“Protecting the opportunity to prosper is one of the basic roles of government. It is not government’s job to ensure prosperity or create jobs, and government’s attempts to do so often result in less prosperity for many individuals.”
- SCPC’s “Five Principles of Freedom, quoted in the Spartanburg Tea Party
http://bit.ly/2FABbbA

“The secrecy is the big problem. These incentive deals at the state and local level need to be 100 percent transparent from the beginning.”
- Ashley Landess, quoted in The State
http://bit.ly/2tALDKD

“Regarding the underfunding of core government services, one has only to point to the state’s crumbling road system. The gas tax legislation that passed this year was ostensibly designed to be a long-term solution, but it contained provisions allowing the new funds to be diverted to pay down debt instead of patching potholes.”
- Hannah Hill, quoted in the Berkeley Independent

“Putting a provision back into state law after the Supreme Court declared that provision unconstitutional is not the sort of behavior one expects from public officials in a constitutional republic”
- SCPC analysis on liquor store regulation

“The S.C. Public Service Commission members who approved nine rate rate hikes for the failed V.C. Summer nuclear project have performed flawlessly in their six-figure jobs – at least in the eyes of the legislative committee that essentially controls them.”
- Rick Brundrett of The Nerve, featured in The Lancaster News

“Lawmakers guaranteed SCANA’s debt through the 2007 BLRA (whether the plant was finished or not), and that guarantee cannot be withdrawn simply because they are feeling the heat for it,”
- SCPC, quoted in the Aiken Standard

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“Ideas, opinions, and editorial content appearing in the INSIDER are the views of the respective authors and do not necessarily reflect the views of the South Carolina Policy Council.”

E. Ashley Landess
President

Eric Tilley
Executive Vice President

Winky Zeberlein
Director of Operations

Lindsay Elliott
Project Manager

Hannah Hill
Senior Policy Analyst

Bryce Fiedler
Policy Analyst

Abby Nugent
Research Assistant

Rick Brundrett
News Editor

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The South Carolina Policy Council was founded in 1986 as an independent, private, non-partisan research organization to promote the principles of limited government, free enterprise, and individual liberty and responsibility in the state of South Carolina.

1323 Pendleton Street • Columbia, South Carolina 29201 • SCPC 803 779 5022 • NERVE 803 254 4411
www.scpolicycouncil.org | www.thenerve.org
President's Letter

If you’ve been around a while, you know that the South Carolina Policy Council doesn’t have a lot of bells and whistles. We take great pride in the impact our team has every single day because we know that our team is making South Carolina a freer and more prosperous state – and we’re doing it with a fraction of the resources that many other groups have.

For instance, our team has the only people outside the statehouse (and maybe inside, too), who read every bill that passes through the South Carolina General Assembly. We read and analyze every bill because we think it’s important for taxpayers to know how their lawmakers spend their time in Columbia. We think it’s even more important for taxpayers to know how the legislation their lawmakers pass or prevent impacts their daily lives.

And we’re watching more than just which bills are introduced or advanced. We’re keeping track of the special interests and lobbyists who seek to influence those bills. We think taxpayers deserve to know if corporate lobbyists are winning and dining our elected officials and then suddenly a sweetheart deal pops up offering that company a tax break or incentive on the backs of taxpayers.

That’s why we’re also doubling down on our commitment to quality, investigative journalism at thenerve.org.

Earlier in 2018, we brought back Nerve editor Rick Brundrett. Rick is one of the most respected and fair journalists the Palmetto State has ever seen, and he’s already taking our watchdog efforts to the next level.

You know that The Nerve shines a light on our state government’s darkest corners. But sometimes those dark corners seem especially bad.

Late last year, when our team uncovered how deep the V.C. Summer scandal really went, we knew it didn’t look good at all for taxpayers. We knew we had to find a way to minimize the damage that legislative leaders had forced on their constituents, but the root of the problem was the same issue we’ve been facing for years. A handful of legislative leaders – for whom most of us cannot vote – control all three branches of government and have little accountability.

That is our state’s chief problem, and the nuclear project debacle was just the latest and worst example. But it reinvigorated this team and the activists in our state in a way that I don’t think we’ve seen for quite some time.

