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Late yesterday the Office of Regulatory (ORS) staff submitted its prefiled testimony for Dockets 2017-370-E, 2017-207-E, and 2017-305-E to the South Carolina Public Service Commission.

The ORS' testimony focuses on the decision by South Carolina Electric & Gas Company (SCE&G) to abandon the construction of V.C. Summer Units 2 and 3 in Fairfield County and seek recovery of billions of dollars over decades for the two nuclear plants that will never produce any electric energy for ratepayers.

The testimony also addresses SCE&G's proposed acquisition by Virginia-based Dominion Energy. After reviewing data and information regarding the proposed Dominion merger, the ORS does not oppose the merger, subject to certain performance standards and conditions.

The ORS' testimony provides the Commission with data and evidence supporting the ORS recommendations regarding SCE&G's mismanagement. In particular, it shows SCE&G should have abandoned the nuclear construction in 2015 when SCE&G knew construction was delayed by years and would cost billions more than it was telling the Public Service Commission. The ORS' testimony also recommends SCE&G should not be able to recover certain costs.

To support its recommendations to the Commission, ORS staff and its experts reviewed more than 2.4 million pages of documents and financial records. ORS also sought and obtained the opinions of industry experts. Their testimony and reports will be presented to the Commission during the contested hearing in November.

After reviewing all available evidence and data related to the decision by SCE&G to abandon construction of two partially built nuclear generating units, the ORS is recommending that the Public Service Commission disallow all construction costs incurred by SCE&G after March 12, 2015, because, as ORS expert witness Gary C. Jones, P.E., states in his prefiled ORS testimony, "... SCE&G deliberately and repeatedly misled the PSC and ORS by withholding key information on the projected construction schedule."

In terms of dollars, the ORS recommends that the Commission disallow approximately \$1.87 billion in new nuclear development costs sought by SCE&G.

In addition, the ORS recommends that all revised rates, or financing costs during construction of the project, be permanently ended and that all revised rates collected from ratepayers since termination of construction on July 31, 2017 be credited back to customers.

The ORS testimony recommends a reduction of \$193.3 million per year in rates by January 2019. These recommended rate reductions bring the total rate reductions to more than 20 percent of the customers' bills from SCE&G's pre-abandonment rates. In contrast, SCE&G's plan calls for a reduction of just 8 percent from pre-abandonment levels.

The best-case scenario for ratepayers would be for SCE&G to securitize the debt, a process that would require new legislation to enable this type of low-cost financing.

The testimony of the ORS' witnesses is included on our website. A full list of the exhibits attached to the testimony can be found on the PSC's website:

<https://dms.psc.sc.gov/Web/Dockets/Detail/116542>.

IMPORTANT DEFINITION ADOPTED BY THE SOUTH CAROLINA GENERAL ASSEMBLY

The Office of Regulatory Staff represents the public interest of South Carolina in utility regulation. The "public interest" is now defined by the SC General Assembly as: *The concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.*

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