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September 24, 2018

VIA E-FILING
Jocelyn Boyd, Esquire
Chief Clerk and Administrator
South Carolina Public Service Commission
101 Executive Center Drive
Columbia, SC 29210

RE: Direct Testimony of Kevin W. O'Donnell filed on behalf of South Carolina Energy Users Committee
Consolidated Docket Nos. 2017-207-E, 2017-305-E and 2017-370-E

Dear Ms. Boyd:

I have enclosed for filing the Direct Testimony of Kevin W. O'Donnell, CFA, which I am filing on behalf of the South Carolina Energy Users Committee ("SCEUC") in the above-captioned matter. By copy of this letter, I am serving all parties of record.

If you have questions, please do not hesitate to contact me.

Sincerely,

ELLIOTT & ELLIOTT, P.A.

Scott Elliott

SE/lbk

Enclosures

cc: All parties of record (w/enc.)

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STATE OF SOUTH CAROLINA

BEFORE THE PUBLIC SERVICE COMMISSION

DOCKET NOS. 2017-207-E, 2017-305-E, AND 2017-370-E

IN RE:	)
	)
Friends of the Earth and Sierra Club,	)
Complainants/Petitioners	)
	)
v.	)
	)
South Carolina Electric & Gas Company,	)
Defendant/Respondent	)

IN RE:	)
Request of the Office of Regulatory Staff	)
for Rate Relief to South Carolina Electric	)
& Gas Company's Rates Pursuant to S.C.	)
Code Ann. §58-27-920	)

IN RE:	)
	)
Joint Application and Petition of South	)
Carolina Electric & Gas Company and	)
Dominion Energy, Inc. for review and	)
approval of a proposed business	)
combination between SCANA	)
Corporation and Dominion Energy, Inc.,	)
as may be required and for prudency	)
determination regarding the abandonment	)
of the V.C. Summer Units 2 & 3 Project	)
and associated merger benefits and cost	)
recovery plan.	)

Direct Testimony

of

Kevin W. O'Donnell, CFA

On Behalf of

South Carolina Energy Users Committee

September 24, 2018

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BEFORE
SOUTH CAROLINA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF KEVIN W. O'DONNELL, CFA

Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS FOR THE RECORD.

A. My name is Kevin W. O'Donnell. I am President of Nova Energy Consultants, Inc. My business address is 1350 Maynard Rd., Suite 101, Cary, North Carolina 27511.

Q. ON WHOSE BEHALF ARE YOU PRESENTING TESTIMONY IN THIS PROCEEDING?

A. I am testifying on behalf of the South Carolina Energy Users Committee (SCEUC), which is an industrial trade association in South Carolina. Many of SCEUC's members take retail electric service from South Carolina Electric & Gas (SCE&G or the Company) and will be impacted by the proceedings in this case.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND RELEVANT EMPLOYMENT EXPERIENCE.

A. I have a Bachelor of Science in Civil Engineering from North Carolina State University and a Master of Business Administration from the Florida State University. I earned the designation of Chartered Financial Analyst (CFA) in 1988. I have worked in utility regulation since September 1984, when I joined the Public Staff of the North Carolina Utilities Commission (NCUC). I left the NCUC Public Staff in 1991 and have worked continuously in utility consulting since that time, first with Booth & Associates, Inc. (until 1994), then as Director of Retail Rates for the North Carolina Electric Membership Corporation (1994-1995), and since then in my own consulting

firm. I have been accepted as an expert witness on rate of return, cost of capital, capital structure, cost of service, and other regulatory issues in general rate cases, fuel cost proceedings, and other proceedings before the North Carolina Utilities Commission, the South Carolina Public Service Commission (Commission), the Virginia State Commerce Commission, the Minnesota Public Service Commission, the Colorado Public Service Commission, the New Jersey Board of Public Utilities, the Wisconsin Public Service Commission, and the Florida Public Service Commission. In 1996, I testified before the U.S. House of Representatives, Committee on Commerce and Subcommittee on Energy and Power, concerning competition within the electric utility industry. Additional details regarding my education and work experience is set forth in Appendix A to my direct testimony.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony in this case is to address the testimony of Company Witness Lapson regarding her views on the financial credit condition of SCE&G and to inform the Commission of two other options SCANA has to enable it to avoid further credit deterioration for SCE&G.

