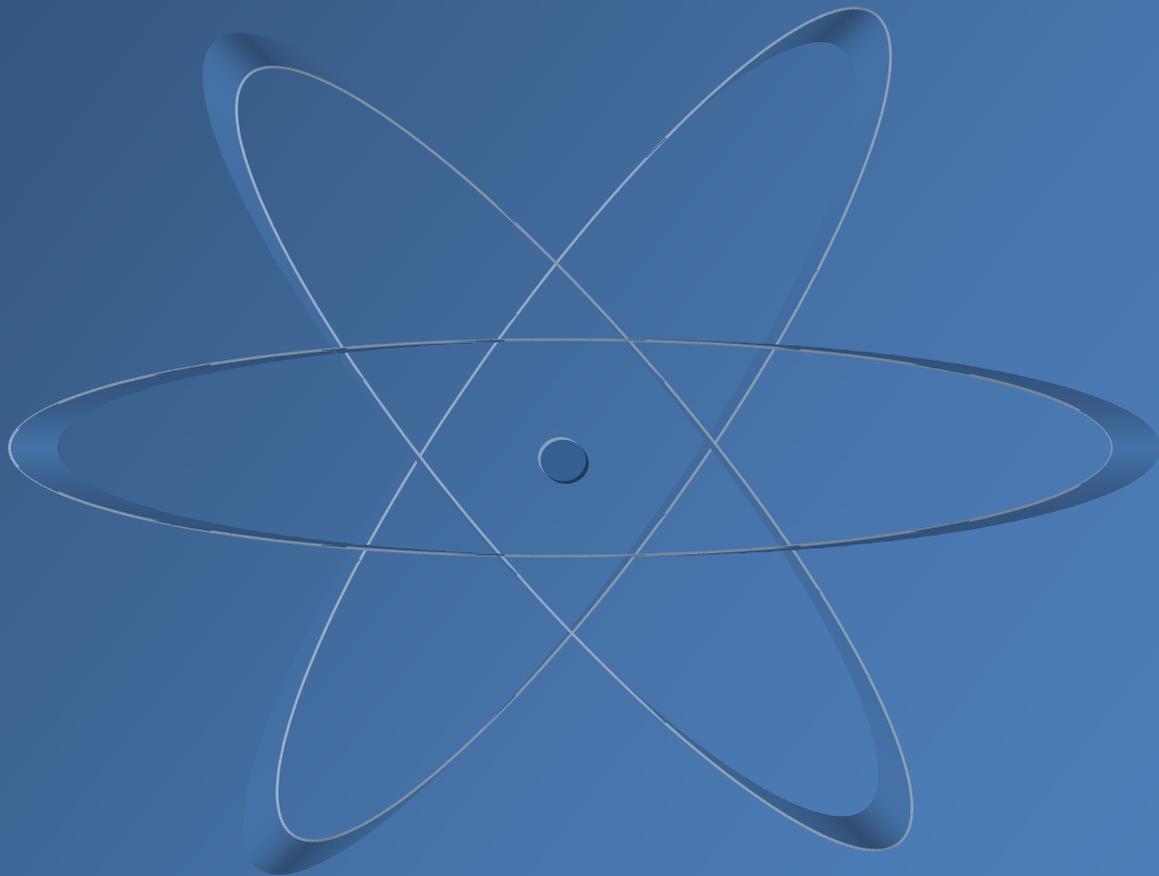


South Carolina Office of Regulatory Staff
Review of South Carolina Electric & Gas Company's
2011 2nd Quarter Report on
V. C. Summer Units 2 and 3
Status of Construction



October 6, 2011



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Introduction

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 Units 2 and 3 (the “Units”) and the Engineering, Procurement and Construction (“EPC”) Contract. This approval can be found in the Base Load Review Order No. 2009-104(A) filed in Docket 2008-196-E. On January 21, 2010, the Commission approved the Company’s request to update milestones and capital cost schedules in Order No. 2010-12, which is filed in Docket No. 2009-293-E. On May 16, 2011, the Commission approved SCE&G’s petition for revisions and updates to capital cost schedules in Order No. 2011-345, which is filed in Docket No. 2010-376-E.

The anticipated dependable capacity from the Units is approximately 2,234 MW, of which 55% (1,228 MW) will be available to serve SCE&G customers. South Carolina Public Service Authority (“Santee Cooper”) is expected 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. The two companies continue to operate jointly to construct the Units under the terms established in their Bridge Agreement.

SCE&G has disclosed that Santee Cooper is reviewing its level of ownership participation in the Units. On March 21, 2011, Santee Cooper issued a press release announcing it signed a Letter of Intent to negotiate a power purchase agreement with the Orlando Utilities Commission (“OUC”). This press release states that Santee Cooper is negotiating the sale of 5 to 10 percent of the capacity and output from Santee Cooper’s ownership interest in the Units. Based on this press release, the Letter of Intent also includes as part of the potential transaction an option for OUC’s future acquisition of a portion of Santee Cooper’s remaining ownership interest in the Units. Subsequent to the end of the quarter, Santee Cooper signed a Letter of Intent with two other southeastern utilities, Duke Energy Carolinas, LLC and the Florida Municipal Power Agency. These issues are discussed in more detail in the Section “Notable Activities Occurring After June 30, 2011.”

On August 15, 2011, SCE&G submitted its 2011 2nd Quarter Report (“Report”) related to its construction of the Units. The Report is filed in Commission Docket No. 2008-196-E and covers the quarter ending June 30, 2011. The Report incorporates updated capital cost schedules per Commission Order No. 2011-345. Accordingly, ORS’s review of SCE&G’s Report reflects the updated capital cost schedules.

The Company's Report is submitted pursuant to S.C. Code Ann. § 58-33-277 (Supp. 2010) of the Base Load Review Act ("BLRA"), which requires the 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, ORS's review of the Company's Report focuses on SCE&G's ability to adhere to (1) the approved construction schedule and (2) the approved capital cost schedules.

Approved Schedule Review

Milestone Schedule

As of June 30, 2011, ORS verified that of the Milestone Schedule's 146 activities:

- 61 milestone activities have been completed
- 85 milestone activities are yet to be completed (includes 9 delayed historical and 76 future milestones)

ORS also verified that during the 2nd Quarter of 2011:

- Six (6) milestone activities were scheduled to be completed
 - One (1) of these milestones has been completed
 - Five (5) of these milestones have not been completed

Per the Base Load Review Order, overall construction is considered to be on schedule if the substantial completion dates are not accelerated greater than 24 months or delayed greater than 18 months. As part of its review of the approved schedule, ORS identifies Caution Milestones. Caution Milestones are those that have been delayed ten (10) months or greater. If any Caution Milestone is delayed sixteen (16) months or greater, ORS may issue a formal notification to the Commission of the delay.

As of the end of the 2nd Quarter of 2011, ORS identified five (5) Caution Milestones. Below is a status of these milestones:

- **Milestone Activity No. 60** – *Reactor Coolant Loop Pipe Fabricator Notice to Contractor of Machining, Heat Treating & Non-Destructive Testing Completion – Unit 2.*

Status: Delayed 12 months.

This activity was scheduled to be completed in December 31, 2010. Its revised target completion date is now December 31, 2011. The reactor coolant loop piping being manufactured by IBF, a subcontractor of Tioga located in Milan, Italy, is experiencing delays pending resolution of grain size deviations. A certain grain size is required so that ultrasonic testing can determine the integrity of the piping when it is in use. A partial manufacturing hold was placed on bending and heat treatment activities for Unit 2 materials. The Company is evaluating potential impacts to the site delivery date.

- **Milestone Activity No. 61** – *Core Makeup Tank Fabricator Notice to Contractor of Satisfactory Completion of Hydrotest – Unit 2.*

Status: Delayed 11 months.

This activity was scheduled to be completed on May 31, 2011. Its revised target completion date is now April 30, 2012. Mangiarotti, located in Italy, is the manufacturer for several major components of the AP1000 reactor, including the core makeup tank. It was previously reported that Westinghouse Electric Company (“WEC”) had identified quality assurance deficiencies during an audit of Mangiarotti related to its sub-suppliers. Production of the core makeup tank is underway, but the start of the main fabrication on the component commenced later than initially planned. Past Stop Work Orders and failed sub-supplier qualifications are the major reasons for the delay.

The Company is monitoring the fabrication status of multiple major components at Mangiarotti to ensure related milestones remain within the specified contingency. However, SCE&G has identified a potential impact to component delivery dates. WEC is working with Mangiarotti to improve the schedule.

- **Milestone Activity No. 67** – *Pressurizer Fabricator Notice to Contractor of Welding of Upper and Intermediate Shells Completion – Unit 2.*

Status: Delayed 10 months.

Welding of the man-ways to be used as access routes for the upper, middle, and lower shells have been completed. This activity was scheduled to be completed on October 31, 2010. The revised target completion date is August 31, 2011. The delay in this milestone is also associated with Mangiarotti. See the above discussion related to Milestone Activity No. 61.

- **Milestone Activity No. 75** – *Pressurizer Fabricator Notice to Contractor of Welding of Lower Shell to Bottom Head Completion – Unit 2.*

Status: Delayed 11 months.

This activity was scheduled to be completed on October 31, 2010. The revised target completion date is September 30, 2011. The delay in this milestone is also associated with Mangiarotti. See the above discussion related to Milestone Activity No. 61 and Milestone Activity No. 67.

- **Milestone Activity No. 80** – *Passive Residual Heat Removal Heat Exchanger Fabricator Notice to Contractor of Completion of Tubing – Unit 2.*

Status: Delayed 12 months.

Fabrication of the Passive Residual Heat Removal Heat Exchanger Unit 2 upper and lower tube sheets is in process. This activity was scheduled to be completed on January 31, 2011. The revised target completion date is January 31, 2012. The delay in this milestone is also associated with Mangiarotti. See the above discussion related to Milestone Activity No. 61.

