



**Friends of the Earth
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**South Carolina Electric Cooperatives Report Stunning \$8.9 Billion Already Sunk into Troubled
VC Summer Nuclear Reactor Construction Project, by SCE&G and Santee Cooper**

As Project Construction is Only About 37% Complete Cost is Headed to Staggering \$20 Billion or More

Columbia, SC – After more than 8 years of problem-plagued construction and still far from project completion, \$8.9 billion has already been sunk into construction of two new nuclear reactors at the V.C. Summer site in South Carolina, according to information just obtained by Friends of the Earth.

A presentation to member cooperatives by the Electric Cooperatives of South Carolina on June 6, 2017 - linked here: <https://tinyurl.com/ya4td6yw> - affirmed that partners South Carolina Electric & Gas (SCE&G) and Santee Cooper have sunk a combined \$8.9 billion into the nuclear reactor project. Of that amount, \$4.9 billion is attributed to SCE&G and \$4 billion to Santee Cooper. SCE&G is an investor-owned utility owning 55% of the project and Santee Cooper (South Carolina Public Service Authority) is a state-owned entity owning a 45% share of the reactor construction.

“The revelation that \$8.9 billion has already been wasted on the grossly mismanaged nuclear project is a blow to its continuation and is strong evidence that it should be promptly terminated,” according to Tom Clements, now senior adviser to the environmental organization Friends of the Earth (on work concerning the nuclear project). FOE first intervened before the South Carolina Public Service Commission in 2008 against the project and presented a strong case that cheaper, cleaner alternatives to it should have been pursued first. FOE is now re-engaging in the matter given the significance of its fate to both ratepayers and pursuit of alternatives.

“As less than 40% of construction has been completed, it’s clear that the troubled project is on a trajectory to cost \$20 billion or more, which is totally unacceptable and is in itself a strong argument that the project must be halted,” said Clements. A Morgan Stanley assessment dated March 22, 2017 calculated that SCE&G’s “project cost is \$12.6b, about \$6.5b or 108% above the original construction cost estimate.” This translates into a total SCE&G and Santee Cooper project cost of a stunning \$22.9 billion.

The electric cooperative presentation goes on to attribute \$2.8 billion, or 70% of the Santee Cooper share, to the Central Electric Power cooperative, which transfers wholesale electricity from Santee Cooper to the 20 electric cooperative in South Carolina.

The information was revealed in a powerpoint presentation entitled "Summer Basics," presented to a gathering of South Carolina electric cooperative board members at their summer conference on June 6, 2017.

The presentation notes that the still official start-up dates of the reactors in 2019 and 2020 are no longer valid nor is a \$13.9 billion cost estimate for the project valid.

Approval by the South Carolina Public Service Commission for the construction of two experimental Westinghouse AP1000 reactors was initially given on February 27, 2009 (in Docket 2008-196-E). The SC PSC still has its official stamp of approval on the totally unrealistic August 2019 and August 2020 reactor start dates, as authorized in a PSC order on November 28, 2016 (in Docket 2016-223-E). That order claimed that SCE&G's cost of the project was "fixed" at \$7.7 billion, a figure which is not accurate but which has not been corrected.

In an ex parte briefing by SCE&G to the SC PSC on April 12, 2017, officials with SCE&G made the startling admission that there was NO schedule and NO cost estimate for the project. As the clock ticks on the project's fate, SCE&G remains silent about a schedule and cost estimate and is withholding all information about that from the public. The PSC sits on its hands and is not demanding answers about the status of the project from SCE&G.

The co-op presentation affirms that Santee Cooper has committed to paying \$250 million - \$175 million from the cooperatives - to keep the project afloat during a SCE&G-Westinghouse bankruptcy "assessment" period now slated to end on June 26, 2017. Westinghouse, designer of the experimental AP1000 reactors under construction, declared bankruptcy on March 29, 2017 and the matter is now before a federal bankruptcy court in New York.

The presentation goes on to affirm that the forecasts for electricity consumption have fallen significantly from 2007 to 2017, underscoring lack of need for the nuclear project. Also presented is a graph based on the "2017 Business Plan" that states that electric co-op members would face a 14% rate increase from 2017 to 2025. That increase is anticipated to be far below the rate impact to SCE&G customers, who already pay 18% of monthly bills for pay-in-advance financing charges of the nuclear project (as allowed under the unjust Baseload Review Act).

