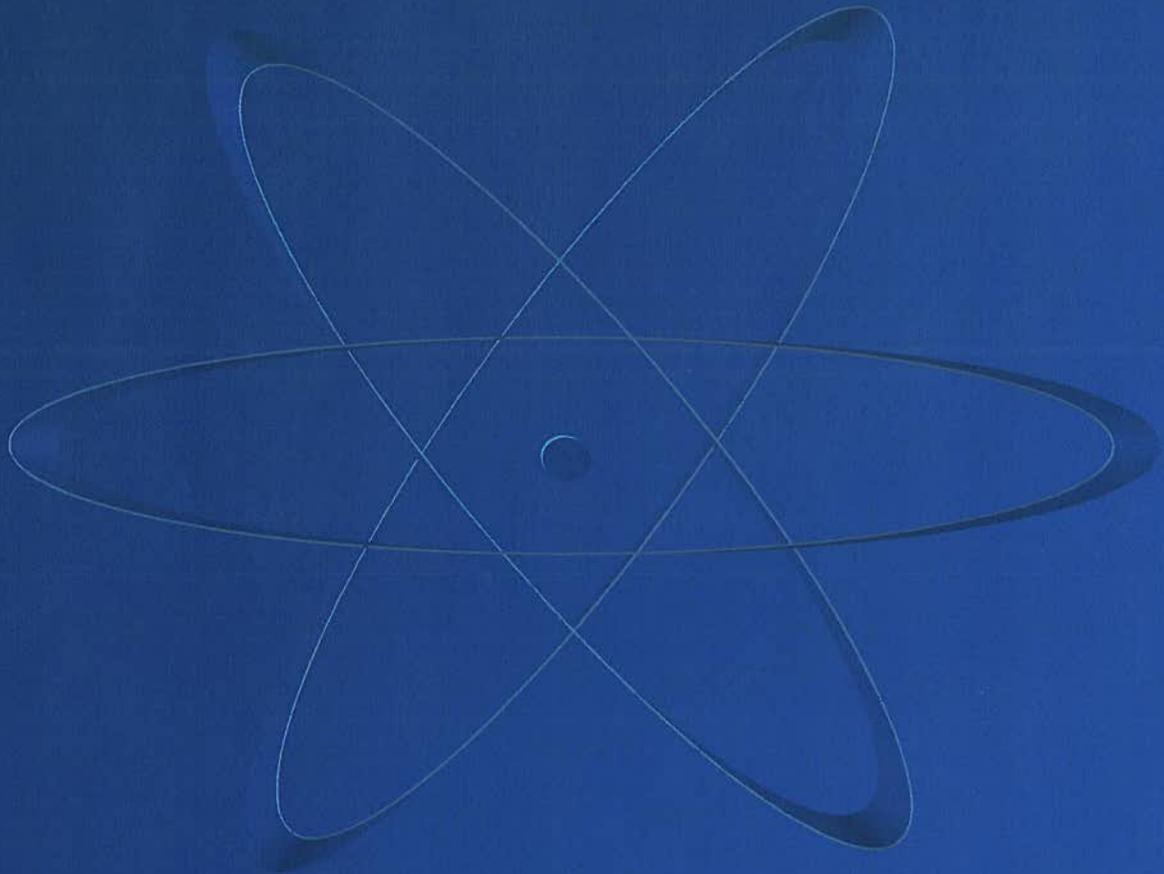


South Carolina Office of Regulatory Staff
Review of South Carolina Electric & Gas Company's
2014 4th Quarter Report on
V. C. Summer Units 2 & 3
Status of Construction



March 19, 2015



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Executive Summary

On February 13, 2015, SCE&G submitted its 2014 4th Quarter Report related to construction of V.C. Summer Units 2 & 3 in Jenkinsville, SC. The Quarterly Report is filed in Commission Docket No. 2008-196-E and covers the quarter ending December 31, 2014. With reference to the Base Load Review Act (or BLRA), ORS's review of SCE&G's Quarterly Report focuses on SCE&G's ability to adhere to the approved schedule and approved budget.

Approved Schedule Review

SCE&G's Milestone Schedule reflects a delay in the Unit 2 substantial completion date from March 15, 2017 to December 15, 2017, and a delay in the Unit 3 substantial completion date from May 15, 2018 to December 15, 2018. These expected delays are primarily attributed to submodule fabrication and delivery. Per the Base Load Review Order No. 2009-104(A), overall construction is considered to be on schedule if the substantial completion dates and each BLRA milestone date are not accelerated more than 24 months or delayed more than 18 months. SCE&G's Quarterly Report shows the substantial completion dates to fall within the boundary allowed by Order No. 2009-104(A).

However, three BLRA milestones are identified as falling outside the 18 month boundary allowed by the Commission's Order. SCE&G intends to address this issue in a filing before the Commission as discussed below.

In August 2014, SCE&G received a preliminary revised fully-integrated construction schedule which shows the Unit 2 substantial completion date to be delayed until late 2018 or the first half of 2019, and the Unit 3 substantial completion date to be delayed by approximately one year, thereafter. According to SCE&G's Quarterly Report, the Consortium has now indicated that the Unit 2 substantial completion date is expected to occur by June 2019 and the Unit 3 substantial completion date is expected to occur by June 2020.

As per SCE&G, the Consortium has continued to experience delays in fabrication and delivery of submodules for the Units; and that, these delays are the primary purpose for issuing a revised schedule. SCE&G has not agreed to the revised schedule or accepted responsibility for any delay-related costs and is having discussions with the Consortium regarding such responsibility. Also, SCE&G reports that the revised schedule has not been finalized and does not reflect possible changes in construction to mitigate delays. The Company anticipates that the revised schedule and updated cost estimates will be finalized in 2015. Once finalized, the Company intends to file a petition requesting the Commission approve the updated schedule

and cost estimates. On March 12, 2015, SCE&G filed such a petition. See “Notable Activities Occurring after December 31, 2014,” on page 19 of this report.

Until the revised fully-integrated schedule is finalized, ORS will not have the ability to monitor and provide updates on the status of milestone activities. Therefore, ORS’s review of SCE&G’s 2014 4th Quarter Report does not include a BLRA milestone status update. See Appendix 1 of SCE&G’s Quarterly Report for its status of BLRA milestones.

During the 4th quarter, the project continued to make progress toward the completion of several major project construction milestones. However, several ongoing construction challenges create risk to the on-time completion of the Units, particularly, the continued delay in the delivery of the structural submodules. ORS continues to monitor this closely.

Approved Budget Review

The current approved base project cost (in 2007 dollars) is \$4.548 billion. There has been no increase in the total base project cost (in 2007 dollars). SCE&G’s Quarterly Report shows no increase in the total base project cost (in 2007 dollars); however, the Quarterly Report does mention approximately \$40.5 million in Change Orders that will add to the base project cost if approved by the Commission. The approved gross construction cost of the project is \$5.755 billion. As of December 31, 2014, due to current escalation rates, the forecasted gross construction cost of the plant is \$5.796 billion, which represents an increase of approximately \$41 million.

The cumulative amount spent on the project as of December 31, 2014 is \$2.823 billion. However, due to escalation, an increased project cash flow of approximately \$141 million is necessary to complete the project in 2018.

In October 2014, SCE&G issued a press release stating that the Consortium provided preliminary cost estimates reflecting the revised schedule. SCE&G’s 55% portion of this preliminary estimate is approximately \$660 million (in 2007 dollars)¹. This amount may be adjusted upward once the Company determines its corresponding Owner’s Cost. SCE&G has not accepted financial responsibility for these delay costs and continues to review and negotiate with the Consortium regarding responsibility. The Company anticipates the revised schedule and updated cost estimates will be finalized in 2015. Once finalized, the Company intends to file a petition requesting the Commission approve the updated schedule and cost estimates. On March 12, 2015, SCE&G filed such a petition. See “Notable Activities Occurring after December 31, 2014,” on page 19 of this report.

¹Since SCE&G has not accepted responsibility for any delay costs, this report includes no increases to the project budget attributable to the schedule delays.

Introduction and Background

On March 2, 2009, the Public Service Commission of South Carolina (“Commission”) approved South Carolina Electric & Gas Company’s (“SCE&G” or the “Company”) request for the construction of V.C. Summer Nuclear Station AP1000 Units 2 & 3 (the “Units”) in Jenkinsville, SC and the Engineering, Procurement and Construction (“EPC”) Contract with Westinghouse Electric Company (“WEC”) and CB&I Stone & Webster, Inc. (“CB&I”) (collectively “the Consortium”). The Commission’s approval of the Units can be found in the Base Load Review Order No. 2009-104(A) filed in Docket No. 2008-196-E.

Subsequent to the Base Load Review Order, the Commission has held three (3) hearings regarding the Units and issued the following Orders:

- **Order No. 2010-12**: Issued on January 21, 2010 and filed in Docket No. 2009-293-E. The Commission approved SCE&G’s request to update milestones and capital cost schedules.
- **Order No. 2011-345**: Issued on May 16, 2011 and filed in Docket No. 2010-376-E. The Commission approved SCE&G’s petition for updates and revisions to schedules which included an increase to the base project cost of approximately \$174 million.
- **Order No. 2012-884**: Issued on November 15, 2012 and filed in Docket No. 2012-203-E. The Commission approved SCE&G’s petition for updates and revisions to schedules which included an increase to the base project cost of approximately \$278 million.

The anticipated dependable capacity from the Units is approximately 2,234 megawatts (“MW”), of which 55% (1,228 MW) will be available to serve SCE&G customers. South Carolina Public Service Authority (“Santee Cooper”) is currently contracted to receive the remaining 45% (1,006 MW) of the electric output when the Units are in operation and is paying 45% of the costs of the construction of the Units. In October 2011, SCE&G and Santee Cooper executed the permanent construction and operating agreements for the project. The agreements grant SCE&G primary responsibility for oversight of the construction process and operation of the Units as they come online. On March 30, 2012, the Nuclear Regulatory Commission (“NRC”) voted to issue SCE&G a Combined Construction and Operating License (“COL”) for the construction and operation of the Units.

In 2010, SCE&G reported that Santee Cooper began reviewing its level of ownership participation in the Units. Since then, Santee Cooper sought partners in its 45% ownership. Santee Cooper signed a Letter of Intent with Duke Energy Carolinas, LLC in 2011. On January 28, 2014, Duke Energy Carolinas, LLC filed a report with the Commission stating that it

concluded its negotiations with Santee Cooper which resulted in no change in ownership of the Units. On the day before, January 27, 2014, SCE&G announced that it had an agreement to acquire from Santee Cooper an additional 5% (110 MWs) ownership in the Units. The agreement is contingent upon the Commercial Operation Date of Unit 2. Ultimately, under the new agreement, SCE&G would own 60% and Santee Cooper would own 40% of the Units. The new agreement and the specific terms are subject to Commission approval and have yet to be presented to the Commission. The project continues to be governed by the ownership responsibilities as established in the approved EPC Contract.

On February 13, 2015, SCE&G submitted its 2014 4th Quarter Report (“Quarterly Report”) related to construction of the Units. The Quarterly Report is filed in Commission Docket No. 2008-196-E and covers the quarter ending December 31, 2014 (“Review Period”). The Company’s Quarterly Report is submitted pursuant to S.C. Code Ann. § 58-33-277 (Supp. 2014) of the Base Load Review Act (“BLRA”), which requires the Quarterly Report to include the following information:

1. Progress of construction of the plant;
2. Updated construction schedules;
3. Schedules of the capital costs incurred including updates to the information required in Section 58-33-270(B)(5);
4. Updated schedules of the anticipated capital costs; and
5. Other information as the Office of Regulatory Staff may require.

With reference to Section 58-33-275(A) of the BLRA, the review by the Office of Regulatory Staff (“ORS”) of the Company’s Quarterly Report focuses on SCE&G’s ability to adhere to the approved construction schedule and the approved capital cost schedule.

Approved Schedule Review

Milestone Schedule

SCE&G’s Milestone Schedule, attached to its Quarterly Report as Appendix 1, indicates that overall construction supports a substantial completion date of December 15, 2017 for Unit 2 and December 15, 2018 for Unit 3. The substantial completion dates for the Units reflect delays from the substantial completion dates approved by the Commission in Order No. 2012-884 of March 15, 2017 and May 15, 2018, respectively. These expected delays are primarily attributed to submodule fabrication and delivery.

Unit 2 Substantial Completion Date

Order No. 2012-884	Q4 2014	Change
3/15/2017	12/15/2017	+9 Months

Unit 3 Substantial Completion Date

Order No. 2012-884	Q4 2014	Change
5/15/2018	12/15/2018	+7 Months

Per the Commission's Base Load Review Order No. 2009-104(A), overall construction is considered to be on schedule if the substantial completion dates and each BLRA milestone date are not accelerated more than 24 months or delayed more than 18 months. SCE&G's Quarterly Report shows the substantial completion dates to fall within the boundary allowed by Order No. 2009-104(A).