SCE&G's Milestone Schedule attached to the Report indicates that overall construction is on schedule and does not identify any impact to Unit 2 and Unit 3's substantial completion dates of April 1, 2016 and January 1, 2019, respectively. However, the EPC Contract does not allow for any acceleration or delay in the substantial completion dates. The Nuclear Regulatory Commission's ("NRC") current schedule supports the issuance of the Combined License ("COL") in late 2011 or early 2012. The Company states in its Report that the issuance of the COL in this time frame would not allow Unit 2 to be completed by the EPC Contract substantial completion date of April 1, 2016 without changes to the current schedule.

ORS's review of the approved schedule and the EPC Contract confirms that the project remains on schedule given the schedule criteria established in the Base Load Review Order. ORS also confirms that a condition of the EPC Contract may not be met. That is, the substantial completion date of April 1, 2016 for Unit 2 – as set forth in the EPC Contract – will likely be delayed due to an expected delay in the issuance of the COL. Change Order No. 11, discussed in ORS's review of SCE&G's 2011 1st Quarter Report, called for a study consisting of three possible scenarios to assist in the Company's response to the COL delay. This study is under evaluation by SCE&G senior management. Appendix A shows details of the Milestone Schedule as of June 30, 2011.

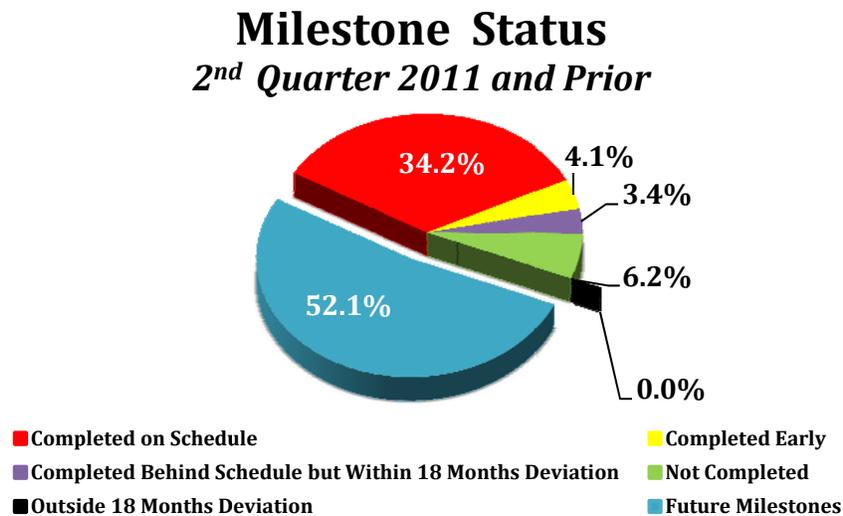
ORS reviews all invoices associated with the Milestone Schedule and during the 2nd quarter of 2011, there was one (1) invoice paid. This invoice related to the completion of two (2) Milestone Activities: Milestone Activity Number 63, which is the initial long lead procurement for the control rod drive mechanisms for Unit 3, and Milestone Activity Number 79, which is the Unit 2 passive residual heat removal heat exchanger notice by the fabricator to the contractor of the final post weld heat treatment. ORS found that the invoice amounts were consistent with the EPC payment schedule and determined that, where applicable as outlined in the EPC Contract, the escalation applied was consistent with the updated Handy Whitman inflation indices.

Table 1 shows the status of the 70 historical milestones and Chart 1 shows the status of all 146 milestones for the 2nd quarter of 2011 and prior.¹

Table 1:

Historical Milestones		
<i>2nd Quarter 2011 and Prior</i>		
70 of 146 Total Milestones		
	# of Milestones	% of All Milestones²
Completed on Schedule	50	34.2%
Completed Early	6	4.1%
Completed Behind Schedule but Within 18 Months Deviation	5	3.4%
Not Completed	9	6.2%
Outside 18 Months Deviation	0	0.0%
Total Historical Milestones	70	47.9%

Chart 1:



¹ The numbers reported by ORS and SCE&G may vary. For reporting purposes, ORS applies a 30 day threshold before a milestone is deemed accelerated or delayed. SCE&G uses a threshold less than 30 days. For instance, if a milestone is scheduled to be completed January 2, 2011 and the actual completion date is December 29, 2010, SCE&G deems the milestone as completed one month early since it is completed in a prior calendar month. ORS would report this milestone as being accomplished on schedule since it was completed within 30 days of the scheduled completion date.

² There may be a slight variance due to rounding.

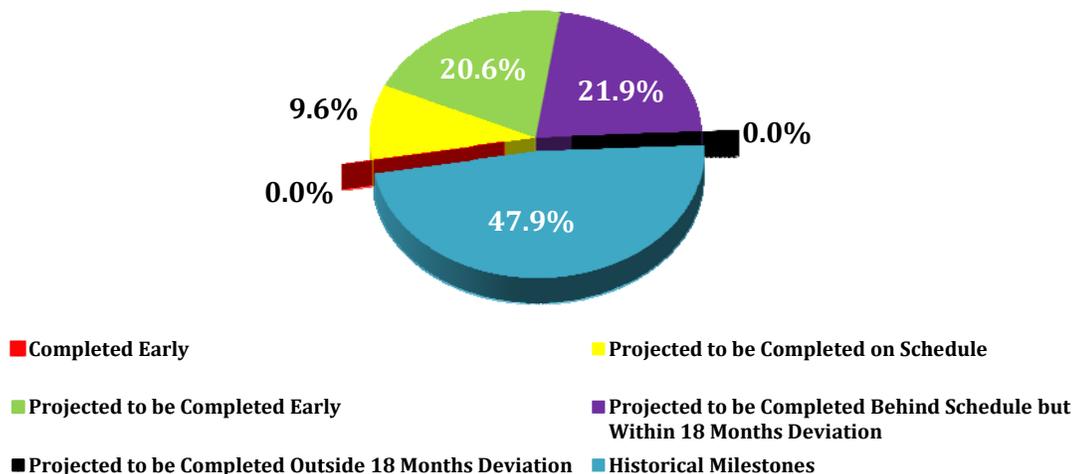
Table 2 shows the status of the 76 future milestones and Chart 2 shows the status of all 146 milestones for the 3rd quarter 2011 and beyond.³

Table 2

Future Milestones <i>3rd Quarter 2011 and Beyond</i> 76 of 146 Total Milestones		
	# of Milestones	% of All Milestones⁴
Completed Early	0	0.0%
Projected to be Completed on Schedule	14	9.6%
Projected to be Completed Early	30	20.6%
Projected to be Completed Behind Schedule but Within 18 Months Deviation	32	21.9%
Projected to be Outside 18 Months Deviation	0	0.0%
Total Future Milestones	76	52.1%

Chart 2:

Milestone Status
3rd Quarter 2011 and Beyond



³ The numbers reported by ORS and SCE&G may vary. For reporting purposes, ORS applies a 30 day threshold before a milestone is deemed accelerated or delayed. SCE&G uses a threshold less than 30 days. For instance, if a milestone is scheduled to be completed January 2, 2011 and the actual completion date is December 29, 2010, SCE&G deems the milestone as completed one month early since it is completed in a prior calendar month. ORS would report this milestone as being accomplished on schedule since it was completed within 30 days of the scheduled completion date.

⁴ There may be a slight variance due to rounding.

Specific Construction Activities

Site construction activities continue to progress. The construction workforce consists of approximately 900 contract personnel and 165 SCE&G personnel. Some major construction activities during the 2nd quarter of 2011 are listed below:

- Progress on the Heavy Lift Derrick (“HLD”) continues, with the carriage under construction and parts arriving on site. Issues with the HLD foot castings were identified at the HLD manufacturing facility and as of the end of the quarter were being evaluated for technical resolution and schedule impact.
- The pre-construction work on the switchyard continues, but is behind schedule due to weather related issues and design delay. The switchyard subcontractor has been given a Limited Notice to Proceed to begin its portion of the work.
- Unit 2 excavation was completed on schedule. Blasting and removal of rock are complete in the Nuclear Island, and an NRC inspection was conducted in April. Unit 2 excavation is a critical path activity.
- Unit 3 excavation continues to make progress this quarter, with the excavation down to 36 feet at the end of the quarter. This is another critical path activity.
- Work on the design and testing of the safety-related concrete mix is ongoing. Some activities in the concrete testing schedule have experienced delays. Efforts are ongoing to accelerate the testing to avoid delays in the placement of safety-related concrete in the Unit 2 Nuclear Island.
- Installation of all 500 piles for the foundation of Cooling Tower 2A has been completed, and foundation work for Cooling Towers 3A and 3B continues.
- Chicago Bridge & Iron’s (“CB&I”) construction activities continue. CB&I was given Limited Notice to Proceed by SCE&G to allow work on the containment vessel bottom head. Training is also being conducted on Nelson stud placement.
- Construction of the Module Assembly Building (“MAB”) is complete, allowing work to begin on the assembly of the CA20 Platen. The first floor sub-module from Shaw Modular Solutions (“SMS”) was received on site in June. Assembly of the CA20 module is a critical path activity.

Photographs of 2nd quarter construction activities are shown in Appendix B.

Critical Path Activities

The following activities are identified on the construction schedule as critical path activities scheduled to begin before June 30, 2011. The status of these critical path activities is based on a July 1, 2011 COL issue date.

- **Unit 2 Base Mat**

The placement of the mud mat, scheduled to begin in June 2011, has not yet begun. As such, this critical path activity is behind schedule. Placement of the mud mat is dependent on the issuance of the COL.

- **Unit 2 CA01 Module**

Field assembly of the CA01 module was scheduled to begin in June 2011 but has not yet begun. As such, this critical path activity is behind schedule. This module is being assembled by SMS. Issues related to SMS are discussed in further detail in the Section “Notable Activities Occurring After June 30, 2011.”

- **Unit 2 Containment Vessel and Shield Building**

The containment vessel bottom head segments were delivered early, and assembly is currently on schedule.

- **Unit 2 CA20 Module:**

Site assembly of the CA20 module was scheduled to begin in November 2010 but as of the end of the quarter only one (1) floor sub-module had been received. As such, this critical path activity is behind schedule. This module is being assembled by SMS. Issues related to SMS are discussed in further detail in the Section “Notable Activities Occurring After June 30, 2011.”