Q. PLEASE EXPLAIN MS. LAPSON'S TESTIMONY IN THIS CASE.

A. Ms. Lapson was retained by SCE&G to provide an opinion in regard to the request of the Office of Regulatory Staff (ORS) for SCE&G to immediately suspend $445 million of revenues the Company collects each year pursuant to the Base Load Review Act (BLRA). In her initial prefiled testimony filed on December 7, 2017, Ms. Lapson states that the petition of the ORS would "undermine the financial stability and viability of SCE&G." [1] Ms.

[1] Lapson prefiled testimony of December 7, 2017, p. 3,

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Lapson goes on to state that, if the ORS petition is granted, a number of unfavorable consequences such as cash flow effects, balance sheet effects, credit agreement impacts, possible credit downgrades, and common equity impacts may befall SCE&G. [2] Ms. Lapson then summarizes all these consequences by stating these issues would all "financially devastate" SCE&G and be detrimental to the Company's ability to provide safe and reliable service to its customers. [3]

On August 2, 2018, Ms. Lapson filed updated testimony in this proceeding in which the tone of her testimony was a bit more subdued. As an example, Ms. Lapson states the following in regard to a summary of her testimony:

> The financial future of both SCE&G and SCANA are clouded with uncertainty, and as a consequence, the companies are <u>constrained</u> in their access to equity and debt capital funding, creating additional risk for utility customers. [4](underline added)

In this same testimony, Ms. Lapson further states:

> Elimination of the BLRA recovery stream of payments would likely result in downgrades of both companies in the speculative grade by all three rating agencies. Increased debt leverage as a result of severe equity write-down also would make SCE&G <u>vulnerable to operating or regulatory stresses that would make it difficult for the Company to fund normal operations or external events, such as storm restoration.</u> [5](underline added)

[2] Id, p. 3-5
[3] Id, p. 5
[4] Lapson testimony filed August 2, 2018, p. 6
[5] Id, p. 26

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Q. WHAT HAS TRANSPIRED IN THE CREDIT MARKETS REGARDING SCE&G SINCE MS. LAPSON'S PREFILED TESTIMONY ON DECEMBER 7, 2017 TO THE DATE OF HER UPDATED TESTIMONY ON AUGUST 2, 2018?

A. On June 29, 2018, SCANA Corp. announced it was cutting its dividend 80% so that its quarterly dividend to-be paid would fall from 61.25 cents per share to 12.37 cents per share. This cut in the dividend payment amounts to a savings to SCANA Corp. of approximately $279 million. The credit rating agencies reacted positively to the news of a dividend cut. Moody's specifically cites the dividend cut in its July 2, 2018 report on SCANA when it states:

> The confirmation also considers SCANA's credit supportive announcement last week that it would cut its dividend by 80% in response to these legislative developments", added Schumacher (Vice President -Senior Credit Officer at Moody's) [6]

This same Moody's report goes on to state:

> The ratings confirmations consider the **manageable** impact of the legislated revenue reduction on SCE&G's and SCANA's credit quality and metrics, especially in light of the dividend cut, while also recognizing that ultimate authority for establishing permanent rates remains with the SCPSC. The SCPSC has an open docket to evaluate rate plans proposed by SCANA and Dominion Energy, Inc. (Baa2 negative) in conjunction with their pending merger, as well as an alternate plan for SCE&G. **Both these plans incorporate more credit supportive proposals for sharing of the cost of the abandoned nuclear plant**. Moody's believes the new legislation may further pressure the SCPSC to set rates that are unusually low or significantly delay or deny recovery; however, we think it is unlikely they

[6] Moodys report July 2, 2018, "Moody's confirms SCANA, SCE&G and PSNC, rating outlook negative", p. 1

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> would establish rates that are lower than the temporary rates set by the new legislation. The legislation requires the SCPSC render its decision by December. (underline and bold added) [7]

Q. IN EITHER HER DECEMBER 7, 2017 TESTIMONY OR HER AUGUST 2, 2018 TESTIMONY, DID MS. LAPSON DISCUSS DIVIDEND CUTS AS A POTENTIAL MITIGATING FACTOR FOR CREDIT DOWNGRADES?

A. No. Ms. Lapson's testimonies did not anticipate dividend cuts but, instead, focused on the consequences involving credit downgrades and possible bankruptcy. However, as noted in the July 2, 2018 Moody's report, SCANA did reduce its dividend and is managing the risk and taking steps to dig out of its financial hole.