Further, the presentation notes that the cooperatives are not an owner of the nuclear project and are a customer of Santee Cooper, 45% owner of the project. The document indicates that Santee Cooper passes through 70% of its project costs to the co-ops, via wholesale electric rates. It is believed that Santee Cooper and SCE&G are trying to get the co-ops on the hook for more construction costs.

The co-op presentation affirms that much behind-the-scene discussion about the fate of the mismanaged reactor project are taking place, including with the South Carolina Office of Regulatory

Staff. ORS, meekly going along with SCE&G's nuclear ride since 2008, has been stunned into doing nothing visible in the "public interest," as required by state law. The cooperatives presented the four options for the project, as is known, that remain on the table:

- Immediately complete—stay the course [*unknown how such an "immediately" can be made*]
- Throttle back—reduce spending, prolonging the construction schedule
- Mothball—preserve the facility so construction could continue later
- Abandon—give up completely

Friends of the Earth supports an immediate halt to the spending of \$120 million per month to keep the project afloat, spending not authorized by the SC PSC and continuing at the risk of SCE&G and Santee Cooper. Bankrupt Westinghouse and its financially troubled parent Toshiba will not be able to bail out the project and FOE will oppose any further efforts to saddle ratepayers with yet more costs due to a series of bad decisions by SCE&G, ORS and the PSC starting in 2008.

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Notes:

S.C. Electric Cooperatives "Summer Basics," June 6, 2017 – see page 23 for \$8.9 billion sunk into the project by SCE&G and Santee Cooper

http://www.srswatch.org/uploads/2/7/5/8/27584045/summer_basics-ecsc_summer_conf_6-4-2017.pdf

<https://tinyurl.com/ya4td6yw>

SCE&G's "Quarterly Report of SCE&G Concerning Construction of V.C. Summer Nuclear Station Units 2 and 3," May 5, 2017 – see Chart E, page 8: construction 34.3% complete as of the end of March 2017, with a 3.4% increase in completion from the end of December 2016

<https://dms.psc.sc.gov/Attachments/Matter/77289874-6d56-41e9-b50e-e89ddb80bc10>

"SCE&G Cumulative Rate Increases Approved Under the Base Load Review Act", by

S.C. Office of Regulatory Staff (ORS), prepared November 21, 2016 – as of the end of 2016, SCE&G customers had paid \$1.44 billion for the nuclear reactor project to pay for interest as allowed under the Baseload Review Act (BLRA); the much larger capital (construction) costs have not yet gone into the SCE&G monthly bill

<http://www.regulatorystaff.sc.gov/nuclear/Documents/BLRA%20Estimated%20Cumulative%20Approved%20Increases%2011-21-16.pdf>

South Carolina Public Service Commission Order No. 2016-794, November 28, 2016, which delays the the official “substantial completion date of Unit 2 to August 31, 2019, and of Unit 3 to August 31, 2020” and affirms a total cost of SCE&G’s 55% share of the project to \$7.658 billion (an increase of \$831.3 million since Order No. 2015-661 was approved on September 10, 2015 (in docket 2015-103-E).

<https://dms.psc.sc.gov/Attachments/Order/9aaf3291-dd3a-4ac6-a4db-adda60c21158>

Transcript of SCE&G’s ex parte briefing to SC PSC, April 12, 2017 – see page 25: “Total payments have been running approximately \$30 million a week, or approximately \$120 million a month, and this is less than the anticipated value of the milestone payments.” See pages 47-48 for the stunning admission that there is no schedule and see throughout the transcript that there is no cost estimate for the project. Since this briefing over two months ago SCE&G has provided no further information about its mismanaged project.

<https://dms.psc.sc.gov/Attachments/Matter/a397013b-5a21-4123-8623-bc8d2e1f5da4>

Morgan Stanley’s Implications of Potential Westinghouse Bankruptcy Filing, March 22, 2017 – available on request. See page 6: “Our total estimate for SCG’s project cost is \$12.6b, about \$6.5b or 108% above the original construction cost estimate.” This translates into a total SCE&G and Santee Cooper project cost of \$22.9 billion. This appears to be based on no Production Tax Credit, which if obtained could lower the cost to around \$20 billion.©