- **Unit 3 Base Mat**

Excavation of the Nuclear Island began early. This critical path activity is on schedule.

Transmission

On February 28, 2011, SCE&G entered into a contract with Pike Electric for the permitting, engineering and design, procurement of material, and the construction of four (4) 230 kV transmission lines associated with the Units. Material procurement is expected to begin in the 3rd quarter of 2011. This project will consist of two phases.

Phase 1 will construct two (2) new 230 kV transmission lines in support of Unit 2: the VCS1–Killian Line and the VCS2–Lake Murray Line. The VCS1–Killian Line will connect the existing V.C. Summer Switchyard 1 to the Company’s existing Killian Road 230 kV Substation. The VCS2–Lake Murray Line will connect the newly constructed Switchyard (“Switchyard 2”) to the Company’s existing Lake Murray 230 kV Substation. Switchyard 2 will allow the connection of both the Unit 2 and Unit 3 generators to the grid. Also, two new 230 kV interconnections between Switchyard 1 and Switchyard 2 will be constructed.

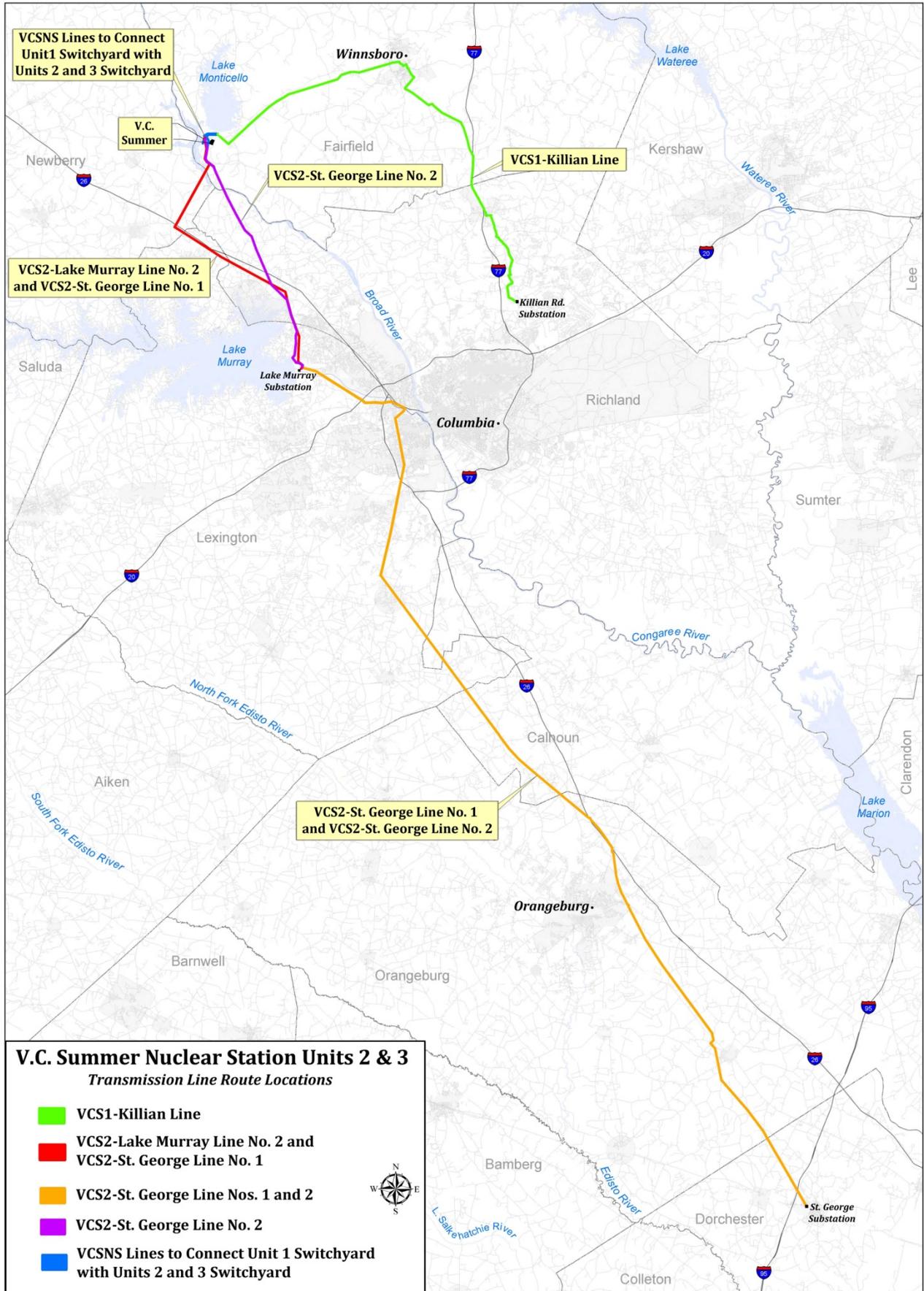
Phase 2 will construct two (2) new 230 kV transmission lines in support of Unit 3: VCS2–St. George Line #1 and VCS2–St. George Line #2. Both of these lines will connect Switchyard 2 to the yet-to-be constructed St. George Substation. Also, a third 230 kV interconnection between Switchyard 1 and Switchyard 2 will be constructed.

The four (4) new transmission lines will occupy existing transmission right-of-way corridors except for approximately six (6) miles of the VCS1–Killian Line corridor. SCE&G commenced right-of-way acquisition on the Blythewood–Killian segment of the VCS1–Killian Line on March 22, 2011.

SCE&G has completed the Siting and Environmental Reports for Unit 2 lines in support of its application for a Certificate of Environmental Compatibility, Public Convenience & Necessity. Subsequent to the end of the 2nd quarter, an application was filed with the Commission in Docket No. 2011-325-E. A hearing is scheduled for October 20, 2011.

Map 1 shows the geographical location of the four (4) transmission lines associated with the Units.

Map 1: New Transmission Lines Supporting V.C. Summer Units 2 & 3



Change Orders

During the 2nd quarter of 2011, Change Order No. 8 was executed.

- **Change Order No. 8** – *Target to Firm/Fixed Shift*

SCE&G negotiated with Shaw to use a single, large Bigge Crane as opposed to two smaller cranes contemplated in the EPC Contract. Change Order No. 8 resolves this matter.

Change Order No. 8 also shifts approximately \$315 million in project costs associated with 11 scopes of work in the EPC Contract from the Target Price cost category to the Fixed Price or Firm Price cost categories. These shifts do not impact the total price in the EPC Contract. However, Change Order No. 8 includes a risk compensation payment of approximately \$10 million.

This Change Order was approved by the Company on April 29, 2011.

The shifts and the risk compensation payment associated with Change Order No. 8 were approved by the Commission on May 16, 2011 in Order No. 2011-345.

Table 3 provides a description of the scopes of work that were shifted from Target to Fixed or Firm cost categories in Change Order No. 8.

Table 4 details all Change Orders and Amendments. 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 Owner.

Table 3:

Change Order No. 8	
Shaw Work Scope Description	
Site Design Engineering Group Labor, Labor Burdens and Overhead Recovery	
Living Allowances & Relocations for all Field Non-Manual Personnel <i>Excludes Business Travel Expenses. Excludes Start-Up Support</i>	
Construction Equipment <i>Includes maintenance labor, parts and supplies</i>	
Heavy Lift Derrick <i>Excludes Shaw Assembly Labor, Operators, Fuel, Foundation Labor and Subcontractors</i>	
Switchyard <i>Excludes Grading and Shaw Labor</i>	
Office equipment and supplies	
Cooling Towers	
Module Assembly Building <i>Target cost of slabs is the only item transferred</i>	
On-Site Assembly of Structural Modules CA01-05 and CA20	
Safety Program	
Advertising and Public Relations	
Total Cost Shifted from Target to Fixed/Firm: ≈ \$315 Million	

Table 4:

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 ⁵	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 #8
5	<i>*Supplements Change Order #1*</i> Increased training by two weeks	Fixed Price with 0% escalation ⁵	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	4/29/2011	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	2/28/2011	Approved

Amendment #1	Includes Change Orders 1 and 2	Executed on 8/2/2010
Amendment #2	Will incorporate Change Orders 3, 5-11	Under Development

⁵ Fixed 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 commensurate amount.

Federal Licensing Activities

The NRC issued a Revised Review Schedule to SCE&G on October 29, 2010. The revised NRC schedule targets issuance of the Final Safety Evaluation Report (“FSER”) in June 2011.

On February 24, 2011, the NRC issued a Notice of Proposed Rulemaking (“NOPR”) to amend its regulations to certify an amendment to the AP1000 standard plant design. The NOPR was published in Vol. 76, No. 37 of the Federal Register. The purpose of the amendment is to replace the COL information items and design acceptance criteria with specific design information, address the effects of the impact of a large commercial aircraft, incorporate design improvements, and increase standardization of the design. Comments on this amendment were due by May 10, 2011.

On April 19, 2011 the NRC and U.S. Army Corps of Engineers (“USACE”) issued the Final Environmental Impact Statement (“FEIS”) for the Units stating that there are no environmental impacts that would prevent issuing the COL for construction and operation of the Units. The Company states that the April 2011 approval of the FEIS supports the issuance of a COL for the Units in late 2011 or early 2012.

On May 20, 2011, NRC Chairman Jaczko issued a statement to confirm that the NRC’s review of WEC’s amended AP1000 reactor design resulted in the uncovering of additional technical issues. Chairman Jaczko states, “WEC must resolve the issues before we can consider finalizing NRC certification of the design.” The NRC’s technical analysis has led to more questions regarding the AP1000’s shield building.

On May 26, 2011, WEC issued a press release to respond to Chairman Jaczko’s statement. WEC indicated that recent NRC statements regarding the discovery of new issues relating to the approval of the design amendments for the AP1000 units are being “misinterpreted and sensationalized.” WEC said that Chairman Jaczko’s statements “do not reflect Westinghouse’s transparent and cooperative approach to handling of the discovery and severity of the few remaining issues that need to be resolved before receiving approval from the NRC.” On May 31, 2011, Chairman Jaczko issued another statement emphasizing the NRC’s commitment to safety. Chairman Jaczko specifically mentions its staff’s actions to resolve a significant design concern the NRC identified with the Westinghouse AP1000 reactor design.