However, three BLRA milestones are identified as falling outside the 18 month boundary allowed by the Commission's Order. SCE&G intends to address this issue in a filing before the Commission as discussed below.

In August 2014, SCE&G received a preliminary revised fully-integrated construction schedule ("Revised Schedule") which shows the Unit 2 substantial completion date to be delayed until late 2018 or the first half of 2019, and the Unit 3 substantial completion date to be delayed by approximately one year, thereafter. According to SCE&G's Quarterly Report, the Consortium has now indicated that the Unit 2 substantial completion date is expected to occur by June 2019 and the Unit 3 substantial completion date is expected to occur by June 2020.

As per SCE&G, the Consortium has continued to experience delays in fabrication and delivery of submodules for the Units; and that, these delays are the primary purpose for issuing a Revised Schedule. SCE&G has not agreed to the Revised Schedule or accepted responsibility for any delay-related costs and is having discussions with the Consortium regarding such responsibility. Also, SCE&G reports that the Revised Schedule has not been finalized and does not reflect possible changes in construction to mitigate delays. The Company anticipates that the Revised Schedule and updated cost estimates will be finalized in 2015. Once finalized, the Company intends to file a petition requesting the Commission approve the updated schedule and cost estimates. On March 12, 2015, SCE&G filed such a petition. See "Notable Activities Occurring after December 31, 2014," on page 19 of this report.

As previously reported by ORS, subsequent to the release of the Revised Schedule, Fitch revised SCE&G's rating outlook on August 15, 2014, from stable to negative. Fitch notes that the negative rating outlook reflects the heightened regulatory and financial risk of SCE&G's

nuclear construction program following the announcement of a longer than expected delay in the construction schedule and the uncertain cost impact. Fitch expects to resolve the negative rating outlook once the new cost estimate and construction schedule are known and the Commission determines if the costs are recoverable and the schedule acceptable.

Until the Revised Schedule is finalized, ORS will not have the ability to monitor and provide updates on the status of milestone activities. Therefore, ORS’s review of SCE&G’s Quarterly Report does not include a BLRA milestone status update. See Appendix 1 of SCE&G’s Quarterly Report for its status of BLRA milestones.

Major Structural Modules (“Big Six”)

The Big Six modules for the Units are CA01 through CA05 and CA20. (See Appendix A for illustrations). These modules are specifically identified in the Fixed/Firm cost category of the EPC Contract and key components to WEC’s modular design of the Units. Table 1 and Table 2 provide a summary of the status of the Big Six modules as of the end of the Review Period:

Table 1: Unit 2 Big Six Modules

Unit 2 Module #	Description	Vendor	Submodules Received	Certification Paperwork	Status
CA01	Houses Stm Gen., Pressurizer and Refueling Canal	CB&I-Lake Charles, LA	47 of 47	47 of 47 on Site and Under Review	Being Assembled On-Site
CA02	In-Containment Refueling Water Tank Wall and Heat Exchanger Wall Module	CB&I-Lake Charles	5 of 5	Pending	Pending
CA03	In-Containment Refueling Water Storage Tank Wall Module	SMCI in Lakeland, FL	0 of 17	Pending	Pending
CA04	<i>Reactor Vessel Cavity</i>	<i>CB&I-Power (On-Site)</i>	<i>5 of 5</i>	<i>Complete</i>	<i>Set in Place on 10/21/13</i>
CA05	<i>Containment Vessel Passive Cooling System Tunnel Walls</i>	<i>CB&I-Lake Charles, LA</i>	<i>8 of 8</i>	<i>Complete</i>	<i>Set in Place on 12/6/14</i>
CA20	<i>Auxiliary Building and Fuel Handling Area</i>	<i>CB&I-Lake Charles, LA</i>	<i>72 of 72</i>	<i>Complete</i>	<i>Set in Place on 5/9/14</i>

Table 2: Unit 3 Big Six Modules

Unit 3 Module #	Description	Vendor	Submodules Received	Certification Paperwork	Status
CA01	Houses Stm Gen., Pressurizer and Refueling Canal	Toshiba/IHI Yokohama, Japan	0 of 47	Pending	Pending
CA02	In-Containment Refueling Water Tank Wall and Heat Exchanger Wall Module	CB&I-Lake Charles, LA	0 of 5	Pending	Pending
CA03	In-Containment Refueling Water Storage Tank Wall Module	SMCI in Lakeland, FL	0 of 17	Pending	Pending
CA04	Reactor Vessel Cavity	SMCI in Lakeland, FL	0 of 5	Pending	Pending
CA05	Containment Vessel Passive Cooling System Tunnel Walls	CB&I-Lake Charles, LA	0 of 8	Pending	Pending
CA20	Auxiliary Building and Fuel Handling Area	Oregon Iron Works Portland, OR	0 of 72	Pending	Pending

Specific Construction Activities

During the Review Period, the Company continued to make progress toward the completion of several major project construction milestones. Unit 2 work continued on outfitting CA20 for the placement of concrete and completing the installation of the anchoring assemblies to the Nuclear Island basemat. Rebar, piping and concrete placement continued on the interior and exterior walls of the Nuclear Island Auxiliary Building in preparation for the start of the Shield Building erection. Layer 2 concrete was poured inside the Containment Vessel ("CV"). Module CA05 was installed in the CV once the Layer 2 concrete had properly cured. Work began on the final alignment of CA04.

Rebar and other commodities continued to be installed in preparation for pouring Layer 3 concrete inside the CV, which will then permit the installation of CA01. It appears that the pouring and setting of this Layer 3 is now the determining factor in the setting of CA01.

Approximately 4000 workers are currently on-site, 3500 Consortium (including subcontractors) and 500 SCE&G. Major construction activities during the Review Period are listed on the bulleted item below:

Unit 2

The critical path for Unit 2 continues to run through the remaining fabrication work on CA20 and the concrete work that supports the Shield Building. The secondary critical path includes the completion of the CA01 submodule assembly and installation in the CV and the completion of the Annex Building.

- Weld out and mechanical module installations continue as part of completion of CA20.
- Work on the erection of CA01 continues in the Module Assembly Building ("MAB"), with all 47 of the 47 submodules and their associated CoCs on-site as of the end of the Review Period. The vast majority of the submodules have been "stood-up" on the MAB platen in preparation for welding.
- Welding of the CV Ring 1 to the CV Bottom Head ("CVBH") continued.
- Progress continues in the Turbine Building with the continuing erection of the circulating water pipe connections to the condenser and the installation of equipment and components in the lower areas.
- Cooling Tower 2A is structurally substantially complete, with work continuing on the electrical and mechanical systems. Concrete work is continuing on Cooling Tower 2B and the Cooling Tower Pump House.
- The Unit 2A and 2B Steam Generators were in transit to the Port of Charleston.
- The Unit 2 Pressurizer has been delivered to the site.

Unit 3

The critical path for Unit 3 continues to run through successful fabrication and setting of CA20 followed by the completion of CA01, CA03 and the Shield Building.

- Construction on the Nuclear Island continued with the placement of rebar and concrete for the exterior Auxiliary Building walls and the installation of piping and rebar under module CR10 in preparation for the additional layers of concrete under the CVBH.
- Work continued on the assembly of CV Ring 1.
- Cooling Tower 3A is structurally substantially complete, with work continuing on the electrical and mechanical systems and the work on the structure of Cooling Tower 3B continued.
- The erection of Turbine Building structural steel modules CH80 and CH82 continues, and the erection of the main condensers continued.
- The Unit 3 Core Make-Up Tanks 1 and 2 were shipped during the Review Period.

Photographs of construction activities during the Review Period are shown in Appendix B.

Transmission

In 2011, SCE&G entered into a contract with Pike Electric, LLC for the permitting, engineering and design, procurement of material, and construction of multiple transmission lines and associated facilities related to the Units.

Map 1 shows the new transmission lines and facilities supporting the Units. The transmission lines are represented by the corresponding line color indicated below:

Green Line:

VCS1-Killian Line is complete and energized.

Red Line:

VCS2- Lake Murray Line No. 2 is complete and energized.

VCS2-St George Line No. 1 will be energized when the remaining St. George segment (Purple Line) is complete.

Purple Line:

VCS2-St. George Lines Nos. 1 and 2 are currently under construction between Lake Murray and St. George. This work will progress through the build out of the Saluda River Substation which is under construction and scheduled to be complete in June 2015, and the St. George switching station which is scheduled to be complete in June 2016.

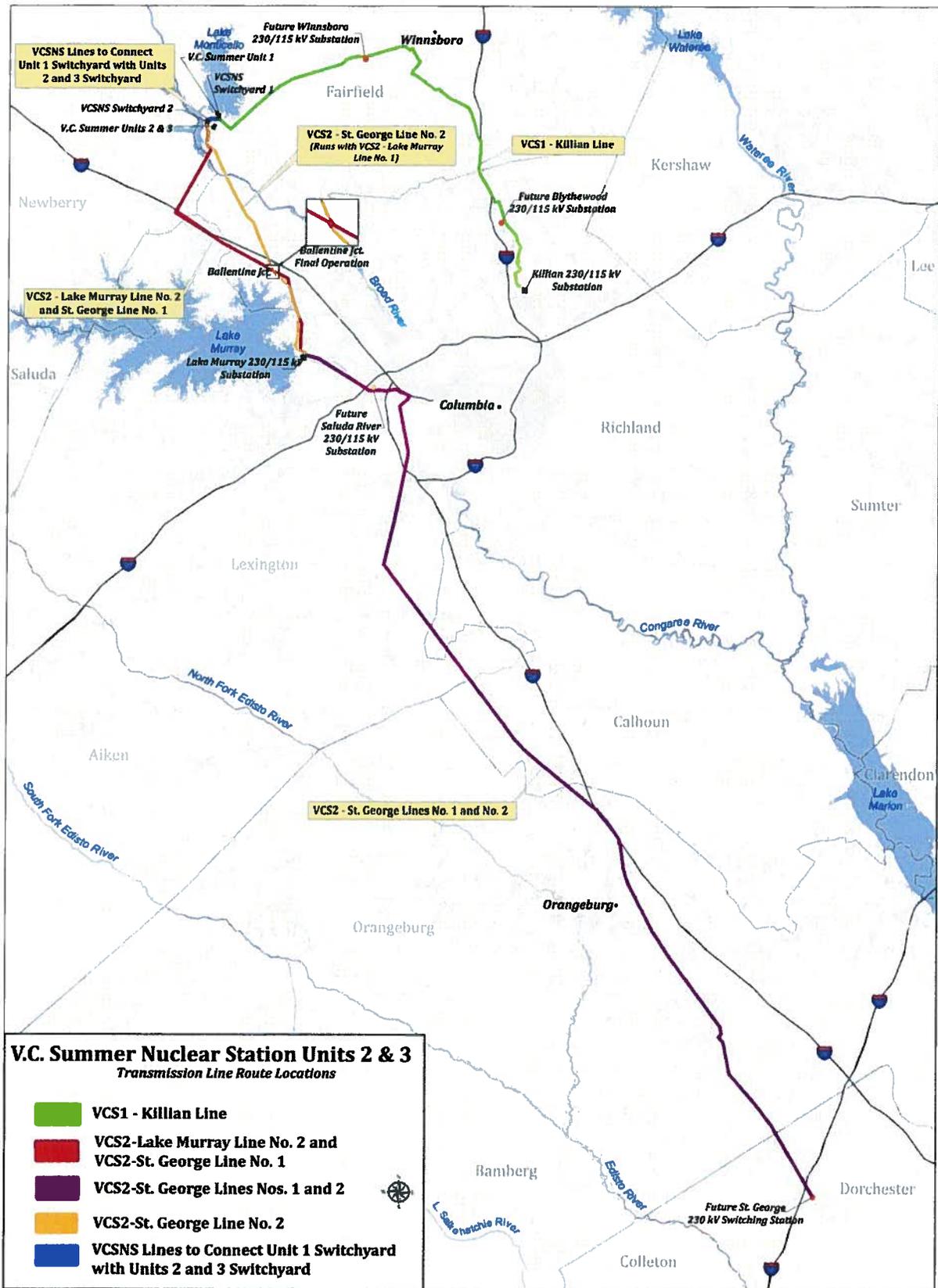
Yellow Line:

The portion of the VCS2-St. George Line No. 2 segment between VCS2 and the Lake Murray substation is complete.

Blue Line:

VCNS Lines to connect Unit 1 Switchyard with Units 2 and 3 Switchyard are complete and energized.