Q. ARE THERE ANY OTHER STEPS THAT SCANA CAN TAKE TO FURTHER STABILIZE ITS FINANCIAL CONDITION?

A. Yes. SCANA should examine selling Public Service Company of North Carolina (PSNC), which is a gas distribution utility, that serves the Asheville and Raleigh/Durham areas of the state. Within the past two years, both Southern Company and Duke Energy have purchased gas distribution utilities in the southeast and paid high premiums for those assets. A sale of PSNC would create additional cash which SCANA could use to pay down debt and/or create an extra cushion of financial liquidity.

Q. DO YOU KNOW IF SCANA EXECUTIVES HAVE EXAMINED THE POSSIBILITY OF SELLING PSNC?

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[7] Moodys report July 2, 2018, "Moody's confirms SCANA, SCE&G and PSNC, rating outlook negative", p. 1

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A. Yes. SCANA has examined the possibility of selling PSNC, but it has rejected the sale because the price offered for the North Carolina gas utility was insufficient.

The February 19, 2018 issue of the *Triangle Business Journal* reported the following:

> SCANA, the South Carolina-based parent company of Public Service Company of North Carolina (PSNC), which provides natural gas to the Triangle region, had multiple conversations with three unidentified utility companies in addition to Dominion, referred to in filings as parties A, B and C.
>
> Party C told SCANA on Dec. 19 – just weeks before the Dominion deal was announced – that it would be interested in acquiring just PSNC for $2.2 billion.
>
> On a telephone board conference that same day, SCANA CEO Jimmy Addison said the proposal, in his view, "was not particularly attractive given the valuation proposed by Party C and the fact that Public Service Company of North Carolina was a key driver of SCANA's growth." [8]

$2.2 billion would go a long way in helping SCANA shore up its financial condition. I respect Mr. Addison's belief that the value offered for PSNC was not sufficiently high to take action to sell the gas utility. However, the desire to enrich stockholders is now secondary to the needs of maintaining the "preservation of the financial integrity of the state's public utilities and

[8] Triangle Business Journal, February 19, 2018, "SEC Filings reveal Dominion had Competition for SCANA" https://www.bizjournals.com/triangle/news/2018/02/19/sec-filings-reveal-dominion-had-competition-for.html

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continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services" [9]

Q. HOW DOES THE POTENTIAL SALE OF PSNC AT $2.2 BILLION COMPARE TO THE NET JENKINSVILLE ABANDONMENT COSTS?

A. On August 4, 2017, SCE&G made an ex-parte presentation to the Commission in which it discussed the abandonment of the Jenkinsville plant. One of the slides presented to the Commission was entitled "Abandonment Economics". According to this slide, the estimated net amount of the abandonment costs was $2.2 billion, which is the same amount SCANA executives rejected for the sale of PSNC.

The importance of this slide from the ex-parte presentation should not be minimized. SCANA has an asset that is worth, according to media reports, the same amount required to offset the abandonment costs from the Jenkinsville facility.

Q. DID MS. LAPSON MENTION THE POSSIBLE SALE OF PSNC AS A MEANS TO MITIGATE THE NEGATIVE CONSEQUENCES SHE MENTIONS IN HER EITHER OF HER TESTIMONIES?

A. No, she did not.

Q. IS THERE ANY OTHER MEASURE AVAILABLE TO THE COMPANY TO SECURE ITS CREDIT RATING?

A. Yes. SCANA has cut its dividend, but it has not eliminated the dividend. I am not recommending that SCANA take that action but, again, that option

[9] South Carolina Code Section 58-4-10(B)(3)

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is available to the Company. Elimination of the dividend could save SCANA an additional $70 million per year.

Q. HAS THE CREDIT RATING OF SCE&G BEEN DOWNGRADED SINCE THE FILING OF MS. LAPSON'S TESTIMONY IN DECEMBER 2017?

A. Yes. On February 5, 2018, Moody's downgraded the credit rating of SCE&G from Baa2 to Baa3.

Q. HOW WILL THE CREDIT RATING DOWNGRADE THAT OCCURRED EARLIER THIS YEAR IMPACT THE COST OF CAPITAL FOR SCE&G?

A. A downgrade in the SCE&G credit rating will not only impact the Company's cost of debt, but it will also impact its cost of equity. Many rate of return witnesses use credit ratings parameters as a means of selecting companies to be used in comparable groups. Indeed, SCE&G's rate of return witness Hevert used a credit rating parameter in the current case.[10] It is difficult to assess the exact impact such a downgrade will have on the Company's cost of equity as, admittedly, setting a return on equity is a subjective process seen through various filters. The cost of debt, on the other hand, can be easily estimated with strong analytical support.