On June 13, 2011 Design Control Document (“DCD”) Revision 19 incorporating AP1000 design changes was submitted to the NRC. DCD Revision 19 subsequently received concurrence from NRC staff in the FSER for the AP1000 Design Certification Amendment. The FSER and anticipated NRC rulemaking on the Design Certification Amendment (“DCA”) are discussed in further detail in the Section “Notable Activities Occurring After June 30, 2011.”

Based on ORS's monitoring of the federal licensing activities, Table 5 below provides the most current dates for the review of SCE&G's COL.

Table 5:

Review Schedule for SCE&G's Combined License Application		
Key Milestones		Completion Date
Application		
Application Submitted		Completed – 03/27/2008
Safety Review		
Phase A	Requests for Additional Information (“RAIs”) and Supplemental RAIs	Completed – 09/10/2009
Phase B	Advanced Final Safety Evaluation Report (“SER”) without Open Items	Completed – 12/10/2010
Phase C	ACRS Review of Advanced Final SER	Completed – 03/26/2011
Phase D	Final SER Issued	Completed – 08/17/2011
Environmental Review		
Phase 1	Environmental Impact Statement scoping report issued	Completed – 07/15/2009
Phase 2	Draft Environmental Impact Statement (“DEIS”)	Completed – 04/16/2010
Phase 3	Response to Public Comments on DEIS	Completed – August 2010
Phase 4	Final Environmental Impact Statement	Completed – 04/15/2011
Hearing		
NRC holds Mandatory hearing		Target – October 12, 2011
License		
NRC Rulemaking Decision		Target – December 2011
NRC Issuance of Combined License		Target – January 2012

Approved Budget Review

As reported in ORS's 3rd Quarter 2010 Review, the South Carolina Supreme Court ruled on August 9, 2010 that SCE&G may not recover "contingency costs" under the BLRA. S.C. Energy Users Comm. vs. South Carolina Pub. Serv. Comm'n, 388 S.C. 486, 697 S.E.2d 587 (2010). Previously, contingency costs had been approved as a capital cost category by the Commission in Order No. 2009-104(A), as modified by Order No. 2010-12. The Supreme Court's ruling removed all contingency costs totaling \$438.293 million from the budget for the Units, thereby reducing the overall approved budget. That is, the total approved SCE&G project commitment (in 2007 dollars) was reduced from \$4.534 billion to \$4.096 billion.

As a result of the August 9, 2010 Supreme Court Ruling, on November 15, 2010, the Company filed, concurrently with its 2010 3rd Quarter report, a request with the Commission in Docket No. 2010-376-E (the "Filing") to include approximately \$174 million in capital costs which would have been deducted from the Company's \$438.293 million (in 2007 dollars) budget for contingency costs. The Filing updates the gross construction cost – which includes escalation and Allowance for Funds Used During Construction ("AFUDC") – of the project to show a decrease from \$6.188 billion⁶ to \$5.787 billion, which is an overall reduction of approximately \$400 million in the total cost to construct the Units. A hearing was held on this matter on April 4, 2011. The Commission approved the Filing on May 16, 2011 in Order No. 2011-345.

The Company's Report incorporates updated capital cost schedules per the Commission Order No. 2011-345. Accordingly, ORS's review of SCE&G's Report reflects the updated capital cost schedules.

ORS's budget review includes an analysis of the 2nd quarter 2011 capital costs, project cash flow, escalation and AFUDC.

⁶ \$6.188 billion reflects the removal of the contingency dollars. The gross construction costs per Commission Order No. 2010-12 is \$6.875 billion.

Capital Costs

To determine how consistently the Company adheres to the budget approved by the Commission in Order No. 2011-345, ORS evaluates nine (9) major cost categories for variances. These cost categories are:

- Fixed with No Adjustment
- Firm with Fixed Adjustment A
- Firm with Fixed Adjustment B
- Firm with Indexed Adjustment
- Actual Craft Wages
- Non-Labor Cost
- Time & Materials
- Owners Costs
- Transmission Projects

ORS monitors variances due to project changes (e.g., shifts in work scopes, payment timetables, construction schedule adjustments, change orders). At the end of the 2nd quarter of 2011, the total base project cost (in 2007 dollars) is \$4.270 billion. The Report shows the total base project cost has decreased by approximately \$103,000. This reduction reflects a decision by the Company that it would not seek recovery for \$103,000 in Community/Support Outreach costs that WEC and Shaw have included in costs to be charged under the EPC Contract.

Project Cash Flow

As shown in Appendix 2 Chart A of the Company's Report, the cumulative amount spent on the project as of December 31, 2010 is \$861.183 million. The cumulative forecasted amount to be spent on the project by December 31, 2011 is \$1.332 billion.

With reference to Appendix 2, Chart A, ORS evaluated the total revised project cash flow (line 37) with respect to to the annual project cash flow, adjusted for change 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. 2011-345. To produce a common basis for the comparison, line 16 adjusts the approved cash flow schedule to reflect the current escalation rates. As of June 30, 2011, the comparison shows the yearly maximum annual variance above and below the approved cash flow schedule through the life of the project. The comparison also shows the cumulative project cash flow is forecasted to be approximately \$11.718 million under budget at the end of 2011. At the completion of the

project in 2018, the cumulative project cash flow is forecasted to be approximately \$13.249 million over budget.

Table 6 shows the annual and cumulative project cash flows as compared to those approved in Order No. 2011-345.

Table 6:

Project Cash Flow Comparison			
<i>\$'s in Thousands ⁷</i>			
		Annual Over/(Under)	Cumulative Over/(Under)
Actual ⁸	2007	-	-
	2008	\$0	\$0
	2009	\$0	\$0
	2010	\$0	\$0
Projected	2011	(\$11,718)	(\$11,718)
	2012	\$18,108	\$6,390
	2013	(\$1,384)	\$5,006
	2014	(\$5,397)	(\$391)
	2015	\$14,843	\$14,452
	2016	(\$686)	\$13,766
	2017	(\$787)	\$12,979
	2018	\$270	\$13,249

In summary, the Report shows a decrease in the total base project cost of approximately \$103,000 (in 2007 dollars). Due to escalation, an additional project cash flow requirement of approximately \$13.249 million is necessary to complete the project in 2018. These forecasts reflect the updated capital cost schedules approved in Order No. 2011-345.

⁷ There may be slight variances in these numbers due to rounding.

⁸ The actual comparison amounts equate to zero in accordance with the updated capital cost schedules approved in Order No. 2011-345

AFUDC and Escalation

The forecasted AFUDC for the total project as of the end of the 2nd quarter of 2011 is \$249.348 million and is based on a forecasted 5.87% AFUDC rate. This is a decrease of approximately \$2.833 million from the Company's 2011 1st Quarter Report.

As previously reported by ORS in its reviews of SCE&G's Quarterly Reports, the decline in the five-year average escalation rates reduce the projected project cash flow. Current worldwide economic conditions continue to reduce the projected escalation cost of the project. Primarily due to the decrease in escalation rates, the overall project is considered under budget. More specifically, as of June 30, 2011, the forecasted gross construction cost of the plant is \$5.621 billion as compared to the approved gross construction cost of \$5.787 billion, which reflects a decrease of approximately \$166 million.

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 ("CWIP")
- Physically observes construction activities
- Performs bi-monthly on-site review of construction documents
- Holds monthly update meetings with SCE&G
- Meets quarterly with representatives of WEC
- Participates in NRC Public Meetings regarding SCE&G Combined License Application

Notable Activities Occurring after June 30, 2011

The BLRA allows SCE&G 45 days from the end of the current quarter to file its Report. Items of importance that occurred subsequent to the closing of the 2nd quarter 2011 are reported below.

Santee Cooper

On July 20, 2011, Duke Energy Carolinas, LLC issued a press release stating that it signed a Letter of Intent with Santee Cooper for a potential minority interest (approximately 10 to 20 percent of Santee Cooper's ownership capacity of the Units). Also, on July 22, 2011, Santee Cooper issued a press release stating that it signed a Letter of Intent to negotiate a potential minority interest (roughly 5 to 20 percent of Santee Cooper's ownership capacity of the Units) with the Florida Municipal Power Agency. Santee Cooper's ownership interest represents 45% of the capacity of the units.

Shaw Modular Solutions

In its review of SCE&G's 1st Quarter Report of 2011, ORS discussed deficiencies related to SMS's quality assurance programs which resulted in a manufacturing hold on all fabrication or rework activities. While the first segment of floor sub-module was received in June, as of September 14, 2011, additional segments have not been delivered. This impacts construction efforts on the CA01 and CA20 modules inside of the MAB. Some potential quality problems associated with the commercial grade dedication of a sub-supplier have been also recently identified. Work continues to rebaseline the schedule. ORS will continue to closely monitor and report on SMS.

Environmental Review

The 401 and 404 permitting processes continue to progress. SCE&G is preparing responses for all questions raised during the comment period for submission to the South Carolina Department of Health and Environmental Control. SCE&G estimates based on the current timeline the 401 permit will be issued in mid-to-late October, with the 404 permit following shortly thereafter.

Licensing

The final rulemaking package for the AP1000 DCA is being prepared by the NRC staff and is expected to be provided to the NRC no later than October 5, 2011. The time frame for publication of the final rule in the Federal Register is January 2012.

On August 5, 2011, the NRC staff submitted its FSER for the AP1000 DCA. The cover letter to that document states, “the AP1000 FSER includes the staff’s evaluation and ultimate concurrence with all AP1000 design changes included in AP1000 DCD Revision 19.” The AP1000 FSER is available on the NRC’s website⁹. Subsequent to the issuance of the FSER for the AP1000 DCA, the FSER for the V. C. Summer Units 2 & 3 COL was issued on August 17, 2011. The press release is included as Appendix C, and the FSER for the V. C. Summer Units 2 & 3 COL is available on the NRC’s website¹⁰.