Map 1: New SCE&G Transmission Lines and Facilities Supporting V.C. Summer Units 2 & 3



Licensing and Inspection Activities

Federal Activities

SCE&G has identified the need to submit numerous License Amendment Requests (“LARs”) to the NRC. A LAR is the process by which a licensee requests changes to the COL issued by the NRC. The licensee may seek a Preliminary Amendment Request (“PAR”) to accompany a LAR. PARs allow the licensee to continue with construction at its own risk while awaiting final dispensation of the LAR. During the Review Period, the Company filed six new LARs with the NRC and five were approved. A table of LARs submitted to the NRC, and accompanying PARs, if also submitted, is attached as Appendix C.

Status of LARs

Total	Approved	Under Review
43	26	17

The NRC conducts routine site inspections to monitor construction progress. During the Review Period, the NRC conducted two inspections. One inspection resulted in no findings. The other inspection resulted in a potential Green Non-Cited Violation. A Green level finding is the least significant in the NRC oversight process.

State Activities

There were no state licensing activities during the Review Period.

Approved Budget Review

ORS's budget review includes an analysis of the 4th quarter 2014 capital costs, project cash flow, escalation and Allowance for Funds Used During Construction ("AFUDC").

Capital Costs

To determine how consistently the Company adheres to the budget approved by the Commission in Order No. 2012-884, ORS evaluates 9 major cost categories for variances. These cost categories are:

1. Fixed with No Adjustment
2. Firm with Fixed Adjustment A
3. Firm with Fixed Adjustment B
4. Firm with Indexed Adjustment
5. Actual Craft Wages
6. Non-Labor Cost
7. Time & Materials
8. Owners Costs
9. Transmission Projects

ORS monitors variances due to project changes (e.g., shifts in work scopes, payment timetables, construction schedule adjustments, Change Orders). The current approved base project cost (in 2007 dollars) is \$4.548 billion. SCE&G's Quarterly Report shows no increase in the total base project cost (in 2007 dollars); however, the Quarterly Report does mention approximately \$40.5 million in Change Orders that will add to the base project cost if approved by the Commission. The approved gross construction cost of the project is \$5.755 billion. As of December 31, 2014, due to current escalation rates, the forecasted gross construction cost of the plant is \$5.796 billion, which represents an increase of approximately \$41 million.

Budget in 2007 Dollars ("000") {Base Project Cost}

Order No. 2012-884	Q4 2014	Change
\$4,548,405	\$4,548,405	\$0

Budget in Future Dollars ("000") {Gross Construction Cost}

Order No. 2012-884	Q4 2014	Change
\$5,754,565	\$5,795,986	\$41,421

Budget in 2007 Dollars

Change Orders may impact the base project cost and may also result in a filing before the Commission to increase the budget (in 2007 dollars). During the Review Period, three Change Orders were executed. The Quarterly Report recognizes approximately \$40.5 million in Change Orders that will add to the base project cost if approved by the Commission. (See Appendix D for a list of Change Orders and Amendments). The Company is currently negotiating the following Change Orders:

Change Order #16: The Commission approved the components of Change Order #16 in Order 2012-884. However, final execution of this Change Order has been delayed pending the resolution of a question regarding the application of the Handy-Whitman inflation indices. SCE&G and the Consortium have reached an agreement on this matter and are working to finalize this Change Order.

Change Order #17 (Commercial Items): This Change Order incorporates design changes to the offsite water treatment system for the removal of bromide from the raw water intake source. It also addresses the transfer of certain scopes of work from the Time and Materials cost category to the Target Price and Firm Price cost categories. SCE&G reports to ORS that this Change Order will not increase the budget.

Change Order #18 (Perch Guards): This Change Order is to provide perch guards to prevent large birds from resting on transmission structures. The perch guards increase the reliability of transmission lines by preventing bird-related system faults. This Change Order was approved by SCE&G during the Review Period and will increase the budget by approximately \$14,000.

Change Order #19 (Plant Reference Simulator): The Simulator for the Units will require hardware and software upgrades. This Change Order was approved by SCE&G during the Review Period and will increase the budget by approximately \$1.1 million.

Change Order #20 (Health Care): WEC's costs associated with the federal health care legislation are the basis for this Change Order. This Change Order was approved by SCE&G during the Review Period and will increase the budget by approximately \$206,589.

Change Order #21 (Inspections, Tests, Analyses, and Acceptance Criteria ("ITAAC") Maintenance): This Change Order addresses the NRC's requirement that the Consortium perform a more detailed review of closed ITAACs. Subsequent to the Review Period, this Change Order was approved by SCE&G and will increase the budget by approximately \$59,400.

Cyber Security: Phase II of the cyber security changes previously catalogued in Change Order #14 will be addressed by this Change Order. SCE&G is finalizing the terms of this Change Order which has a contract value of \$18.8 million.

Site Layout Changes: This Change Order addresses reconfiguring the construction site to meet nuclear security requirements. SCE&G is finalizing the terms of this Change Order which has a contract value of \$20.35 million.

Structural Module Fabrication Delays: In 2013, SCE&G estimated the costs associated with the delay in the substantial completion dates for Unit 2 and Unit 3 to be approximately \$200 million in future dollars (or \$115 million in 2007 dollars)¹.

In October 2014, SCE&G issued a press release stating that the Consortium provided preliminary cost estimates reflecting the Revised Schedule. SCE&G's 55% portion of this preliminary estimate is approximately \$660 million (in 2007 dollars)¹. This amount may be adjusted upward once the Company determines its corresponding Owner's Cost. SCE&G has not accepted financial responsibility for these delay costs and continues to review and negotiate with the Consortium regarding responsibility. The Company anticipates the Revised Schedule and updated cost estimates will be finalized in 2015. Once finalized, the Company intends to file a petition requesting the Commission approve the updated schedule and cost estimates. On March 12, 2015, SCE&G filed such a petition. See "Notable Activities Occurring after December 31, 2014," on page 19 of this report.

The EPC Contract incorporates price protections for ratepayers via the Fixed/Firm cost category. The underlying costs in this cost category are pre-defined and subject only to cost increases associated with escalation. Therefore, the Consortium (not SCE&G) bears the principal price risk and responsibility of providing items in the Fixed/Firm cost category. The fabrication, delivery, onsite assembly and transportation to the lifting point of the Big Six structural modules (CA01 through CA05 and CA20) are items addressed in the Fixed/Firm cost category. In Order 2011-345, the Commission approved SCE&G to make a \$10 million risk compensation payment by which the Consortium would assume the principal price risk and responsibility for 11 scopes of work which, specifically, included these structural modules. Similarly, all costs for Shield Building material, fabrication, shop assembly and final delivery to the site are also items addressed in the Fixed/Firm cost category.

To mitigate schedule delays, Unit 2 CA20 was transferred from the MAB to the Nuclear Island prior to full assembly. This process generated free space inside the MAB and allowed other fabrication work to occur while also allowing the remaining CA20 work to progress. Although this mitigation strategy has proven to be beneficial, it has produced Fixed/Firm "deferred work," which complicates the accurate tracking of project costs. As mentioned above, CA20 work is identified in the Fixed/Firm cost category of the EPC Contract and based

¹Since SCE&G has not accepted responsibility for any delay costs, this report includes no increases to the project budget attributable to the schedule delays.

on CA20 assembly work being completed inside the MAB. Since CA20 assembly work is now being completed outside the MAB on the Nuclear Island, it is critical that the Company identify these activities as deferred work and take appropriate measures allowed by the EPC Contract – to include but not limited to – returning any invoice regarding such work back to the Consortium. During the Review Period, ORS met with the Company and CB&I to further discuss this matter. SCE&G reports to ORS that adequate controls have been established to ensure proper tracking of deferred work. ORS continues to monitor this issue.

Budget in Future Dollars

The Handy-Whitman escalator indices may increase or decrease the gross construction cost of the Units. As of December 31, 2014, due to current escalation rates, the forecasted gross construction cost of the Units is approximately \$41 million above the approved budget. Since the Base Load Review Order issued by the Commission allows for escalation, the impact of escalation cost on the project will not result in a filing to increase the budget.

Project Cash Flow

As shown in Appendix 2 of the Company's Quarterly Report, the cumulative amount spent on the project as of December 31, 2014 is \$2.823 billion. With reference to Appendix 2, ORS compared the total revised project cash flow (Line 37) to the annual project cash flow, adjusted for changes in escalation (Line 16). This evaluation provides a comparison of the Company's current project cash flow to the cash flow schedule approved by the Commission in Order No. 2012-884. To produce a common basis for the comparison, Line 16 adjusts the approved cash flow schedule to reflect the current escalation rates.

Table 1 shows the cumulative variance from the approved cash flow schedule through the life of the project. The comparison shows that as of the end of 2014, the cumulative project cash flow is approximately \$996 million below the capital cost schedule approved in Order No. 2012-884, updated for current escalation rates. However, due to escalation, an increased project cash flow of approximately \$141 million is necessary to complete the project in 2018.

Table 3:

Project Cash Flow Comparison			
<i>\$'s in Thousands ²</i>			
		Annual Over/(Under)	Cumulative Over/(Under)
Actual	2007	-	-
	2008	\$0	\$0
	2009	\$0	\$0
	2010	\$0	\$0
	2011	\$0	\$0
	2012	(\$141,964)	(\$141,964)
Projected	2013	(\$397,667)	(\$539,631)
	2014	(\$456,202)	(\$995,833)
	2015	\$463,805	(\$532,028)
	2016	\$247,540	(\$284,488)
	2017	\$283,607	(\$881)
	2018	\$142,074	\$141,193

AFUDC and Escalation

The forecasted AFUDC for the total project as of December 31, 2014 is approximately \$266.5 million and is currently based on a forecasted 7.27% AFUDC rate.

Changes in the AFUDC rate, timing changes in project spending due to construction schedule shifts, and five-year average escalation rates are all factors that impact the projected project cash flow. Primarily due to changes in escalation rates, the overall project cost has increased.

²Slight variances may occur due to rounding.

Annual Request for Revised Rates

Pursuant to the BLRA, SCE&G may request revised rates no earlier than one year after the request of a Base Load Review Order or any prior revised rates request. On May 30, 2014, the anniversary of its previous revised rates filing, SCE&G filed its Annual Request for Revised Rates with the Commission requesting a retail revenue increase of approximately \$70 million (or 2.99%). On July 30, 2014, ORS filed its report in response to SCE&G's request. ORS's examination reduced the Company's request by approximately \$3.8 million. On September 30, 2014, the Commission approved SCE&G's request (Order No. 2014-785).

Table 4 shows a summary of SCE&G's Revised Rate Filings with the Commission.

Table 4:

<i>SCE&G Revised Rate Filings</i>					
Docket No.	Order No.	Requested Increase	ORS Examination	Approved Increase	Retail Increase
2008-196-E	2009-104(A)	\$8,986,000	(\$1,183,509)	\$7,802,491	0.43%
2009-211-E	2009-696	\$22,533,000	\$0	\$22,533,000	1.10%
2010-157-E	2010-625	\$54,561,000	(\$7,260,000)	\$47,301,000	2.31%
2011-207-E	2011-738	\$58,537,000	(\$5,753,658)	\$52,783,342	2.43%
2012-186-E	2012-761	\$56,747,000	(\$4,598,087)	\$52,148,913	2.33%
2013-150-E	2013-680(A)	\$69,671,000	(\$2,430,768)	\$67,240,232	2.87%
2014-187-E	2014-785	\$70,038,000	(\$3,800,546)	\$66,237,454	2.82%

Additional ORS Monitoring Activities

ORS continually performs the following activities, as well as other monitoring activities as deemed necessary:

- Audits capital cost expenditures and resulting AFUDC in Construction Work in Progress
- Reviews invoices associated with the Milestone Schedule
- Performs weekly on-site review of construction documents
- Attends on-site Plan of the Day meetings with Project Managers
- Attends on-site planning and scheduling meetings with Area Managers
- Participates in monthly on-site observations of construction activities and progress
- Holds monthly update meetings with SCE&G
- Meets quarterly with representatives of the Consortium
- Attends NRC Public Meetings regarding SCE&G COL and other construction activities
- Visits vendor fabrication facilities

Construction Challenges

Based upon the information provided by the Company in its Quarterly Report, as well as information obtained via additional monitoring activities, ORS identifies several ongoing construction concerns that create risk to the on-time completion of the Units. ORS continues to monitor these areas closely.

Revised Schedule

It appears that the Company and the Consortium are closer to determining revised substantial completion dates for the Units and SCE&G plans to file a petition to the Commission based on these dates; however, SCE&G's Quarterly Report emphasizes that SCE&G has not accepted these dates and will continue to negotiate and explore mitigation. It is important that the schedule and cost estimates be finalized and then fully implemented.

SCE&G reports that Unit 3 resources which were diverted to Unit 2 are now being reassigned back to Unit 3, and that the Consortium is adding additional construction labor to both units. It is not yet clear whether this diversion of Unit 3 resources adversely impacted the project schedule.