South Carolinians are fed up with this broken system. They are ready to take back their power, and we’re ready to help them do it.

Be on the lookout for more and more hard-hitting investigative news stories from The Nerve, both online and in newspapers across the state. We’re ramping up our efforts to make sure these taxpayer-focused stories are pushed out to the activists – both boots-on-the-ground activists and digital champions ready to take action through their online sphere of influence.

In fact, you may have noticed the absence of our Insider magazine in your mailbox the past few editions. As more people consume their news and information online, the South Carolina Policy Council is taking steps to meet our readers where they are, through the channels in which we can most easily engage with them.

So as our readers push their eyes and ears closer to their screens, we’re doing the same. And what’s more, we’ll be able to evaluate our success and reach like never before.

In this edition of Insider, you’ll learn about how we’re fighting to reduce barriers to quality education, affordable healthcare, fair elections and more.

It’s your support that makes this small but nimble organization’s work possible. Together, we’ll empower South Carolinians to take back their power. Thank you.

E. ASHLEY LANDESS
The General Assembly is currently debating six bills to ostensibly “reform” the system and the laws that created the V.C. Summer nuclear construction debacle. These bills were developed in the special House energy committee and passed by the judiciary committee last fall. Four of the bills (including H.4375, which retroactively amends the Base Load Review Act) have passed the House and are under consideration in the Senate.

However, none of the legislation proposed by the House would substantively change the system, protect ratepayers or provide any long-term relief from the massive debt for which they are obligated. In fact, all six of the bills would set constitutionally dangerous precedents that would further consolidate legislative power and erode the rule of law.

Below is a breakdown of each bill and its current status in the legislative process.

**H. 4377: Changes to the Public Service Commission (Passed the House, referred to Senate Judiciary Committee):**

**Lawmakers say the bill would:**
- Dismiss and replace (over the next two years) the regulators who oversaw the V.C. Summer project.
- Require higher standards for sitting Public Service Commission (PSC) members.
- Add greater oversight over the utility industry.
- Eliminate conflicts of interest by preventing utilities from giving gifts to the PSC members.

**What the bill would actually do:**
- Allow a one-time purge of the PSC, enabling the General Assembly to start over with a brand-new one. Essentially, the law would allow lawmakers – especially the Public Utilities Regulatory Committee (PURC) – to avoid accountability for the actions of current PSC members, in the past or in the future, by wiping the slate clean.
- Preserve the system as it exists now, leaving control in the hands of the same lawmakers who currently control the regulatory process – and who drove the VC Summer project from the beginning.
- Give PURC a direct line of communication to the PSC by exempting PURC from “ex parte communication” rules, a provision that prevents a third party from influencing PSC decision-making.
- Create the appearance of ethical reform while preserving loopholes.

**Why the bill is more dangerous than the status quo:**
- Lawmakers would be able fire the entire membership of a non-legislative body over the next two years, circumventing the statutory process for their removal. This move would set a dangerous precedent that could allow the legislature to take control of any board for any reason through state law.
- It allows PURC, its staff, and any investigating legislative committees to circumvent the legal processes for discussing cases with utility regulators – which, in effect, would give lawmakers special access to, and additional influence over, utility regulators.
H.4379 – Consumer Advocate under Attorney General (Passed the House, referred to Senate Judiciary Committee)

Lawmakers say the bill would:
- Create a robust, independent consumer advocate to protect the interests of ratepayers. This consumer advocate would answer to the attorney general.
- Strengthen the Office of Regulatory Staff (ORS) by increasing its ability to examine utilities.
- Eliminate conflicts of interest by prohibiting utilities from giving gifts or campaign contributions to the consumer advocate, attorney general or his staff.

What the bill would actually do:
- Expand the size of government. The new consumer advocate would share overlapping responsibilities with the ORS and depend on the agency’s cooperation to be effective.
- Leave the PURC – and thereby lawmakers – in charge of the consumer advocate function. The bill keeps the consumer advocate dependent on the ORS for information, since only the ORS would have audit and investigative powers as well as industry knowledge.
- Appear to introduce independence and reform without changing who controls the system. Since the ORS executive director would be handpicked and overseen by the PURC, the real power would remain with the same lawmakers who currently control the regulatory system and have done so throughout the duration of the failed V.C. Summer project.