The NRC held the mandatory COL hearing for Southern Company’s Vogtle plant on September 27, 2011. This is the reference plant for the AP1000 design, and as such the hearing incorporated the NRC’s design specific construction questions. The NRC has scheduled SCE&G’s COL hearing date for October 12, 2011. As the reference plant material was discussed at the September 27, 2011 hearing, the hearing for SCE&G is expected to focus on site specific matters.

Credit Rating

On September 15, 2011, Moody’s Investors Services downgraded the ratings of SCE&G’s parent company, SCANA, including the senior unsecured debt and Issuer Rating to Baa3 from Baa2, the junior subordinated debt to Ba1 from Baa3 and the short-term rating for commercial paper to Prime-3 from Prime-2. Moody’s also downgraded SCE&G’s senior unsecured debt and issuer rating to Baa2 from Baa1. Moody’s affirmed and did not downgrade the first mortgage bond rating of SCE&G at A3, along with the short term commercial paper rating of Prime-2. Moody’s commented that the downgrade was due to the heightened risk associated with a nuclear construction program extending through 2019 that is expected to be partially debt financed, resulting in pressure on future financial metrics. With these changes, Moody’s considers the rating outlook for SCANA and SCE&G stable. A press release regarding this matter is attached as Appendix D.

SCE&G’s 2011 3rd Quarter Report is due 45 days after September 30, 2011. ORS expects to continue publishing a review evaluating SCE&G’s quarterly reports.

⁹ <http://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1793/>

¹⁰ <http://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1939/>

Appendix A

Detailed Milestone Schedule as of June 30, 2011

Key:

Milestones Not Completed	Completed Prior to Q2-11	Current Quarter	Scheduled to Be Completed Q3-11	ORS Caution Milestone
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Activity Number	Milestone	Completion Date Approved in Order 2010-12	Scheduled Completion Date as of Q2-11	Outside 18 - 24 Month Contingency?	Impact to Substantial Completion Date?	Actual Completion Date	Deviation from Order 2010-12
1	Approve Engineering, Procurement and Construction Agreement	5/23/2008		No	No	5/23/2008	
2	Issue Purchase Orders ("P.O.") to Nuclear Component Fabricators for Units 2 and 3 Containment Vessels	12/3/2008		No	No	12/3/2008	
3	Contractor Issue P.O. to Passive Residual Heat Removal Heat Exchanger Fabricator – First Payment - Unit 2	8/31/2008		No	No	8/18/2008	
4	Contractor Issue P.O. to Accumulator Tank Fabricator – Unit 2	7/31/2008		No	No	7/31/2008	
5	Contractor Issue P.O. to Core Makeup Tank Fabricator - Units 2 & 3	9/30/2008		No	No	9/30/2008	
6	Contractor Issue P.O. to Squib Valve Fabricator- Units 2 & 3	3/31/2009		No	No	3/31/2009	
7	Contractor Issue P.O. to Steam Generator Fabricator - Units 2 & 3	6/30/2008		No	No	5/29/2008	1 Month Early
8	Contractor Issue Long Lead Material P.O. to Reactor Coolant Pump Fabricator - Units 2 & 3	6/30/2008		No	No	6/30/2008	
9	Contractor Issue P.O. to Pressurizer Fabricator - Units 2 & 3	8/31/2008		No	No	8/18/2008	
10	Contractor Issue P.O. to Reactor Coolant Loop Pipe Fabricator - First Payment - Units 2 & 3	6/30/2008		No	No	6/20/2008	

Key:

Milestones Not Completed	Completed Prior to Q2-11	Current Quarter	Scheduled to Be Completed Q3-11	ORS Caution Milestone
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Activity Number	Milestone	Completion Date Approved in Order 2010-12	Scheduled Completion Date as of Q2-11	Outside 18 - 24 Month Contingency?	Impact to Substantial Completion Date?	Actual Completion Date	Deviation from Order 2010-12
11	Reactor Vessel Internals – Issue Long Lead Material P.O. to Fabricator - Units 2 & 3	11/21/2008		No	No	11/21/2008	
12	Contractor Issue Long Lead Material - P.O. to Reactor Vessel Fabricator - Units 2 & 3	6/30/2008		No	No	5/29/2008	1 Month Early
13	Contractor Issue P.O. to Integrated Head Package Fabricator - Units 2 & 3	7/31/2009		No	No	7/31/2009	
14	Control Rod Drive Mechanism – Issue P.O. for Long Lead Material to Fabricator - Units 2 & 3 - First Payment	6/21/2008		No	No	6/21/2008	
15	Issue P.O.'s to Nuclear Component Fabricators for Nuclear Island Structural CA20 Modules	7/31/2009		No	No	8/28/2009	
16	Start Site Specific and Balance of Plant Detailed Design	9/11/2007		No	No	9/11/2007	
17	Instrumentation & Control Simulator - Contractor Place Notice to Proceed - Units 2 & 3	10/31/2008		No	No	10/31/2008	
18	Stream Generator - Issue Final P.O. to Fabricator for Units 2 & 3	6/30/2008		No	No	6/30/2008	
19	Reactor Vessel Internals - Contractor Issue P.O. for Long Lead Material (Heavy Plate and Heavy Forgings) to Fabricator - Units 2 & 3	1/31/2010		No	No	1/29/2010	
20	Contractor Issue Final P.O. to Reactor Vessel Fabricator - Units 2 & 3	9/30/2008		No	No	9/30/2008	

Key:

Milestones Not Completed	Completed Prior to Q2-11	Current Quarter	Scheduled to Be Completed Q3-11	ORS Caution Milestone
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Activity Number	Milestone	Completion Date Approved in Order 2010-12	Scheduled Completion Date as of Q2-11	Outside 18 - 24 Month Contingency?	Impact to Substantial Completion Date?	Actual Completion Date	Deviation from Order 2010-12
21	Variable Frequency Drive Fabricator Issue Transformer P.O. - Units 2 & 3	4/30/2009		No	No	4/30/2009	
22	Start Clearing, Grubbing and Grading	1/26/2009		No	No	1/26/2009	
23	Core Makeup Tank Fabricator Issue Long Lead Material P.O. - Units 2 & 3	10/31/2008		No	No	10/31/2008	
24	Accumulator Tank Fabricator Issue Long Lead Material P.O. - Units 2 & 3	10/31/2008		No	No	10/31/2008	
25	Pressurizer Fabricator Issue Long Lead Material P.O. - Units 2 & 3	10/31/2008		No	No	10/31/2008	
26	Reactor Coolant Loop Pipe - Contractor Issue P.O. to Fabricator - Second Payment - Units 2 & 3	4/30/2009		No	No	4/30/2009	
27	Integrated Head Package - Issue P.O. to Fabricator - Units 2 & 3 - Second Payment	7/31/2009		No	No	7/31/2009	
28	Control Rod Drive Mechanism - Contractor Issue P.O. for Long Lead Material to Fabricator - Units 2 & 3	6/30/2008		No	No	6/30/2008	
29	Contractor Issue P.O. to Passive Residual Heat Removal Heat Exchanger Fabricator - Second Payment - Units 2 & 3	10/31/2008		No	No	10/31/2008	
30	Start Parr Road Intersection Work	2/13/2009		No	No	2/13/2009	

Key:	Milestones Not Completed	Completed Prior to Q2-11	Current Quarter	Scheduled to Be Completed Q3-11	ORS Caution Milestone
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Activity Number	Milestone	Completion Date Approved in Order 2010-12	Scheduled Completion Date as of Q2-11	Outside 18 - 24 Month Contingency?	Impact to Substantial Completion Date?	Actual Completion Date	Deviation from Order 2010-12
31	Reactor Coolant Pump - Issue Final P.O. to Fabricator - Units 2 & 3	6/30/2008		No	No	6/30/2008	
32	Integrated Heat Packages Fabricator Issue Long Lead Material P.O. - Units 2 & 3	10/31/2009		No	No	10/1/2009	1 Month Early
33	Design Finalization Payment 3	1/31/2009		No	No	1/30/2009	
34	Start Site Development	6/23/2008		No	No	6/23/2008	
35	Contractor Issue P.O. to Turbine Generator Fabricator - Units 2 & 3	2/28/2009		No	No	2/19/2009	
36	Contractor Issue P.O. to Main Transformers Fabricator - Units 2 & 3	9/30/2009		No	No	9/25/2009	
37	Core Makeup Tank Fabricator Notice to Contractor Receipt of Long Lead Material - Units 2 & 3	11/30/2010		No	No	12/30/2010	Delayed 1 Month
38	Design Finalization Payment 4	4/30/2009		No	No	4/30/2009	
39	Turbine Generator Fabricator Issue P.O. for Condenser Material - Unit 2	8/31/2009		No	No	8/28/2009	
40	Reactor Coolant Pump Fabricator Issue Long Lead Material Lot 2 - Units 2 & 3	4/30/2009		No	No	4/30/2009	

Key:

Milestones Not Completed	Completed Prior to Q2-11	Current Quarter	Scheduled to Be Completed Q3-11	ORS Caution Milestone
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Activity Number	Milestone	Completion Date Approved in Order 2010-12	Scheduled Completion Date as of Q2-11	Outside 18 - 24 Month Contingency?	Impact to Substantial Completion Date?	Actual Completion Date	Deviation from Order 2010-12
41	Passive Residual Heat Removal Heat Exchanger Fabricator Receipt of Long Lead Material - Units 2 & 3	5/31/2010		No	No	5/27/2010	
42	Design Finalization Payment 5	7/31/2009		No	No	7/31/2009	
43	Start Erection of Construction Buildings to include Craft Facilities for Personnel, Tools, Equipment; First Aid Facilities; Field Offices for Site Management and Support Personnel; Temporary Warehouses; and Construction Hiring Office	10/9/2009		No	No	12/18/2009	Delayed 2 Months
44	Reactor Vessel Fabricator Notice to Contractor of Receipt of Flange Nozzle Shell Forging - Unit 2	7/31/2009		No	No	8/28/2009	
45	Design Finalization Payment 6	10/31/2009		No	No	10/7/2009	
46	Instrumentation and Control Simulator - Contractor Issue P.O. to Subcontractor for Radiation Monitor System - Units 2 & 3	12/31/2009		No	No	12/17/2009	
47	Reactor Vessel Internals - Fabricator Start Fit and Welding of Core Shroud Assembly - Unit 2	6/30/2011	8/31/2011	No	No		Delayed 2 Months
48	Turbine Generator Fabricator Issue P.O. for Moisture Separator Reheater/Feedwater Heater Material - Unit 2	4/30/2010		No	No	4/30/2010	
49	Reactor Coolant Loop Pipe Fabricator Acceptance of Raw Material - Unit 2	4/30/2010		No	No	2/18/2010	2 Months Early

