STATE OF SOUTH CAROLINA

BEFORE THE PUBLIC SERVICE COMMISSION

DOCKET NO. 2016-223-E

In the Matter of:

Petition of South Carolina Electric & Gas Company for Updates and Revisions to Schedules Related to the Construction of a Nuclear Base Load Generation Facility at Jenkinsville, South Carolina

SOUTH CAROLINA COASTAL CONSERVATION LEAGUE’S PROPOSED ORDER

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the “Commission”) on the petition filed by South Carolina Electric & Gas Company (“SCE&G” or “the Company”) under Section 58-33-270(E) of the Base Load Review Act (“BLRA”), requesting an order from the Commission approving an updated capital cost schedule and construction schedule for the two new 1,117 megawatt nuclear units under construction at SCE&G’s V.C. Summer Nuclear Station near Jenkinsville, South Carolina.

On May 26, 2016, SCE&G filed a petition for updates and revisions to the cost estimate and the construction schedule for the new nuclear units under construction at SCE&G’s V.C. Summer Nuclear Station (the “Petition”). By letter dated June 2, 2016, the Clerk’s Office required SCE&G to publish a prepared Notice of Filing and Hearing which described the nature of the Petition and advised all interested parties of the manner in which they might intervene or otherwise participate in the proceeding. SCE&G submitted affidavits which demonstrated compliance with the Clerk’s instructions.
The South Carolina Office of Regulatory Staff ("ORS") is automatically a party to this proceeding pursuant to S.C. Code Ann. Section 58-4-10. Petitions to intervene were filed by the Electric Cooperatives of South Carolina, Inc. and Central Electric Power Cooperative, Inc. (the “Co-ops”); CMC Steel South Carolina; Frank Knapp, Jr.; Sandra Wright; the Sierra Club; South Carolina Energy Users Committee ("SCEUC"); and the South Carolina Coastal Conservation League (“CCL”).

On September 1, ORS filed a Settlement Agreement executed by ORS, SCE&G, the Co-ops, Frank Knapp, Jr., and SCEUC.

On October 4, 2016, in accordance with Section 58-33-270(E) of the BLRA and with the Commission’s Rules of Practice and Procedure, the Commission commenced the evidentiary hearing in this proceeding. On the oral motion of ORS, the Commission moved the Settlement Agreement into the record. The Commission then recessed the hearing, which was reconvened on October 12, 2016.

SCE&G was represented by Belton T. Zeigler, K. Chad Burgess, Matthew W. Gissendanner, and Mitchell Willoughby. The Co-ops were represented by John H. Tiencken, Jr. and Frank R. Ellerbe, III. SCEUC was represented by Scott Elliott. The Sierra Club was represented by Robert Guild. CCL was represented by J. Blanding Holman IV and Gudrun Thompson. Frank Knapp, Jr. and Sandra Wright appeared pro se. ORS was represented by Shannon Bowyer Hudson and Jeffrey M. Nelson. CMC Steel did not participate in the hearing.

SCE&G presented the testimony of Kevin B. Marsh, Stephen A. Byrne, Jimmy E. Addison, W. Keller Kissam, Kevin R. Kochems, and Joseph M. Lynch. The Co-ops presented the testimony of Michael N. Couick. CCL presented the testimony of Alice
Napoleon, subject to a motion to strike filed by SCE&G. ORS presented the testimony of Gary C. Jones and Allyn H. Powell.

II. FINDINGS, CONCLUSIONS AND DISCUSSION

Based upon the Petition, the Settlement Agreement, the testimony, and exhibits received into evidence at the hearing and the entire record of these proceedings, the Commission makes the following findings of fact and conclusions of law:

1. SCE&G’s Petition, as modified by the Settlement Agreement, requests that the Commission approve an updated construction schedule and capital cost schedule for V.C. Summer Nuclear Units 2 and 3. Under the Settlement Agreement, the cost of the Units would increase by $831.3 million, for a total of approximately $7.658 billion in current dollars. Hearing Ex. 1 at 13.

