



Savannah River Site Watch

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SCE&G Requests \$852 Million Increase in Cost of VC Summer Nuclear Construction Project;

**Whopping Cost Increase, Filed with S.C. Public Service Commission on May 2016,
to Go on Top of 2015 Cost Increase; SCE&G to File Soon for Annual Nuclear Rate Hike**

Columbia, SC – The current cost for the construction of two new nuclear reactors by South Carolina Electric & Gas (SCE&G) has jumped a stunning \$852 million, according to a request filed with the South Carolina Public Service Commission (SC PSC) on May 26, 2016, (See filing linked in “notes” below.)

The filing made by SCE&G states that “the capital cost estimate for which the Company seeks Commission approval in this proceeding is \$6.8 billion in 2007 dollars and \$7.7 billion with escalation.”

As SCE&G is now a 55% owner of the project, with Santee Cooper owning the other 45% (set to go down to 40%), this means that the overall cost of the project is now around \$14 billion. Expected schedule delays or construction problems will only add to that cost.

According to a SCANA news release of May 26, the \$852 million increase was confirmed: “This petition reflects an increase in SCE&G’s total Project costs of approximately \$852 million (a reconciliation of these additional costs can be found below) over the \$6.827 billion approved by the SC PSC in Order No. 2015-661.” (See the \$852 million figure at the top of the page in Exhibit 4 in the filing, linked below.)

The company has also requested delays in achievement of completion milestones in key aspects of construction.

“The request for a cost of overrun of this magnitude will hit consumers hard and the PSC should for once side with residential and business customers and require for SCE&G its shareholders to bear a major portion of the cost increase as it is in large part due to poor project management,” said Tom Clements, director of Savannah River Site Watch. “The law under which the project is being pursued is not a blank check for endless cost overruns and schedule delays and the company must be held accountable by the PSC for the costly problems and mistakes with the project.”

Also on May 26, SCE&G informed the PSC that it would be filing for its annual nuclear cost rate hike, as allowed by the Baseload Review Act (passed by the SC legislature in 2007). SCE&G rate payers have already been hit with eight (8) rate hike under the BLRA – the first was approved when the project was

approved by the PSC – so the next pay-in-advance rate hike will be number 9. According to the SC Office of Regulatory Staff (ORS) – in an email to Tom Clements in September 2015 – an average SCE&G residential customer is now paying 15.5% of the bill for advance payment of financing costs for the project (as allowed by the BLRA). It is unknown what will happen to rates when the much larger capital (construction) costs go into the bill.

SCE&G claims it has agreed to a “fixed cost” with Westinghouse and Fluor for future costs of the project but that cost can increase with “future change orders which are Owner-directed or based on changed circumstances,” according to the filing, or with any PSC rulings allowing yet more cost increases. “The claim that the cost is fixed is very misleading as it’s clear that there can be future cost increases, all of which would be passed on to the consumer if allowed by the PSC. The cost of the project is not capped and unless the PSC acts responsibly to curb the cost the sky’s the limit on future cost overruns, so customers should be braced for yet more negative rate impacts,” said Clements.

Both Santee Cooper and the electric cooperatives will at some point be hit with higher rates due to the cost increase with the nuclear project but details of those impacts are unknown.

In the filing, SCE&G request an October 4 hearing date for the cost overrun issue. The company states that intervention in the matter can be filed with the PSC by July 15.

In the original 2008 proceeding before the PSC on the nuclear project, Friends of the Earth (FOE) intervened, asserting that conservation, efficiency and alternatives should be first considered and that the project would be faced with large cost overruns and schedule delays, which has turned out to be true. (Tom Clements, then of Friends of the Earth, is now with SRS Watch; Bob Guild, lawyer who managed the intervention for Friends of the Earth, continues to monitor situation.)

SCE&G has reaffirmed in the filing that the first new reactor is targeted for “substantial completion” (not operation) in August 2019 and the second unit in August 2020. There are rumors that the August 2019 date will slip, which would add considerable costs to the project. “Given the continuous schedule slippage we have seen to date, we have no confidence in the schedule now being presented by SCE&G and expect more delays and more cost increases,” said Clements.

If Federal Production Tax Credits are lost – if the units don’t start by a certain date – the cost to rate payers, according to the filing with the PSC, could be \$2.2 billion. If those credits – allowed in the Energy Policy Act of 2005 - are lost, this will be another blow to SCE&G customers and Santee Cooper, causing rate to jump accordingly.

According to the [Nuclear Energy Institute’s](#) understanding of the nuclear production tax credit, “to qualify for the nuclear production tax credit, a new nuclear power plant must be in service on or before December 31, 2020.” “The operational date for the reactors of December 2020 to receive federal credits could now be at risk; failure to meet that date could result in large additional rate impacts for customers of SCE&G, Santee Cooper and the electric co-operatives,” said Clements.

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Notes:

Filing by SCE&G with SC PSC for \$852 million cost increase for VC Summer nuclear project, May 26, 2016, in Docket 2016-223-E (“Petition of South Carolina Electric & Gas Company for Updates and Revisions to Schedules Related to the Construction of a Nuclear Base Load Generation Facility at Jenkinsville, South Carolina”) - see filing under “matters” at top of docket (<https://dms.psc.sc.gov/Web/Dockets/Detail/115960>):
<https://dms.psc.sc.gov/Attachments/Matter/5e9e64a6-9db1-4086-9341-b1b7325bca7d>

Notification by SCE&G to SC PSC of annual nuclear rate hike coming within the next few weeks, May 26, 2016, this will be the 9th rate hike since March 2, 2009 under the Baseload Review Act – in Docket 2016-242-E, see letter of intent: <https://dms.psc.sc.gov/Attachments/Matter/84a81c8b-af99-437a-94e3-eac54c40a31a>

Original docket on nuclear project before SC PSC – Docket 2008-196-E (“Combined Application of South Carolina Electric & Gas Company for a Certificate of Environmental Compatibility and Public Convenience and Necessity and for a Base Load Review Order for the Construction and Operation of a Nuclear Facility in Jenkinsville, South Carolina”) – amended order approving project made in March 2, 2009 – see “Orders 2009-104(A)” - at top of docket under “orders”(in chronological order):
<https://dms.psc.sc.gov/Web/dockets/Detail/103552>

Aerial photos of the VC Summer nuclear site, March 6, 2016, “©High Flyer, special to SRS Watch” – can be used with this credit, photos posted at: <http://tinyurl.com/zwstrgd>

SCANA news release on cost increase, May 26, 2016: “South Carolina Electric & Gas Company Elects Fixed Price Option and Requests Update to Construction and Capital Cost Schedules for New Nuclear Units,” - <http://tinyurl.com/gohn2ls>

For the 8 pay-in-advance increases already allowed since 2009, see this table posted by ORS:

<http://www.regulatorystaff.sc.gov/Documents/News%20Archives/Revised%20Rates%20Dockets.pdf>

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