



HENRY MCMASTER
GOVERNOR

June 28, 2018

The Honorable James H. Lucas
Speaker of the House of Representatives
State House, Second Floor
Columbia, South Carolina 29201

Dear Mr. Speaker and Members of the House:

I am hereby vetoing and returning without my approval R-287, H. 4375, which principally pertains to the Base Load Review Act of 2007. To be clear, I applaud the General Assembly for including several critical reform initiatives in this legislation, such as strengthening the Office of Regulatory Staff and restoring the role of the consumer advocate for future utility cases. However, I am vetoing this bill because it is unacceptable, irresponsible, and unconscionable for any South Carolinian to pay another dime to SCANA for the abandoned V.C. Summer reactors in Fairfield County. Accordingly, I call on the General Assembly to sustain this veto, remain in session, and send me a bill that ensures SCANA ratepayers will not pay a single additional dollar towards the failed nuclear project.

In my State of the State address on January 24, 2018, as well as in the enclosed letter of January 23, 2018, I called on the General Assembly to pass legislation to replace the Base Load Review Act of 2007 and to remove the entire 18% ratepayer surcharge for the failed nuclear project. Because the free market and principles of corporate responsibility demand that the consequences of SCANA's errors land where their dividends and profits have landed, I repeatedly called on the General Assembly to prevent ratepayers from being charged in the future for the two abandoned reactors at V.C. Summer. I plainly stated that I would veto anything less.

The House of Representatives acted in a timely and responsible manner and passed an experimental rate that removed the entire nuclear surcharge; however, the Senate failed to sufficiently protect SCANA's ratepayers—instead passing only a temporary 13% reduction. Unfortunately, the senators on the conference committee refused to adopt the reforms passed by the House of Representatives. This refusal allowed SCANA to continue collecting over \$1 million per day from its customers for the abandoned nuclear project. Due to charges imposed during the resulting delay, SCANA's ratepayers would potentially receive less protection under the conference report's so-called 15% compromise cut than they would have under the Senate's initial proposal.

My position has not changed. Because this bill does not fully protect the ratepayers, I am returning the same without my signature. By promptly doing so before legislators leave town, my aim is to encourage the General Assembly to remain in Columbia and to provide them ample time to deal with this extraordinary matter in a just and equitable manner. The last thing this situation needs is additional

unnecessary delay, which further benefits SCANA at the expense of the ratepayers. Section (D)(1) of the *Sine Die* Resolution, H. 5383, gives the General Assembly the ability to avoid interruption and continue working to provide the complete relief that the ratepayers deserve. The time has come to end the parliamentary gamesmanship and act without fear of SCANA's threatened and seemingly inevitable legal challenge. The people of South Carolina deserve better.

At bottom, it has become increasingly and abundantly clear that the Base Load Review Act of 2007 allowed SCANA to perpetrate what amounts to a massive fraud on its ratepayers, both under color of law and apparently at times with either assistance from or the complacency of Santee Cooper's leadership. Thus, while it can be said that the General Assembly was an unwitting accessory before the fact in this venture, I will not be an accessory after the fact. To borrow a phrase from the criminal law context, SCANA's nuclear-related profits are akin to "fruit of the poisonous tree." Because I cannot—and South Carolina should not—condone continuing to subsidize fraud, misfeasance, or imprudence of any kind, degree, or amount, I am compelled to veto this bill.

For the foregoing reasons, I am respectfully vetoing R-287, H. 4375 and returning the same without my signature.

Yours very truly,

A handwritten signature in blue ink, appearing to read "Henry McMaster", written in a cursive style.

Henry McMaster

HM/tl
Enclosure



HENRY MCMASTER
GOVERNOR

January 23, 2018

Dear Members of the General Assembly:

I appreciate the work that both the House and Senate have done since this past summer in working to get answers for the people of South Carolina as to how and why the V.C. Summer nuclear project failed and to gather the necessary information that will allow us to protect ratepayers going forward.

I have previously noted that decisions by SCANA and Santee Cooper to suspend and abandon construction of V.C. Summer Units 2 and 3 represented a sudden and significant breach of faith – not only with the thousands of employees who were suddenly forced to search for jobs, but also with the millions of ratepayers who had been forced to finance a project pursued under misleading representations. This breach of faith became more obvious when I obtained the secret Bechtel Report from Santee Cooper and promptly released the same.

Since October of last year, I have repeatedly called on SCANA's current and former leadership to immediately cease collecting approximately \$37 million per month from ratepayers for its abandoned nuclear project and to begin using the Toshiba settlement funds for ratepayer refunds. I have conveyed to the Public Service Commission that it is unreasonable and oppressive for SCANA to require its ratepayers to bear the continued financial burden of actions and decisions in which they played no part and over which they had no control.

SCANA executives have painted a doomsday picture: any change to the Base Load Review Act (BLRA) which would not allow them to continue charging ratepayers for a project that will never produce power would likely result in SCANA's bankruptcy, or at the very least, the utility's stock descending to "junk" status. However, on Friday, the Office of Regulatory Staff (ORS) produced an independent audit which contradicted SCANA executives' bleak scenario, concluding SCANA's bankruptcy to be an "unlikely" outcome.

In light of this information, I ask that the General Assembly send me a bill that ensures SCANA ratepayers will not pay a single additional dollar towards the failed V.C. Summer reactors.

As I stated initially, SCANA's proposed merger with Dominion Energy was a sign of progress, but it did not resolve the question of SCANA's accountability to its customers, the ratepayers. Given the ORS's recent audit, I believe that these continued payments are not only unreasonable but also unnecessary to avoid bankruptcy. More importantly, they are just not right.

I believe it would be irresponsible for the General Assembly to allow SCANA – or any prospective purchaser – to continue collecting money from ratepayers for this project. The free market and

The Honorable James H. Lucas

Page 2

January 23, 2018

principles of corporate responsibility demand that the consequences of SCANA's errors land where their dividends and profits have landed: with its corporate shareholders and executives.

Send me a bill that replaces the Base Load Review Act and prevents ratepayers from being charged in the future for the abandoned reactors at V.C. Summer and I will sign it. Send me a bill that continues to place the financial burden of this corporate failure on South Carolina ratepayers and I will veto it.

Yours very truly,

A handwritten signature in blue ink, appearing to read "Henry McMaster". The signature is fluid and cursive, with a large initial "H" and a long, sweeping underline.

Henry McMaster