2. Section 58-33-270(E) of the Base Load Review Act (“BLRA”) governs SCE&G’s current petition for a construction cost and schedule modification. Under this section, the Commission must grant the relief requested if it finds that changes to previously approved “schedules, estimates, findings or conditions . . . are not the result of imprudence on the part of the utility.” S.C. Code Ann. § 58-33-270(E)(1).

3. Under the BLRA, once a modification to the capital cost schedule for a plant is approved, the utility is entitled to recover its financing costs through revised rates. A utility “must” be allowed to recover its “weighted average cost of capital applied to . . . the outstanding balance of construction work in progress.” S.C. Code Ann. § 58-33-280(B). Under the Settlement Agreement, the Company will use a 10.25% return on equity (“ROE”) in calculating revised rates filed after January 1, 2017, rather than the previously approved 10.5% ROE. This reduction in the Company’s ROE will reduce
costs to customers, relative to rates calculated under the previously approved ROE. Hearing Ex. 1 at 13.

4. A utility may seek approval of revised rates as often as annually, S.C. Code Ann. § 58-33-280(A), and in the past, SCE&G has requested that the financing costs for the capital costs approved in cost schedule modifications be included in revised rates. See, e.g., In Re: Application of S. Carolina Elec. & Gas Co. for Approval to Revise Rates Under the Base Load Review Act, No. 2014-187-E, 2014 WL 4954307, at *4 (Sept. 30, 2014).

5. SCE&G has already raised rates eight times to recover over $1 billion in financing costs of the new Summer units under the BLRA. An SCE&G residential customer using 1,000 kilowatt-hours per month currently pays an average of $143.67 per month; of that amount, $23.17 or 16.13% of the bill is attributable to the BLRA. Hearing Ex. 5 at 1. The Company filed a request for revised rates in Docket No. 2016-224-E, which was pending before the Commission at the time of the hearing in this matter. As originally proposed, the increase would increase the average residential customer’s bill by $4.44, to $148.11. Of that amount, $27.61 or 18.64% of the bill would be attributable to the construction of the Units. Hearing Ex. 5 at 2.

6. Hundreds of SCE&G customers submitted comments, and several public witnesses testified in this proceeding, that they are struggling to pay their bills due to the repeated rate increases under the BLRA, and sometimes must choose between paying their electric bill and buying food and medicine. Tr. Vol. 2 (transcript of October 4, 2016 public night hearing in Columbia). SCE&G witness Kevin Marsh, Chief Executive
Officer of the Company, acknowledged comments from SCE&G customers who say they are having trouble paying their electricity bills. Tr. Vol. 1, p. 128.

7. The BLRA balances the utility’s need for timely recovery of financing costs with the need to protect customers. If rates will increase as a result of a cost schedule modification, SCE&G should be required to take steps to cushion the impacts of that increase, where possible. The reduction to the Company’s ROE in the Settlement Agreement will help to reduce these impacts and denotes the interrelationship of ratepayer impacts and shareholder impacts that should be considered by the Commission.

8. Energy efficiency programs can similarly help customers lower their bills in the face of the repeated rate increases attributable to the new Summer units.1

CCL witness Alice Napoleon, an expert in electric system policy, testified that “a robust energy efficiency portfolio could help customers to mitigate the bill increases related to the new V.C Summer units.” Tr. Vol. 1, p. 337. SCE&G witness Marsh agreed that energy efficiency programs can help customers reduce their bills, if they are effective.