Key:

Milestones Not Completed	Completed Prior to Q2-11	Current Quarter	Scheduled to Be Completed Q3-11	ORS Caution Milestone
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Activity Number	Milestone	Completion Date Approved in Order 2010-12	Scheduled Completion Date as of Q2-11	Outside 18 - 24 Month Contingency?	Impact to Substantial Completion Date?	Actual Completion Date	Deviation from Order 2010-12
50	Reactor Vessel Internals - Fabricator Start Weld Neutron Shield Spacer Pads to Assembly - Unit 2	10/31/2011	12/31/2011	No	No		Delayed 2 Months
51	Control Rod Drive Mechanisms - Fabricator to Start Procurement of Long Lead Material - Unit 2	6/30/2009		No	No	6/30/2009	
52	Contractor Notified that Pressurizer Fabricator Performed Cladding on Bottom Head - Unit 2	11/30/2010		No	No	12/23/2010	
53	Start Excavation and Foundation Work for the Standard Plant for Unit 2	3/15/2010		No	No	3/15/2010	
54	Steam Generator Fabricator Notice to Contractor of Receipt of 2nd Steam Generator Tubesheet Forging - Unit 2	2/28/2010		No	No	4/30/2010	Delayed 2 Months
55	Reactor Vessel Fabricator Notice to Contractor of Outlet Nozzle Welding to Flange Nozzle Shell Completion - Unit 2	2/28/2010		No	No	12/30/2010	Delayed 10 Months
56	Turbine Generator Fabricator Notice to Contractor Condenser Fabrication Started - Unit 2	5/31/2010		No	No	5/17/2010	
57	Complete Preparations for Receiving the First Module On Site for Unit 2	8/18/2010		No	No	1/22/2010	6 Months Early
58	Steam Generator Fabricator Notice to Contractor of Receipt of 1st Steam Generator Transition Cone Forging - Unit 2	4/30/2010		No	No	4/21/2010	
59	Reactor Coolant Pump Fabricator Notice to Contractor of Manufacturing of Casing Completion - Unit 2	11/30/2010		No	No	11/16/2010	

Key:	Milestones Not Completed	Completed Prior to Q2-11	Current Quarter	Scheduled to Be Completed Q3-11	ORS Caution Milestone
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Activity Number	Milestone	Completion Date Approved in Order 2010-12	Scheduled Completion Date as of Q2-11	Outside 18 - 24 Month Contingency?	Impact to Substantial Completion Date?	Actual Completion Date	Deviation from Order 2010-12
60	Reactor Coolant Loop Pipe Fabricator Notice to Contractor of Machining, Heat Treating & Non-Destructive Testing Completion - Unit 2	12/31/2010	12/31/2011	No	No		Delayed 12 Months
61	Core Makeup Tank Fabricator Notice to Contractor of Satisfactory Completion of Hydrotest - Unit 2	5/31/2011	4/30/2012	No	No		Delayed 11 Months
62	Polar Crane Fabricator Issue P.O. for Main Hoist Drum and Wire Rope - Units 2 & 3	2/28/2011		No	No	2/1/2011	
63	Control Rod Drive Mechanisms - Fabricator to Start Procurement of Long Lead Material - Unit 3	6/30/2011		No	No	6/14/2011	
64	Turbine Generator Fabricator Notice to Contractor Condenser Ready to Ship - Unit 2	10/31/2011	1/31/2012	No	No		Delayed 3 Months
65	Start Placement of Mud Mat for Unit 2	7/14/2011	12/13/2011	No	No		Delayed 5 Months
66	Steam Generator Fabricator Notice to Contractor of Receipt of 1st Steam Generator Tubing - Unit 2	1/31/2011		No	No	9/28/2010	4 Months Early
67	Pressurizer Fabricator Notice to Contractor of Welding of Upper and Intermediate Shells Completion - Unit 2	10/31/2010	8/31/2011	No	No		Delayed 10 Months
68	Reactor Vessel Fabricator Notice to Contractor of Closure Head Cladding Completion - Unit 3	2/28/2012	2/28/2012	No	No		

Key:	Milestones Not Completed	Completed Prior to Q2-11	Current Quarter	Scheduled to Be Completed Q3-11	ORS Caution Milestone
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Activity Number	Milestone	Completion Date Approved in Order 2010-12	Scheduled Completion Date as of Q2-11	Outside 18 - 24 Month Contingency?	Impact to Substantial Completion Date?	Actual Completion Date	Deviation from Order 2010-12
69	Begin Unit 2 First Nuclear Concrete Placement	10/3/2011	2/7/2012	No	No		Delayed 4 Months
70	Reactor Coolant Pump Fabricator Notice to Contractor of Stator Core Completion - Unit 2	9/30/2011	11/30/2011	No	No		Delayed 2 Months
71	Fabricator Start Fit and Welding of Core Shroud Assembly - Unit 2	6/30/2011	7/31/2011	No	No		Delayed 1 Month
72	Steam Generator Fabricator Notice to Contractor of Completion of 1st Steam Generator Tubing Installation - Unit 2	5/31/2011	11/30/2011	No	No		Delayed 6 Months
73	Reactor Coolant Loop Pipe - Shipment of Equipment to Site - Unit 2	12/31/2012	5/31/2012	No	No		7 Months Early
74	Control Rod Drive Mechanism - Ship Remainder of Equipment (Latch Assembly & Rod Travel Housing) to Head Supplier - Unit 2	12/31/2011	2/28/2012	No	No		Delayed 1 Month
75	Pressurizer Fabricator Notice to Contractor of Welding of Lower Shell to Bottom Head Completion - Unit 2	10/31/2010	9/30/2011	No	No		Delayed 11 Months
76	Steam Generator Fabricator Notice to Contractor of Completion of 2nd Steam Generator Tubing Installation - Unit 2	6/30/2011	11/30/2011	No	No		Delayed 5 Months
77	Design Finalization Payment 14	10/31/2011	10/31/2011	No	No		

Key:	Milestones Not Completed	Completed Prior to Q2-11	Current Quarter	Scheduled to Be Completed Q3-11	ORS Caution Milestone
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Activity Number	Milestone	Completion Date Approved in Order 2010-12	Scheduled Completion Date as of Q2-11	Outside 18 - 24 Month Contingency?	Impact to Substantial Completion Date?	Actual Completion Date	Deviation from Order 2010-12
78	Set Module CA04 For Unit 2	1/27/2012	9/26/2012	No	No		Delayed 8 Months
79	Passive Residual Heat Removal Heat Exchanger Fabricator Notice to Contractor of Final Post Weld Heat Treatment - Unit 2	6/30/2010		No	No	5/24/2011	Delayed 10 Months
80	Passive Residual Heat Removal Heat Exchanger Fabricator Notice to Contractor of Completion of Tubing - Unit 2	1/31/2011	1/31/2012	No	No		Delayed 12 Months
81	Polar Crane Fabricator Notice to Contractor of Girder Fabrication Completion - Unit 2	2/28/2012	7/31/2012	No	No		Delayed 5 Months
82	Turbine Generator Fabricator Notice to Contractor Condenser Ready to Ship - Unit 3	8/31/2013	7/31/2013	No	No		1 Month Early
83	Set Containment Vessel Ring #1 for Unit 2	4/3/2012	1/14/2013	No	No		Delayed 9 Months
84	Reactor Coolant Pump Fabricator Delivery of Casings to Port of Export - Unit 2	3/31/2012	12/31/2011	No	No		3 Months Early
85	Reactor Coolant Pump Fabricator Notice to Contractor of Stator Core Completion - Unit 3	8/31/2013	1/31/2013	No	No		7 Months Early
86	Reactor Vessel Fabricator Notice to Contractor of Receipt of Core Shell Forging - Unit 3	9/30/2012	5/31/2012	No	No		4 Months Early

Key:

Milestones Not Completed	Completed Prior to Q2-11	Current Quarter	Scheduled to Be Completed Q3-11	ORS Caution Milestone
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Activity Number	Milestone	Completion Date Approved in Order 2010-12	Scheduled Completion Date as of Q2-11	Outside 18 - 24 Month Contingency?	Impact to Substantial Completion Date?	Actual Completion Date	Deviation from Order 2010-12
87	Contractor Notified that Pressurizer Fabricator Performed Cladding on Bottom Head - Unit 3	1/31/2013	10/31/2011	No	No		15 Months Early
88	Set Nuclear Island Structural Module CA03 for Unit 2	8/30/2012	5/2/2013	No	No		Delayed 8 Months
89	Squib Valve Fabricator Notice to Contractor of Completion of Assembly and Test for Squib Valve Hardware - Unit 2	5/31/2012	5/31/2012	No	No		
90	Accumulator Tank Fabricator Notice to Contractor of Satisfactory Completion of Hydrotest - Unit 3	12/31/2012	10/31/2012	No	No		2 Months Early
91	Polar Crane Fabricator Notice to Contractor of Electric Panel Assembly Completion - Unit 2	7/31/2012	9/30/2012	No	No		Delayed 2 Months
92	Start Containment Large Bore Pipe Supports for Unit 2	4/9/2012	12/26/2012	No	No		Delayed 8 Months
93	Integrated Head Package - Shipment of Equipment to Site - Unit 2	10/31/2012	2/28/2013	No	No		Delayed 4 Months
94	Reactor Coolant Pump Fabricator Notice to Contractor of Final Stator Assembly Completion - Unit 2	11/30/2012	12/31/2012	No	No		Delayed 1 Month
95	Steam Generator Fabricator Notice to Contractor of Completion of 2nd Steam Generator Tubing Installation - Unit 3	5/31/2013	4/30/2013	No	No		1 Month Early

