

C. DUKES SCOTT
EXECUTIVE DIRECTOR

1401 Main Street, Suite 900
Columbia, SC 29201



Phone: (803) 737-0800
www.regulatorystaff.sc.gov

NANETTE S. EDWARDS
DEPUTY EXECUTIVE DIRECTOR

shudson@regstaff.sc.gov

Shannon Bowyer Hudson
Deputy Chief Counsel for ORS

March 4, 2016

VIA ELECTRONIC-SERVICE

K. Chad Burgess, Esquire
South Carolina Electric & Gas Company
220 Operation Way - MC C222
Cayce, SC 29033-3701

RE: October 2015 Amendments to the Engineering, Procurement, and Construction Contract
Related to the Construction of a Nuclear Baseload Generation Facility at Jenkinsville,
South Carolina

Mr. Burgess:

Please find attached and served on you South Carolina Office of Regulatory Staff's First
Continuing Request for Records and Information. Please contact me if you have any questions.

Sincerely,

Shannon Bowyer Hudson

Attachment

IN RE: October 2015 Amendments to the)
Engineering, Procurement and) ORS First Continuing Request
Construction Contract Relating to the) for Records and Information
Construction of a Nuclear Baseload)
Generation Facility at Jenkinsville, South)
Carolina)

TO: K. CHAD BURGESS REPRESENTATIVE FOR SOUTH CAROLINA ELECTRIC & GAS COMPANY:

I. INSTRUCTIONS

The South Carolina Office of Regulatory Staff ("ORS") hereby requests, pursuant to S.C. Code Ann. § 58-4-55, 58-27-160, 58-27-1570, 58-33-230, and 58-33-277 that South Carolina Electric & Gas Company ("SCE&G" or "Company") provide responses in writing and under oath and serve the undersigned on or before **March 18, 2016** to ORS at 1401 Main Street, Suite 900, Columbia, South Carolina, 29201 and to the attention of Gary Jones of Jones Partners at 1222 W. George Street, Chicago, IL 60657-4220. If you are unable to respond to any of the requests, or part or parts thereof, in a timely manner please specify the reason for your inability to respond and state what other knowledge or information you have concerning the unanswered portion.

As used in these audit requests, "identify" means, when asked to identify a person, to provide the full name, business title, address and telephone number. As used in these audit requests, "address" means mailing address and business address. When asked to identify or provide a document, "identify" and "provide" mean to provide a full and detailed description of the document and the name and address of the person who has custody of the document. In lieu of providing a full and detailed description of a document, a copy of the document may be attached with the identity of the person who has custody of it. When the word "document" is used herein, it means any written, printed, typed, graphic, photographic, or electronic matter of

any kind or nature and includes, but is not limited to, statements, contracts, agreements, reports, opinions, graphs, books, records, letters, correspondence, notes, notebooks, minutes, diaries, memoranda, transcripts, photographs, pictures, photomicrographs, prints, negatives, motion pictures, sketches, drawings, publications, and tape recordings. As used in this audit request, "address" means mailing address and business address.

IT IS THEREFORE REQUESTED:

- All information shall be provided to ORS and Gary Jones of Jones Partners in the format requested.
- All responses to the requests below must be labeled using the same numbers as the requests.
- Unless otherwise agreed, the requested information shall be bound in 3-ring binders with numbered tabs between each question. All exhibits shall be reduced or expanded to 8 1/2" x 11" formats, where practical.
- Each question should be reproduced at the beginning of each tab or in front of the response provided.
- If information requested is found in other places or other exhibits, reference shall not be made to those; instead, reproduce and place a copy of the requested information in the appropriate numerical sequence.
- Any inquiries or communications requesting clarification of the information requested should be directed to Shannon Bowyer Hudson [803.737.0889] or Allyn Powell [803.737.0664] of ORS.
- This entire list of questions shall be reproduced and included in front of each set of responses.
- Unless otherwise set forth below, SCE&G shall provide four (4) paper copies/binders of responses to ORS. In addition, and if technically feasible, it is requested that SCE&G provide one (1) electronic version with working spreadsheets (not in Adobe) to ORS and one (1) electronic version to Gary Jones of Jones Partners [gary@jonespartners.net].
- If the response to any request is that the information requested is not currently available, please state when the information requested will be provided to ORS. This statement is not a waiver of the deadline for all other responses.
- This request shall be deemed to be continuing so as to require SCE&G to supplement or amend its responses as any additional information becomes available.
- If the information requested is kept, maintained, or stored using spreadsheets, please provide fully functional electronic versions of the spreadsheets, including the formulas used and embedded in the spreadsheet.

