



August 7, 2009
NND-09-0237

U.S. Nuclear Regulatory Commission
Document Control Desk
Washington, DC 20555-0001

ATTN: Document Control Desk

Subject: V. C. Summer Nuclear Station Units 2 and 3
Docket Numbers 52-027 and 52-028
Combined License Application – Response to NRC
Environmental Report (ER) Requests for Additional Information
(RAI): BenCost-1 and SEcon-4

- Reference:
1. Letter from Ronald B. Clary to Document Control Desk, Submittal of Revision 1 to Part 3 (Environmental Report) of the Combined License Application for the V. C. Summer Nuclear Station Units 2 and 3, dated February 13, 2009.
 2. Letter from Patricia J. Vokoun to Ronald B. Clary, Requests for Additional Information Related to the Environmental Review for the Combined License Application for the V. C. Summer Nuclear Station, Units 2 and 3, dated June 22, 2009.

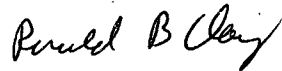
By letter dated March 27, 2008, South Carolina Electric & Gas Company (SCE&G) submitted a combined license application (COLA) for V.C. Summer Nuclear Station (VCSNS) Units 2 and 3, to be located at the existing VCSNS site in Fairfield County, South Carolina. Subsequently the Environmental Report (ER), Part 3 of the application, was revised and submitted to the NRC (reference 1).

The enclosure to this letter provides the SCE&G response to RAI items BenCost-1 and SEcon-4 transmitted by the NRC via reference 2.

Please address any questions to Mr. Alfred M. Paglia, Manager, Nuclear Licensing, New Nuclear Deployment, P. O. Box 88, Jenkinsville, S.C. 29065; by telephone at 803-345-4191; or by email at apaglia@scana.com.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 7th day of August 2009



Ronald B. Clary
General Manager
New Nuclear Deployment

ARR/RBC/ar

Enclosures

c (with Enclosures):

Patricia Vokoun
Carl Berkowitz
FileNet

c (without Enclosures):

Luis A. Reyes
John Zeiler
Chandu Patel
Stephen A. Byrne
Ronald B. Clary
Bill McCall
William M. Cherry
Randolph R. Mahan
Kathryn M. Sutton
Rich Louie
John J. DeBlasio
April Rice

**VCSNS UNITS 2 and 3
Environmental Report Review
Response to NRC Requests for Additional Information**

NRC RAI Letter Dated June 22, 2009

NRC RAI Number: RAI BenCost-1 **Revision:** 0

Reference ER Information Needs Item: none

Question Summary (RAI):

Provide estimates of the annual taxes expected to be paid as a result of constructing and operating two new operating units at the VCSNS over the lifetime of the new plants. Include expected property taxes paid to Fairfield County, expected annual sales taxes paid to the State of South Carolina, and any expected corporate taxes paid to jurisdictions affected by the VCSNS, that would be attributable to the new units.

Full Text (supporting information):

No quantitative discussion of this information appears in the ER.

VCSNS Response:

For clarity, the response to each individual component of this RAI is addressed separately.

1) ... expected property taxes paid to Fairfield County ...

Response: Payment in lieu of property taxes would be paid to Fairfield County by two entities, SCE&G and Santee Cooper.

Fairfield County has offered SCE&G an inducement for the construction of two units at VCSNS, consisting of a fee-in-lieu-of-tax agreement based on Units 2 and 3 construction cost (Fairfield County 2005). The payments in lieu of property tax by SCE&G decrease over time due to the effect of depreciation. The estimate presented in Table BenCost 1-1, below, for SCE&G fee-in-lieu of tax payments, is an estimate based on the SCE&G portion of the revised estimated cost of constructing Units 2 and 3. Estimates of SCE&G payments presented in ER Table 5.8-1 were based on a cost of \$1900 - \$2200 per kW (in 2005 dollars). The revised estimate, in 2007 dollars, is based on an estimated SCE&G cost of \$3,404 per kW.

