

DHEC has been asked to clarify the following statement from a letter to Governor Mark Sanford concerning the proposed Santee Cooper Pee Dee facility: "In fact, DHEC has warned that the Pee Dee plant's pollution will single-handedly consume practically all of the clean air cushion reserved for future economic growth in Florence County."

DHEC has not said this and in fact has met with representatives of the environmental stakeholders to try to help them understand the very complex issue of the prevention of significant deterioration (PSD) increment. It would appear that there is still confusion with regards to the PSD increment.

The PSD increment is a modeled concentration that each source must meet, and is not a total that is "consumed" by each facility until it is "used up." Each new source that submits an application must model and demonstrate compliance with SC Regulation 61-62.5 Standard 7. Once the facility demonstrates compliance, a construction permit can be issued. Should another facility in Florence or the adjoining counties submit a construction application requiring a PSD review, the same process as was used for the Pee Dee project would be used to construct a modeling analysis for predicting the Class II increment consumption in the area. It is entirely possible for that modeling to predict no increase in the predicted increment modeling for a new project versus modeling that has been done for the Pee Dee project. This is because the location of additional sources may be such that the emissions from those sources may not affect/add to the predicted concentration at the maximum receptor identified in the modeling for the Santee Cooper Pee Dee project. Also, emission inventories change constantly, so a new inventory would have to be compiled for each new project requiring a cumulative Class II increment analysis. This new emissions inventory would take into account any emissions increases and decreases (due to shut-downs or other reductions in emissions) since the Pee Dee modeling.

Thus, it is possible even that the predicted increment "consumption" could decrease with a future project.

Each increment analysis for a new PSD construction permit is a unique modeling analysis. There is no way to predict the effect of a unique increment "consumption" analysis on future PSD construction projects. Therefore it would not be correct to say that the Pee Dee project would "use up" or "consume" the available increment and prevent future growth and jobs.

December 12, 2008

The Honorable Mark Sanford  
Governor  
State of South Carolina  
P. O. Box 12267  
Columbia, SC 29211

Dear Governor Sanford:

We write concerning a pressing problem facing businesses and citizens across South Carolina: rapidly rising energy costs. This fall, the S.C. Public Service Authority (“Santee Cooper”) announced plans for a major rate hike next year. In reaction, the Pee Dee Electric Cooperative, a Santee Cooper customer, announced a whopping 23% increase effective this coming January, 2009. It is reasonable to expect other electric coops to follow suit.

A main reason cited for these increases has been the escalating cost of coal. Rising coal power costs have an outsized impact on South Carolina. Santee Cooper, our largest utility, generates 78% of its power from coal, and it now seeks to build another coal plant on the Pee Dee River. That plant’s price tag has already jumped to over two billion dollars, and is predicted to go substantially higher.

As you know, Santee Cooper is the only unregulated utility in our state, and unlike other utilities need not receive S.C. Public Service Commission (“PSC”) review and approval to build plants and raise rates. In fact, the only outside oversight of our public utility is the Santee Cooper advisory board – on which you serve.<sup>1</sup> At a time when fuel, construction and pollution costs are skyrocketing, we formally request that the advisory board conduct a public examination of Santee Cooper’s coal strategy, including its proposal to build yet another coal plant on the Pee Dee.

There is clear legal authority for the advisory board to look into this matter. By statute, Santee Cooper’s board of directors must make annual reports to your board with “full information as to all” of their acts, “together with financial statement and full information as to the work of the authority.”<sup>2</sup> In turn, the advisory board must designate a certified public accountant every year to “audit the affairs of the authority” and produce an audit report filed with the annual report of the board of directors. **Id.** In carrying out its statutory oversight role, the advisory board must have full information about the financial risks of the authority’s work and affairs. We are concerned that critical information has not been disclosed to the advisory board, and ask you to examine these matters more closely.

Even though your role is “advisory”, there is little doubt your review will receive serious consideration by Santee Cooper.

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<sup>1</sup> The Santee Cooper advisory board is comprised of the Governor, the Attorney General, the State Treasurer, the Comptroller General, and the Secretary of State. S.C. Code Ann. § 58-31-20(D).

