

9 Twin Orchard Drive
Oswego, NY 13126
June 30, 2018

The Honorable Henry McMaster
State House
1100 Gervais Street
Columbia, South Carolina 29201

Dear Governor Henry McMaster:

What is next?

With the South Carolina legislature finally taking action against most of the continuing V.C. Summer construction charges (for SCE&G customers only), (and only to the end of the year), I think it is reasonable to ask what is next?

First, let me point out a major cause, (as I see it), of this whole problem. The idea that a regulated utility recovers its cost of construction of a generating plant but then makes its money generating electricity does not seem applicable in South Carolina. Here, it appears, the regulated utility unobtrusively jacks up its plant capital cost during construction and makes a very substantial return on this investment/expense, then also makes some money from generating electricity.

To be blunt, the really big money is the result of bloated construction costs, all (hopefully) incorporated into the new plant capital cost. It appears to me that your present SC PSC is tasked with approving (or rejecting) (electricity generating) rate increases and pretty much overlooks continuously increasing capital costs.

Suggestions

1. Reduce the authorized return on (prudent) capital investment to something a lot more reasonable, (lower), for today.
2. Determine if owners of the V.C. Summer Unit 1 plant have sufficient financial backing to operate the plant safely AND to pay for decommissioning (including used nuclear fuel storage for a very long time afterwards.)
3. Get the electric rates of Santee Cooper under the control of the SC PSC.
4. It seems to me that bankruptcy is the fairest course for SCE&G. Encourage this urgently.

5. Call each organization presently investigating the V.C. Summer Unit 2 & 3 into your office individually. Ask what is taking so long for what each hopes to achieve. Tell them the end of the year looks like a reasonable completion date. And, if some are spending a lot of money and time on concerns of minimum significance, tell them to stop. We need decisions to prosecute made in a timely manner, not 20 or 30 years down the road.
6. Determine if major pieces of V.C. Summer Units 2 & 3 have also been offered for sale to the Chinese, who are actually building such plants. This stuff needs to be sold before purchasers start worrying about its documented quality/actual condition.
7. Find out why no insurance against poor construction/default was obtained by the owners for their own protection. I think this is the basic reason for the surety insurance industry.
8. Sell Santee Cooper.

Very truly yours,

Thomas Gurdziel

CHAIRMAN Resource

From: Tom Gurdziel <tgurdziel@twcny.rr.com>
Sent: Saturday, June 30, 2018 10:18 PM
To: tmoore@postandcourier.com
Cc: awilks@thestate.com; abrown@postandcourier.com; judys@enr.com; kormanr@enr.com; 'Ed Stronski'; CHAIRMAN Resource; Screnci, Diane
Subject: [External_Sender] Letter to Gov. McMaster
Attachments: McMaster #8.docx

Hello Thad,

Based on what you told me, I have left out any comment in the letter about the amount of time until the SC PSC will make a V.C. Summer Unit 2 & 3 decision. The letter will go out Monday.

Thank you,

Tom



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