Santee Cooper, a state agency, pays Fairfield County an annual "sum-in-lieu-of-tax" payment on property based on the value of property at the time of acquisition. The amount is not subject to reassessment as long as Santee Cooper owns the property. The response to NRC Information Needs SE-3 (SCE&G letter NND-09-0164, dated June 15, 2009, ML091690069), Table "Sums in Lieu of Taxes for Santee Cooper" includes the sum-in-lieu of property taxes and other payments based on revenue (see section "any expected corporate taxes paid to jurisdictions affected by the VCSNS" below).

Table BenCost-1-1 below displays the SCE&G and Santee Cooper estimated average annual payments in lieu of property taxes to Fairfield County during the 40-year period of the operations of Units 2 and 3.

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Table BenCost-1-1 Fee-in-Lieu-of-Tax and Sum-in-Lieu-of-Tax Payments (property tax equivalents) to Fairfield County on behalf of Units 2 and 3 at VCSNS

| Years of Operation | SCE&G Average Annual Fee-in-Lieu-of-Tax (property) Payments to Fairfield County for Units 2 and 3 (millions) [1] [2] | Santee Cooper Average Annual Sum-in-Lieu-of-Tax (property) Payments to Fairfield County for Units 2 and 3 (millions) [3] | Total Average Annual Payments (millions) |
|--------------------|--|--|--|
| 2017 – 2019 | \$18.6444 | \$0.0015 | \$18.6459 |
| 2020 – 2034 | \$31.1446 | \$0.0015 | \$31.1462 |
| 2035 – 2044 | \$20.3423 | \$0.0015 | \$20.3438 |
| 2045 – 2056 | \$13.9289 | \$0.0015 | \$13.9304 |

[1] Values are in constant 2007 dollars (not adjusted for inflation)

[2] Assumes SCE&G portion of construction cost (excluding transmission lines) at \$3,404 per kW

[3] Sum-in-lieu-of-tax payment does not change; it is not indexed to inflation

2) ... expected sales taxes paid to the state of South Carolina ...

Response: In 2008, the average annual wage of an operations worker at VCSNS Unit 1 was \$79,000. As noted in ER Section 5.8.2, the Units 2 and 3 operations workforce is expected to be 800 persons. In 2008 dollars, the estimated annual payroll of Units 2 and 3 would be about \$63,000,000. The Bureau of Economic Analysis determined, using RIMS II software, that the earnings multiplier for the power generation and supply industry in the region was 1.8219 (U.S. BEA 2006). Therefore, annual earnings resulting from the operations of Unit 2 and 3 would be \$120,000,000. The state of South Carolina could expect these earnings to generate approximately \$4.8 million in annual sales tax revenue if the applicable sales tax rates (6% on most goods-excluding groceries (SCDOR 2007) -and certain services) and spending patterns of consumers within the state stay constant (approximately 4.17% of gross wages earned are collected by the state in sales tax).

In addition, the state would collect sales tax on some purchases by SCE&G during the construction and operations of Units 2 and 3. SCE&G is responsible for operating Units 2 and 3. Therefore, Santee Cooper would not make any taxable purchases in support of the operations Units 2 and 3 at VCSNS.

3) ... any expected corporate taxes paid to jurisdictions affected by the VCSNS ...

Response: SCE&G would pay federal and South Carolina corporate income tax on revenue attributable to Units 2 and 3. There is no applicable local corporate income tax due from revenues earned by SCE&G. The composite regulatory federal and state rate is 38.533% on returns subject to tax (5.533% is the state portion and 33% is the federal portion). As provided in the base load review order application (SCE&G 2008), SCE&G estimates that \$271.18, million, in 2007 dollars, of revenue will be subject to tax. The SCE&G estimated tax obligation is based on the application Exhibit M, Chart B,

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Cumulative Revenue Requirements for years 2019 and 2020. The \$1,229 million cumulative revenue requirement, in 2019 dollars, when adjusted for 2007 dollars and for allowable deductions, yields an estimated \$271.18 million return subject to taxes. Hence, the annual federal corporate income tax resulting from the operations of Units 2 and 3 is estimated to be \$89.49 million (in constant 2007 dollars) or \$3,579.58 million during the 40-year operational life of the units. South Carolina annual corporate income tax resulting from the operations of Units 2 and 3 is estimated to be \$15.00 million (in constant 2007 dollars) or \$600.18 million during the operational life of the units.

