

V. C. SUMMER AUTHORIZATIONS

Adopted _____

Rejected _____

Postponed _____

R E S O L U T I O N

WHEREAS, The Board of Directors of the South Carolina Public Service Authority (the "Authority") by Resolutions dated October 20, 2006 and December 11, 2006 authorized management to take those actions necessary to begin the process of investigating, permitting, procuring, constructing and installing two 1100MW Westinghouse AP1000 nuclear units at the V.C. Summer site in Fairfield County, South Carolina (the "Project"), and to expend certain funds in that regard; and

WHEREAS, On March 27, 2008 South Carolina Electric & Gas Company ("SCE&G") and the Authority (collectively the "Owners") submitted to the Nuclear Regulatory Commission ("Commission") an application for combined operating licenses ("COLs") to allow SCE&G and the Authority to construct and operate two new AP1000 units at the V.C. Summer site; and

WHEREAS, The Board of Directors of the Authority by Resolution dated May 22, 2008 authorized the President and CEO of the Authority to execute a Limited Agency Agreement that appointed SCE&G to act as the Authority's agent, subject to certain important conditions and limitations, with respect to the Engineering, Procurement and Construction Agreement (the "EPC") with Westinghouse Electric Company LLC ("Westinghouse") and Stone & Webster, Inc. (together the "Consortium") for the Project, and to expend \$1,900,000,000 through December 31, 2011 in that regard; and

WHEREAS, Westinghouse is a subsidiary of Toshiba Corporation ("Toshiba"), and Westinghouse's obligations under the EPC are supported by a Toshiba parental Guaranty; and

WHEREAS, The Limited Agency Agreement and the EPC were executed on May 23, 2008; and

WHEREAS, The Board of Directors of the Authority by Resolution dated September 26, 2011 authorized the President and CEO of the Authority to execute the Design and Construction Agreement and the Operating and Decommissioning Agreement for the Project; The Design and Construction Agreement and the Operating and Decommissioning Agreement ("Original Agreements") were executed on October 20, 2011; and

WHEREAS, The Board of Directors of the Authority by Resolution dated December 12, 2011 extended the previous authorization for the \$1,900,000,000 in funding of the Project through December 31, 2012; and

WHEREAS, The Commission issued the COLs on March 30, 2012; and

WHEREAS, The Board of Directors of the Authority by Resolution dated April 5, 2012 authorized the President and CEO of the Authority to provide prior written consent to SCE&G as required by the Limited Agency Agreement to issue the Full Notice to Proceed to the Consortium under the EPC and to expend a sum not to exceed \$4,887,715,000 on the Project and \$261,233,000 for related transmission facilities for a total project cost of \$5,148,948,000; and

WHEREAS, On April 17, 2012, SCE&G provided Full Notice to Proceed to the Consortium on behalf of itself and the Authority; and

WHEREAS, The Board of Directors of the Authority by Resolution dated October 27, 2015 authorized the President and CEO of the Authority to execute a Limited Agency Agreement that appointed SCE&G to act as the Authority's agent with respect to an October, 2015 Amendment to the EPC Agreement ("October 2015 Amendment"). The October 2015 Amendment was executed by SCE&G the same day and became effective on December 31, 2015 upon the consummation of the acquisition by Westinghouse of the stock of Stone & Webster, Inc. from Chicago Bridge & Iron; and

WHEREAS, Among other things, the October 2015 Amendment provided SCE&G and the Authority with an irrevocable option in its sole discretion, until November 1, 2016 and subject to regulatory approvals, to further amend the EPC Agreement to fix the total amount to be paid to the Consortium for its entire scope of work on the Project (excluding a limited amount of work within the time and materials component of the contract price) after June 30, 2015 at \$6.082 billion (the Authority's 45% portion being approximately \$2.737 billion) as set forth in Exhibit D of the October 2015 Amendment ("Option Amendment"). Contemporaneously with the execution of the October 2015 Amendment, Westinghouse also executed the Option Amendment; and

WHEREAS, The Board of Directors of the Authority by Resolution dated June 30, 2016 authorized the President and CEO of the Authority to consent to the exercise of the Option Amendment and to increase the total sum to be expended on the Project by \$1,100,000,000 for a total project cost of \$6,248,948,000; and

WHEREAS, SCE&G with the consent of the Authority and the approval of the Public Service Commission of South Carolina exercised the Option Amendment; and

WHEREAS, On December 27, 2016, Toshiba announced the possibility that the goodwill resulting from the acquisition by Westinghouse of the stock of Stone & Webster, Inc. from Chicago Bridge & Iron would reach a level of several billion U.S. dollars and would be impaired, leaving Toshiba with substantially reduced shareholders' equity. The increase to the amount of goodwill resulted from Westinghouse's analysis that demonstrated the cost to complete the four Westinghouse AP1000 new nuclear plants in the United States would far surpass the original estimates for construction. In public statements in 2017, Toshiba attributed the cost overruns to, among other things, higher labor costs arising from lower than anticipated work efficiency and the inability to improve such work efficiency over time. While the final figures related to the impairment remain subject to adjustment upon acceptance by its external auditor, Toshiba's February 14, 2017 announcement indicated it anticipates it will record a loss in excess of \$6 billion, while subsequent media reports suggest that the loss could be as much as \$9 billion; and