Q. DID YOU CALCULATE THE HIGHER COST OF DEBT THAT CONSUMERS OF SCE&G WILL BE ASKED TO PAY IN FUTURE RATES DUE TO THE DOWNGRADE OF THE SCE&G CREDIT RATING?

A. Yes.

[10] Hevert prefiled testimony of December 7, 2017, p. 15

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Q. PLEASE EXPLAIN HOW YOU CALCULATED THE FUTURE HIGHER COST OF DEBT DUE TO THE CREDIT DOWNGRADE THAT OCCURRED EARLIER THIS YEAR.

A. First, it is important to understand that the higher cost of debt will only be applicable to new issues of SCE&G debt and not to existing issues of debt. Existing holders of SCE&G long-term debt are not impacted, as long as they continue to hold the SCE&G debt until maturity.

The higher cost of debt will be applicable to new issues of SCE&G debt. To determine the amount of debt SCE&G may issue in the future, I examined past transmission and distribution (T&D) expenses to determine a possible future stream of T&D investments by the Company. I then examined the most recent filed Integrated Resource Plan (IRP) by the Company to determine future generation investments of the Company. Once I gathered all these investments, I developed a series of possible annual debt needs for the next 30 years that will be required to fund the various SCE&G investments.

I next examined yield spreads to determine the possible increase in interest costs associated with the one-notch downgrade that has already occurred in the SCE&G credit rating. The period I examined was from January 2011 through July 2018. The bond yield spread information was obtained from the Mergent Bond Record and listed the average yields on Public Utility "A" rated bonds and Public Utility "Baa" bonds. From January 2011, through June 2018, the average yield spread between these bonds was 60 basis points. From July 2017 through June 2018, the yield spread was 37 basis points. I used 50 basis points as a conservative estimate of the future yield spread. However, this spread represents a 3-notch difference whereas the credit downgrade for SCE&G has been only one notch (Baa2 to Baa3).

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As a result, for the purposes of this analysis, I assumed the yield spread change would be 16.67 basis points (50 basis points divided by 3). The details of this analysis can be seen in Exhibit KWO-1.

The results of this analysis can be seen in Table 1 below.

Table 1: Cost of SCE&G Credit Downgrade

Time Period	Increase in SCE&G Debt Costs
10-years	$12,165,612
20-years	$47,050,152
30-years	$110,315,254

As can be seen in the above table, the cost of the SCE&G downgrade will cost consumers approximately $110 million over the next 30 years, meaning that the average cost of the downgrade is roughly $3.67 million per year. The rate cut proposed by the ORS is $445 million per year for 30 years. Clearly, the higher cost of debt should not be a determinative factor in assessing the ORS petition for rate reduction.

Q. PLEASE EXPLAIN THE FUNDAMENTAL DIFFERENCE BETWEEN STOCKHOLDERS AND BONDHOLDERS.

A. In the event of a bankruptcy, bondholders have higher seniority than stockholders, meaning the company has to pay back its obligations to bondholders before it compensates stockholders. Since stockholders have a higher risk of repayment, the rate of return associated with holding stock (equity) in a company is higher than the cost of debt.

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Q. HOW DOES THIS DIFFERENCE BETWEEN STOCK INVESTING AND BOND INVESTING IMPACT THIS CASE?

A. In her direct testimony of December 7, 2017, Ms. Lapson goes into great detail about the perils of credit downgrades. As I have shown above, there are tools available, such as the sale of PSNC or a further cut in dividends, that can help stabilize the credit situation of SCANA and SCE&G.

Any further actions taken by SCANA executives to shore up the financial stability for bondholders will come at the expense of stockholders who have already seen a 40% drop in their investments since the Company announced the cessation at work at Jenkinsville.

However, SCANA's shareholders are not blameless here. Stockholders elected SCANA's board of directors who in turn, selected the Company's management team. In electing the board, the stockholders entrusted the board with the management and oversight of the Company's executives who were expected would faithfully carry out their responsibilities. SCANA is, ultimately, owned by its stockholders and they must take ownership of the Company.

Nothing was promised to stockholders when they purchased stock in SCANA. Stockholders knowingly invested in the stock and sought to gain from management of the nuclear construction. The management put in place by SCANA's stockholders failed these stockholders.

