

Moody’s says even Super-CWIP legislation leaves too much risk of project abandonment and “rate fatigue” that could harm South Carolina economy

Moody’s Investor Services has downgraded the credit ratings of SCANA and subsidiary South Carolina Gas & Electric due to “the heightened risk associated with a large nuclear construction project extending through 2019 ...” The action comes despite “a credit-supportive regulatory regime” in South Carolina that “specifically encourages nuclear construction.”

Moody’s acknowledges that such Construction Work in Progress legislation transfers the bulk of financial risk to customers. But the analysts cite multiple failure mechanisms that could leave a nuclear project’s lenders at risk, including the following:

- “[T]he technology has not yet been deployed elsewhere and the long construction period increases the likelihood of cost overruns.” This refers to the Westinghouse AP1000 reactor, two of which SCE&G hopes to build at its VC Summer facility.
- SCE&G rates are “expected to increase substantially,” and “rate fatigue caused by Summer could ... deter the industrial and commercial investment that has been a mainspring of South Carolina’s economic development strategy.”
 - Moody’s might upgrade SCANA ratings if it abandons the Summer project soon (for example, if a federal construction and operating license is denied) and replaces it with alternatives.
 - Moody’s cites as problematic SCANA’s size in relation to the multi-billion dollar price tag of the VC Summer project.

As for size, Duke Energy – which also wants to construct AP1000s – is planning to acquire Progress Energy. But the new corporation would carry a combined debt of \$29 billion, which has been stubbornly difficult for the two utilities to pay down during the past decade.

Duke Energy CEO Jim Rogers insists he cannot build nuclear plants unless the North Carolina legislature enhances 2007 CWIP legislation to match South Carolina’s “SuperCWIP,” which adds the utility benefit of automatic annual rate hikes without full rate proceedings.

Other recent indicators of the decline of the U.S. nuclear “revival” include Siemens’ withdrawal from the nuclear power business, and the divestment of the Shaw Group from Westinghouse-Toshiba, the corporation still hoping to build several nuclear plants in the southeastern U.S.