- For information the Company deems confidential, the Company must:
 - Insert placeholders and separate the confidential information from the non-confidential information. The placeholders will alert the reader that a response containing confidential information was removed and sent separate from the non-confidential information;
 - Mark each page of the confidential information as “CONFIDENTIAL.” Only confidential pages/information should be marked confidential; and,
 - Provide a list of the confidential information along with the total number of pages for each confidential item on the list. The list should be provided with each copied set of confidential information.
- Provide all responses to reflect SCE&G’s 55% participation where possible. Where this request is not possible, please clearly identify whether the responses reflect 100% or 55% dollars.

II. REQUESTS.

1-1 Please provide:

- a) An itemized list of all increased costs including a description of the item, description of why and what precipitated the increase, the dollar amount increased and which cost categories are affected by the cost changes associated with the October 2015 Amendment (“Amendment”) to the May 23, 2008 Engineering, Procurement and Construction (“EPC”) Agreement (“EPC Contract”) for nuclear power plant Units 2 and 3 (“Units”) at the Virgil C. Summer Nuclear Generation Station (“Project”) above and beyond those associated with Order No. 2015-661.
- b) A spreadsheet with a detailed breakdown of all increased costs associated with the Amendment for Owners Costs, each EPC Contract Cost Category and the Transmission Cost Category. (See Attachments 1 & 2)
- c) A spreadsheet with a detailed breakdown of the history of itemized capital costs that have been incurred and the capital costs that SCE&G anticipates incurring throughout the life of the project as a result of the Amendment. (See Attachment 3)

1-2 For Owners Costs, please provide an itemized list of all increased costs associated with the Amendment for labor, non-labor, and non-split portions, including a description of the item, description of why and what precipitated the increase, the dollar amount increased and which EPC Contract Cost Categories are affected.

1-3 Provide a detailed explanation, breakdown of costs, background data, and associated documents regarding all costs that SCE&G has incurred and are anticipated to incur to fulfill their obligations related to the Amendment.

- 1-4 Provide a detailed explanation, breakdown of costs, background data, associated documents and the methodology used for reaching the dollar amounts in the Owners Cost category.
- a) As approved in Order No. 2010-12
 - b) As modified in Order No. 2011-345
 - c) As modified in Order No. 2012-884
 - d) As modified in Order No. 2015-661
 - e) As associated with the Amendment
- 1-5 Provide a detailed explanation, breakdown of costs, background data, and associated documents regarding the costs for each item that is in the non-split portion of Owners Cost.
- a) As approved in Order No. 2010-12
 - b) As modified in Order No. 2011-345
 - c) As modified in Order No. 2012-884
 - d) As modified in Order No. 2015-661
 - e) As associated with the Amendment
- 1-6 Provide a detailed explanation, breakdown of costs, background data, and associated documents regarding the costs for each item that is in the labor portion of Owners Cost.
- a) As approved in Order No. 2010-12
 - b) As modified in Order No. 2011-345
 - c) As modified in Order No. 2012-884
 - d) As modified in Order No. 2015-661
 - e) As associated with the Amendment
- 1-7 Provide a detailed explanation, breakdown of costs, background data, and associated documents regarding the costs for each item that is in the non-labor portion of Owners Cost.
- a) As approved in Order No. 2010-12
 - b) As modified in Order No. 2011-345
 - c) As modified in Order No. 2012-884
 - d) As modified in Order No. 2015-661
 - e) As associated with the Amendment
- 1-8 Provide a documented “path” for all EPC Contract, Owners Costs and Transmission dollars and other items that were shifted between cost categories in this Amendment.
- 1-9 For each cost shifted in response to 1-8 above, explain why each shift is necessary.
- 1-10 Provide a detailed narrative description of the Fixed Price Option and the Non-Fixed Price Option.
- 1-11 Describe the benefits of the Fixed Price Option and the benefits of the Non-Fixed Price Option.