Why the bill is more dangerous than the status quo:
- It places a regulatory duty under the state’s chief prosecutor, diverting the attorney general from his constitutional mission.
- It makes the attorney general responsible for an agency he is unequipped to hold accountable. The consumer advocate must rely on ORS in order to do his job, but the attorney general will be the one technically accountable for the consumer advocate function to the taxpayers and ratepayers. Essentially, this sets the attorney general up for failure by making him responsible for a function his office is neither designed nor empowered to carry out.
- It increases the power of the ORS by allowing it to issue subpoenas – a dangerous and unnecessary power as the ORS already has the ability to force informational disclosure and has full audit rights.

H.4378 – Renaming, tweaking the PURC (Passed the House, referred to Senate Judiciary Committee)

Lawmakers say the bill would:
- Overhaul and reform the utility oversight system.
- Give citizens a “seat at the table” and additional influence over energy regulators.
- Give the governor influence over energy regulators.

What the bill would actually do:
- Change the Public Utility Review Committee’s name to the Utility Oversight Committee (UOC).
- Expand the power of the committee. For instance, the UOC would now be able to remove the ORS director for “loss of confidence” – essentially at their discretion. (To put this in perspective, the governor can only fire the director for cause under current state law.) Upon removal, the UOC appoints an interim director to fill the vacancy.
- Add two additional members to PURC and increase the number of legislative leaders who appoint its members. PURC appointing authorities would now include the Senate president pro tem, among others.
- Allow lawmakers to appoint two-thirds of the PURC and thereby retain control of PURC.

Why the bill is more dangerous than the status quo:
- It increases the power of the committee and erodes the governor’s authority to hold the ORS accountable.
- It’s an attempt by lawmakers to rebrand their way out of accountability. This bill simply shuffles the deck chairs without reforming the system, preserving control of the utility system with a handful of legislative leaders.

H.4376 – Revises Santee Cooper’s Board of Directors (House calendar)

Lawmakers say the bill would:
- Reform Santee Cooper and replace its board members.
- Tighten the qualifications for board members and ensure member competency.
- Add an additional layer of oversight to the virtually unchecked agency by requiring the PSC to approve Santee Cooper’s rate hikes.
- Prohibit Santee Cooper from including “abandonment costs” for the V.C. Summer project in their rates.
What the bill would actually do:

- Implement a one-time purge of the Santee Cooper board, allowing the General Assembly to start over with a new board of directors. Essentially, the law would allow Santee Cooper to avoid accountability for their failure to oversee the nuclear construction project and protect the interests of their ratepayers and the taxpayers in general, in the past or in the future, by wiping the slate clean.

- Violate the governor’s proper jurisdiction by firing the board through one-time legislative action.

- Give PURC direct influence over Santee Cooper operations through PURC’s control of the PSC.

- Prevent Santee Cooper from using increased rates to pay for V.C. Summer abandonment costs.

Why the bill is more dangerous than the status quo:

- The General Assembly would be able to circumvent the statutory process for appointing the Santee Cooper board and set a precedent by which lawmakers could take control of any board for any reason through state law.

- It makes Santee Cooper subject to the same lawmakers who currently control the regulatory system and have throughout the duration of the failed V.C. Summer project.

- It shifts the power over Santee Cooper further away from the governor and to the legislative branch – distorting the proper balance of power.

- It lays the groundwork for Santee Cooper’s abandonment costs to be paid for by taxpayers. In this bill, lawmakers carefully distinguish between Santee Cooper’s “abandonment costs” and their “debt service”. Current law requires that Santee Cooper must be able charge whatever amount is necessary to repay their debt service – currently estimated at $7 billion – and this bill cannot prevent that. However, this bill does prevent Santee Cooper from increasing its rates to pay for abandonment costs. It states that these costs must be paid for “in other ways” based on actions taken by the General Assembly. Put simply, if these costs cannot be absorbed by Santee Cooper, the only “other way” they can be paid for is by taxpayers at large.