1 The Commission denies SCE&G’s motion to strike the testimony of CCL witness Alice Napoleon concerning the ability of company-run energy efficiency programs to mitigate the impact of SCE&G’s requested cost increase on customers. “[M]otions to strike are disfavored in administrative proceedings” before the PSC, Hearing Officer Directive, Order No. 2015-5-H(A), Docket No. 2014-372-T (S.C. Pub. Serv. Comm’n. Jan. 22, 2015). While such motions are granted where there is a procedural irregularity or a moving party is prejudiced by inadmissible hearsay or unduly cumulative submissions, where those issues are not present, the Commission can admit the testimony and give it “whatever weight or credibility the Commission deems appropriate” in light of the entire record. In re ITC—Deltacom Comm’ns, Inc., Order No. 1999-690, Docket No. 1999-259-C (Oct. 4, 1999). Ms. Napoleon’s testimony is relevant under the BLRA, which balances utilities’ need to for timely recovery of financing costs with the need to “protect[] customers” of utilities from responsibility for wasteful or avoidable costs. South Carolina Energy Users Comm. v. South Carolina Pub. Serv. Comm’n, 697 S.E.2d 587, 592 (S.C. 2010). See Georgia Power Co. v. Georgia Pub. Serv. Comm’n, 396 S.E.2d 562, 569-70 (Ga. App. 1990) (affirming the Georgia Public Service Commission’s finding of imprudence where customers would have borne additional nuclear plant costs beyond their control).
and done properly. Tr. Vol. 1, p. 128. Ms. Napoleon explained that the recommendations in her testimony were “aimed at expanding SCE&G’s energy efficiency programs to allow all customers the opportunity to lower their bills in an environment of rising rates.” Tr. Vol. 1, p. 337, Hearing Exh. 7.

Ms. Napoleon examined the performance of SCE&G’s portfolio, and found that it compared poorly to those of other electric utilities in the Southeast. Tr. Vol. 1, pp. 314-15. Ms. Napoleon testified that energy savings from the Company’s energy efficiency programs have declined precipitously, and savings are projected to remain low. Tr. Vol. 1, pp. 314-15. Her testimony concluded that increasing energy efficiency savings to 1.5 percent of residential sales would likely reduce customer bills by about 1.6 percent, on average. Tr. Vol. 1, p. 306. In contrast, if SCE&G maintained the low level of savings projected in its 2016 IRP, $214 million in net benefits to customers would be foregone, with bills reduced by only 0.5 percent. Tr. Vol. 1, pp. 324-25.

Ms. Napoleon identified specific cases where SCE&G’s programs were altered to the detriment of SCE&G’s customers or could be improved to allow customers to realize greater bill savings. The cost-effective ENERGY STAR New Homes and Home Performance with ENERGY STAR programs were dismantled despite being the only SCE&G programs to address new homes or major energy-efficient upgrades to existing homes. Tr. Vol. 1, p. 317-18. The residential ENERGY STAR Lighting program was arbitrarily changed from a point-of-purchase discount model to an online retail model, which resulted in more than a 70% decrease in savings. Tr. Vol. 1, p. 316-17. The Neighborhood Energy Efficiency Program (“NEEP”) does not currently include measures that are offered in other jurisdictions and can offer great bill relief to low-income
customers, such as weatherization, low-flow water fixtures, and more efficient heating, ventilating, and air conditioning equipment. Tr. Vol. 1, p. 319. A high-efficiency new manufactured housing program and a program to incentivize high-efficiency residential appliances could also provide relief to residential customers. Tr. Vol. 1, p. 321-22. Access to financing for commercial and industrial customers could entice as many as one third of the customers in this sector that opt-out of SCE&G’s offerings. Tr. Vol. 1, p. 321. Finally, low or no-cost financing options can reduce the financial burden on customers who are hesitant or unable to make large upfront payments on energy efficiency. Tr. Vol. 1, p. 310. These payment programs are critical for encouraging participation among low-income customers. Ms. Napoleon testified that these customers are an important sector to reach, as they typically contribute a very high portion of their disposable income toward their energy bills, and experience significant benefits from adopting energy efficiency measures. Tr. Vol. 1, p. 311.