Santee Cooper, a state owned utility, does not pay federal corporate income taxes. However, Santee Cooper pays the state of South Carolina 1% of its consolidated projected revenue in semi-annual payments. A small portion (15%) of the payment made to the state is distributed to counties with Santee Cooper generating facilities. The portion received by each applicable county is based on the proportional ratio of generating capacity in the county, to the total generating capacity of all Santee Cooper facilities. Santee Cooper expects several new facilities, outside of Fairfield County, to become operational during the operational life of VCSNS. Therefore, the portion of Santee Cooper generation capacity attributable to Units 2 and 3 at VCSNS would vary as the capacity of the utility company changes. Hence, the estimated equivalent of corporate income taxes, a sum-in-lieu-of-tax commitment, distributed by the state to Fairfield County would vary as the generating capacity of the aggregate capacity at Santee Cooper would change.

Table BenCost-1-2 summarizes estimated average annual corporate taxes and sum-in-lieu-of-tax payments to the three applicable jurisdictions from the two owner entities of VCSNS Unit 2 and 3.

Table BenCost-1-2 Corporate Income Tax and Sum-in-Lieu-of-Tax Paid to Applicable Jurisdictions from Revenues earned at VCSNS Units 2 and 3

| Years of Operation | Federal Income Tax liability of SCE&G (millions) [1] [2] | South Carolina Income Tax liability of SCE&G (millions) [1] [2] | Fairfield County Income Tax Liability of SCE&G (millions) | Share of Santee Cooper Sum-in Lieu-of-(Income)-Tax Distributed to Fairfield County (millions) [3] [4] |
|--------------------|--|---|---|---|
| 2020 - 2030 | \$89.49 | \$15.00 | \$0.00 | \$1.03 |
| 2031 - 2040 | \$89.49 | \$15.00 | \$0.00 | \$1.27 |
| 2041 - 2050 | \$89.49 | \$15.00 | \$0.00 | \$1.52 |
| 2051 - 2056 | \$89.49 | \$15.00 | \$0.00 | \$1.78 |

[1] in constant 2007 dollars (not adjusted for inflation)

[2] SCE&G pays corporate income taxes

[3] Santee Cooper makes sum-in-lieu-of-tax payments

[4] in constant 2009 dollars (not adjusted for inflation)

References:

U.S. BEA (U.S. Bureau of Economic Analysis) 2006. *RIMS II Multipliers for Columbia, SC Region 2*, Regional Economic Analysis Division, Economic and Statistics Administration, 2006. [cited in ER Sections 4.4 and 5.8]

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SCE&G 2008. Combined Application of South Carolina Electric & Gas Company for a Certificate of Environmental Compatibility and Public Convenience and Necessity and for a Base Load Review Order for the Construction and Operation of a Nuclear Facility at Jenkinsville, South Carolina. Letter, Burgess (SCE&G) to Terreni (PSC), May 30, 2008. PSC Docket Number 2008-196-E, Matter Identification Number 192359. Available online at <http://dms.psc.sc.gov/dockets/dockets.cfc?Method=ShowDocketMatters&DocketID=103552>. Accessed November 13, 2008. [cited in ER Chapter 8]

Fairfield County 2005. *Inducement Resolution*. Approved and Adopted 12 December.

SCDOR (South Carolina Department of Revenue) 2007. News Release: *South Carolinians to Soon See Additional Savings on Grocery Bills*. October 9, 2007. Available at <http://www.sctax.org/>.

