



Savannah River Site Watch

Statement of Tom Clements, Director, SRS Watch, Columbia, SC for SACE Briefing on Impacts to Vogtle and VC Summer Reactor Construction Projects of Westinghouse Financial Meltdown, March 30, 2017

My name is Tom Clements, I am the director of Savannah River Site Watch, a public interest organization in South Carolina that focuses primarily on US Department of Energy issues. I am an SCE&G rate payer and a member of the Southern Alliance for Clean Energy.

Concerning the construction of new reactors in South Carolina, I led the initial intervention before the South Carolina Public Service Commission in 2008 in the docket concerning the South Carolina Electric & Gas project at the VC Summer site located north of Columbia, SC. We warned at that time about the risk of cost overruns and schedule delays and problems with the AP1000 modular construction. Since the project was approved by the SC PSC in February 2009, I have continued to be involved in formal proceedings before the PSC and in public oversight of the project. Warnings about the array of risks of the project have continued unabated.

To review the legal basis for the project, it was approved by the PSC under the Baseload Review Act (BLRA), passed by the South Carolina legislature in 2007. That law essentially effectively eliminated the free market in building new reactors and shifted the cost and risk of nuclear construction from the company and shareholder to ratepayers. Additionally, the law enabled SCE&G to charge ratepayers in advance for financing charges and later to charge for all prudently incurred capital – or construction – costs. After paying for everything, plus profit for the company, ratepayers would own nothing at the end of the project.

The BLRA also provide for what happens in case of project “abandonment,” which SCE&G put on the table during a February 16 call with investors and again on a call on March 29. Now, SCE&G has even raised finishing only one of the units at VC Summer.

In late 2016, the SC PSC approved an additional \$852 million cost overrun for the construction project and in a legally binding “settlement agreement” with SCE&G and intervening parties, SCE&G’s share of the project cost was capped at about \$7.7 billion. As Santee Cooper, a state-owned utility owns 45% of the project, the cost of the project is thus around \$14 billion.

As part of the agreement, SCE&G agreed to completion dates of the reactors to be August 2019 and August 2020.

On February 16, [SCE&G claimed in a presentation](#) to investors that the “in-service” dates for the project had shifted to April 2020 and December 2020. In my opinion, especially give the chaos of the last weeks, those dates are imaginary. A shift in those dates will mean more costs.

Since the project was approved in 2009, ratepayers have faced 9 rate hikes under the BLRA. The current portion of the bill or [an average residential customer is now 18.32% of the SCE&G bill](#). If the project continues we could be facing 25% of the bill in a couple of years just for financing costs. Then, if the project continues to completion in 2020, what happens when the much larger capital – construction costs – go into the bill? Neither SCE&G, the PSC nor the Office of Regulatory Staff are saying a word about future rate impacts.

Likewise, there is no discussion of the expected delay in project completion beyond 2020. A 2-year delay could result in something like an additional \$3 billion in costs for 2 units. I don't see Westinghouse or SCE&G having that amount of money to complete the project.

So, where do things stand? I've not seen anything presented that discusses more delays in the project-completion dates or that shows how the project can be financed to completion.

Any way this goes, the ratepayers are going to face large rate hikes. Action must be taken to hold Westinghouse and SCE&G financially accountable in the event the project continues or if it's abandoned. Be aware that SCE&G, which owns 55% of the VC Summer project, is a much smaller utility than Georgia Power and relies on its 45%-partner, Santee Cooper, and the electric co-operatives it serves. Thus, no matter what happens, impacts to SCE&G customers may be more severe than impacts to Georgia Power customers.

To conclude, in order to get SCE&G and others on the record about this matter, I have requested an “emergency hearing” before the SC PSC (see [Docket 2017-99-E](#)). Today, the PSC has allowed SCE&G to hold an [ex parte briefing on April 12](#), which may be a way around efforts to get formal testimony by all parties into the record.

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