<sup>2</sup> S.C. Code Ann. § 58-31-20(D).

Attached you will find an October 8, 2008 report of T.R. Rose Associates of New York, concerning Santee Cooper's coal plans. The findings are eye-opening, and raise serious questions that deserve investigation:

- Santee Cooper's estimate for the Pee Dee plant costs have already risen to \$2.50 billion from \$1.99 billion. But even this estimate is low. The final plant costs could exceed \$4 billion.
- Appalachian coal spot market prices tripled up until the recent economic crisis, and even now are double the prices of one year ago due to increased export demand. Santee Cooper burns Appalachian coal.
- The Pee Dee plant would emit 10 million tons of carbon dioxide per year. Santee Cooper is aware that carbon controls are coming, but has never publicly disclosed the likely costs. At a conservative figure of \$20 per ton, the Pee Dee's annual carbon emissions would cost ratepayers over \$200 million every year.

As the Charleston Post & Courier has reported, some of Santee Cooper's largest industrial customers have expressed concern over an overreliance on a single fuel source like coal. Add to that the fact that DHEC says this plant will consume much of the available clean air reserves necessary for future economic growth in Florence County, and the economic questions grow in magnitude. At a time when businesses and citizens are struggling to pay escalating electricity bills, does it make economic sense to build a risky and very expensive coal plant with escalating costs? Even when growth has slowed and Santee Cooper's demand projections have gone down 30% in one year?

The advisory board's attention to this matter would be appropriate even without these serious economic questions, for environmental and health reasons alone. The plant would emit 7,500 tons of sulfur dioxide, 3,500 tons of nitrogen oxides, almost 1,000 tons of particulate soot annually. It would require hundreds of acres of landfill in a pristine area, would consume a mile-long train of coal a day, and would emit almost 100 pounds of mercury every year next to the Pee Dee River – where fish tissues are already so laden with hazardous levels of that toxin that DHEC warns people about eating them.

Fortunately, we have options to meet the region's power needs that are economically superior and environmentally safer. Because South Carolina is one of the least energy efficient states in the country, studies show that a major efficiency initiative by Santee Cooper would displace the need for this plant entirely, and do so for much less money. Other options like renewable energy sources and natural gas could meet any reasonably foreseeable power demands and do so more cleanly and with far greater job benefits than a highly automated coal plant.

The Santee Cooper board of directors should welcome the advisory's asking questions to ensure that "full information" about the financial implications of Santee Cooper's works and plans is received by the advisory board and presented to the General Assembly. PSC review would, in our view, be a preferable means of reviewing Santee Cooper's rate increases and construction plans, but the statute as written does not provide for that. The advisory board's exercise of authority is all that the state's businesses and citizens have, and it is absolutely critical.

It deserves mention that, at this juncture, your review could benefit from the information being produced pursuant to the federal environmental permitting review process. Consultants working at the direction of the U.S. Army Corps of Engineers are analyzing the long term costs of the plant and the stated need for it. This permitting evaluation process will be ongoing deep into 2009, but preliminary information gathered pursuant to it could greatly facilitate your board's review.

In closing, we urge the advisory board to convene and look into the recent rate increases and Santee Cooper's coal-heavy strategy moving forward. We thank you for your service to South Carolina, and for your attention to this extremely important issue that will impact citizens and businesses for generations to come.

Sincerely,

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Frank Knapp  
(title)  
South Carolina Small Business Chamber of Commerce

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Ben Gregg  
Executive Director  
South Carolina Wildlife Federation

cc: Members, Santee Cooper Advisory Board

The Honorable Mark Hammond  
Secretary of State  
P. O. Box 11350  
Columbia, SC 29211

The Honorable Converse Chellis  
State Treasurer  
P. O. Box 11778  
Columbia, SC 29211

The Honorable Henry D. McMaster  
Attorney General  
P. O. Box 11549  
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The Honorable Richard Eckstrom  
Comptroller General  
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1200 Senate Street  
Columbia, SC 29201

### **Joint Statement**

**By: Frank Knapp, S.C. Small Business Chamber of Commerce  
Ben Gregg, S.C. Wildlife Federation**

South Carolinians across the state, especially those among the memberships of the state's twenty electric cooperatives, face rapidly escalating energy costs.

