	$865.6	$1,138.4	$786.0	$693.8
Total fixed charges above	200.2	394.5	384.9	364.8	336.2	332.0	316.1
Pretax equity in (earnings) losses of investees	2.6	11.5	8.9	(0.7)	0.8	(1.4)	(3.2)
Cash distributions from equity investees	—	1.0	2.7	3.7	4.0	7.4	9.6
Total Earnings (B)	$434.4	($14.8)	$165.8	$1,233.4	$1,479.4	$1,124.0	$1,016.3
Ratio of Earnings to Fixed Charges (B/A)	2.17	(0.04)	0.43	3.38	4.40	3.39	3.22
Amount of Earnings Deficiency Below Fixed Charges		$409.3	$219.1				

SCE&G: Dollars in Millions	Six Months Ended June 30, 2018	Twelve Months Ended June 30, 2018	Years ended December 31, 2017	2016	2015	2014	2013
Fixed Charges as defined:							
Interest on debt	$156.0	$306.5	$300.2	$284.6	$258.4	$237.6	$226.4
Amortization of debt premium, discount and expense (net)	1.4	2.9	2.9	3.5	3.7	4.4	4.2
Interest component on rentals	1.9	3.7	3.8	4.0	4.1	4.0	4.5
Total Fixed Charges (A)	$159.3	$313.1	$306.9	$292.1	$266.2	$246.0	$235.1
Earnings as defined:							
Pretax income (loss) from continuing operations	$200.2	($492.4)	($342.6)	$774.1	$711.0	$676.0	$579.7
Total fixed charges above	159.3	313.1	306.9	292.1	266.2	246.0	235.1
Pretax equity in losses of investees	2.7	5.7	4.6	3.1	5.0	5.3	3.5
Total Earnings (B)	$362.2	($173.6)	($31.1)	$1069.3	$982.2	$927.3	$818.3
Ratio of Earnings to Fixed Charges (B/A)	2.27	(0.55)	(0.10)	3.66	3.69	3.77	3.48
Amount of Earnings Deficiency Below Fixed Charges		$486.7	$338.0				

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Exhibit 31.01

CERTIFICATION

I, Jimmy E. Addison, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SCANA Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/Jimmy E. Addison

Jimmy E. Addison
Chief Executive Officer and President

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Exhibit 31.02

CERTIFICATION

I, Iris N. Griffin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SCANA Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/Iris N. Griffin
Iris N. Griffin
Senior Vice President and Chief Financial Officer

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Exhibit 31.03

CERTIFICATION

I, Jimmy E. Addison, certify that:

1. I have reviewed this quarterly report on Form 10-Q of South Carolina Electric & Gas Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/Jimmy E. Addison
Jimmy E. Addison
Chief Executive Officer

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Exhibit 31.04

CERTIFICATION

I, Iris N. Griffin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of South Carolina Electric & Gas Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/Iris N. Griffin

Iris N. Griffin
Senior Vice President and Chief Financial Officer

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Exhibit 32.01

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SCANA Corporation (the "Company") on Form 10-Q for the quarter ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we certify pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2018

/s/Jimmy E. Addison
Jimmy E. Addison
Chief Executive Officer and President

/s/Iris N. Griffin
Iris N. Griffin
Senior Vice President and Chief Financial Officer

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Exhibit 32.02

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of South Carolina Electric & Gas Company (the "Company") on Form 10-Q for the quarter ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we certify pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2018

/s/Jimmy E. Addison	/s/Iris N. Griffin
Jimmy E. Addison	Iris N. Griffin
Chief Executive Officer	Senior Vice President and Chief Financial Officer

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