

## *SCE&G, Santee Cooper abandon nuclear power project*

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### **Body**

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COLUMBIA, SC After working nine years to expand a nuclear power plant in South Carolina, Santee Cooper and SCE&G said Monday they are pulling out of the \$14 billion reactor project in Fairfield County in the wake of rising costs, falling demand for energy, construction delays and the bankruptcy of lead contractor Westinghouse.

SCE&G said in a news release that a comprehensive review of the Fairfield County nuclear project -- a review that began after Westinghouse filed for bankruptcy earlier this year -- caused the company to conclude that finishing the two nuclear reactors "would be prohibitively expensive."

The end of the project is likely to cost thousands of workers their jobs and leave customers wondering if they will be reimbursed for the money they already have spent on the effort. SCE&G customers have paid \$1.4 billion through higher monthly utility bills as a result of nine different rate increases.

Both SCE&G and Santee Cooper, which have faced withering criticism over rate increases for the project, said they would work to hold down future rate hikes. But they stopped short of pledging to cut power bills for customers as politicians from Fairfield County blasted them for abandoning the project.

Overall, SCE&G and Santee Cooper have spent about \$9 billion on a project that analysts said could have ultimately cost more than \$23 billion, more than twice the original price tag. Under a state law passed 10 years ago, SCE&G was allowed to charge customers for the work before the reactors were finished. About 18 percent of an SCE&G customer's bill goes for the nuclear project.

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"Customers have had a tough time with this the last several years," Jimmy Addison, chief financial officer of SCANA, SCE&G's parent corporation, said during a call with investors. "Our intention is to stay away from any kind of increases on the back of this and on customers' bills."

Lonnie Carter, chief executive of Santee Cooper, said nearly \$1 billion pledged to Santee Cooper by the Toshiba Corp., Westinghouse's parent, could be used to offset future rate increases that would have been assessed to pay for the project. The question is whether Toshiba, itself in financial trouble, can make good on the pledge, Carter said. Toshiba pledged \$1.1 billion last week to SCE&G that the investor owned utility also said it would use to keep customer rates down.

"It wouldn't be a direct rebate; they would actually just see it in their power bills through lower costs," Carter said.

Kevin Marsh, chief executive of SCANA, said in a news release that several factors beyond the company's control have changed since the construction project was launched, including the Westinghouse bankruptcy. SCE&G had considered building just one of the reactors, but rejected that plan after Santee Cooper withdrew from the effort to build the reactors at the V.C. Summer nuclear station northwest of Columbia.

When Santee Cooper let SCE&G know it would pull out, Marsh said, the project could not go forward. His company "reached out to a couple of utilities" to take Santee Cooper's place, but had no luck, he said.

"We arrived at this very difficult but necessary decision following months of evaluating the project from all perspectives," Marsh said.

Santee Cooper officials said the project had been delayed by the inability to get major construction pieces on time, as well as problems dealing with Westinghouse. The state-owned utility blamed much of the project's troubles on Westinghouse. Those troubles contributed to the project costing Santee Cooper 75 percent more than originally forecast and delaying its completion by four years, the state utility said.

Santee Cooper also said falling demand for energy made the need for the two reactors less urgent.

"The winds of time .... have certainly changed the way that the world looks today for completing these units," Carter said. "We are disappointed that our contractor has not fulfilled their obligations to us."

Carter said the federal government should consider helping to build nuclear power plants if federal officials believe atomic energy is worthwhile to pursue. As it stands, Santee Cooper may have to eventually use a coal-fired power plant that the company had mothballed to reduce the amount of carbon released and comply with Obama administration initiatives, Carter said.

"If you really believe we need to reduce carbon, this was the way to do it," he said of the nuclear project.

Meanwhile, shutting down the project will leave as many as 5,000 workers unemployed at the V.C. Summer site.

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At Gill's convenience store near the V.C. Summer plant, about 50 plant workers gathered in the parking lot to talk about the decision Monday afternoon. They said they had been at the plant working as normal when they were told about 1:30 p.m. to turn in their badges and vacate the property.

The decision to abandon the project will be "devastating" for Fairfield County, said former state Rep. Boyd Brown.

"We've been waiting for this windfall of money for years," said Brown, a Democrat. "They were planning decades ahead to change Fairfield County forever - water projects, sewer projects. . . . It's going to be devastating, simply devastating."

Fairfield officials issued a joint statement Monday calling on the S.C. Legislature to keep the project going. They criticized the power companies for walking away from the project after spending \$9 billion.

"SCANA, SCE&G, and Santee Cooper must be held accountable," according to the statement from state Sen. Mike Fanning, Rep. Mary Gail Douglas and Fairfield County Council Chairman Billy Smith. "With thousands of citizens losing their jobs and billions of dollars of investments, these companies and their leaders should face consequences as well."

Tom Clements, an adviser for Friends of the Earth, said he hopes to learn more about what went wrong with the project at a Public Service Commission session Tuesday with SCE&G. The company plans to discuss its decision with the PSC, which oversees commercial utility companies in South Carolina.

After Monday's Santee Cooper board vote, Clements said his group and the Sierra Club will push to have customers paid back for some of the costs they have put into the project.

"It's absolutely essential that (SCE&G), and Santee Cooper, now be put on the hook for a lot of these costs they tried to (put) on the ratepayers," Clements said. "This is a sad day for South Carolina. This has just gone on and on for almost a decade."

The Santee Cooper board of directors' voted to end the project during a special meeting at the Nelson Mullins law firm in Columbia. Shortly afterward, SCE&G issued a news release saying it, too, was withdrawing from the project.

Monday's developments followed increasing uncertainty about whether the nuclear reactors could be finished affordably - and whether the energy they would provide is needed.

Both Santee Cooper and SCE&G said last week that the project faced "significant challenges" as a result of higher-than-expected costs and a longer timetable to complete the work. The utilities launched efforts to build the project nearly a decade ago and began construction in 2012.

Analysts who advise SCE&G investors have become increasingly nervous about how the rising cost of the nuclear project would affect the company. The stock price of SCE&G's parent company, SCANA, fell to a 52-week low Friday as speculation mounted about the project. But the stock rebounded after Monday's announcements, closing at \$64.37, or \$3.08 higher than Friday's close.

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Prime contractor Westinghouse, which designed the South Carolina project and one in Georgia, filed for bankruptcy in March, and its owner, Toshiba, is in such dire financial shape that it also is a candidate for bankruptcy.

In addition to concerns about money, critics have blasted both power companies for building the reactors at ratepayer expense when it's questionable whether the energy from the two units will be needed anytime soon.

The demand for energy has fallen since the utilities launched the project nearly a decade ago, and forecasts show both utilities will have more energy capacity than is typically needed by utilities.

With two new nuclear units creating some 2,200 megawatts of energy, Santee Cooper would have had up to 44 percent reserve capacity, about three times the amount the utility says is needed, according to records reviewed by The State newspaper. Records show the reserve margin for Santee Cooper would remain in the 30 percent range for more than a decade.

SCE&G and Santee Cooper launched the nuclear expansion effort in 2009 after the state Legislature passed the Base Load Review Act, which took away much of the financial risk to investor-owned SCE&G. The law has led to nine rate increases for SCE&G customers.

Monday's decision marks the second time in a decade that Santee Cooper has abandoned plans for a major new power source. In 2009, the company dropped plans to build a coal-fired power plant in South Carolina's Pee Dee region after determining the plant was not needed. A handful of electric cooperatives the company served switched to Duke Energy, which reduced the demand for power.

Staff Writer Jeff Wilkinson contributed to this story.

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