Structural Modules

As identified in previous ORS reviews, the most significant issue related to the construction of the Units remains the continued inability of Chicago Bridge & Iron - Lake Charles ("CB&I-LC") and the other subcontracted module fabricators to reliably and predictably meet the quality and schedule requirements for fabricating and delivering the submodules, including the associated quality-related documentation. However, ORS notes that there has been significant progress made in this area during the Review Period.

At the close of the Review Period, all 47 of the submodules required for Unit 2 CA01 had been delivered to the site from CB&I-LC and all the corresponding Certificates of Conformance ("CoC") were provided. Repairs to the submodules and fabrication work on CA01 were progressing well in the MAB. The vast majority of the submodules have been "stood-up" on the platen in the MAB and are in the process of being welded to complete the final module.

During the Review Period, module CA05 was set in the CV and work continues on its final alignment and installation. In addition, all submodules of CA02 are on-site and being assembled in the MAB.

SMCI continues fabrication of the Unit 2 CA03 submodules and Unit 3 CA03 and CA04 submodules. However, delays due to quality control continue to hinder shipments to the site. Work appears to be progressing well at Toshiba/IHI on the fabrication of the Unit 3 CA01 submodules and it appears that issues at Oregon Iron Works regarding the fabrication of Unit 3 CA20 submodules are nearing resolution. In addition, the first submodules from Greenberry Industrial located in Oregon were delivered to the site.

An issue of the capacity of the Heavy Lift Derrick ("HLD") to handle the Unit 3 module CA01 has been recently identified. This issue developed because design changes added weight to the module. In addition, the HLD is closer to Unit 2 than Unit 3. Various approaches are underway to resolve this issue.

Although the fabrication, delivery, erection and installation still remain a critical issue for the Units, progress is now discernable and positive developments were evident during the Review Period.

Shield Building Panels

As previously reported, Shield Building panel fabrication has been assigned to Newport News Industrial ("NNI"). NNI's performance continues to show improvement with 35 of the 167 panels delivered to the site. However, concerns have been raised regarding the acceptability of the tolerances applied to each of the panels and the effect this may have on erecting the Shield Building. A dry "fit-up" of the first two courses of the Shield Building panels is currently underway on a specialized outdoor concrete pad. Ideally, this "fit-up" process will identify tolerance issues and solutions so that the actual installation can proceed smoothly. In addition, measurements are being taken of this process in order to better align the Auxiliary Building wall dowels so that the in-place installation will be improved.

Plant Reference Simulator Software Testing

The Company advised there will be a delay in the Integrated System Validation testing of the software associated with the Plant Reference Simulator due to the need to further evaluate the licensing documentation. This could impact the simulator testing of the first class of plant Licensed Operators; however, SCE&G decided to proceed with the examination process. Due to the construction delays, this testing delay is not expected to impact the overall plant startup schedule.

First-of-a-Kind Testing

SCE&G has identified that some "first-of-a-kind" equipment and systems testing that were to be performed on the China AP1000 new nuclear units are not acceptable to the NRC. Additional testing will be required for the Units. Once more definitive information has been provided on this matter, the impact to the project can be better evaluated.

Manufacturing of Major Equipment

The Reactor Coolant Pumps thrust bearing anomalies and the redesign and retesting associated with resolving this issue, as well as, the leakage identified during the squib valves qualification testing remain the equipment issues of most concern. Progress was made in both of these areas and it appears that these issues may be resolved without adversely impacting the construction schedule. Also, equipment storage and proper maintenance of stored and installed equipment continue to be a concern, especially for those items that have been on-site for a many months.

License Amendment Reviews

Numerous LARs are required for the Units. WEC has shown some improvement in this area during the Review Period. However, the identification and processing of these LARs remains an area of focus for the Units.

Main Switchyard Capacitor Issues

Several mitigating approaches to resolve the capacitor failures and overheating issues have been identified and are being actively pursued. Additional testing by the manufacturer is also planned. It does not appear that this issue will challenge the plant schedule or adversely impact the overall budget.

Cyber Security

The continuing issues with cyber security compliance are a source of concern for the Units. The potentially significant issue of vendor compliance with cyber security requirements has not been adequately addressed and the concern is that there may be hardware and/or software modifications to equipment already on-site which may adversely impact the plant start-up schedule.

Notable Activities Occurring after December 31, 2014

The BLRA allows SCE&G 45 days from the end of the current quarter to file its Quarterly Report. Items of importance that occurred subsequent to the Review Period are reported below.

NRC Special Inspection

During the week of February 9th, CB&I workers were core drilling the concrete floor inside the Unit 2 CVBH. In the process, CB&I cut some safety-related rebar and damaged the Unit 2 CVBH. The damage was confirmed on February 12th when the hole was examined using a borescope. CB&I did not report this damage to SCE&G until February 16th, and because of the federal holiday, SCE&G did not report it to the on-site NRC resident inspector until February 17th. The NRC has sent a 3-person inspection team to the site. Although the NRC characterized the damage as minor, the inspectors were sent to the site to ensure the NRC completely understands the potential impact of the damage and the apparent breakdown in controls that might have prevented it. The NRC is also concerned about the delay in CB&I reporting the issue.

SCE&G has initiated its own investigation to determine the details of this incident and to ensure that corrective actions address the proper repair of this damage and take the necessary steps to prevent a recurrence.

Initial planning inspection activities may include removal of approximately two square feet of concrete above and around the damaged CVBH area to facilitate an examination and determine the required method of repair. In addition, procedural changes and training may be identified and implemented to prevent a recurrence. The NRC states that its inspection report will be publicly available within 45 days of the end of the inspection.

ORS Tour of the Blythewood Warehouse Facility

On the afternoon of February 25, 2015, ORS accompanied by SCE&G and CB&I staff, toured the Blythewood warehouse in Blythewood, SC. This warehouse has been retained by CB&I as an auxiliary off-site storage facility for equipment and components for the Units due to the lack of qualified storage capacity at the site. This warehouse is a 150,000 square foot space utilized for Level B (covered and temperature-controlled) and Level C (covered) storage for non-ASME Section III equipment and components. The facility is presently about 70% full.

In addition to an overview of the contents of the warehouse, CB&I personnel also discussed the receipt inspection process, staffing, quality records handling processes, storage and maintenance processes and the features of the warehouse (security, fire protection, insurance limitations, equipment handling capabilities, etc.). Much of the equipment and components stored are for Unit 3 because of the relatively long duration until they are required at the site for installation. Also, there are severe restrictions on stacking many of the components and also contractual limitations with the warehouse owner on the addition of shelving in the warehouse. These restrictions result in a considerable increase in the floor space needed for storage. Requirements for access and equipment handling also restrict storage to only about 40% of the available total floor area. CB&I has instituted access and security measures to ensure control of inventory.

The cleanliness and the orderliness of this large facility were noted by the ORS. It appeared to be a well-run and adequately equipped and staffed storage facility.

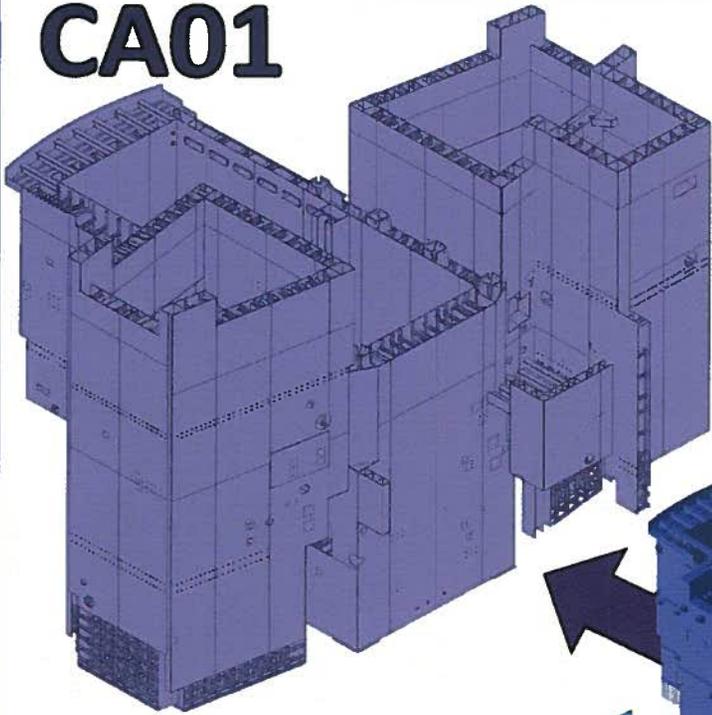
SCE&G Requests Update

On March 12, 2015, SCE&G filed a petition with the Commission (Docket No. 2015-103-E) seeking approval to update the construction milestone schedule as well as the capital cost schedule for the Units. The construction schedule reflected in the petition, without consideration of all mitigating strategies, indicates a substantial completion date for Unit 2 of June 2019 and a substantial completion date for Unit 3 of June 2020. These estimated completion dates are based upon information received from the Consortium. This petition includes incremental capital costs that total \$698 million (SCE&G's portion in 2007 dollars), of which \$539 million are associated with these delays and other contested costs. The total project capital cost is now estimated at approximately \$5.2 billion (SCE&G's portion in 2007 dollars) or \$6.8 billion including escalation and allowance for funds used during construction (SCE&G's portion in future dollars). See Appendix E for SCE&G's Press Release.

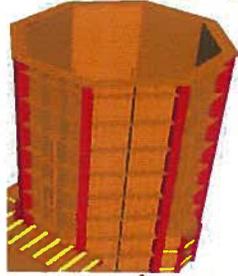
Appendix A

Big Six Structural Modules

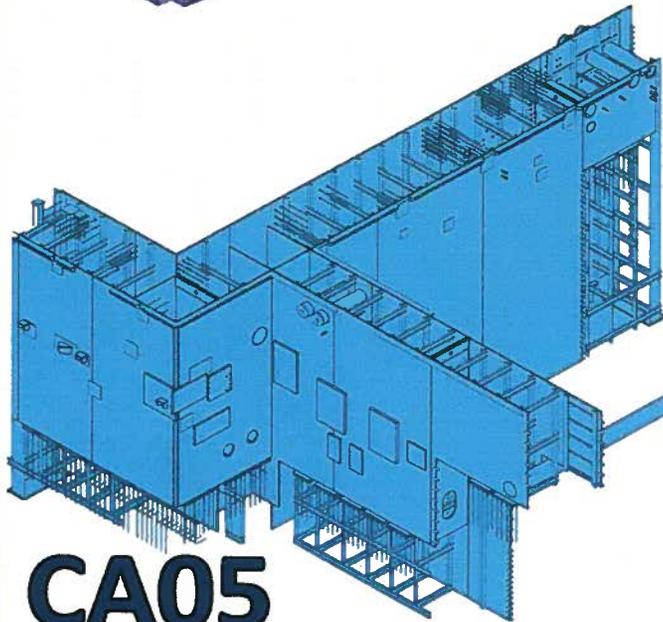
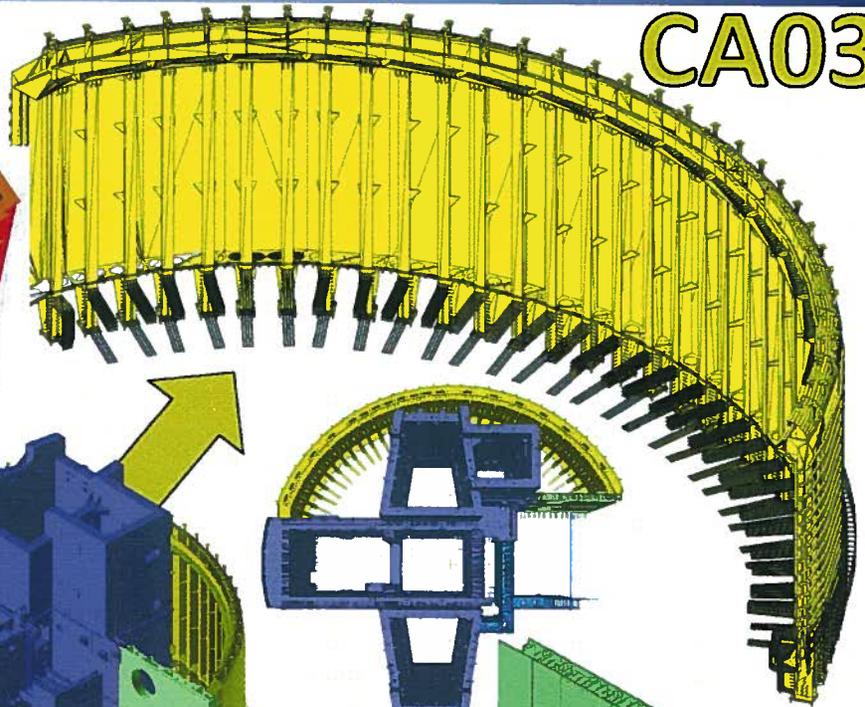
CA01