Key:	Milestones Not Completed	Completed Prior to Q2-11	Current Quarter	Scheduled to Be Completed Q3-11	ORS Caution Milestone
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Activity Number	Milestone	Completion Date Approved in Order 2010-12	Scheduled Completion Date as of Q2-11	Outside 18 - 24 Month Contingency?	Impact to Substantial Completion Date?	Actual Completion Date	Deviation from Order 2010-12
96	Steam Generator Fabricator Notice to Contractor of Satisfactory Completion of 1st Steam Generator Hydrotest - Unit 2	5/31/2012	8/31/2012	No	No		Delayed 3 Months
97	Start Concrete Fill of Nuclear Island Structural Modules CA01 and CA02 for Unit 2	2/26/2013	11/1/2013	No	No		Delayed 8 Months
98	Passive Residual Heat Removal Heat Exchanger - Delivery of Equipment to Port of Entry - Unit 2	4/30/2012	4/30/2012	No	No		
99	Refueling Machine Fabricator Notice to Contractor of Satisfactory Completion of Factory Acceptance Test - Unit 2	2/28/2013	9/30/2012	No	No		5 Months Early
100	Deliver Reactor Vessel Internals to Port of Export - Unit 2	7/31/2013	7/31/2013	No	No		
101	Set Unit 2 Containment Vessel #3	4/17/2013	12/23/2013	No	No		Delayed 8 Months
102	Steam Generator - Contractor Acceptance of Equipment at Port of Entry - Unit 2	3/31/2013	1/31/2013	No	No		1 Month Early
103	Turbine Generator Fabricator Notice to Contractor Turbine Generator Ready to Ship - Unit 2	4/30/2013	3/31/2013	No	No		1 Month Early
104	Pressurizer Fabricator Notice to Contractor of Satisfactory Completion of Hydrotest - Unit 3	2/28/2014	10/31/2013	No	No		4 Months Early

Key:	Milestones Not Completed	Completed Prior to Q2-11	Current Quarter	Scheduled to Be Completed Q3-11	ORS Caution Milestone
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Activity Number	Milestone	Completion Date Approved in Order 2010-12	Scheduled Completion Date as of Q2-11	Outside 18 - 24 Month Contingency?	Impact to Substantial Completion Date?	Actual Completion Date	Deviation from Order 2010-12
105	Polar Crane - Shipment of Equipment to Site - Unit 2	5/31/2013	11/30/2013	No	No		Delayed 6 Months
106	Receive Unit 2 Reactor Vessel On Site From Fabricator	5/20/2013	1/8/2014	No	No		Delayed 7 Months
107	Set Unit 2 Reactor Vessel	6/18/2013	2/3/2014	No	No		Delayed 7 Months
108	Steam Generator Fabricator Notice to Contractor of Completion of 2nd Channel Head to Tubesheet Assembly Welding - Unit 3	12/31/2013	11/30/2013	No	No		1 Month Early
109	Reactor Coolant Pump Fabricator Notice to Contractor of Final Stator Assembly Completion - Unit 3	8/31/2014	2/28/2014	No	No		6 Months Early
110	Reactor Coolant Pump - Shipment of Equipment to Site (2 Reactor Coolant Pumps) - Unit 2	9/30/2013	8/31/2013	No	No		1 Month Early
111	Place First Nuclear Concrete for Unit 3	8/1/2013	8/2/2013	No	No		
112	Set Unit 2 Steam Generator	9/9/2013	5/4/2014	No	No		Delayed 7 Months
113	Main Transformers Ready to Ship - Unit 2	9/30/2013	6/30/2013	No	No		3 Months Early

Key:

Milestones Not Completed	Completed Prior to Q2-11	Current Quarter	Scheduled to Be Completed Q3-11	ORS Caution Milestone
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Activity Number	Milestone	Completion Date Approved in Order 2010-12	Scheduled Completion Date as of Q2-11	Outside 18 - 24 Month Contingency?	Impact to Substantial Completion Date?	Actual Completion Date	Deviation from Order 2010-12
114	Complete Unit 3 Steam Generator Hydrotest at Fabricator	2/28/2014	3/31/2014	No	No		Delayed 1 Month
115	Set Unit 2 Containment Vessel Bottom Head on Basemat Legs	11/21/2011	9/10/2012	No	No		Delayed 9 Months
116	Set Unit 2 Pressurizer Vessel	1/24/2014	9/16/2014	No	No		Delayed 7 Months
117	Reactor Coolant Pump Fabricator Notice to Contractor of Satisfactory Completion of Factory Acceptance Test - Unit 3	2/28/2015	3/31/2015	No	No		Delayed 1 Month
118	Deliver Reactor Vessel Internals to Port of Export - Unit 3	6/30/2015	4/30/2015	No	No		2 Months Early
119	Main Transformers Fabricator Issue P.O. for Material - Unit 3	4/30/2014	4/30/2014	No	No		
120	Complete Welding of Unit 2 Passive Residual Heat Removal System Piping	3/19/2014	10/29/2014	No	No		Delayed 7 Months
121	Steam Generator - Contractor Acceptance of Equipment At Port of Entry - Unit 3	4/30/2015	9/30/2014	No	No		7 Months Early
122	Refueling Machine - Shipment of Equipment to Site - Unit 3	5/31/2014	5/31/2014	No	No		
123	Set Unit 2 Polar Crane	4/3/2014	11/4/2014	No	No		Delayed 7 Months

Key:

Milestones Not Completed	Completed Prior to Q2-11	Current Quarter	Scheduled to Be Completed Q3-11	ORS Caution Milestone
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Activity Number	Milestone	Completion Date Approved in Order 2010-12	Scheduled Completion Date as of Q2-11	Outside 18 - 24 Month Contingency?	Impact to Substantial Completion Date?	Actual Completion Date	Deviation from Order 2010-12
124	Reactor Coolant Pumps - Shipment of Equipment to Site - Unit 3	6/30/2015	8/31/2015	No	No		Delayed 2 Months
125	Main Transformers Ready to Ship - Unit 3	9/30/2014	1/31/2015	No	No		Delayed 4 Months
126	Spent Fuel Storage Rack - Shipment of Last Rack Module - Unit 3	12/31/2014	6/30/2014	No	No		6 Months Early
127	Start Electrical Cable Pulling in Unit 2 Auxiliary Building	12/26/2014	8/6/2015	No	No		Delayed 7 Months
128	Complete Unit 2 Reactor Coolant System Cold Hydro	8/3/2015	10/23/2015	No	No		Delayed 2 Months
129	Activate Class 1E DC Power in Unit 2 Auxiliary Building	3/5/2015	12/17/2014	No	No		2 Months Early
130	Complete Unit 2 Hot Functional Test	9/21/2015	10/28/2015	No	No		Delayed 1 Month
131	Install Unit 3 Ring 3 for Containment Vessel	7/30/2015	4/15/2015	No	No		3 Months Early
132	Load Unit 2 Nuclear Fuel	10/28/2015	10/28/2015	No	No		
133	Unit 2 Substantial Completion	4/1/2016	4/1/2016	No	No		

Key:	Milestones Not Completed	Completed Prior to Q2-11	Current Quarter	Scheduled to Be Completed Q3-11	ORS Caution Milestone
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Activity Number	Milestone	Completion Date Approved in Order 2010-12	Scheduled Completion Date as of Q2-11	Outside 18 - 24 Month Contingency?	Impact to Substantial Completion Date?	Actual Completion Date	Deviation from Order 2010-12
134	Set Unit 3 Reactor Vessel	10/1/2015	4/21/2015	No	No		5 Months Early
135	Set Unit 3 Steam Generator #2	12/22/2015	10/16/2015	No	No		2 Months Early
136	Set Unit 3 Pressurizer Vessel	5/16/2016	3/9/2016	No	No		2 Months Early
137	Complete Welding of Unit 3 Passive Residual Heat Removal System Piping	6/20/2016	4/21/2016	No	No		2 Months Early
138	Set Unit 3 Polar Crane	7/18/2016	4/27/2016	No	No		2 Months Early
139	Start Unit 3 Shield Building Roof Slab Rebar Placement	1/16/2017	8/2/2016	No	No		5 Months Early
140	Start Unit 3 Auxiliary Building Electrical Cable Pulling	4/6/2017	10/10/2016	No	No		5 Months Early
141	Activate Unit 3 Auxiliary Building Class 1E DC Power	6/9/2017	7/1/2016	No	No		11 Months Early
142	Complete Unit 3 Reactor Coolant System Cold Hydro	1/1/2018	11/17/2017	No	No		1 Month Early
143	Complete Unit 3 Hot Functional Test	2/15/2018	3/8/2018	No	No		

Key:	Milestones Not Completed	Completed Prior to Q2-11	Current Quarter	Scheduled to Be Completed Q3-11	ORS Caution Milestone
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Activity Number	Milestone	Completion Date Approved in Order 2010-12	Scheduled Completion Date as of Q2-11	Outside 18 - 24 Month Contingency?	Impact to Substantial Completion Date?	Actual Completion Date	Deviation from Order 2010-12
144	Complete Unit 3 Nuclear Fuel Load	7/31/2018	7/12/2018	No	No		
145	Begin Unit 3 Full Power Operation	10/31/2018	11/15/2018	No	No		
146	Unit 3 Substantial Completion	1/1/2019	1/1/2019	No	No		

Notes:

White highlighting represents Future or Historical Milestones that have not been completed.
Grey highlighting represents Future or Historical Milestones that were completed prior to the 2nd Quarter 2011.
Yellow highlighting represents those Milestones that are scheduled to be or have been completed during the 2nd Quarter 2011. This is based on the schedule approved by the Commission in Order No. 2010-12
Green highlighting represents Future Milestones that are scheduled to be completed in the 3rd Quarter of 2011. This is based on the schedule approved by the Commission in Order No. 2010-12
Red highlighting represents "Caution Milestones." Caution Milestones are those that are delayed by 10 months or greater.