On October 29<sup>th</sup>, Santee Cooper announced its intention to seek a rate increase next year and already the rates of its electric cooperative customers have begun to balloon. Pee Dee Electric Cooperative, serving some of the state's highest poverty communities, has already announced a whopping 23% increase for January. Substantial increases in the rates of the electric cooperatives are expected to come in 2009.

Rising coal prices have an outsized impact on South Carolina and require a full discussion of the advisability of Santee Cooper's plans to build yet another old fashioned dirty coal plant on the banks of the Great Pee Dee River.

State law exempts Santee Cooper from oversight and rate approvals by the S.C. Public Service Commission. The only oversight of Santee Cooper resides in the five member Santee Cooper Advisory Board which is chaired by the Governor who serves along with the Secretary of State, State Treasurer, Attorney General and Comptroller General. The law requires the advisory board to designate a certified public accountant to provide an annual audit of Santee Cooper.

Santee Cooper's proposed coal plan is plagued with ominous issues that beg for public accountability which Santee Cooper sorely lacks.

Cost projections by Santee Cooper have been twice revised from an initial estimate of \$1.99 billion to the latest estimate of \$2.5 billion. Final costs could well exceed \$4 billion.

The plant will emit 10 million tons of carbon dioxide per year. A conservative estimate for likely costs of carbon controls at this plan alone will cost Santee Cooper's ratepayers \$200 million every year. That's a billion dollar balloon payment in five years.

Multiple landfills and ash ponds will be sited along the Pee Dee River and more toxins will be added to an area infamous for its mercury contamination. The plant will emit 7,500 tons of sulfur dioxide, 3,500 tons of nitrogen oxides, almost 1,000 tons of soot into our air annually.

In fact, DHEC has warned that the Pee Dee plant's pollution will single-handedly consume practically *all* of the clean air cushion reserved for future economic growth in Florence County.

With Santee Cooper's rates and costs dramatically increasing, and with so many serious risks to our health and our way of life, we need oversight and accountability, and we need them now.

As small business owners and conservationists, we call upon Governor Mark Sanford to convene the Santee Cooper Advisory Board to exercise independent oversight and leadership and assure that Santee Cooper's ill-advised, costly and hazardous plant receives the full airing of these critical economic and environmental issues.



# MEDIA STATEMENT

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December 10, 2008  
For Immediate Release

Contact: Marcia Purday, APR  
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## **Background**

Today the Small Business Chamber of Commerce asked Governor Sanford to review the state-owned utility's plan to build a coal-fired power plant in Florence County.

## **South Carolina Chamber Response**

**The following response may be attributed to Otis B. Rawl Jr., President and CEO of the South Carolina Chamber of Commerce.**

It is incredulous that the Small Business Chamber, an entity that claims to represent small businesses, would oppose a project that will provide affordable and reliable electricity for South Carolina. Over the past three years, the Small Business Chamber has often opposed initiatives supported by the South Carolina Chamber of Commerce, like tort reform and workers' compensation reform that are already proving to improve the state's business climate.

I understand the need to be environmentally sensitive when making this decision. However, the Department of Health and Environmental Control (DHEC) has had nearly 900 days to review the permit. There's been ample study and review. Now is the time to issue the permit and move forward.

Affordable and reliable energy are each key to the survival of South Carolina's businesses. When a small business owner walks into his business every morning, the lights must come on, and the rates must remain affordable. The Pee Dee Energy Campus will be the cleanest and most efficient coal-burning facility in the state of South Carolina and one of the cleanest in the entire nation. As our state grows rapidly, we must be proactive in ensuring that we have adequate capacity.

*The South Carolina Chamber of Commerce, the nation's first state chamber Accredited with Distinction by the U.S. Chamber, is the state's largest statewide broad-based business and industry trade association representing more than 6,500 member companies and more than 600,000 member employees, with 90 percent of membership comprised of small businesses. As the unified voice for business and industry, the Chamber is a catalyst for increasing per capita income and enhancing the state's global competitiveness in order to improve the quality of life for all South Carolinians.*

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