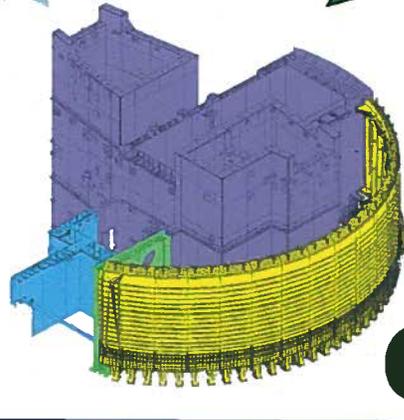
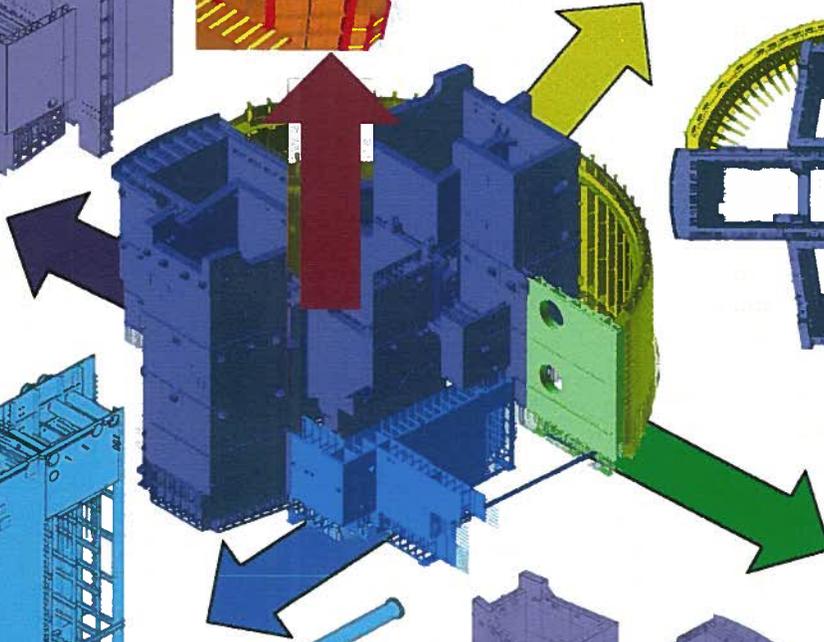
CA04