Associated COLA Revisions:

No COLA revision is deemed necessary as a result of the response to this RAI. This response provides new tax payment estimates based upon more recent plant construction cost information. Although tax payment estimates in the current ER Revision 1 were based upon an earlier construction cost estimate (in 2005 dollars), the summary of tax impacts conclusion discussed in ER 5.8.2.2.2 remain valid.

Associated Attachments:

Fairfield County 2005
SCDOR 2007

STATE OF SOUTH CAROLINA)
)
COUNTY OF FAIRFIELD)

NO. _____

INDUCEMENT RESOLUTION

WHEREAS, Fairfield County (the "County") is presently recruiting an investment in the County in excess of \$600 million by a particular company or an affiliated entity or entities of the company (collectively, the "Company"). Furthermore, the County is also presently recruiting an additional investment of at least \$5 million by each of one or more additional sponsors (the "Sponsor Affiliate"). Either or both of the new investments shall be in the form of a new facility and/or additional facilities to be located in the County ("Project Caroline"); and

WHEREAS, Fairfield County Council (the "Council"), in order to induce the Company and, if applicable, the Sponsor Affiliate, to locate Project Caroline in the County, has committed to the Company and, if applicable, the Sponsor Affiliate, that the Council will take certain actions and provide certain incentives, including but not limited to entering into a fee-in-lieu of taxes ("FILOT") agreement providing certain benefits to the Company and, if applicable, the Sponsor Affiliate, if the Company and, if applicable, the Sponsor Affiliate were willing to locate Project Caroline in the County;

NOW, THEREFORE, BE IT RESOLVED by the Fairfield County Council that:

1. If the Company and, if applicable, the Sponsor Affiliate, decide to locate Project Caroline in the County, the Council, upon request by the Company and, if applicable, the Sponsor Affiliate, hereby agrees to enter into agreements under Title 4, Chapter 12 Code of Laws South Carolina, as amended, and/or Title 12, Chapter 44 Code of Laws of South Carolina, as amended, as the Company and, if applicable, the Sponsor Affiliate, may decide (the "Applicable Statute"), that will provide the Company and, if applicable, the Sponsor Affiliate, with the maximum possible benefits allowed pursuant to a FILOT agreement, including but not limited to the calculation of such fee by the Company (and, if applicable, the Sponsor Affiliate) on the basis of an assessment ratio of 4% and the other benefits set forth below.
2. The Council agrees to provide the Company with a special source revenue credit in the amount of 20% percent of the FILOT payments on the Project during the first twenty (20) years that such FILOT payments are made.
3. The Council agrees to provide the Sponsor Affiliate with a special source revenue credit in the amount of 20% of the FILOT payments on the Project during the first twenty (20) years that such FILOT payments are made.
4. The Council agrees that the Project will be placed in a multi-county industrial park in connection with entering into a FILOT agreement but in no event later than December 31, 2006.