H.4380 – Mandatory refund for ratepayers (House calendar)

Lawmakers say the bill would:

- Force SCANA to refund ratepayers for V.C. Summer costs by ordering the PSC to refund any costs that meet certain criteria.

What the bill would actually do:

- Micromanage an executive agency into a specific action by legislative act.

- Force the PSC to make a constitutional determination – the role of the judicial branch, not a regulatory body

- Attempt to retroactively change the state law that guaranteed SCANA’s debt by withdrawing the guarantee.

Why the bill is more dangerous than the status quo:

- Ordering an executive agency to special, specific action sets a dangerous precedent. If legislative branch can do this, what would stop lawmakers from micromanaging any executive agency they choose?

- It withdraws a guarantee made by state law to a company that technically complied with that law – a flagrant breach of faith and an unconstitutional retroactive change to state law. It is unlikely this would hold up under a court challenge.

- Determining the constitutionality of state laws is the role of the judiciary, not a regulatory agency. This is a violation of balance of power and proper constitutional roles, and would set a dangerous precedent.

- It legislatively targets a specific company – another dangerous precedent which violates the constitutional prohibition on special laws like this.
H.4375 – Retroactively amending the Base Load Review Act (Passed the House, referred to Senate Judiciary Committee)

Lawmakers say the bill would:

- Bring immediate relief to ratepayers
- Limit/prevent further cost recovery from the V.C. Summer project.
- Repeal the Base Load Review Act (BLRA) – the law that forced ratepayers to back V.C. Summer project costs before the plant was ever completed.
- Direct the PSC to set interim rates (that don’t include V.C. Summer costs) to apply during any court challenges.

What the bill would actually do:

- Attempt to retroactively change the state law that guaranteed SCANA’s debt by altering the terms of the guarantee – an unconstitutional provision and unlikely to hold up under a court challenge.
- Repeal the BLRA completely (except that the provisions still apply for the V.C. Summer project).
- Order the PSC to set a new interim rate for SCE&G that does not include V.C. Summer rate hikes.
- Suspend part of the standard appeals law for SCANA as regards to the V.C. Summer situation.

Why the bill is more dangerous than the status quo:

- It attempts to shield lawmakers from accountability for the consequences of the law they passed.
- It withdraws a guarantee made by state law to a company that technically complied with that law – a flagrant breach of faith and an unconstitutional retroactive change to state law. It is unlikely this would hold up under a court challenge.
- It suspends the protections of state law for one specific company and one specific situation by legislative act – a violation of the rule of law and an extremely dangerous precedent.
- It legislatively targets a specific company – yet another dangerous precedent which violates the constitutional prohibition on special laws like this.
- It micromanages an executive agency into a specific action by legislative act.

These pieces of legislation would neither reform the system nor protect ratepayers. They would, however, shelter lawmakers from accountability for passing the legislation that enabled the V.C. Summer disaster and overseeing the entire project at every step of the way. In addition, some would violate Article I, Section IX of the US Constitution in the process, which states, “No Bill of Attainder or ex post facto Law shall be passed.”

The legislative stranglehold over the energy industry led to the nuclear fiasco that has obligated ratepayers for billions of dollars. Further consolidating their own power – and eroding the rule of law in the process – will do nothing to repair the current situation, bring long-term relief to ratepayers, or prevent a similar situation in the future.

We will continue to monitor these bills as the House and Senate consider them, and will keep the public informed as to their status and contents, if amended.

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REMOVING CITIZENS’ POWER TO HOLD THEIR NEIGHBORS ACCOUNTABLE?

UPDATE: The final version of the bill placed parameters on the bill’s scope, but the core of the proposal – the violation of property rights – remains the same. The amended version defines “reasonable expansion,” and only allows the nuisance exemption to be transferred to another facility if that new facility is operating for the same purpose. Finally, the new language would no longer prohibit local governments from passing laws labeling these facilities as a nuisance, although it’s still unclear if such ordinances would conflict with this bill if it becomes law. However, the bill would still limit personal property rights and deprive citizens of their right to challenge their disruptive neighbors in court. The governor signed the bill into law on 2/12/18.