- 1-12 What specific relief do you plan on requesting from the Commission? Please provide separate responses for cases in which the Company elects the Fixed Price Option and the Non-Fixed Price Option.
- 1-13 For each option outlined in 1-12, which statute(s) do you plan to request relief under?
- 1-14 What support do you intend to offer for the relief you plan to request? Please provide separate responses for each option outlined in 1-12.
- 1-15 Provide a comparison of the projected staffing levels under the Amendment to those previously projected under Order No. 2015-661. How does the current staffing level compare to the staffing level projected under Order No. 2015-661? What are the reasons for the changes?
- 1-16 Provide details to substantiate that the interval between the Unit 2 and Unit 3 Substantial Completion Dates (“SCDs”) included in the Amendment is credible.
- 1-17 Provide a detailed explanation that describes the impact of delaying the SCDs for Units 2 & 3 on the Company’s load forecast for the years 2017 through 2020. Also, provide the additional costs (e.g., fuel costs and replacement capacity costs) associated with changes to the load forecast for years 2017 through 2020.
- 1-18 Provide a copy of the changes from the Amendment incorporated into the EPC Contract.
- 1-19 At the November 19, 2015 Allowable Ex-Parte Briefing to the Public Service Commission it was stated that the “Change in Law” provision of the EPC contract needed clarification as it was subject to interpretation. Please provide a list of items considered to be in need of clarification in the EPC contract prior to the amendment. Have all of these items been addressed by the Amendment? If so, how?
- 1-20 Describe in detail the changes to the “Change in Law” provision identified in the Amendment. As of what date will these changes be effective? Will it cover only future changes in law, or will it cover new disputes that arise over changes in law prior to the execution of the Amendment?
- 1-21 Describe and provide the amount of compensation paid to or related to the release of CB&I.
- 1-22 Provide the Revised, Fully-Integrated Construction (Level 1) Schedule with the calculated float for each milestone for the new SCDs for Unit 2 & 3 in the Amendment.
- 1-23 The increase approved in Order No. 2015-661 was based on estimates. The Amendment incorporates both these estimates and additional increases. Has SCE&G received additional documentation behind the Order No. 2015-661 estimates? The increase in the project estimate granted by Order No. 2015-661 was not expected to be solely borne by the Owners and was not anticipated to be totally paid by the Owners. Please explain the reasons why SCE&G determined that this full amount plus the additional amounts proposed in the Amendment are now to be paid by the Owners.

- 1-24 Describe each schedule mitigation strategy currently under consideration by SCE&G and provide an assessment of their potential impact on meeting the SCDs provided in the Amendment.
- 1-25 Provide the details and computations associated with the revised and delay-related liquidated damages limits specified in the Amendment, including the rationale to limit the maximum damages to \$463 million per unit without the Fixed Price Option or \$338 million per unit with the Fixed Price Option.
- 1-26 Explain why SCE&G believes relief from reimbursement to the Owner in the amount of \$250 million per unit should be extended to the Contractor if the time frame in which the federal tax credit can be claimed is extended beyond the current December 31, 2020 deadline such that the Units remain eligible for the tax credit.
- 1-27 Provide the rationale for including in the Amendment a \$275 Million per unit bonus under the Non Fixed Price Option or \$150 Million bonus per unit under the Fixed Price Option to the Contractor for finishing the Units beyond the original SCDs. Also explain why this bonus may be extended beyond the SCDs currently defined in the Amendment and why SCE&G believes it is appropriate to maintain this bonus at the same level if the project is not completed by the stated SCDs. Explain all deliberation prior to the Amendment given to reducing or eliminating the bonus if the project extends beyond the currently proposed SCDs?
- 1-28 Provide the criteria the Owner will use to determine whether to execute the irrevocable fixed priced option, the anticipated date when this decision will be made, and the cost justification that this is in the best interest of the Owner.
- 1-29 SCE&G has stated that Westinghouse intends to engage Fluor Corporation as a subcontracted construction manager. Please provide a narrative description and an organization chart that illustrate what this will look like in terms of the management structure of the project. Please identify any other new nuclear power plant project that has successfully employed the approach of using a subcontracted construction manager. Also, please provide any experience that Fluor has in this approach, and, if none in nuclear power, please identify similar experience in other projects of comparable size and scope.
- 1-30 Provide a summary of the costs and a description of the resolution of items listed in Exhibit C of the Amendment that have been subsequently resolved since Exhibit C was originally prepared. Have dates been set or scheduled for resolution of the remaining items? If so, please provide the schedule?
- 1-31 Provide the target date for issuing the revised Milestone Payment Schedule and a copy when available.
- 1-32 Has SCE&G decided to retain the services of a Project Consultant as allowed in the Agreement? What are the costs associated with these services? Are these costs included in the current estimate of the Owner's Cost? Has a contract been awarded? If so, to whom? If this decision has not yet been made, please advise the target schedule for making a decision or implementing this service.

