



TESTIMONY TO THE HOUSE SELECT COMMITTEE ON ENERGY GENERATION FINANCING 29 Nov 2016

I am Lynn Teague, representing the League of Women Voters of South Carolina. The League is concerned with a wide variety of issues related to insuring that government is accountable to its citizens. The regulation of utility rates under the Base Load Review Act (BLRA) is such an issue.

We are not here to advocate repeal of the BLRA. However, the experiences of the past ten years since its passage, and specifically the history of the V. C. Summer plant construction by SCE&G, have shown that the current provisions of the BLRA do not allow the Public Service Commission (PSC) to adequately fulfill its basic responsibility to protect the interests of consumers in a market in which there is no competition to insure fair costs for the goods and services provided.

At present ratepayers are immediately responsible for the financing of project cost overruns even when they far exceed initial project budgets. SCE&G's V. C. Summer Project has given us abundant evidence of how substantial these costs can be, with overruns now at about \$2.6 billion. We believe that utilities should be responsible for financing costs associated with overruns until they file to establish rates in a general rate hearing.

We also believe that utilities must carry the burden of proof that the extra costs that they attempt to recover are the reasonable result of a well designed and managed project. The BLRA at present places the burden on consumers who object to rate hikes to prove imprudent management. However, utilities have full access to information about contractual arrangements, management decisions, and technical issues. The ratepayer does not have that comprehensive and immediate access and is put in an impossible position by this requirement. The utility benefits from rate increases and has access to the pertinent information. The utility should bear the burden of establishing that their costs are reasonable because their project management has been prudent.

We recommend that the Office of Regulatory Staff (ORS) participate in contract discussions. The ORS staff could bring the benefits of their extensive experience with both successful and troubled projects to those discussions. They could raise questions and provide information that might help to avoid problems before they happen.

Finally, the PSC should be able to regulate the Return on Equity. In a market without competition, someone must represent the public interest in this, and the PSC is that entity.

Until the BLRA is amended, the PSC cannot fulfill its basic function of protecting the public interest in a monopoly energy market. We hope that we can look forward to working with the House to make the BLRA fulfill its promise of fairly serving the interests of consumers as well as utilities.