



Savannah River Site Watch

Nuclear Update
Savannah River Site Watch
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**Duke Energy Reports \$531 Million Spent on Dead-End Nuclear Reactor Project
in Cherokee County, South Carolina; Project Should be Terminated**

\$11 Million Wasted in First Quarter 2017 on "Lee Nuclear Station"

Columbia, SC – In an expenditure report to be filed with utility regulatory agencies in South Carolina and North Carolina, Duke Energy reports that almost \$531 million have been spent on "preconstruction costs" for a new nuclear reactor project that is now essentially on hold.

The report, dated May 5, 2017 and entitled "Preconstruction Costs for Lee Nuclear Station Project Development Activities," was sent to parties involved in earlier proceedings on the reactor project before the South Carolina Public Service Commission (SC PSC). The report claims that \$530.79 million in total project costs, with \$321 million in costs accrued since January 1, 2011.

During the first quarter of 2017, \$10.9 million was spent and of that \$9.8 million was due to Allowance for Funds Used During Construction (AFUDC), an accounting method by which the company makes money by charging the costs of debt and listing it as an expense on its balance sheet. Of the \$531 claimed to have been spent, the largest part, \$222 million, is listed as being for AFUDC.

"Given the massive problems at other reactor projects based on the Westinghouse design, the only prudent course of action is for Duke to formally terminate the Lee project," said Tom Clements, director of the public interest organization Savannah River Site Watch and former intervenor in the case before the SC PSC. Clements has visited the cleared Lee site twice, as part of interventions before the SC PSC, and observed that no construction activities have begun.

The Lee reactor project, located in Cherokee County South Carolina, has stalled in part due to massive problems facing a similar project being undertaken by South Carolina Electric & Gas (SCE&G). Both the SCE&G project at the VC Summer site and the Lee project are based on the experimental Westinghouse AP1000 reactor design. Westinghouse has gone bankrupt due to massive cost overruns and schedule delays associated with building the AP1000 at the VC Summer site and at the Vogtle site in Georgia.

So far, Duke has not requested that any of the \$531 million in claimed expenditures be placed in the rate base in South Carolina or North Carolina. According to Clements of SRS Watch, Duke will have

difficulty proving that its continuation of the project has been prudent, which could result in disallowance of a large part of the claimed project costs every being charged to ratepayers.

The expenditure report is likely being filed today with the South Carolina Public Service Commission in Docket 2011-20-E (“Amended Project Development Application of Duke Energy Carolinas, LLC for Approval of Decision to Incur Nuclear Generation Pre-Construction Costs”) and will also likely be filed with the NC Utilities Commission.

Rumors persist that Duke has interest in participating in the mismanaged VC Summer project or in taking over SCE&G in the event the company is driven bankruptcy due to the massive cost overruns associated nuclear project.

Notes:

Duke Energy letter and Lee reactor project cost report of May 5, 2017 linked here:

http://www.srswatch.org/uploads/2/7/5/8/27584045/dec_2017_q1_lee_nuclear_station_report_of_activities_and_expenditures_may_5_2017.pdf

Docket 2011-20-E: <https://dms.psc.sc.gov/Web/dockets/Detail/110935>