While statewide attention has been focused on the House’s debate of their energy “reform” bills, lawmakers in the Senate this week have been quietly trying to pass a bill that would damage personal property rights and allow special interests to operate with immunity from legal action. H. 3653 would exempt any manufacturing or industrial facility operating in the state from nuisance lawsuits. This exemption would apply to any manufacturing or industrial facility so long as that facility has applicable operating permits and began operations before the landowner alleging the nuisance moved onto the property—basically, if the facility was there first. Once this exemption is acquired, it becomes a permanent asset of that facility and can be inherited by and assigned to other businesses. If that weren’t bad enough, the exemption prohibits any local government body from passing ordinances labeling an exempted business as a nuisance, thereby revoking their jurisdiction over those particular local matters. The potential negative consequences of this bill cannot be understated.

First, this bill is a direct violation of personal property rights. If passed, it would prevent individuals from protecting their property against unwanted disturbances from neighboring manufacturing and industrial facilities. Nuisance lawsuits can help homeowners defend their property value, or can attack the property rights of businesses. Adjudicating those disputes to protect actual rights vs. perceived rights is what the courts are for. The danger of this bill is that it would deprive individuals of their day in court.

In addition, this legislation would remove the natural incentive to operate in a more ethical, responsible manner to avoid lawsuits. When the enforcement of “applicable federal and state law” is the only real accountability business owners need to consider, there is nothing to prevent them from stretching the boundaries of what that law permits.

Manufacturers could also expand operations without losing their protected status, so long as the expansion is considered “reasonable” – which is not defined in the bill — and follows necessary local, state and federal laws and regulations. In other words, a manufacturer’s noise level could double and residents across the street would simply have to put up with it, provided the plant is obeying the law.

Lawmakers have framed this legislation as an opportunity to encourage businesses to invest in South Carolina. Without burdensome legal hurdles, they argue, the state will be a more viable destination for potential manufacturers. The reality is, however, that economic interests should never infringe on individual rights. This bill is the latest instance in the legislative trend of eroding individual rights (including property rights, second amendment rights, and speech rights), and a bill this broad and vaguely defined could have serious unforeseen consequences for years to come.
Your friends at The South Carolina Policy Council are participating in Midlands Gives again this year. Mark your calendars for Tuesday, May 1, 2018!

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Powerful State House panel behind blueprint for South Carolina’s nuclear push

PURC REPORT

BY RICK BRUNDRETT

Nearly a decade ago, an influential state legislative committee quietly released a report advocating a quick expansion of nuclear energy in South Carolina, claiming, for instance, the small state might face power shortages and blackouts by 2016.

Those dire predictions didn’t come true.

As the now-abandoned V.C. Summer construction project in Fairfield County was being planned, the State Regulation of Public Utilities Review Committee (PURC) in its Energy Policy Report claimed, among other things, that more nuclear energy was needed because many South Carolinians were illiterate and likely couldn’t understand energy conservation measures; were too poor to afford higher-priced, more energy-efficient appliances; or lived in older mobile homes that couldn’t be made more energy-efficient.

Although not widely known, the 21-page document served as a thinly veiled policy statement for the expansion of the nuclear industry in the Palmetto State – which already has four operating nuclear plants.

PURC’s rationale at the time was that expected new federal regulations under the incoming Obama administration would significantly drive up the cost of electricity generated by coal-fired plants, disproportionately hurting poor South Carolina ratepayers.

Yet those same ratepayers would face the financial pain of nine rate increases over the years for the V.C. Summer project – hikes approved by the state Public Service Commission, which is mainly controlled by PURC. SCE&G customers collectively have paid more than $1.7 billion for the failed nuclear project.

The Nerve in July reported, citing a recently released study by the personal-finance firm WalletHub, that South Carolina’s average monthly housing electricity costs are the highest in the nation.

“It sounds like it (PURC) crossed over into the promotional rather than (maintaining) their regulatory or oversight role,” said Tom Clements of Columbia, an activist with the environmental group Friends of the Earth, when contacted Tuesday by The Nerve about the PURC report. “It was a time when everyone was swept up into this nuclear renaissance.”