WHEREAS, Toshiba's credit ratings, already below investment grade following disclosures of accounting and internal control irregularities in 2015, were further reduced in January 2017 and, again, in March, 2017, and the Authority expects that Toshiba will continue to experience negative financial repercussions resulting from these developments. In response, Toshiba has announced, among other things, its plan to monetize portions of its businesses to generate cash. Toshiba has also indicated that it will not take on future nuclear construction projects and that it will significantly alter its risk management oversight of its nuclear business; and

WHEREAS, The Authority's nuclear executive management team (Nuclear Executive Management), which consists of the President and CEO, Senior Vice President of Nuclear Energy, Senior Vice President and General Counsel, and Senior Vice President and Chief Financial Officer, believes that the ability of Westinghouse and Toshiba to successfully respond to these developments will continue to impact Toshiba's credit ratings, creditworthiness, financial stability and viability. There can be no assurance that Toshiba's or Westinghouse's actions will be sufficient such that Toshiba's lenders and creditors will continue to provide necessary liquidity to continue the Project, including paying Westinghouse subcontractors, with resulting adverse impact on the Project schedule. The Authority has received reports and formal notifications that several subcontractors associated with the Project have not been paid, including Fluor Enterprises, Inc. ("Fluor") who is a party with Westinghouse to a certain Amended and Restated Subcontract Agreement and Augmentation Agreement each dated as of February 24, 2017, pursuant to which Fluor provides certain construction, labor and project management services to the Project; and

WHEREAS, There are media reports that the filing of a Petition in Bankruptcy by Westinghouse is imminent, and the Authority believes that if a Westinghouse bankruptcy were to occur without intervention from SCE&G and the Authority, construction work on the site would cease and the workers would be released from employment; and

WHEREAS, Nuclear Executive Management has determined it is in the best interests of the Authority, as well as SCE&G and the owners of the Vogtle nuclear construction project, to engage in an interim assessment period of no more than ninety (90) days during which construction operations must be ongoing, for the purposes of conducting a complete, detailed, and independent review of the Project construction schedule and cost to completion, and that necessary information for these analyses be obtained directly from primary sources as opposed to information provided through Westinghouse or Toshiba; and

WHEREAS, In accordance with this determination, Nuclear Executive Management of the Authority and SCE&G have engaged in discussions with all major stakeholders for the Project, resulting in ongoing negotiations to develop a form of Interim Assessment Agreement with Westinghouse that will allow the Owners to make certain advances of funds under the EPC against the Milestone Payments, during an Interim Assessment Period, beginning upon any Westinghouse bankruptcy petition date and ending no later than ninety (90) days thereafter. Among other things, the form of Interim Assessment Agreement will allow the Owners to make certain direct payments to Fluor, and subcontractors or vendors determined by the Owners, which are necessary for the Project's continuation during the Interim Assessment Period; and

WHEREAS, There is a need for immediate response to a fluid situation that is beyond the ability of SCE&G and the Authority to control as to the sequence and timing of events; and

WHEREAS, The Board of Directors has considered and appropriately balanced the factors set forth in South Carolina Code Section 58-31-55(A)(3) and has determined that the actions authorized by this Resolution are in the best interest of the Authority and necessary to conduct the due diligence required to make an informed and appropriate decision with respect to the future of the Project; now, therefore, be it

RESOLVED, That upon the recommendation of Nuclear Executive Management, and in reliance upon the opinions and information presented to it as set forth herein, the Board of Directors has determined it is appropriate, fair and reasonable under the circumstances to authorize the Chief Executive Officer to enter into an Interim Assessment Agreement for a period not to exceed ninety (90) days and in an amount not to exceed expenditures of \$250 million in advances of funds under the EPC against the Milestone Payments, and during which time, based on media reports, Westinghouse is anticipated to be in bankruptcy reorganization proceedings, with the exact terms and conditions of such agreement to be determined by the Chief Executive Officer; and be it further

RESOLVED, That Nuclear Executive Management is hereby authorized to continue taking those actions necessary to design, permit, procure, construct, and install two 1100 MW nuclear units at the V. C. Summer Nuclear Station in Fairfield County for initial commercial operation; and be it further

RESOLVED, That the President and CEO of the Authority is hereby authorized to execute the Limited Agency Agreement that appoints SCE&G to act as the Authority's agent in connection with the Interim Assessment Agreement or, alternatively, to be a direct signatory to the Interim Assessment Agreement; and be it further

RESOLVED, That the President and CEO of the Authority is hereby authorized to take such further actions and execute such further agreements or instruments as may be necessary to carry out the foregoing Resolution and consummate the transaction set forth in an Interim Assessment Agreement, under the parameters set forth herein, with the exact terms and conditions to be determined by the President and CEO.