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SCANA shareholders to bear some costs for abandoned nuclear plant

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SCANA Corp. appears to have reversed itself, now saying its shareholders will bear most of its \$4.7 billion share of the costs for the abandoned V.C. Summer nuclear plant expansion.

While some details remain unclear, the company is proposing about \$4.8 billion in benefits for customers of subsidiary S.C. Electric & Gas in a package to add a new power plant and reduce customer rates to 2015 levels.

The proposed customer benefits would be enough cover the money SCE&G spent before deciding to shut down construction of the V.C. Summer plant. But while the company proposes to roll back rates, some charges to customers for the failed expansion still appear to be built into them.

Shareholders will have to accept about \$2.9 billion in reduced shareholder earnings over 50 years to amortize the costs of the unfinished plant, SCANA says.

'Relief to customers'

SCE&G will also purchase a 540-megawatt natural gas plant to replace about 40% of the energy that would have been produced by its share of the 2,234-megawatt nuclear expansion project.

The company plans to buy the plant for \$180 million and will forgo shareholder returns on the costs of the plant, according to the plan proposed by SCANA.

"We hope interested parties will endorse the proposal so that we can obtain approval from the Public Service Commission and get this relief to customers," says Jimmy Addison, SCANA's chief financial officer. He will become chief executive in six weeks.

"Current projections indicate that if this proposal is adopted, we would not need an additional generation source for several years," he says.

But reducing rates to the 2015 level does not entirely eliminate payments customers are making now on some of SCE&G's costs for the Summer expansion. The company has gotten increases tied to Summer



HIGH FLYER

SCANA Corp. and Santee Cooper shut down construction on the \$18 billion V.C. Summer nuclear expansion in July.

annually since 2009.

Partial rollback

SCE&G says that its proposal will reduce a typical monthly residential bill by about \$5, to about \$142.50 a month from the current average of more than \$147.50.

The Office of Regulatory Staff calculates that residential customers currently pay about \$27 a month for Summer. Altogether, SCE&G customers pay about \$37 million a month on the abandoned Summer project.

Calculating from the reduction in a monthly bill, it appears customers would still be paying more than \$29 million a month on Summer.

ORS Executive Director Dukes Scott says his team is not clear on how the math is supposed to work. The staff has had no contact with SCE&G about the proposal, which it learned of when the utility made its public announcement. He says it will not make a determination on supporting or opposing the proposal until the company makes a detailed submission to the S.C. Public Service Commission.

Costs ballooned

But it appears that the costs to customers would at least be mitigated. And it appears there would be no additional rate hikes to compensate SCE&G for hundreds of millions in money already spent that has not yet been built into rates.

The proposal backs down from SCANA's original position that it should be allowed to charge customers for all uncompensated spending on the ill-fated nuclear project. SCANA (NYSE: SCG) and partner Santee Cooper abandoned construction of the two additional reactors at the existing Summer plant in Jenkinsville, S.C. this summer.

By then, the two utilities had spent about \$9 billion on the unfinished project. That was just about the original estimated cost, but the project was only about half completed. SCANA said in July that it estimated completing the project would cost at least \$18 billion. Other estimates ran above \$20 billion for the expansion.

The decision to shutter the project — and especially the proposal to make customers pay for it — ran into an immediate backlash. The state's Base Load Recovery Act of 2008 allows the company to recover those costs by raising customer rates. And in fact, customers were already paying for some of what had been spent on the project.

Customer frustration

After the decision to close down was announced, customers, consumer advocates and eventually state legislators and other top politicians called for the utilities themselves to bear the costs.

S.C. Attorney General Alan Wilson issued an opinion that the 2008 act was "constitutionally suspect." Shortly after that, the ORS asked the S.C. Public Service Commission to roll back the rates it had allowed SCE&G to charge for the Summer costs. (Santee Cooper, as a state agency itself, is not subject to the commission.) And the legislature has looked into repealing the act and has been considering legislation to bar SCE&G from recovering anything for the abandoned plant.

“We’ve heard our customers’ frustrations about paying for a power plant and having nothing to show for it,” says [Keller Kissam](#), SCE&G’s president of retail operations. “This proposal gives customers additional power generation while also lowering rates.”

It is not yet clear if this proposal will be win over regulators, SCANA's critics in the legislature or its customers.

It has been a long road already. Since the project was abandoned, the head of Santee Cooper stepped down; South Carolina has been shopping the utility around for a sale; and SCANA CEO [Kevin Marsh](#) announced his plans to retire Jan. 1.

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