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August 14, 2017

VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

RE: Petition of South Carolina Electric & Gas Company for Authorization to Defer and Amortize Certain Costs Incurred as a Result of Complying with Certain Regulations Promulgated by the United States Department of Transportation Pipeline and Hazardous Materials Safety Administration;
Docket No. 2014-461-G

Dear Ms. Boyd:

By Order No. 2014-1034, dated December 17, 2014, issued in the above-referenced docket, the Public Service Commission of South Carolina ("Commission") authorized South Carolina Electric & Gas Company ("SCE&G" or "Company") to defer and amortize certain costs incurred as a result of complying with certain regulations promulgated by the United States Department of Transportation Pipeline and Hazardous Materials Safety Administration, and to accrue carrying costs on the balance of the regulatory asset account. As part of its order the Commission required that "the Company submit quarterly reports to ORS and this Commission detailing the fiscal expenditures, inspections, and repairs relating to SCE&G's Safety and Integrity Enhancements within forty-five (45) days of the end of each quarter." The purpose of this letter is to provide the Commission and ORS the quarterly update for the quarter ending June 30, 2017.

As of June 30, 2017, the balance in the regulatory asset account totaled $6,691,581.68 including carrying costs and net of amortization. A detailed breakdown of the expenditures related to safety and integrity enhancements follows:

(Continued . . .)

ELECTRONICALLY FILED - 2017 August 14 8:39 AM - SCPSC - Docket # 2014-461-G - Page 1 of 6

ELECTRONICALLY FILED - 2017 August 14 8:39 AM - SCPSC - Docket # 2014-461-G - Page 2 of 6

AC Mitigation

SCE&G has initiated a program to more proactively and aggressively inspect select transmission and distribution pipelines in electric transmission rights-of-way for stray alternating currents. Expenditures for this enhancement as of June 30, 2017, total $96,285.00.

Atmospheric Corrosion at LNG Plants

To prevent atmospheric corrosion, SCE&G applies an engineered coating system to the LNG tanks and facilities at the plants on a periodic basis. Expenditures for this enhancement as of June 30, 2017, total $1,443,424.16.

Buried Pipe Coating Remediation

SCE&G has initiated a project to assess and remediate pipeline coatings on older buried steel pipelines. Expenditures for this enhancement as of June 30, 2017, total $107,100.93.

Casing Inspection Program

SCE&G has initiated a program to enhance its casing inspection procedures to ensure reliability going forward. Expenditures for this enhancement as of June 30, 2017, total $39,018.44.

Casing Removal Program

Due to the difficulty and expense associated with performing the required assessments on cased pipe, SCE&G has implemented a program to remove casings on certain transmission pipelines. Expenditures for this enhancement as of June 30, 2017, total $68,337.24.

Danger Tree Removal

SCE&G has enhanced its follow-up and remediation plan to ensure that danger trees and limbs which threaten our facilities, particularly those trees and limbs located outside of the Company's easements, are responded to in a timely manner. Expenditures for this enhancement as of June 30, 2017, total $5,584.92.

ELECTRONICALLY FILED - 2017 August 14 8:39 AM - SCPSC - Docket # 2014-461-G - Page 3 of 6

Distribution Integrity Management

To enhance and continuously improve the performance of its distribution integrity management program, SCE&G may implement new technologies and new risk management strategies and engage third party expertise for audits, reviews, and consultation. Expenditures for this enhancement as of June 30, 2017, total $75,547.83.

Enhanced Aerial Patrol

SCE&G has enhanced its aerial patrol processes by incorporating additional inspections during the warmer construction season in an effort to mitigate the risks of third party damage to its transmission pipelines. Expenditures for this enhancement as of June 30, 2017, total $47,227.98.

Enhanced Leak Survey

SCE&G has enhanced its leak survey frequency for high pressure distribution lines from a five-year interval to an annual survey. Expenditures for this enhancement as of June 30, 2017, total $82,999.81.

Expansion of Integrity Management Inspections

SCE&G has expanded its transmission integrity management inspections to also include areas outside of High Consequence Areas. Expenditures for these inspections as of June 30, 2017, total $2,633,363.50.

GIS Services Layer

SCE&G has initiated a project to enhance the Company's DIMP program by incorporating service cards data into the GIS to improve information available to field technicians who perform daily maintenance activities and to enable SCE&G's distribution risk models to access leak data. Expenditures for these enhancements as of June 30, 2017, total $703,465.14.