The PURC report “helped destroy the credibility of that committee,” added Clements, whose organization and the
Sierra Club, another environmental group, earlier Tuesday announced the filing of a formal protest with the PSC over plans by Cayce-based South Carolina Electric & Gas and Virginia-based Dominion Energy, which has proposed a merger agreement with SCE&G’s parent company, SCANA Corp., to recover costs from the failed V.C. Summer project.

Created in 2004, PURC is a 10-member committee made up of three S.C. House members, three state senators and four non-lawmakers. The appointments are controlled by the House Speaker and Senate Judiciary Committee chairman.

When it comes to the regulation of private utilities in South Carolina, PURC exerts tremendous control, screening and nominating the seven-member Public Service Commission, which sets utility rates—including rate hikes, allowed under a 2007 state law, for the failed $9 billion V.C. Summer project.

Two legislative investigatory committees created over last summer in the wake of the nuclear project’s collapse include the six PURC lawmakers, as The Nerve reported last week.

PURC members not only nominate PSC candidates, but they also are charged with annually evaluating them individually and as a group. In addition, PURC controls the hiring and oversight of the executive director of the state Office of Regulatory Staff, which, among other duties, is supposed to represent ratepayers’ interests.

Power shortages, blackouts predicted

The Energy Policy Report published by PURC started with a September 2008 letter from then-S.C. Senate President Pro Tempore Glenn McConnell, R-Charleston and that chamber’s most powerful lawmaker at the time.

His letter came the year after the Legislature had quietly passed the Base Load Review Act, which allowed the PURC-controlled PSC to approve rate hikes for the V.C. Summer project before the two planned reactors were finished, as The Nerve reported in 2012.

“He (McConnell) was a big cheerleader for the Base Load Review Act,” Clements recalled.

McConnell in his 2008 letter directed Sen. Thomas Alexander, R-Oconee and the longtime PURC chairman, to have PURC conduct a “formal inquiry into how these pending federal energy policies might affect our State,” according to the PURC report.

As the Senate Judiciary Committee chairman, McConnell controlled the appointments of Alexander and four other members of PURC.

The PURC report’s research was done by the PURC-controlled Office of Regulatory Staff (ORS), which has been on the defensive publicly since the V.C. Summer debacle. The PURC report was published without fanfare following two low-key public hearings in December 2008 and January 2009.

PURC painted an urgent scenario: Alternative energy forms, including nuclear energy, needed to be expanded quickly in South Carolina because the federal government under the incoming Obama administration was planning a serious push nationwide to reduce greenhouse gases produced by carbon dioxide emissions.

That included emissions from coal-fired electric plants, which according to PURC’s report, accounted for more than 61 percent of all electricity produced in South Carolina at the time of the report. Nuclear power generated 31 percent of the state’s electricity, the report said.

“There are ongoing plans to build additional nuclear facilities to meet South Carolina’s growing electric needs,” PURC said without specifically mentioning the V.C. Summer expansion project. “Although some parties oppose nuclear power generation, we believe that, in order to meet the electric needs of South Carolina with limited GHG (greenhouse gas) emissions, nuclear must be considered a viable option.”

“For at least the immediate future,” according to the report’s executive summary, “we must rely on the growth of the nuclear energy industry in this State to ensure that reliable, affordable electricity is available to all of our citizens. To attempt to resist change or merely stand on the sidelines hoping for a delay in the inevitable is no longer an option.”

Among other things, PURC recommended that any “federal initiative should consider nuclear power generation a ‘GHG-emission neutral’ source of electricity.”

The report also said, citing research by the ORS, that South Carolina’s energy-reserve margins could fall to below zero in 2019, warning that the state could “face power shortages and blackouts by 2016, if not sooner,” without “additional generation.”

None of the predicted bad outcomes occurred, however.

S.C. residents too poor, too stupid?
The PURC report also warned that the expected increase in electricity costs stemming from the planned federal crackdown on carbon dioxide emissions could “put some South Carolinians in the desperate position of having to choose between paying for food and medicine or paying their electric bill.”