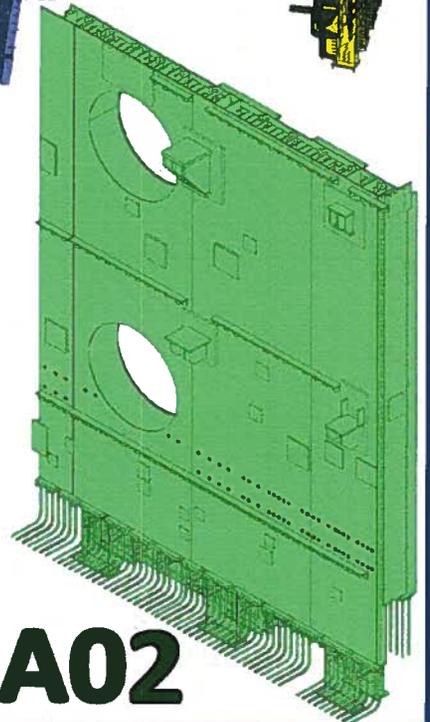
CA03



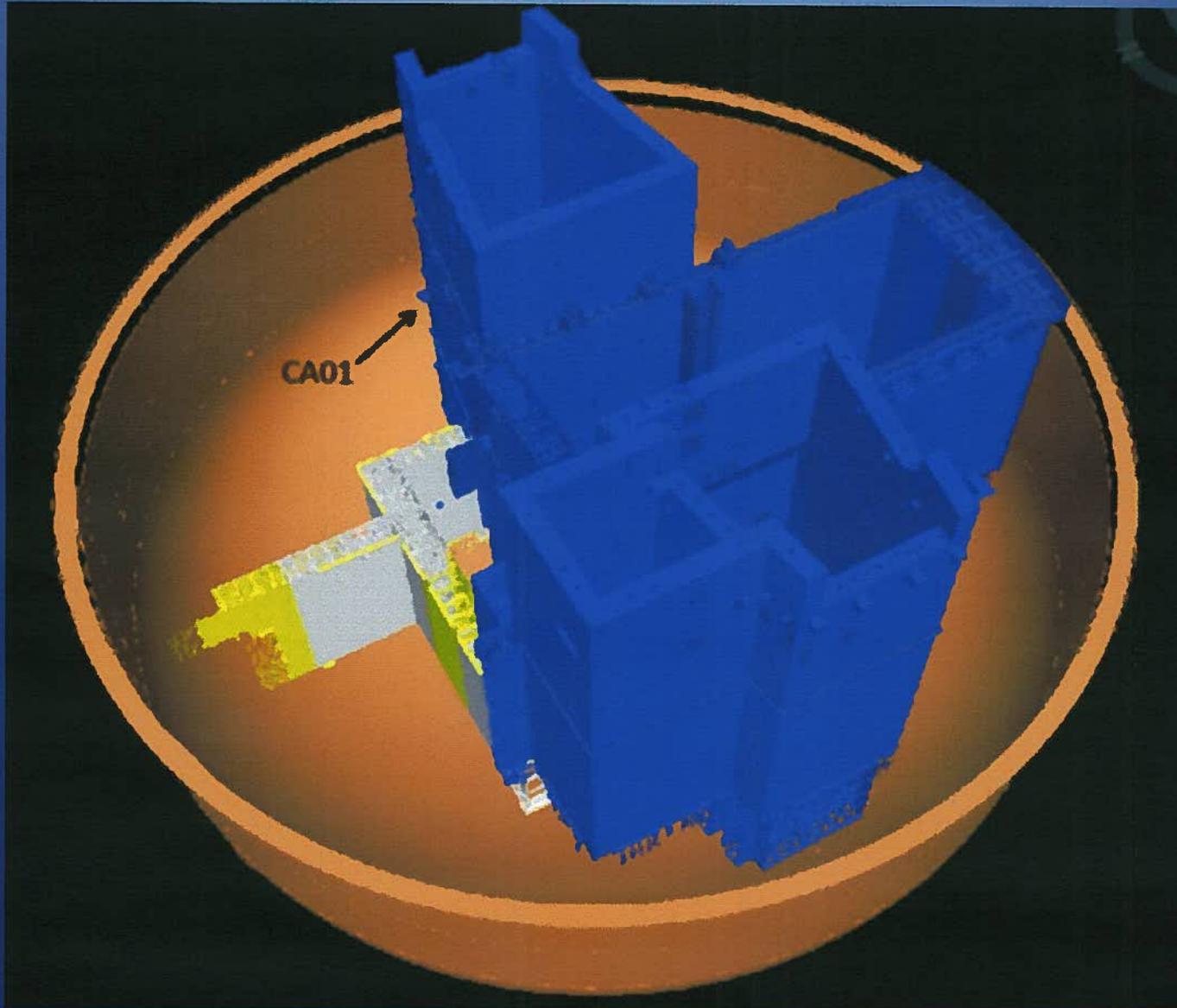
CA05



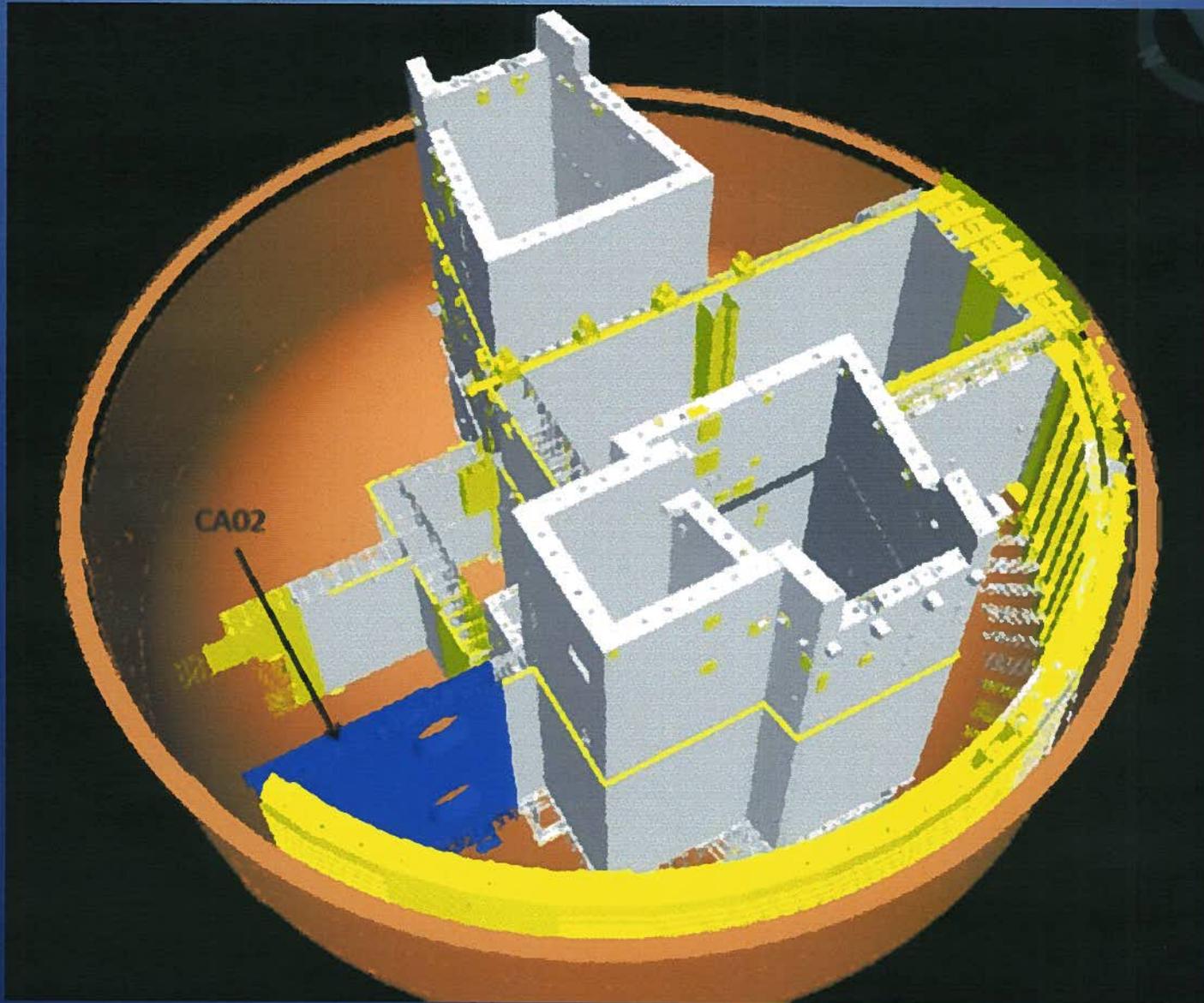
CA02



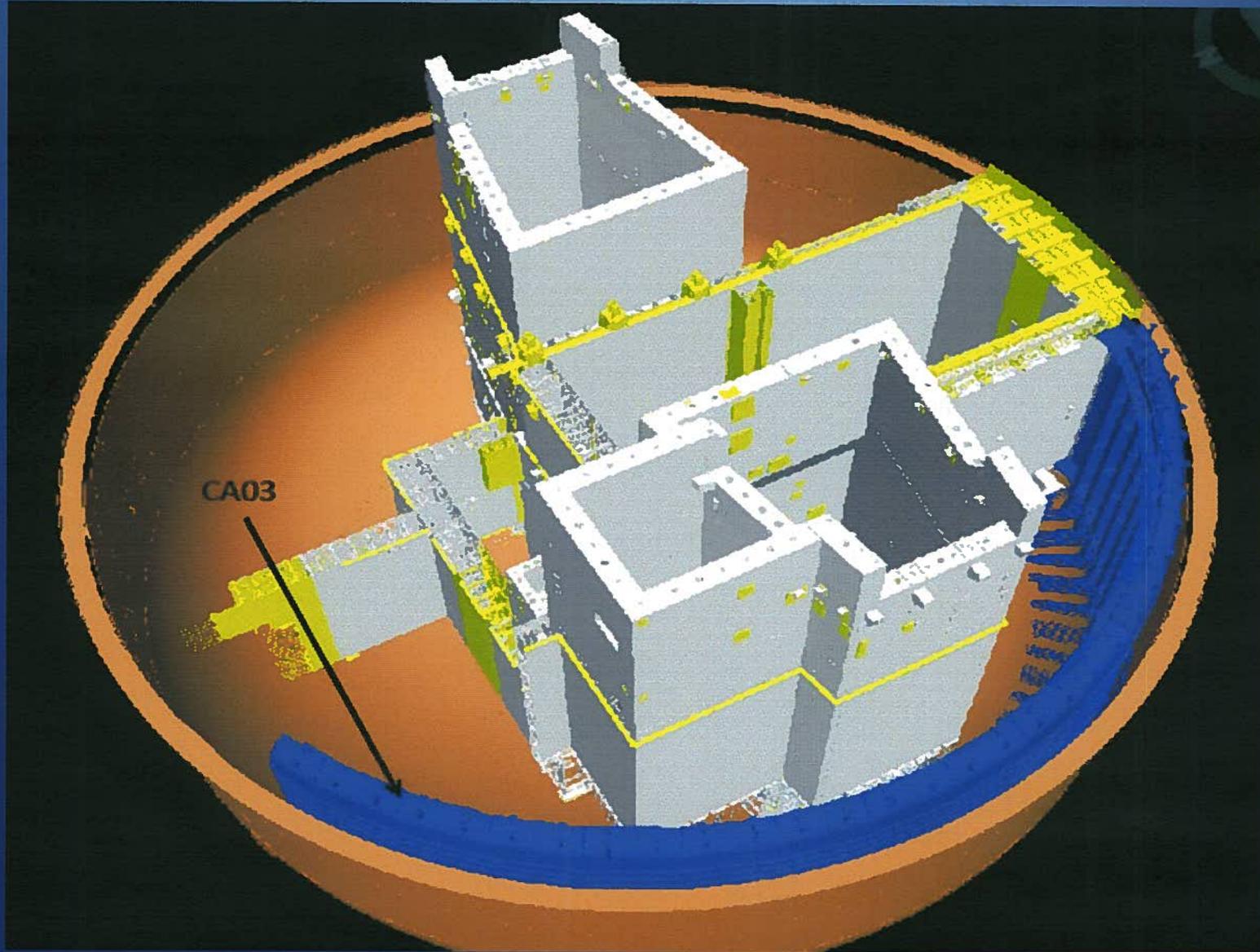
Big Six - CA01



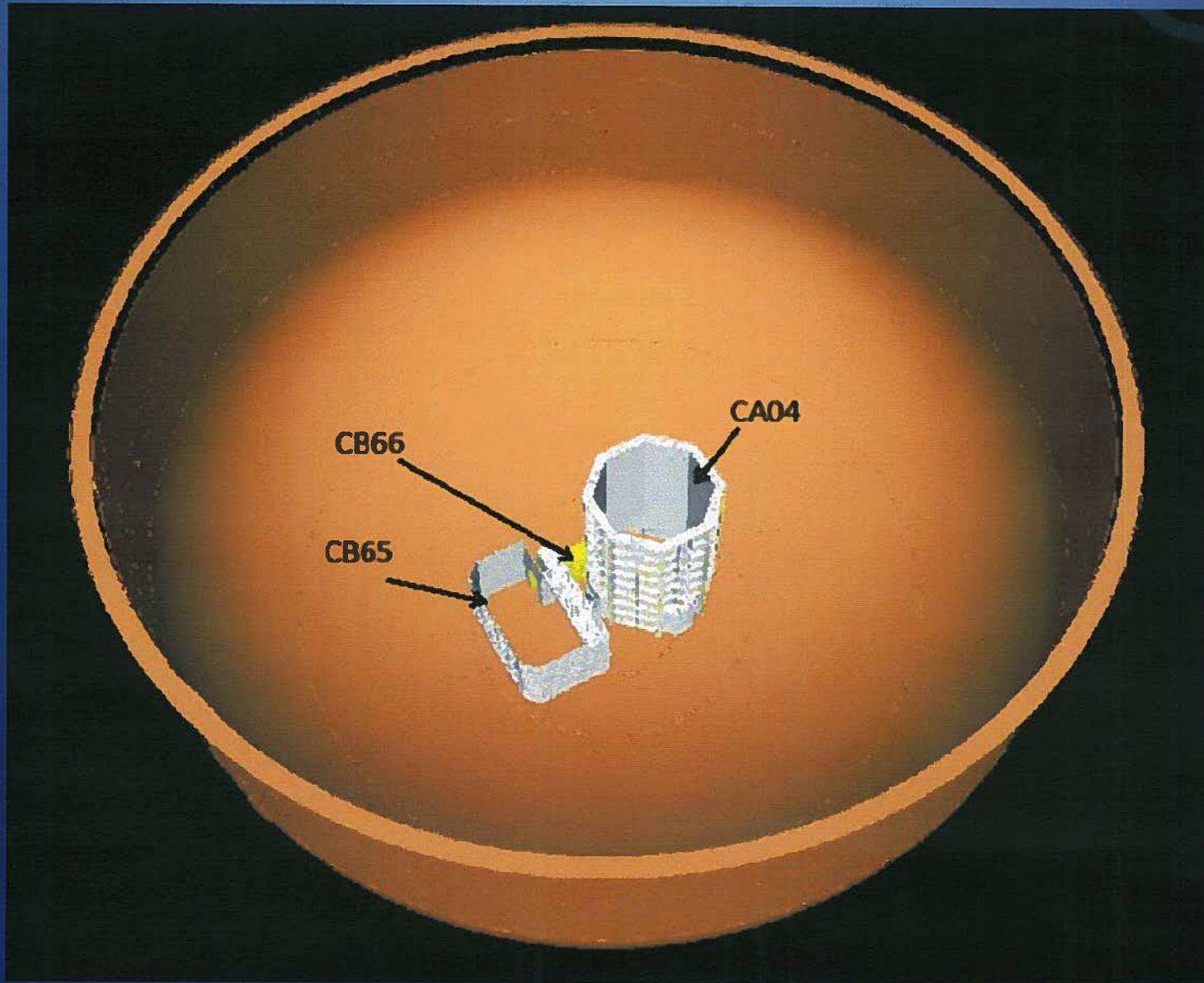
Big Six - CA02



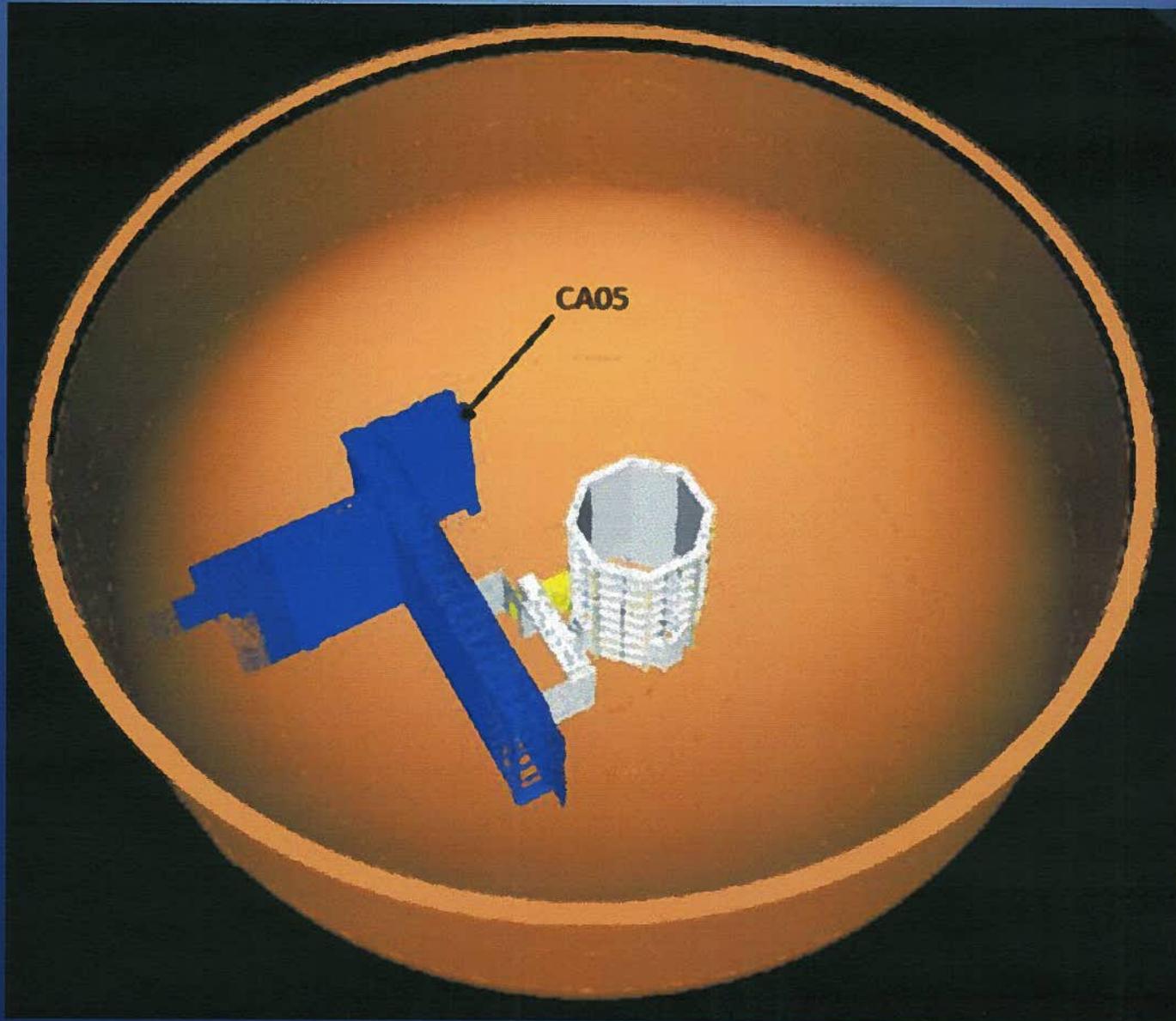
Big Six - CA03



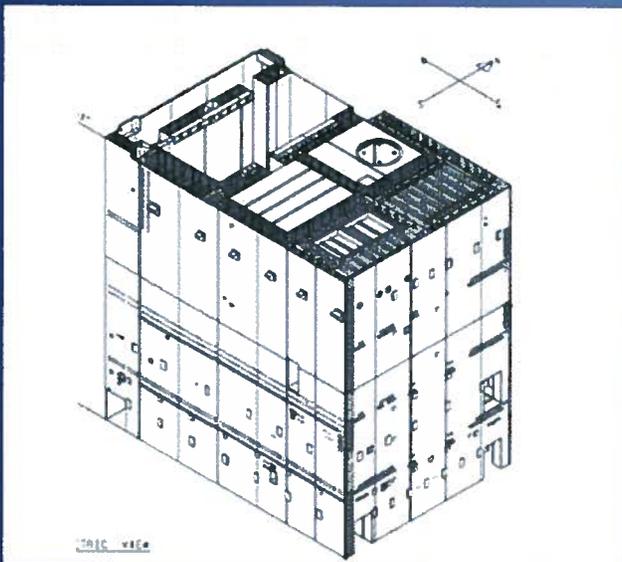
Big Six - CA04



Big Six - CA05



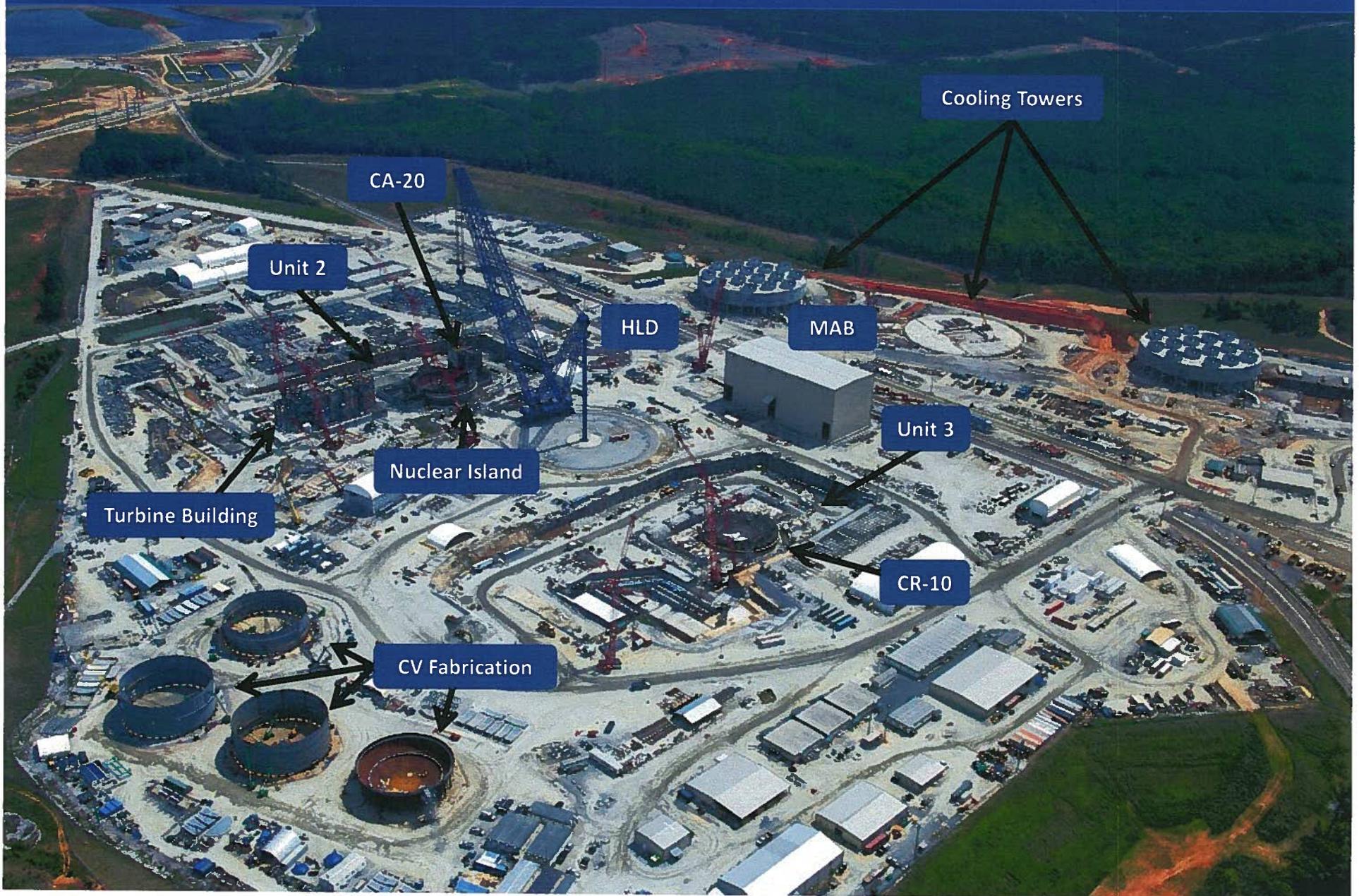
Big Six - CA20



Appendix B

Construction Site Photographs

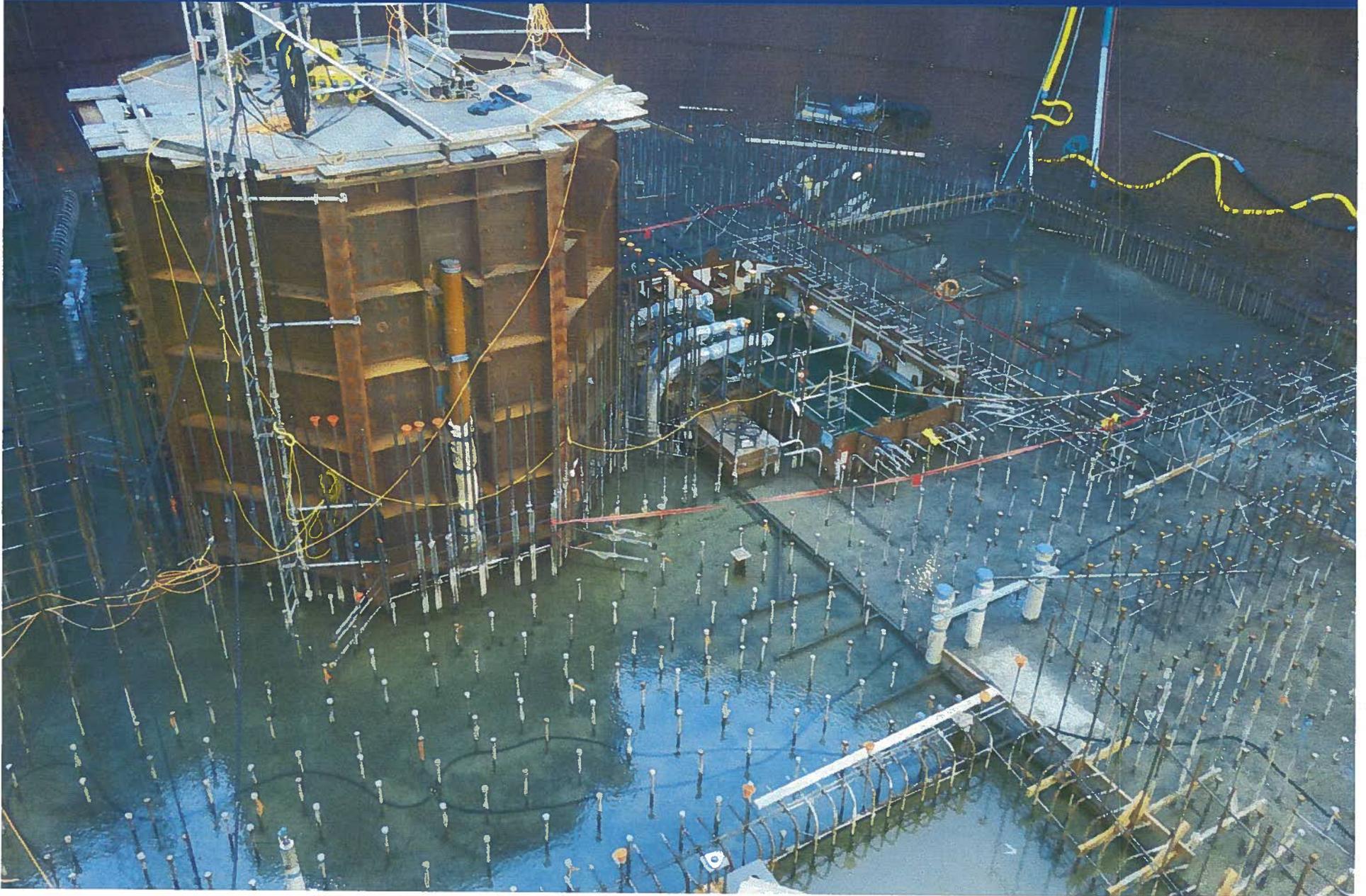
Overview of the Units



Units 2 Nuclear Island



Inside Unit 2 CVBH



Unit 2 CA01 in the MAB



Unit 2 Turbine Building



Unit 2 Steam Generator



Unit 2 CA05



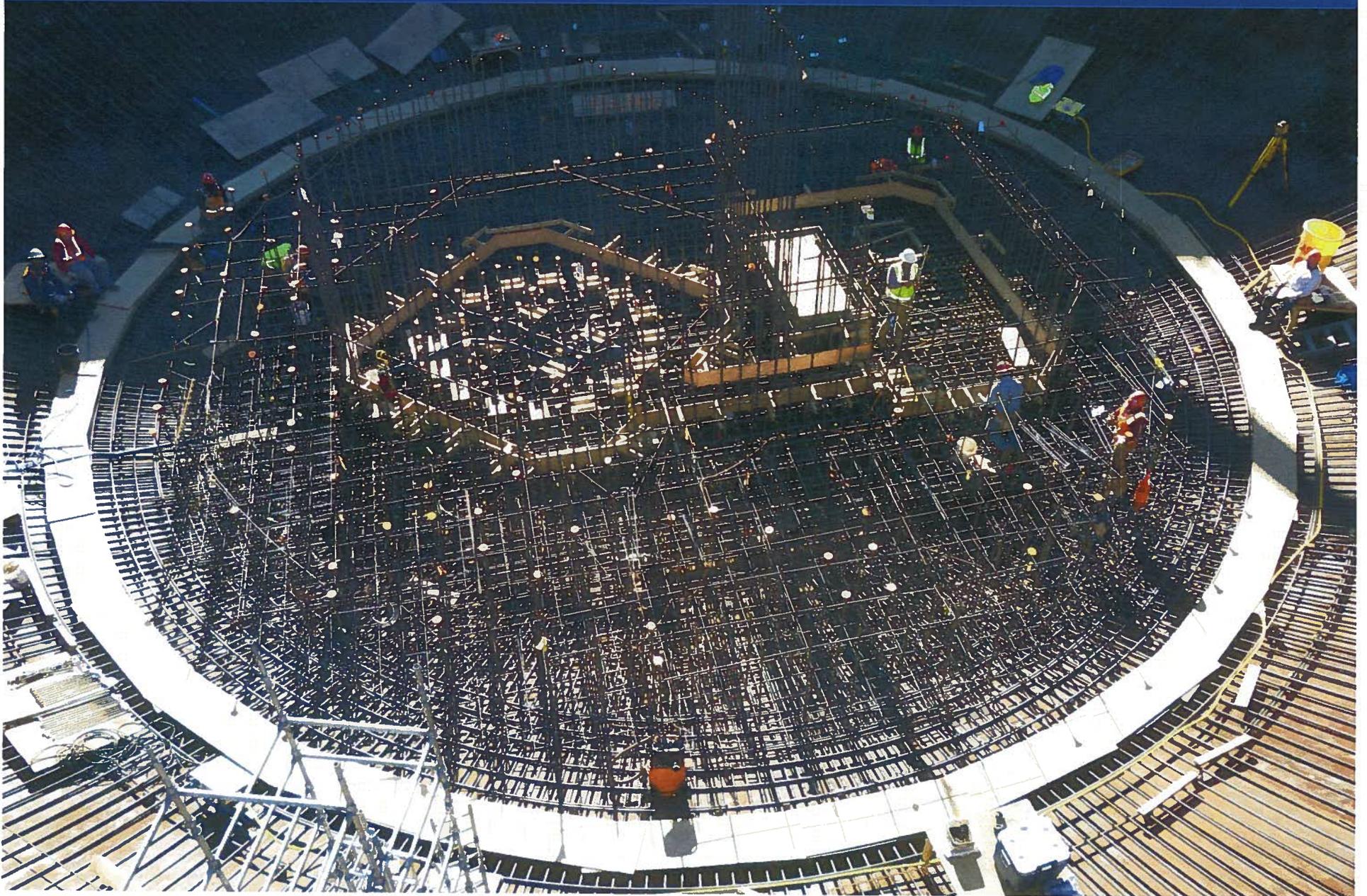
Unit 2 Shield Building Mock-up



Unit 3 Nuclear Island



Inside Unit 3 CVBH



CV Rings for the Units

Unit 2 Ring 2



Unit 3 Ring 1



Unit 3 Ring 2



Unit 3 Ring 3



Appendix C

License Amendment Requests

License Amendment Requests

¹ NRC LAR No.	Summary	LAR Submittal Date	LAR Status	LAR Approval Date	PAR Submittal Date	PAR Status	PAR Approval Date
12-01	Stud Spacing around Electrical Penetrations	8/29/2012	Approved	7/1/2013			
12-02	Definition of Wall Thickness in Table 3.3.1 (PAR Requested)	9/26/2012	Approved	5/30/2013	12/6/2012	Approved	1/16/2013
13-01	Basemat Shear Reinforcement Design Spacing (PAR Requested)	1/15/2013	Approved	2/26/2013	1/24/2013	Approved	1/29/2013
13-02	Basemat Shear Reinforcement Design Details (PAR Requested)	1/18/2013	Approved	3/1/2013	1/22/2013	Approved	1/29/2013
13-03	Turbine Building Eccentric and Concentric Bracing	2/7/2013	Approved	7/1/2013			
13-04	Reconciliation of Tier 1 Value Differences	2/7/2013	Under Review				
13-05	Structural Module Shear Stud Size and Spacing	2/14/2013	Approved	5/23/2013			
13-06	Primary Sampling System Changes	2/7/2013	Approved	8/22/2013			
13-07	Changes to Chemical and Volume Control System	3/13/2013	Approved	2/24/2014			
13-08	Module Obstructions and Details <i>Superseded by LAR 13-20</i>	2/28/2013	Withdrawn				
