The Failure of the Nuclear Gamble in South Carolina – Regulators Can Save Consumers Billions by Pulling the Plug on Summer 2 & 3, Already Years behind Schedule and Billions over Budget

by Dr. Mark Cooper, for Friends of the Earth and the Sierra Club, July 2017

Summary of Key Findings

South Carolina Gas & Electric (SCE&G) is in the midst of frantic efforts to find a way to cushion the blow to the company, its shareholders and customers due to the financial meltdown of it V.C. Summer nuclear construction project. This report presents reasons for the abandonment of the project and outlines ways that utility customers can recoup a portion of the vast amount of money being wasted.

The severity of the economic collapse of the project is testimony to the enormity of the mistake made in choosing to build two, new, untested AP1000 nuclear reactors that were too big (unnecessary to meet the need for electricity) and far too costly for the utility to undertake. Rather than lead the way in the much touted “nuclear renaissance,” SCE&G’s pursuit of the project, approved in 2009 by the South Carolina Public Service Commission, is leading to the demise of the nuclear power industry in the U.S.

The March 2017 bankruptcy of Westinghouse, the designer, vendor and general contractor for the construction of the reactor project, underscores the project’s failure. The Public Service Commission has the power and the duty to put an end to the abuse of consumers that will be a drag on the state’s economy for decades. The project is wasting about $120 million per month without an updated work plan, target date or final cost, now estimated to be far over $14 billion. This analysis shows the project was based on erroneous load-growth estimates and that the PSC’s swift action could save ratepayers up to $10 billion.

Abandoning the principles of market economics, the South Carolina legislature was persuaded to allow utilities a guaranteed rate of return on nuclear construction projects under the Base Load Review Act (BLRA). Given the disastrous results, SCE&G should not have pursued the project under the BLRA.

Prudent SCE&G management would have recognized that the project was doomed by mid-2016 or much earlier and pulled the plug. Given new information, the PSC should review prudence of project spending.

The report outlines five steps that can be taken to soften the negative blow to ratepayers:

- Stop wasting money by abandoning the project.
- Claw back improperly expended sunk costs through reclamation under the bankruptcy laws and reparation for imprudent costs improperly incurred.
- Return to traditional least-cost, used and useful principles for utility resource acquisition.
- Rely on lower cost, cleaner resources, like efficiency, renewables and dynamic system management to meet any growth in demand, with reduction in pollutants.
- Mitigate the bill impact by enhancing ratepayer ability to lower their electricity costs with on-bill financing of efficiency, reducing the profit paid on wasted capital expenses, and extending the period for cost recovery.