SCANA executives have a fiduciary duty to the stockholders. This Commission, on the other hand, has a duty to balance the needs and interests of ratepayers. This Commission should not be swayed by the desires of stockholders in this case.

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Q. DO YOU BELIEVE THE COMMISSION SHOULD REDUCE RATES BY 18% AS REQUESTED BY THE ORS?

A. Yes, I believe the 18% rate cut requested by the ORS should be implemented. The credit agencies have noted that the situation in which SCANA now finds itself is "manageable".

In addition, the sale of PSNC and the entire elimination of the SCANA dividend can provide even more credit stability to SCANA.

Lastly, stockholders took a risk in buying and holding the SCANA stock. Stockholders, not ratepayers, should bear the brunt of the financial consequences brought on by executive oversight in regard to Jenkinsville.

Q. DOES THIS COMPLETE YOUR TESTIMONY?

A. Yes, it does.

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Appendix A

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Kevin W. O'Donnell, CFA

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Kevin W. O'Donnell, is the founder of Nova Energy Consultants, Inc. in Cary, NC. Mr. O'Donnell's academic credentials include a B.S. in Civil Engineering - Construction Option from North Carolina State University as well as a MBA in Finance from Florida State University. Mr. O'Donnell is also a Chartered Financial Analyst (CFA).

Mr. O'Donnell has over thirty-three years of experience working in the electric, natural gas, and water/sewer industries. He is very active in municipal power projects and has assisted numerous southeastern U.S. municipalities cut their wholesale cost of power by as much as 67%. On Dec. 12, 1998, ***The Wilson Daily Times*** made the following statement about O'Donnell.

> **Although we were skeptical of O'Donnell's efforts at first, he has shown that he can deliver on promises to cut electrical rates.**

As of the start of 2015, Mr. O'Donnell has completed over 25 wholesale power projects for municipal and university-owned electric systems throughout North and South Carolina. In May of 1996 Mr. O'Donnell testified before the U.S. House of Representatives, Committee on Commerce, Subcommittee on Energy and Power regarding the restructuring of the electric utility industry.

Mr. O'Donnell has appeared as an expert witness in 95 regulatory proceedings before the North Carolina Utilities Commission, the South Carolina Public Service Commission, the Virginia Corporation Commission, the Minnesota Public Service Commission, the New Jersey Board of Public Utilities, the Colorado Public Service Commission, District of Columbia Public Service Commission, the Maryland Public Service Commission, the Public Utility Commission of Texas, the Wisconsin Public Service Commission, and the Florida Public Service Commission. His area of expertise has included rate design, cost of service, rate of return, capital structure, nuclear decommissioning, natural gas expansion feasibility studies, fuel adjustments, merger transactions, cogeneration studies, holding company applications, as well as numerous other accounting, financial, and utility rate-related issues.

Mr. O'Donnell is the author of the following two articles: "Aggregating Municipal Loads: The Future is Today" which was published in the Oct. 1, 1995 edition of *Public Utilities Fortnightly;* and "Worth the Wait, But Still at Risk" which was published in the May 1, 2000 edition of *Public Utilities Fortnightly.* Mr. O'Donnell is also the co-author of "Small Towns, Big Rate Cuts" which was published in the January, 1997 edition of *Energy Buyers Guide.* All of these articles discuss how rural electric systems can use the wholesale power markets to procure wholesale power supplies.

Regulatory Cases of Kevin W. O'Donnell, CFA
Nova Energy Consultants, Inc.