13-09	Annex/Radwaste Building Layout Changes	2/27/2014	Under Review				
13-10	Human Factors Engineering Integrated Plan	3/13/2013	Approved	7/31/2014			
13-11	Nuclear Island Walls Reinforcement Criteria (PAR Requested)	3/26/2013	Approved	6/6/2013	4/2/2013	Approved	4/10/2013
13-12	Fire Area Boundary Changes	7/17/2013	Approved	9/9/2014			
13-13	Turbine Building Layout Changes	7/30/2013	Approved	5/12/2014			
13-14	Turbine Building Battery Room Electrical Changes	10/2/2013	Approved	10/24/2014			
13-15	Operator Break Room Configuration <i>LAR not required</i>		Withdrawn	Changed to a Non-LAR Departure			
13-16	Revision to Human Factors Engineering Design Verification Plan	9/25/2013	Approved	7/31/2014			
13-17	Revision to Human Factors Engineering Task Support Verification Plan	9/25/2013	Approved	7/31/2014			
13-18	Revision to Human Factors Engineering Issue Resolution Plan	10/3/2013	Approved	7/31/2014			
13-19	Revise to Human Factors Engineering Plan	10/3/2013	Approved	7/31/2014			
13-20	Module/Stud Channel Obstructions Revisions	7/17/2013	Approved	11/19/2013			
13-21	CA03 Module Design Differences	2/2/2014	Under Review				
13-22	Annex Building Structure and Layout Changes	12/4/2014	Under Review				
13-23	Reinforced Concrete (RC) to Steel Plate Composite, Construction (SC) Connections	7/11/2014	Approved	12/16/2014			
13-25	Tier 1 Editorial and Consistency Changes	7/2/2013	Approved	7/31/2014			
13-26	Emergency Plan Rule Changes	12/17/2013	Approved	6/20/2014			
13-27	Control Rod Drive Mechanism latching Relays	10/30/2014	Under Review				
13-28	Piping Line Number Additions, Deletions, and Functional capability Re-designation	12/18/2014	Under Review				
13-29	Class 1E DC and Uninterruptible Power Supply System Removal of Spare Battery Termination Boxes	12/19/2014	Under Review				
13-32	Liquid Waste System Changes	8/30/2013	Approved	1/8/2014			
13-33	Passive Core Cooling System (PXS) Condensate Return	7/8/2014	Under Review				
13-34	Clarification of Tier 2* Material in Human Factors Engineering Documents	3/19/2014	Approved	10/8/2014			