In downplaying energy conservation measures, the report said given that South Carolina ranked 40th in the nation in median household income, many residents couldn't afford to “take energy-savings measures, such as insulating homes or buying more expensive, yet more efficient, electric appliances.”

It also noted more than half (56 percent) of the state's population fell within either “severe (Level 1) to moderate (Level 2) ranges of illiteracy,” and that if residents “cannot read or write, they will have a difficult time comprehending information about energy efficiency and conservation.”

Furthermore, the state led the nation in the percentage (18.2 percent) of the population living in manufactured homes, and that while many newer such homes have “improved energy efficiency,” many residents live in “older manufactured homes that typically are not easily modified,” the report said.

South Carolina ranked 5th in the nation in annual electricity consumption by residential customers, according to the report, which pointed out that air conditioning is heavily used because there are “many hot days in South Carolina.”

Although PURC conceded the state will continue to “rely on coal to generate the majority of the electricity South Carolinians consume” for “at least the next two decades,” it claimed the “majority of South Carolinians are in favor of nuclear energy,” citing a 2008 poll by the University of South Carolina of four Midlands counties, and separate customer surveys in 2008 by SCE&G and Duke Energy Carolinas.

“Given this strong public support for additional nuclear capacity, and South Carolina's history and success as a leader in satisfying a substantial portion of energy demand through nuclear power, we recommend that new nuclear capacity be an integral priority in satisfying future demand while reducing GHG (greenhouse gas) levels in South Carolina,” the report said.

And PURC members stressed there was no time to waste.

“Every day that we wait, South Carolina's ability to provide electricity in an affordable, reliable, and environmentally responsible manner is imperiled,” the report concluded.

Brundrett is the news editor of The Nerve. Reach him at 803-254-4411 or rick@thenerve.org. Nerve stories are always free to reprint and repost. We only ask that you credit The Nerve.
As state-owned utility Santee Cooper was racking up billions in debt – which ratepayers are expected to shoulder for the failed V.C. Summer nuclear project, the company’s top executives were raking in huge bonuses and salary hikes.

More than $4 billion in bonds that were sold to finance the biggest financial flop in the Berkeley County-based utility’s history will have to be paid back with interest over years – to the tune of $200 million to $300 million annually.

But those I.O.U.’s are only part of the company’s overall debt load, which company records show stands at more than $15 billion. That tab will be paid back over 40 years, starting last year with payments totaling nearly a half-billion dollars.

And that means Santee Cooper’s customers likely will face rate hikes – how much is unknown – in the coming years.

Meanwhile, from 2009 through 2016 as the V.C. Summer project costs were escalating and construction deadlines were missed, the utility paid out a total of $5.6 million in bonuses to 15 executives, company records show.

Of the total bonus pool, $70,648 over the eight-year period was directly tied to the nuclear project, more than half of which was paid to recently retired president and CEO Lonnie Carter.

Carter received the highest total annual bonuses; in 2015 and in 2016 he was paid more than $330,000 in bonuses, which represented more than 60 percent of his salary for
those years. During the 2009-16 period in which the V.C. Summer project was active, his yearly salary jumped 34 percent, from $404,756 to $540,929.

Besides bonuses, Santee Cooper’s top executives also received, according to a company spokeswoman, annual car allowance and life insurance benefits, which made up their total compensation. The additional perks brought Carter’s total 2016 total compensation to $894,369, a hike of about $377,000 from his 2009 compensation.

The total compensation of seven other top executives in 2016 ranged from $282,811 to $552,133, with nearly all of them receiving increases from the previous year, records show.

And Carter also received a golden parachute with his retirement last year: In addition to receiving $344,572 for life from the state retirement system, he will be paid up to $455,192 annually for 20 years through a separate executive retirement plan with the company, plus had had $858,577 in a 401(k)-type retirement plan through Santee Cooper, according to media reports.

The Santee Cooper board on Friday voted to close the two company-backed, executive retirement programs to new participants, a company spokeswoman said.

The Nerve in 2011 reported that Santee Cooper top executives, including Carter, received salary and benefit hikes during the Great Recession years and aftermath.