5. The Council agrees to enter into and execute a FILOT agreement with the Company and, if applicable, the Sponsor Affiliate, at such time as the Company and, if applicable, the Sponsor Affiliate may request, which agreement will reflect the provisions of this Inducement Resolution and such other provisions as the Company and, if applicable, the Sponsor Affiliate may request consistent with this Inducement Resolution and with the Applicable Statute. Such FILOT agreement shall provide the Company with a fixed millage rate for thirty (30) years for the purpose of calculating fee payments based upon the lowest of the cumulative property tax millage rates legally levied by or on behalf of all taxing entities within which the subject property is to be located that is applicable during the period beginning on the thirtieth day of June preceding the calendar year in which a millage agreement or a fee agreement is executed, as required under the Applicable Statute, and ending on the date a lease agreement or a fee agreement is executed, as required under the Applicable Statute. Such FILOT agreement shall provide the Sponsor Affiliate with a fixed millage rate for twenty (20) years (or for thirty (30) years if the Sponsor Affiliate invests \$600 million or more in the Project) for the purpose of calculating fee payments based upon the lowest of the cumulative property tax millage rates legally levied by or on behalf of all taxing entities within which the subject property is to be located that is applicable during the period beginning on the thirtieth day of June preceding the calendar year in which a millage agreement or a fee agreement is executed, as required under the Applicable Statute, and ending on the date a lease agreement or a fee agreement is executed, as required under the Applicable Statute.
6. The County agrees to grant the five-year extension of time authorized under the Applicable Statute in order that the Company and/or the Sponsor Affiliate will have the maximum amount of time to complete the Project.
7. The Council agrees that if the Company (and, if applicable, the Sponsor Affiliate) does not meet the required investment of \$600 million within the period required under the Applicable Statute and no longer qualifies as an enhanced investment under the Applicable Statute, that the Project will still qualify as a FILOT arrangement under the Applicable Statute and the FILOT payment will thereafter be calculated based upon an assessment ratio of 6%. Such FILOT agreement will then be for a reduced term of twenty (20) years and the fixed millage rate shall continue to be based upon the lowest of the cumulative property tax millage rates legally levied by or on behalf of all taxing entities within which the subject property is to be located that is applicable during the period beginning on the thirtieth day of June preceding the calendar year in which a millage agreement or a fee agreement is executed, as required under the Applicable Statute, and ending on the date a lease agreement or a fee agreement is executed, as required under the Applicable Statute.
8. The Council agrees to provide the Company and, if applicable, the Sponsor Affiliate with the most favorable provisions allowable under the Applicable Statute with respect to the disposal and replacement of real and personal property.
9. The Council agrees that the participation of the Sponsor Affiliate is not a condition to the inducement of the Company and should the Sponsor Affiliate not decide to

participate in the Project, the terms of this Inducement Resolution shall remain in full force and effect to induce the Company to locate the facility or facilities in the County without the participation of the Sponsor Affiliate so long as the Company invests a minimum of \$600 million.

APPROVED AND ADOPTED IN A MEETING THIS 12th DAY OF December
2005.

David L. Ferguson Sr.
Chairman, Fairfield County Council

ATTEST:
Sheryl M. Brown
Clerk of Council



No state sales and use tax on unprepared food

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 SOUTH CAROLINA DEPARTMENT OF REVENUE
 Public Affairs Office
 Contact: Adrienne Fairwell
 Phone: (803) 898-5287
 Email: fairwea@sctax.org

FOR IMMEDIATE RELEASE
 October 9, 2007

South Carolinians to Soon See Additional Savings on Grocery Bill

Beginning November 1, 2007 there will be no state sales and use tax on unprepared food items

Columbia, SC... Taxpayers will soon see savings when buying unprepared food items. Effective November 1, 2007 the current three percent state sales and use tax rate on unprepared food items will be eliminated.

Legislation recently passed and signed by Governor Mark Sanford states that unprepared food items which lawfully may be purchased with United States Department of Agriculture (USDA) coupons i.e., food stamps and electronic benefits transfer cards will be exempt from the current three percent state sales and use tax rate.

This exemption does not apply to local option taxes administered and collected by the SC Department of Revenue on behalf of counties and other jurisdictions, unless otherwise specifically exempted.

Unprepared food items do not have to be purchased with USDA coupons in order to get the exemption, and food purchased with USDA food coupons will continue to be free from the tax. Additionally, persons 85 years of age and older purchasing unprepared food items will receive the state sales and use tax rate exemption.

For a listing of food eligible for the state sales and use tax rate exemption and frequently asked questions please visit the South Carolina Department of Revenue Web site, www.sctax.org, and scroll to "What's New."

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**VCSNS UNITS 2 and 3
Environmental Report Review
Response to NRC Requests for Additional Information**

NRC RAI Letter Dated June 22, 2009

NRC RAI Number: SEcon-4 **Revision:** 1

Reference ER Information Needs Item: SE-6

Question Summary (RAI):

Provide the bases for any workforce transportation analysis assumptions, including the impact expected under the cases of two or three shifts as opposed to the four-shift scenario reported.

Full Text (supporting information):

The staff needs the applicant's quantitative assessment of site-related traffic impacts under the two-shift and three-shift scenarios suggested in the information provided by SCE&G on 5/7/09 (NND-09-0121).