¹ Numbering may not be in sequence

License Amendment Requests

¹ NRC LAR No.	Summary	LAR Submittal Date	LAR Status	LAR Approval Date	PAR Submittal Date	PAR Status	PAR Approval Date
13-36	CIM/DAS Diversity Clarification	9/11/2014	Under Review				
13-37	VCSNS Units 2&3 Tech Spec Upgrade	12/4/2013	Approved	11//12/14			
13-38	ACI Code Compliance With Critical Sections Higher Elevations - <i>LAR not required</i>	11/7/2013	Withdrawn				
13-41	Coating Thermal Conductivity- Revise DCD Tier 2 Document	11/26/2013	Under Review				
13-42	Tier 1 Editorial and Consistency Changes #2	5/20/2014	Under Review				
14-01	Auxiliary Building Roof and Floor Details (PAR Requested)	4/3/2014	Approved	7/18/2014	4/9/2014	Approved	4/15/2014
14-03	Tier 2* Editorial and Clarification Changes	6/12/2014	Under Review				
14-05	Containment Internal Structural Module Design Details	7/17/2014	Under Review				
14-06	Enclosures for Class 1E Electrical Penetrations in Middle Annulus	6/20/2014	Approved	12/30/2014			
14-07	CA04 Structural Module ITAAC Dimensions Change	9/25/2014	Under Review				
14-08	Integrated Test Program (ITP)	10/23/2014	Under Review				
14-09	Turbine Building Switchgear Room and Office Layout Changes	9/18/2014	Under Review				
14-15	Compressed and Instrument Air Supply Modification	10/30/2014	Under Review				
14-16	Condensate Water Storage Tank Volume		Non- LAR Departure				

¹ Numbering may not be in sequence

Appendix D

Change Orders and Amendments

Change Orders and Amendments

No.	Summary	Cost Categories Involved	Type of Change	Date Approved	Status
1	Operator training for WEC Reactor Vessel Systems and Simulator training	Fixed Price with 0% escalation ¹	Owner Directed	7/22/2009	Approved
2	Limited Scope Simulator	Firm Price	Owner Directed	9/11/2009	Approved
3	Repair of Parr Road	Time and Materials	Owner Directed	1/21/2010	Approved
4	Transfer of Erection of CA20 Module from WEC to Shaw	Target Price work shifting to Firm Price	Contractor Convenience	N/A	Superseded by Change Order No. 8
5	<i>*Supplements Change Order No. 1*</i> Increased training by two (2) weeks	Fixed Price with 0% escalation	Owner Directed	5/4/2010	Approved
6	Hydraulic Nuts	Fixed Price	Owner Directed	7/13/2010	Approved
7	St. George Lines #1 & 2	Firm and Target Price Categories	Entitlement	7/13/2010	Approved
8	Target to Firm/Fixed Shift	Target, Firm and Fixed Price Categories	Owner Directed	4/19/2011	Approved
9	Switchyard Lines Reconfiguration	Firm and Target Price Categories	Owner Directed	11/30/2010	Approved
10	Primavera	Fixed Price with 0% escalation	Owner Directed	12/16/2010	Approved
11	COL Delay Study	Fixed Price, but would be applied to T&M Work Allowances	Owner Directed	2/24/2011	Approved
12	2010 Health Care Act Costs	Firm	Entitlement	11/14/2011	Approved
13	Ovation Workstations	No Cost	Owner Directed	3/12/2012	Approved
14	Cyber Security Phase 1	Firm Price and T&M Price	Entitlement	3/15/2012	Approved
15	Liquid Waste System Discharge Piping	Firm Price	Owner Directed	3/15/2012	Approved
16	Delay in COL, Shield Building Redesign, Unit 2 Rock, etc.	Target Price and Firm Price	Entitlement	TBD	Under Review
17	Commercial Issues	Under Review	Under Review	TBD	Under Review
18	Perch Guards on Transmission Structures	Firm Price	Owner Directed	10/07/14	Approved

¹Fixed Price with 0% escalation, but would be applied to Time and Materials Work Allowances by adding a new category for Simulator Instructor training and reducing Startup Support by a commensurate amount.

Change Orders and Amendments

No.	Summary	Cost Categories Involved	Type of Change	Date Approved	Status
19	PRS Hardware and Software Upgrade	Firm Price	Owner Directed	10/14/14	Approved
20	WEC Costs Related to Health Care Act of 2010	Firm Price	Entitlement	12/12/14	Approved

Amendment #1	Includes Change Orders 1 and 2	Executed on 8/2/2010
Amendment #2	Incorporates Change Orders 3, 5-11	Executed on 11/15/2011
Amendment #3	Includes modified insurance wording	Executed on 4/30/12

A list of definitions for each type of Change Order is found below:

- **Contractor Convenience:** These changes are requested by the contractor. They are undertaken at the contractor's own expense, and are both generally consistent with the contract and reasonably necessary to meet the terms of the contract.
- **Entitlement:** The contractor is entitled to a Change Order in the event certain actions occur, including changes in law, uncontrollable circumstances, and other actions as defined in the contract.
- **Owner Directed:** These changes are requested by the Company.

Appendix E

SCE&G Press Release



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South Carolina Electric & Gas Company Requests Update To Construction and Capital Cost Schedules For New Nuclear Units

Cayce, S.C., Mar. 12, 2015... SCANA Corporation (NYSE:SCG, the Company) subsidiary South Carolina Electric & Gas Company (SCE&G) today filed a petition with the Public Service Commission of South Carolina (SCPSC) seeking approval to update the construction milestone schedule as well as the capital cost schedule for the two new nuclear units being constructed in Jenkinsville, South Carolina. Although negotiations continue with Westinghouse Electric Company and Chicago Bridge & Iron (Consortium), this updated filing was necessary at this time as several project milestone dates previously approved by the SCPSC have now exceeded their allowable contingency time periods. In making this filing, SCE&G does not waive any claims related to delay and other related contested costs with the Consortium.

The construction schedule reflected in the petition, without consideration of all mitigating strategies, indicates a substantial completion date for Unit 2 of June 2019 and a substantial completion date for Unit 3 of June 2020. These estimated completion dates are based upon information received from the Consortium. This petition includes incremental capital costs that total \$698 million (SCE&G's portion in 2007 dollars), of which \$539 million are associated with these delays and other contested costs. The total project capital cost is now estimated at approximately \$5.2 billion (SCE&G's portion in 2007 dollars) or \$6.8 billion including escalation and allowance for funds used during construction (SCE&G's portion in future dollars). As noted in the petition, the construction and capital cost schedules are subject to continuing review and negotiations by the parties.

"Substantial progress has been made towards the completion of the units," said SCANA Chairman and CEO Kevin Marsh. "As outlined in the petition, eighty five percent of the major equipment for Unit 2 has been received on site, the containment vessel bottom heads of both units have been set, and all three of the steel rings that comprise the vertical walls of the Unit 2 containment vessel have been completed or are near completion. Also, the first ring for Unit 2 has been set in place and a total of twenty three million man-hours have been worked with an excellent safety record."

Marsh added "However, we are not pleased with the delays in the construction schedule for our new nuclear plants. These delays and related cost increases are principally due to design and fabrication issues associated with the production of submodules used in construction of the units. We continue to negotiate with Westinghouse and Chicago Bridge & Iron regarding the responsibility for delay costs associated with the submodules. Despite these challenges, we remain firmly committed to completing these plants that will bring clean, safe, and reliable electricity to meet the long-term energy needs of South Carolina. With a construction project of this scale we knew there would be challenges along the way. While some of the contractual project construction costs have increased, we have enjoyed lower

escalation on the project to date, and we have locked in significantly lower long-term financing costs than projected on a large portion of the project's debt financing. We also expect more production tax credits to benefit our customers once the units are online. Our commitment to the Public Service Commission of South Carolina in 2008 was to keep them informed regarding changes in the construction schedule and related cost of the project. Today's filing and our subsequent appearances before the Commission will allow us to fulfill our commitment to transparency."

SCE&G filed its application for an order under South Carolina's Base Load Review Act (BLRA) in 2008, which the SCPSC approved in 2009. Although the capital cost schedule for which approval is being sought includes higher costs than were approved in that original BLRA order, important elements of the costs to customers from the project have been reduced from the projections that were presented during initial approval.

- Inflation has been significantly lower than originally anticipated and escalation is now projected to be over \$200 million less than initial estimates
- Interest rates have also been significantly lower than those incorporated in the original projections, resulting in approximately \$1.2 billion of expected benefits to be realized by SCE&G's customers
- Fewer new nuclear projects than expected have been pursued in the United States, and SCE&G now anticipates that an additional \$1.2 billion in fuel cost reductions will be realized by its customers through the application of the production tax credits, based upon current construction schedules and current tax law

Although construction cost estimates have increased, these favorable changes in the financing costs, inflation and production tax credits are expected to offset the ultimate cost to customers.

Based upon today's filing date, SCE&G anticipates a hearing date this summer with an order due by September 12, 2015. The petition will be available on the Company's website, www.scana.com, as well as the SCPSC's website.

PROFILE

SCANA Corporation, headquartered in Cayce, S.C., is an energy-based holding company principally engaged, through subsidiaries, in electric and natural gas utility operations and other energy-related businesses. The Company serves approximately 688,000 electric customers in South Carolina and approximately 1.3 million natural gas customers in South Carolina, North Carolina and Georgia. Information about SCANA and its businesses is available on the Company's website at www.scana.com.

SAFE HARBOR STATEMENT

Statements included in these press releases 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 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 construction and other expenditures. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “could,” “should,” “expects,” “forecasts,” “plans,” “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. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include, but are not limited to, the following: (1) the information is of a preliminary nature and may be subject to further and/or continuing review and adjustment; (2) legislative and regulatory actions, particularly changes in rate regulation, regulations governing electric grid reliability and pipeline integrity, environmental regulations, and actions affecting the construction of new nuclear units; (3) current and future litigation; (4) changes in the economy, especially in areas served by subsidiaries of SCANA; (5) the impact of competition from other energy suppliers, including competition from alternate fuels in industrial markets; (6) the impact of conservation and demand side management efforts and/or technological advances on customer usage; (7) the loss of sales to distributed generation, such as solar photovoltaic systems; (8) growth opportunities for SCANA’s regulated and diversified subsidiaries; (9) the results of short- and long-term financing efforts, including prospects for obtaining access to capital markets and other sources of liquidity; (10) the effects of weather, especially in areas where the generation and transmission facilities of SCANA and its subsidiaries are located and in areas served by SCANA’s subsidiaries; (11) changes in SCANA’s or its subsidiaries’ (the Company) accounting rules and accounting policies; (12) payment and performance by counterparties and customers as contracted and when due; (13) the results of efforts to license, site, construct and finance facilities for electric generation and transmission, including nuclear generating facilities and results of efforts to operate its electric and gas systems and assets in accordance with acceptable performance standards; (14) maintaining creditworthy joint owners for SCE&G’s new nuclear generation project; (15) the ability of suppliers, both domestic and international, to timely provide the labor, secure processes, components, parts, tools, equipment and other supplies needed, at agreed upon quality and prices, for our construction program, operations and maintenance; (16) the results of efforts to ensure the physical and cyber security of key assets and processes; (17) 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; (18) the availability of skilled and experienced human resources to properly manage, operate, and grow the Company’s businesses; (19) labor disputes; (20) performance of SCANA’s pension plan assets; (21) changes in taxes and tax credits, including production tax credits for the new nuclear units; (22) inflation or deflation; (23) compliance with regulations; (24) natural disasters and man-made mishaps that directly affect our operations or the regulations governing them; and (25) the other risks and uncertainties described from time to time in the reports filed by SCANA or SCE&G with the United States Securities and Exchange Commission. The Company disclaims any obligation to update any forward-looking statements.