Appendix B

Construction Site Pictures

V.C. Summer Units 2 & 3

April, 2011



Unit 3 Excavation



Electrical Switchyard Construction



Cooling Tower Pile Placement



04/04/2011 10:15 AM

Rebar Staging & Fabrication Pad 43, Pad 32 A&B



Water Storage Tanks



Appendix C

V.C. Summer Units 2&3 Combined License FSER Press Release



NRC NEWS

U.S. NUCLEAR REGULATORY COMMISSION

Office of Public Affairs Telephone: 301/415-8200

Washington, D.C. 20555-0001

E-mail: opa.resource@nrc.gov Site: www.nrc.gov

Blog: <http://public-blog.nrc-gateway.gov>

No. 11-150

August 18, 2011

NRC ISSUES FINAL SAFETY EVALUATION REPORT FOR VIRGIL C. SUMMER NEW REACTORS APPLICATION

The Nuclear Regulatory Commission staff has completed its Final Safety Evaluation Report (FSER) for Combined Licenses (COL) for the proposed Virgil C. Summer Units 2 and 3 reactors. The NRC, in its FSER, concluded that there are no safety aspects that would preclude issuing the COLs for construction and operation of the proposed reactors at the site, near Jenkinsville, S.C. The FSER will be available on the NRC [website](#).

The FSER and Final Environmental Impact Statement (FEIS) will be provided to the Commission for the mandatory hearing phase of the licensing process. In the mandatory hearing, expected to take place later this year, the Commission will determine whether the staff's review supports the findings necessary to issue a license. In addition, because the Summer application references the amended AP1000 design, the Commission must complete the certification process for that design before it can render a mandatory hearing decision on the license.

South Carolina Electric & Gas (SCE&G) submitted its COL application for Summer on March 27, 2008. SCE&G is applying for permission to build and operate two AP1000 reactors at the Summer site, adjacent to the company's existing reactor, approximately 26 miles northwest of Columbia, S.C. Westinghouse submitted an application to amend the already-certified AP1000, a 1,100 megawatt electric design, on May 26, 2007. More information on proposed changes to the AP1000, as well as the staff's review, is available on the NRC [website](#).

The NRC's Advisory Committee on Reactor Safeguards (ACRS) independently reviewed those aspects of the application that concern safety, as well as the advanced safety evaluation report without open items (an earlier version of the FSER). The ACRS provided the results of its review to the Commission in a report dated Feb. 17. The NRC completed its environmental review and issued the FEIS for the Summer COL on April 15.

###

News releases are available through a free [listserv subscription](#) or by clicking on the [EMAIL UPDATES](#) link on the NRC homepage (www.nrc.gov). E-mail notifications are sent to subscribers when news releases are posted to NRC's [website](#).

Appendix D

Moody's Credit Rating Press Release

Rating Action: Moody's downgrades the senior unsecured rating of SCANA to Baa3 and the senior unsecured rating of South Carolina Electric and Gas to Baa2 ; Outlooks revised to Stable.

Global Credit Research - 15 Sep 2011

Approximately \$4.3 billion of debt securities affected.

New York, September 15, 2011 -- Moody's Investors Service has downgraded the ratings of SCANA Corp. (SCANA), including the senior unsecured debt and Issuer Rating to Baa3 from Baa2, the subordinated debt to Ba1 from Baa3 and the short-term rating for commercial paper to Prime-3 from Prime-2. Moody's also downgraded South Carolina Electric & Gas Company's (SCE&G), senior unsecured debt and Issuer Rating to Baa2 from Baa1, as well as the senior unsecured debt rating of affiliate South Carolina Generating Company Inc. (GENCO) to Baa3 from Baa2. At the same time Moody's is correcting the rating for Ser. 2003 4.875% Pollution Control Revenue Bonds issued by the County of Berkeley, SC (for which GENCO is the borrower and SCANA is the guarantor) to Baa3 from WR. The rating was previously withdrawn on August 17, 2011 due to an internal administrative error.

Concurrent with this rating action, Moody's affirmed the first mortgage bond rating of SCE&G at A3, along with the short-term rating for commercial paper of Prime-2 for SCE&G and for South Carolina Fuel Company Inc. Today's rating action concludes the rating review for possible downgrade that had commenced on August 1, 2011. The rating outlook for SCANA and SCE&G is stable.

Downgrades:

..Issuer: SCANA Corporation

.Issuer Rating, Downgraded to Baa3 from Baa2

.Senior Unsecured, Downgraded to Baa3 from Baa2

.Junior Subordinate, Downgraded to Ba1 from Baa3

..Issuer: South Carolina Electric & Gas Company

.Issuer Rating, Downgraded to Baa2 from Baa1

..Issuer: South Carolina Generating Company, Inc.

.Senior Unsecured, Downgraded to Baa3 from Baa2

Affirmations:

..Issuer: South Carolina Electric & Gas Company

.First Mortgage Bond, Affirmed at A3

.Senior Secured Shelf, Affirmed at (P)A3

.Commercial Paper Rating (P-2)

..Issuer: South Carolina Fuel Company Inc.: Commercial Paper Rating (P-2)

RATINGS RATIONALE

Today's downgrade of SCE&G's senior unsecured and Issuer Rating to Baa2 considers the heightened risk associated with a large nuclear construction program extending through 2019 that is expected to be about 50% debt financed and will pressure future financial metrics. In general, Moody's expects that utilities embarking on a nuclear construction cycle will have financial metrics that are robust for their rating category. In our view, SCE&G's financial metrics meet that criterion for a Baa2 rating, but not for a Baa1 rating. Moody's rating also takes into account a credit-supportive regulatory regime. South Carolina legislation that incentivizes nuclear construction and very manageable environmental compliance requirements, which is balanced against the extreme asset concentration that the Summer station will represent upon completion. SCE&G's first mortgage bond rating of A3 reflects Moody's typical two notch uplift for senior secured obligations of regulated utilities with stable outlooks.

The downgrade of SCANA's senior unsecured and Issuer rating to Baa3 considers the extent to which SCE&G's nuclear construction program will dominate the risk profile of SCANA and will pressure the group's future consolidated financial metrics. Moody's rating also takes into account the credit-supportive regulatory regimes in all states of operation, legislation in South Carolina that is highly supportive of nuclear construction, the extreme asset concentration that the Summer station will represent upon completion, the structural subordination of the creditors to the holding company, a sizeable debt load at the parent and an ongoing need to access capital markets.

Moody's views the \$5.8 billion Summer nuclear construction project as transformative for SCE&G and out of scale to the size of the company, which has total assets of \$10.6 billion and total equity of \$3.5 billion. Nuclear generation (all from one plant) will increase from 21% of total in 2010 to 56% in 2019, a fuel type concentration second only to Exelon (spread across seventeen plants). The asset concentration at Summer will be nearly unique in the industry (by comparison, Palo Verde represents about 45% of MW generation of El Paso Electric and 27% of Arizona Public Service). We estimate that the three Summer units will represent over 40% of SCE&G's total assets and approximately 59% of electric rate base.

Moody's acknowledges a regulatory and legislative framework that specifically encourages nuclear construction. The South Carolina Base Load Review Act provides an up-front determination of prudence and usefulness on a nuclear power plants and related transmission as well as an incentive rate of return of 11%. It further provides that nuclear CWIP will be earn a return on capital, adjusted annually, as well as a high degree of certainty that the costs of construction, including AFUDC, will be recovered by the utility in the event of abandonment, including a return of capital and a return on the unamortized balance. We note that SCE&G's receipt of the NRC's Final Safety Evaluation Report was a significant step toward obtaining a Combined Operating License and that construction, at this relatively early stage, is slightly under budget. Nonetheless, the technology has not yet been deployed elsewhere and the long construction period increases the likelihood of cost overruns. SCE&G's average electric rates are already high compared to peers and are expected to increase substantially. Moody's is concerned that rate fatigue caused by Summer could put pressure on regulators in the future to find offsetting reductions in non-Summer rates, especially if high rates deter the industrial and commercial investment that has been a mainspring of South Carolina's economic development strategy.

The stable rating outlook for both companies reflects the SCANA group's high percentage of the regulated earnings, assets and cash flow (close to 95%), the excellent legislative underpinnings to SCE&G's construction program (including strong mechanisms for recovery if an abandonment of the nuclear project becomes necessary), the company's highly constructive relationship with regulators in all jurisdictions, and near-term expectations that credit metrics will remain well positioned as a mid-Baa rated utility.

Ratings upgrades appear unlikely over the near term, primarily due the size and duration of the Summer construction program. Nevertheless, if the companies were to substantially de-lever leading to a stronger set of key financial credit metrics, including a ratio of CFO pre-w/c to debt (excluding bonus depreciation) on a sustainable basis above 22% for SCE&G and above 19% for SCANA, ratings could be upgraded. Also, if construction were abandoned (e.g. if a COL were denied), the resultant decrease in business risk combined with expected full or near-full recovery on the abandonment coupled with implementation of a cost-effective alternative resource plan could be the basis for a ratings upgrade at SCE&G and SCANA.

SCE&G's and SCANA's ratings could be downgraded if we were to change our current assessment of the regulatory framework or the ability to recover costs and earn returns (e.g., if rate-increase fatigue causes the SC PSC to seek a material reduction in the utility's non-Summer returns), or if Summer incurs material cost overruns that are not included in the approved budget. Furthermore, if key metrics show a deterioration (e.g. if CFO-W/C to Debt were below 17% for SCE&G or below 15% for SCANA, in each case with no improvement clearly visible) ratings could be downgraded.

The principal methodology used in this rating was Regulated Electric and Gas Utilities published in August 2009. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

Headquartered in Cayce, South Carolina, SCANA has assets of approximately \$13 billion at June 30, 2011 and is an energy-based holding company principally engaged, through subsidiaries, in electric and natural gas utility operations and other energy-related businesses. SCANA's primary operating subsidiary is SCE&G, a Columbia, South Carolina-based regulated public utility engaged in the generation, transmission, distribution and sale of electricity to approximately 661,000 retail and wholesale customers as well as the purchase, sale and transportation of natural gas at retail to approximately 314,000 customers. SCANA also wholly owns Public Service Company of North Carolina (senior unsecured debt A3, stable outlook), a North Carolina based local gas distribution company.

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