SCE&G witness Joseph Lynch testified that according to the Company’s economic study, increasing energy efficiency by a substantial amount does not change the value of the Units to customers in a meaningful way. In other words, because energy efficiency displaces natural gas and coal generation, rather than nuclear generation, Tr. Vol. 4, p. 842, increasing energy efficiency would not change the economics of building the Units. Dr. Lynch also testified, however, that there may be other reasons to increase investment in energy efficiency, including reduced air pollution, reduced fuel costs, and deferral or avoidance of the need for new generating resources. Tr. Vol. 4, p. 844. For these reasons, Dr. Lynch agreed that cost-effective energy efficiency reduces total system costs for customers. Tr. Vol. 4, p. 845. Likewise, the Co-ops’ witness Michael Couick
testified that a program saving energy cost-effectively “saves across the board.” Tr. Vol. 3, p. 685. Dr. Lynch agreed that in light of the fact that energy efficiency can reduce system costs, offering energy efficiency programs provides customers with the opportunity to save money on their bills, and that low-income programs in particular help customers. Tr. Vol. 4, p. 847.

9. In light of SCE&G’s obligation to mitigate the rate impact of the construction of the new V.C. Summer Units on customers, the Commission concludes that it is appropriate to establish an annual energy efficiency savings goal for SCE&G of 1.5 percent of residential sales. In furtherance of this goal, the Commission concludes that it is appropriate to require the Company to: 1) reinstate its ENERGY STAR New Homes and Home Performance with ENERGY STAR programs, and reverse changes made to the residential ENERGY STAR Lighting program; 2) expand the NEEP program so that it is available to individual low-income participants who live outside the program’s target neighborhoods and offers additional measures such as weatherization, low-flow water fixtures, and more efficient heating, ventilating, and air conditioning equipment; 3) develop new programs to promote high-efficiency new manufactured housing, increase access to financing for commercial and industrial customers, and incentivize residential high-efficiency appliances; 4) develop a program that provides customers low or no-cost financing options, for example, an on-bill financing program; and 5) implement the recommendations in CCL witness Napoleon’s testimony with regard to strategies to educate customers and increase participation in other energy efficiency programs, such as advertisements, bill inserts, point-of-purchase displays, and presence at community events. Finally, the Commission concludes that it is appropriate to direct SCE&G to file
a proposal within six months detailing how it plans to implement these changes to its
energy efficiency programs and meet its goal of achieving 1.5 percent annual residential
energy efficiency savings.

III. CONCLUSION AND ORDER

After hearing the testimony of the witnesses and based on the Commission’s
review of the Petition, hearing transcript and exhibits,

IT IS THEREFORE ORDERED THAT:

1. SCE&G’s motion to strike the testimony of Alice Napoleon is denied, and her
testimony and exhibits are entered into the record.

2. An annual energy efficiency savings goal for SCE&G of 1.5 percent of residential
sales is established.

3. SCE&G shall develop and deliver ENERGY STAR New Homes and Home
Performance with ENERGY STAR programs; restore its residential ENERGY
STAR Lighting program; expand the availability and offerings of the NEEP
program; develop new programs to promote high-efficiency new manufactured
housing, increase access to financing for commercial and industrial customers,
and incentivize residential high-efficiency appliances; develop a low or no-cost
financing program; and implement the recommendations in CCL witness
Napoleon’s testimony with regard to strategies to educate customers and increase
participation in other energy efficiency programs, such as advertisements, bill
inserts, point-of-purchase displays, and presence at community events.

4. SCE&G is directed to file a proposal within six months detailing how it plans to
implement these changes to its energy efficiency programs and meet its goal of
achieving 1.5 percent annual residential energy efficiency savings.

BY ORDER OF THE COMMISSION:

________________________________________
Swain E. Whitfield, Chair
ATTEST:

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Comer H. “Randy” Randall, Vice Chair

(SEAL)
CERTIFICATE OF SERVICE

I certify that the following persons have been served with one (1) copy of the foregoing South Carolina Coastal Conservation League’s Proposed Order by electronic mail and by U.S. First Class Mail, postage prepaid at the addresses set forth below:

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s/ Robin Dunn

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