GIS Regulator Station Records

SCE&G has initiated a project to improve the Company's data management and integration by consolidating certain station data in a single repository, hydraulically connecting stations to GIS to aid system planning and emergency response, and providing a mobile ready data platform to facilitate data maintenance. Expenditures for these enhancements as of June 30, 2017, total $129,013.73.

ELECTRONICALLY FILED - 2017 August 14 8:39 AM - SCPSC - Docket # 2014-461-G - Page 4 of 6

Inline Inspections

SCE&G implemented an in-line inspection program for SCE&G's gas transmission pipelines. Expenditures for this program as of June 30, 2017, total $1,309,294.11.

MAOP Verifications

SCE&G performed excavations, inspections, tests, and sampling procedures to ensure reliable and sufficient pipeline records. Expenditures for these tasks as of June 30, 2017, total $217,494.55.

Physical Meter/Station Barriers

SCE&G has enhanced identification and protection of its above-ground facilities that may be subject to the threat of vehicle damage. Expenditures for this enhancement as of June 30, 2017, total $3,700.00.

Pipeline Attachments and Crossings

SCE&G has enhanced inspections of difficult to access bridge attachments and other crossings such as marine or exposed crossings. Expenditures for this enhancement as of June 30, 2017, total $78,801.00.

Pipeline Safety Management

SCE&G is implementing a program to improve its overall pipeline safety management systems, the first phase of which focuses on procedure review and enhancement to ensure that all procedures are synchronized and reflect better/best practices from industry. Expenditures for this enhancement as of June 30, 2017, total $104,159.78.

Pipeline Survey & Markers

SCE&G has enhanced its damage prevention efforts by ensuring sufficient pipeline and rights-of-way markers throughout pipeline corridors. Expenditures for this enhancement as of June 30, 2017, total $87,905.78.

Public Awareness Enhancements

SCE&G has incorporated processes to improve the accuracy of its mail and contact lists for safety-related communications and has improved its documentation, metrics, and record-keeping processes via a GIS-based solution management. Expenditures for this enhancement as of June 30, 2017, total $242,276.11.

ELECTRONICALLY FILED - 2017 August 14 8:39 AM - SCPSC - Docket # 2014-461-G - Page 5 of 6

Sewer Cross Bore Inspections

SCE&G is conducting a sewer cross bore inspection to improve its understanding of the level of risk and to determine how best to identify and mitigate those risks. This pilot project may lead to additional inspections and/or a more comprehensive inspection program. Expenditures for this enhancement as of June 30, 2017, total $24,897.00.

Shallow Pipe Remediation

SCE&G has enhanced its natural forces and damage prevention efforts by more aggressively targeting shallow and exposed pipelines for remediation. Expenditures for this enhancement as of June 30, 2017, total $428,371.37.

Side Trimming Program

SCE&G has implemented a formal side-trim program for its transmission pipelines to improve effectiveness of the aerial patrol inspections and thereby improve monitoring of third-party damage threats. Expenditures for this enhancement as of June 30, 2017, total $537,111.71.

Station Grounding Program

SCE&G has enhanced its station grounding procedures and installations to better protect pipeline facilities and ensure employee safety. Expenditures for this enhancement as of June 30, 2017, total $73,197.68.

Station Painting

SCE&G has enhanced its atmospheric corrosion prevention program by establishing a life-cycle station painting program for customer and system stations. Expenditures for this enhancement as of June 30, 2017, total $812,591.47.

Station Risers Inspection

SCE&G is implementing a riser inspection program to ensure integrity of station riser piping, which is more prone to corrosion. Expenditures for this enhancement as of June 30, 2017, total $196,741.26.

Unconventional Locating Systems

SCE&G has enhanced its damage prevention processes to include unconventional locating methods and equipment to better ensure that difficult to locate pipeline

facilities are marked in the field with an instrumented locating device. Expenditures for this enhancement as of June 30, 2017, total $39,453.35.

Carrying Costs

Carrying costs as of June 30, 2017, total $239,456.23.

Amortization

Amortized costs as of June 30, 2017, total ($3,135,238.40).

By copy of this letter, SCE&G is providing the South Carolina Office of Regulatory Staff with this quarterly report.

If you have any questions or need additional information, please do not hesitate to contact us.

Very truly yours,

Matthew W. Gissendanner

MWG/kms

cc: Dawn Hipp
Jeffrey M. Nelson, Esquire
(both via electronic and U.S. First Class Mail)

ELECTRONICALLY FILED - 2017 August 14 8:39 AM - SCPSC - Docket # 2014-461-G - Page 6 of 6