- 1-33 Identify the target schedule for the completion of:
- a) Fluor's assessment of and recommendations for changes to the Revised Integrated Project Schedule,
 - b) Fluor's assessment of productivity and recommendations for improvement,
 - c) The integration of Fluor's QA/QC Program into the project program and a description of how this will be accomplished,
 - d) A description of how Fluor will be integrated into the plant Corrective Action Program and the target date for achieving this integration, and,
 - e) A description of how Fluor will manage the construction labor force, subcontractors and procurement.
- 1-34 Provide an updated Base Load Review Act milestone schedule.
- 1-35 Provide the target date for the full implementation of the Dispute Resolution Board, identify its members, and provide copies of its procedures once they are developed.
- 1-36 Describe the process to discuss operational and project execution issues with the Vogtle project. Will it be formalized through a written agreement and/or procedures? Will regularly scheduled meetings be held? If so, provide a schedule for these meetings.
- 1-37 Provide the names and contact information for all senior Westinghouse and Fluor management staff added to the site as a result of the Consortium changes.
- 1-38 Perform an economic analysis of delay scenarios of 18, 24, 36 and 48 months beyond the forecasted commercial operation dates associated with Order No. 2015-661 and with the Amendment. The delay scenarios should provide estimates for the total project cost as well as the revenue requirements associated with the total project cost that customers may incur both during construction and over the operating lives of the Units.
- 1-39 As a part of this analysis, please include an analysis of the prudence of continuing construction of the Units today and for each delay scenario in 1-38.
- 1-40 Provide a levelized cost per kW for each unit under both the Fixed Price Option and the Non Fixed Price Option.
- 1-41 Explain the status of the \$86 million in liquidated damages that SCE&G stated in Docket No. 2015-103-E it intended to seek. If it has not been sought, please explain why.
- 1-42 In reference to transcript Vol. 1 pages 85 and 86 of Mr. Marsh's pre-filed direct testimony in Docket No. 2015-103-E, please explain how SCE&G has been prudent using each listed bullet point with respect to the additional money agreed to in the Amendment.
- 1-43 In reference to lines 3-7 in transcript Vol. 1 page 92 of Mr. Marsh's pre-filed direct testimony in Docket No. 2015-103-E, please explain whether the decision to forego price certainty was the correct decision? Explain whether the current cost increases exceed the cost that would have been paid for price assurances under the 2008 EPC Contract.
- 1-44 What leverage does SCE&G maintain over the contractor(s) aside from the withholding of payment?

- 1-45 How much greater is the Amendment cost (using both non-fixed and fixed priced options) of the plants than the amount approved in Base Load Review Order No. 2009-104(A) for the Units?
- 1-46 How do the increased costs affect the cost of the 5% Santee Cooper portion that SCE&G intends to buy? Presuming the Commission approves the increases associated with the Amendment and the purchase, if SCE&G purchased the Santee Cooper 5% stake, what would the purchase price be?
- 1-47 Explain why the EPC Contract, incorporating the new Amendment, is reasonable and prudent.


Shannon Bowyer Hudson
Deputy Chief Counsel
South Carolina Office of Regulatory Staff
1401 Main St., Ste. 900
Columbia, SC 29201
Phone: (803) 737-0889
Fax: (803) 737-0895
Email: shudson@regstaff.sc.gov

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