VCSNS Response:

The traffic analysis presented in ER Section 4.4.2.2.4 assumed the construction workforce would be distributed evenly among four shifts. Under that assumption, the traffic on SC 213 was estimated to change from free flowing at Level A to highly congested at less than Level E. Therefore, VCSNS construction traffic would exceed the road capacity during the months of greatest construction activity. If a one-, two-, or three-shift rotation were assumed, the number of workers involved in each shift change would increase.

VCSNS has a current permanent workforce of approximately 635 individuals. There are also contractor personnel supporting Unit 1 operations. SCE&G has assumed that 100% of the current permanent VCSNS workforce would be working, with 98% day-shift and 2% night-shift, and that all workers on a shift arrive and leave during the same hour. Therefore, the afternoon shift change results in the highest traffic count, with approximately 622 day workers leaving and 13 night-shift workers arriving, for a total of 635 vehicles during the hour of shift change. Also, SCE&G assumed that 50% (318 vehicles) of the traffic comes from the south on SC 215 and 50% (318 vehicles) comes from the west on SC 213.

Under a one-shift scenario, the entire Units 2 and 3 construction workforce, 3,600 workers at peak construction activity, would be commuting from the site during the afternoon shift change along with most of the existing Unit 1 workforce. The peak hour vehicle count is estimated at 2,118 vehicles on both SC213 and SC 215, exceeding the capacity of both roadways during the peak traffic hour.

For a two-shift Units 2 and 3 construction scenario, SCE&G assumed that the day shift would comprise 50% of the construction workforce and the night shift would comprise 50% of the construction workforce. The entire construction workforce, 3600 workers at peak construction activity, would be commuting to and from the site during the afternoon shift change along with most of the existing Unit 1 workforce. The peak hour vehicle

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count is estimated at 2,118 vehicles on both SC213 and SC 215, exceeding the capacity of both roadways during the peak traffic hour.

For a three-shift Units 2 and 3 construction scenario, SCE&G assumed that the day shift would comprise 60% of the construction workforce, the night shift would comprise 30% of the construction workforce, and the graveyard shift would comprise 10% of the construction workforce. Ninety percent of the construction workforce would be commuting to and from the site during the afternoon shift change along with most of the existing Unit 1 workforce. The peak hour vehicle count is estimated at 1,938 vehicles on both SC213 and SC 215, exceeding the capacity of both roadways during the peak traffic hour.

The peak hour traffic estimated for the different construction shift scenarios are summarized below.

| | Number of vehicles traveling on SC213 | Number of vehicles traveling on SC215 |
|---------------------------------|---------------------------------------|---------------------------------------|
| Four shifts | | |
| Unit 1 commuters | 318 | 318 |
| Unit 2/3 construction commuters | 900 | 900 |
| Total peak hour traffic | 1,218 | 1,218 |
| Three shifts | | |
| Unit 1 commuters | 318 | 318 |
| Unit 2/3 construction commuters | 1,620 | 1,620 |
| Total peak hour traffic | 1,938 | 1,938 |
| Two shifts | | |
| Unit 1 commuters | 318 | 318 |
| Unit 2/3 construction commuters | 1,800 | 1,800 |
| Total peak hour traffic | 2,118 | 2,118 |
| One shift | | |
| Unit 1 commuters | 318 | 318 |
| Unit 2/3 construction commuters | 1,800 | 1,800 |
| Total peak hour traffic | 2,118 | 2,118 |

If a one-, two-, or three-shift rotation were assumed, traffic during the peak commuting hours would increase over that projected for the four-shift rotation in ER Section 4.4.2.2.4. The conclusion that traffic would be expected to exceed the road capacity of SC 213 would not change. Traffic on SC 215 would also be expected to exceed the capacity of that roadway. SCE&G's plans for mitigating traffic impacts are described in ER Section 4.4.2.2.4.

Associated COLA Revisions:

No COLA revision is required as a result of the response to this RAI.

Associated Attachments:

None