

Southern Alliance for Clean Energy Comments for House Utility Ratepayer Protection Committee, September 26, 2017

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My name is Chris Carnevale, and I work with the Southern Alliance for Clean Energy in Charleston. I want to begin by thanking you, Chairman McCoy, Vice Chair Ott, and the rest of the committee for hosting this hearing today and more generally for the effort and resources you are putting into ensuring that the disaster of V.C. Summer never happens again to South Carolina. The work you are doing is extremely important and we commend you for undertaking it and allowing for public participation, which we hope will continue beyond today's hearing.

The decision to abandon the V.C. Summer project was the right decision, but it has to be asked why such a crisis occurred in the first place. I'd like to use my comments to highlight two matters: first, the treatment of project costs going forward, and second, a discussion of the regulatory structures that enabled such costs to accrue.

On the subject of how costs are treated going forward, customers should not be on the hook for utility mismanagement. The Bechtel Report makes clear that the utilities were aware of severe problems in advance of asking for billions of dollars from ratepayers. Recovery of these costs should be disallowed, particularly as state and federal investigations begin of potential criminal wrongdoing, which could yield significant findings. You should also discourage SCE&G from seeking any deal on how much its customers will pay to abandon V.C. Summer until the investigation has run its course. Customers need to be put first, ahead of more financial gains to utility shareholders and further executive bonuses.

Now is the time to begin focusing on accountability for this financial disaster. In the fallout of the project's cancellation, it has become clear that the leadership of South Carolina's key energy institutions has spectacularly failed South Carolinians--customers, businesses, and workers alike. Utility executives, regulators, and legislators have ignored the warnings, dismissed alternatives, and bypassed checks and balances. And South Carolinians are now in debt for billions.

The Southern Alliance for Clean Energy is joining the call for new leadership in South Carolina. It is time for the old leaders to resign and structures be transformed. Lonnie Carter's departure from Santee Cooper is a good first step, but it's important that he and others not be scapegoated. We must also recognize that the Santee Cooper Board of Directors, the Public Service Commission, and the Office of Regulatory Staff have each fallen short of their consumer protection missions for the past eight years.

Yet we should look behind those agencies. Their members and staff should be accountable for their individual shortcomings, but they should not be scapegoats for the entire V.C. Summer debacle.

The Public Utilities Review Committee, or “PURC,” while largely hidden from public view, has held the most central role of any public institution in the slow motion disaster of V.C. Summer’s implosion. PURC, a group of six state legislators and four members of the public, all of whom are appointed by just two state legislators, has played the role of gatekeeper for energy policy in our state since it was formed in 2004.

PURC has the responsibility of reviewing and evaluating the performance of Public Service Commissioners, Santee Cooper board members, and the director of ORS, as well as vetting any potential new candidates for these positions. For example, just last year PURC evaluated the performance of the PSC and [found it](#) “Effective, Engaged, and Enterprising.”

The passage of the Baseload Review Act created an even greater responsibility for PURC to ensure that consumer interests were protected. Instead, PURC’s singular role in public oversight responsibility over electric utilities has ensured that every power regulator it supervises has been complicit in the multi-year, multi-billion dollar blank check written on behalf of South Carolinians.

A 2014 [investigation](#) by *The Nerve* reviewed PURC’s evaluations of Public Service Commissioners from 2007 to 2013 and found not a single critical comment or suggestion for improved performance. However it is painfully clear now that the Commissioners were asleep at the wheel—[by 2014](#), the project was already two years behind schedule, hundreds of millions of dollars over budget, and SCE&G had raised rates on customers six times. So why then wasn’t PURC asking the hard questions?

While this Utility Ratepayer Protection Committee rightly demands accountability from the utilities and ORS, the investigation must also point back to the State Legislature and PURC to be effective. PURC should not escape accountability for its role in this multi-billion dollar disaster. The responsibilities of PURC must be investigated, their decisions scrutinized, and ultimately the committee must be disbanded altogether.

The decisions by PURC, the PSC and the utilities that led to billions of dollars in costs for South Carolinians were made in the dark. You must act to establish new, independent leadership that will operate in an open and transparent manner with the authority and funding to match the utilities in the battle of legal, political and technical wits that we all know has only just begun.

The people who got South Carolina into this mess have shown that they do not have the clarity of vision to get us out, so we need to demand their resignation and replacement. Big decisions are on the table as we chart a new course for South Carolina’s energy future. Those decisions need to be made with a fresh set of leaders with a clean slate, to help ensure the best management of this disaster, and prevent such a catastrophe from happening again.