In more recent years, the utility’s top executives were getting raises and bonuses even as a now-public internal report authorized by Santee Cooper and its partner in the V.C. Summer project, South Carolina Electric & Gas, detailed serious problems with the project, which was abandoned last July 31.

Carter raised concerns in a 2013 letter to then-SCANA chief executive Kevin Marsh about construction of the two nuclear reactors in Fairfield County, according to information revealed during a state House special committee hearing last October.

No bonuses were paid in 2017 to Santee Cooper’s top executives, according to the utility’s records.

Asked if no bonuses were given last year because the nuclear project was scrapped, Gore replied, “Performance results are audited prior to any benefits awarded, and that audit is ongoing.”

Whether any bonuses for top executives are planned for this year will “depend entirely on year-end results and an audit of those results,” Gore said.

DECADES OF DEBT

Santee’s Cooper debt for the V.C. Summer project was incurred by selling revenue bonds, Gore said. Although the utility is state-owned, those types of bonds can’t be repaid with tax dollars, which means ratepayers ultimately are responsible.

Gore said approximately $4.3 billion of the utility’s total $8.1 billion in outstanding debt is for the nuclear project. That will require the utility to pay $200 million to $300 million annually for principal and interest on the revenue bonds, she said.

Santee Cooper’s total debt from 2017 through 2056 is at least $15.6 billion, with scheduled annual payments reaching as high as $750.5 million in 2023, company records show.

Approximately $5 of a typical residential customer’s monthly bill of about $118 for 1,000 kilowatt hours of electricity is for the nuclear project, according to Gore. She said the utility “withdrew rate adjustments” planned for this year and next, given the abandonment of the nuclear project.
and a settlement with Toshiba Corp., the parent company of main project contractor Westinghouse, which filed for bankruptcy last year.

Gore added, though, “We anticipate rate adjustments in the future; however, the amount and timing of those have not been determined and will be impacted by plans to deploy the Toshiba settlement proceeds.”

Toshiba agreed to pay Santee Cooper $976 million out of a total $2.17 billion settlement with the utility and SCE&G, though Santee Cooper later sold its portion for $831.2 million, according to media reports.

Gov. Henry McMaster has publicly said he would like to find a buyer for Santee Cooper, though Gore in a Feb. 12 email to The Nerve noted, “We have not been approached with any buyout or merger offers.”

Santee Cooper supplies electricity to about 2 million people in South Carolina, providing power to the state’s 20 electric cooperatives in addition to directly serving more than 176,000 customers in Berkeley, Horry and Georgetown counties, according to its website. The company has 1,745 employees, 1,738 and 1,710 of whom, respectively, participate in the state retirement and state health systems, Gore said.

The utility is governed by a 12-member board of directors appointed by the governor and confirmed by the state Senate, after they are screened and qualified by the six-legislator, 10-member State Regulation of Public Utilities Review Committee (PURC), which has considerable control over the regulation of utilities in South Carolina.

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SIX-FIGURE SALARY CLUB

The Santee Cooper board determines “salary and performance benefits for the CEO and performance guidelines for the other members of executive leadership,” while the CEO sets the salaries for “other members of executive leadership, and using Board-approved guidelines, assesses performance for the other executives,” Gore told The Nerve.

Following is a list of last year’s top salary earners, according to company records:

- Lonnie Carter: $540,929;
- Marc Tye, executive vice president/chief operating officer: $395,000
- James Brogdon, interim president/CEO (assumed position in mid-October): $373,757
- Jeff Armfield, senior vice president/chief financial officer: $370,552
- Pamela Williams, senior vice president/corporate services: $307,424
- Michael Baxley, senior vice president/general counsel: $292,136
- Arnold Singleton, senior vice president/power delivery: $234,379
- Michael Crosby, senior vice president/nuclear energy: $242,638
- Dominick Maddalone, senior vice president/chief information officer: $239,200

Of Santee Cooper’s 1,745 employees, 284, or 16.2 percent, receive an annual salary of at least $100,000, Gore said. In comparison, The Nerve in 2011 reported that 149 employees, or about 8.2 percent of the regular workforce at the time, were making $100,000 or more.
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