

**DEVELOPMENTS IN THE CHAPTER 11 BANKRUPTCY CASE OF
WESTINGHOUSE ELECTRIC COMPANY, LLC, *ET AL.*, AND MATTERS
REGARDING THE GUARANTIES OF TOSHIBA CORPORATION
DURING THE PERIOD OF JULY 13, 2017 THROUGH JULY 21, 2017**

This memorandum summarizes developments and the current status of matters in the Chapter 11 bankruptcy case of Westinghouse Electric Company, LLC and 29 of its affiliated companies (collectively, “Westinghouse”), all of which are in joint administration under Case No. 17-10751 (MEW) in the United States Bankruptcy Court for the Southern District of New York. The focus of this summary is on matters affecting, or potentially affecting, the Virgil C. Summer Nuclear Plant in Fairfield County, South Carolina (the “V.C. Summer Plant”), the owners of that plant, South Carolina Electric & Gas Company (“SCE&G”) and South Carolina Public Service Authority (“Santee Cooper,” and together with SCE&G, the “SC Owners”), and the rate payers served by SCE&G and Santee Cooper. The matters include the guaranty of Toshiba Corporation (“Toshiba”) given to the SC Owners for Westinghouse’s contract obligations in regard to the V.C. Summer Plant. This memorandum covers the period from July 13, 2017 through July 21, 2017.

During the period of July 13, 2017 through July 21, 2017, various matters continued to be raised in the Westinghouse bankruptcy case pertaining to creditor claims for priority payment, lien claimants seeking to perfect mechanic’s liens, and Westinghouse business operations, but, to date, nearly all matters have been resolved without a contested hearing in the Bankruptcy Court. In this regard, matters relating the settlements reached by the owners of the Alvin W. Vogtle Electric Generating Plant (the “Vogtle Plant”) in Burke County, Georgia (the “Vogtle Owners”) with Westinghouse and Toshiba appear to be progressing in accordance with the agreed settlements.

The matters in the settlements reached by the Vogtle Owners with Westinghouse and Toshiba are of particular interest to persons and companies having a stake in the V.C. Summer Plant because both Westinghouse and Toshiba have stated their desire to reach similar agreements with the SC Owners in regard to the V.C. Summer Plant. As of this date, it appears that the SC Owners have not reached an agreement with either Westinghouse or Toshiba to resolve matters between them.

The present status of matters may be summarized as follows:

1. SCE&G and Santee Cooper continue in their analysis and assessment of whether to complete or abandon the V.C. Summer Plant, or to complete one new reactor but abandon the second new reactor at the plant, or to pursue some other, as of yet undetermined, course of action. The SC Owners have not reached an agreement with Westinghouse regarding its engineering, procurement and construction contracts (collectively, the “EPC Contract”) for the V.C. Summer Plant, and they have not yet reached an agreement with Toshiba resolving Toshiba’s liability on its guaranty to them.

2. On July 20, 2017, the Bankruptcy Court entered the Order Regarding Distributions of Claims and Interests of Toshiba Corporation and Affiliates (the “Toshiba Distributions Order”)

approving and implementing terms in the settlement agreement between Toshiba and the Vogtle Owners under which any distributions or payments Toshiba and/or its affiliates (excluding the Westinghouse affiliates in bankruptcy) are entitled to receive from Westinghouse will be paid, instead, to the Vogtle Owners and, if they have reached a settlement agreement with Toshiba, the SC Owners. These distributions will be credited against the agreed total payment Toshiba is to make in settlement with the Vogtle Owners, and the settlement payment Toshiba is to make to the SC Owners if they reach a settlement with Toshiba. The distributions will be paid to the Vogtle Owners and the SC Owners only up to the balance due on the Toshiba settlement payment obligations (after crediting all payments made on it/them), after which distributions will be paid to Toshiba or the affiliate entitled to such payment. The settlement agreement between Toshiba and the Vogtle Owners is on file with the Bankruptcy Court as Exhibit A to the Amended Declaration of Kei Nishida filed on July 18, 2017 in support of the entry of the Toshiba Distributions Order.

3. Also on July 20, 2017, the Bankruptcy Court entered the Order Pursuant to 11 U.S.C. §§ 363(b), 365(a), and 105(a) Authorizing Debtors to (I) Enter Into Services Agreement with Vogtle Owners, (II) Assume and Assign Certain Executory Contracts to Vogtle Owners, (III) Assume and Amend Certain Executory Contracts, and (IV) Reject the Vogtle EPC Contract (the “Vogtle Contracts Order”). Numerous objections to the motion upon which this Order was entered were filed by creditors contracted with Westinghouse in connection with the Vogtle Plant, but the objections did not oppose Westinghouse’s rejection of its EPC Contract for the Vogtle Plant, or the new Services Agreement between Westinghouse and the Vogtle Owners, or the assumption and assignment of certain executory contracts to the Vogtle Owners. The objections, by and large, dealt with the cure amounts, *i.e.*, the amounts that the contracting creditors must be paid to cure monetary defaults under the contracts. Many of the objections have been resolved, others are likely to be resolved without a hearing, and others may be ruled on by the Bankruptcy Court (determining the cure amount). For contracts that are assumed, all monetary defaults by Westinghouse must be paid to the creditor, so that the contract creditor will receive all amounts it is owed under the contract, including past due, pre-bankruptcy amounts. In addition, the Vogtle Owners become liable for all amounts due under the contract from the date of assumption forward. For these reasons, most contract creditors in this case do not oppose the assumption and assignment of their contracts. For them, the issue generally is the correctness of the cure payment amount.

4. On July 14, 2017, Westinghouse filed a motion to reject the contracts of subcontractors, vendors, service providers and others, relating to the Vogtle Plant, which are not being assumed and assigned to the Vogtle Owners. Specifically, Westinghouse filed its Omnibus Motion of Debtors Pursuant to 11 U.S.C. §§ 365(a) and 105(a) for Entry of Order Authorizing Debtors to Reject Certain Non-Assumed Executory Contracts Related to the Vogtle Project (the “Motion to Reject Vogtle Contracts”). Creditors under contracts with Westinghouse for the Vogtle Plant, and for the V.C. Summer Plant, should be paid for all work, services, materials and equipment provided since the filing of the Westinghouse bankruptcy on March 29, 2017, pursuant to the Interim Assessment Agreements entered between Westinghouse and the Vogtle Owners for the Vogtle Plant, and between Westinghouse and the SC Owners for the V.C. Summer Plant. However, as to any contracts which are rejected, any unpaid, past due amounts incurred prior to the bankruptcy filing on March 29, 2017, will be unsecured claims against the Westinghouse bankruptcy estate.

5. Notwithstanding the rejection of the non-assumed contracts under the Motion to Reject Vogtle Contracts, it appears that, at least with respect to some of the contract creditors, the Vogtle Owners are interested in entering new contracts for the continued provision of certain labor, materials, equipment and/or services at the Vogtle Plant. The Vogtle Owners have sent a proposed Subcontractor Bridge Agreement to some of the contract parties for such continued services, provision of materials and use of equipment.

As earlier noted, the matters relating to the Vogtle Plant are of interest to persons concerned about the V.C. Summer Plant because the disposition of the Vogtle Plant matters provides an indication of how Westinghouse and Toshiba would like to address similar matters with the V.C. Summer Plant. The SC Owners may, or may not, agree to terms with Westinghouse and/or Toshiba similar to the terms agreed by the Vogtle Owners. The SC Owners are expected to announce their intended course of action on or about August 10, 2017, when their Interim Assessment Agreement with Westinghouse is currently set to expire.