Name of Applicant	State Jusrisdiction	Docket No.	Client/ Employer	Case Issues
Public Service Company of NC	NC	G-5, Sub 200	Public Staff of NCUC	Return on equity, capital structure
Piedmont Natural Gas Company	NC	G-9, Sub 251	Public Staff of NCUC	Return on equity, capital structure
General Telephone of the South	NC	P-19, Sub 207	Public Staff of NCUC	Return on equity, capital structure
Public Service Company of NC	NC	G-5, Sub 207	Public Staff of NCUC	Return on equity, capital structure
Piedmont Natural Gas Company	NC	G-9, Sub 278	Public Staff of NCUC	Return on equity, capital structure
Public Service Company of NC	NC	G-5, Sub 246	Public Staff of NCUC	Return on equity, capital structure
North Carolina Power	NC	E-22, Sub 314	Public Staff of NCUC	Return on equity, capital structure
Duke Energy	NC	E-7, Sub 487	Public Staff of NCUC	Return on equity, capital structure
North Carolina Natural Gas	NC	G-21, Sub 306	Public Staff of NCUC	Natural gas expansion fund
North Carolina Natural Gas	NC	G-21, Sub 307	Public Staff of NCUC	Natural gas expansion fund
Penn & Southern Gas Company	NC	G-3, Sub 186	Public Staff of NCUC	Return on equity, capital structure
North Carolina Natural Gas	NC	G-21, Sub 334	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
Carolina Power & Light Company	NC	E-2, Sub 680	Carolina Utility Customers Assoc.	Fuel adjustment proceeding
Duke Power	NC	E-7, Sub 559	Carolina Utility Customers Assoc.	Fuel adjustment proceeding
Piedmont Natural Gas Company	NC	G-9, Sub 378	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
Piedmont Natural Gas Company	NC	G-9, Sub 382	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
Public Service Company of NC	NC	G-5, Sub 356	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
Cardinal Extension Company	NC	G-39, Sub 0	Carolina Utility Customers Assoc.	Capital structure, cost of capital
Public Service Company of NC	NC	G-5, Sub 327	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
Public Service Company of NC	NC	G-5, Sub 386	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
Public Service Company of NC	NC	G-5, Sub 386	Carolina Utility Customers Assoc.	Natural gas transporation rates
Public Service Company of NC/SCANA	NC	G-5, Sub 400	Carolina Utility Customers Assoc.	Merger case
Public Service Company of NC/SCANA	NC	G-43	Carolina Utility Customers Assoc.	Merger Case
Carolina Power & Light Company	NC	E-2, Sub 753	Carolina Utility Customers Assoc.	Holding company application
Carolina Power & Light Company	NC	G-21, Sub 387	Carolina Utility Customers Assoc.	Holding company application
Carolina Power & Light Company	NC	P-708, Sub 5	Carolina Utility Customers Assoc.	Holding company application
Piedmont Natural Gas Company	NC	G-9, Sub 428	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
NUI Corporation	NC	G-3, Sub 224	Carolina Utility Customers Assoc.	Holding company application
NUI Corporation/Virginia Gas Compan	NC	G-3, Sub 232	Carolina Utility Customers Assoc.	Merger application
Duke Power	NC	E-7, Sub 685	Carolina Utility Customers Assoc.	Emission allowances and environmental compliance costs
NUI Corporation	NC	G-3, Sub 235	Carolina Utility Customers Assoc.	Tariff change request.
Carolina Power & Light Company/Prog	NC	E-2, Sub 778	Carolina Utility Customers Assoc.	Asset transfer case
Duke Power	NC	E-7, Sub 694	Carolina Utility Customers Assoc.	Restructuring application
Piedmont Natural Gas Company	NC	G-9, Sub 461	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
Cardinal Pipeline Company	NC	G-39, Sub 4	Carolina Utility Customers Assoc.	Cost of capital, capital structure
South Carolina Public Service Commiss	SC	2002-63-G	South Carolina Energy Users Committee	Rate of return, accounting, rate design, cost of service
Piedmont Natural Gas/North Carolina N	NC	G-9, Sub 470	Carolina Utility Customers Assoc.	Merger application
Piedmont Natural Gas/North Carolina N	NC	G-9, Sub 430	Carolina Utility Customers Assoc.	Merger application
Piedmont Natural Gas/North Carolina N	NC	E-2, Sub 825	Carolina Utility Customers Assoc.	Merger application

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Regulatory Cases of Kevin W. O'Donnell, CFA
Nova Energy Consultants, Inc.

Name of Applicant	State Jusrisdiction	Docket No.	Client/ Employer	Case Issues
Carolina Power & Light Company	NC	E-2, Sub 833	Carolina Utility Customers Assoc.	Fuel case
South Carolina Electric & Gas	SC	2004-178-E	South Carolina Energy Users Committee	Return on equity, capital structure, rate design, cost of service
Carolina Power & Light Company	NC	E-2, Sub 868	Carolina Utility Customers Assoc.	Fuel case
Piedmont Natural Gas Company	NC	G-9, Sub 499	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
South Carolina Electric & Gas	SC	2005-2-E	South Carolina Energy Users Committee	Fuel application
Carolina Power & Light Company	SC	2006-1-E	South Carolina Energy Users Committee	Fuel application
IRP in North Carolina	NC	E-100, Sub 103	Carolina Utility Customers Assoc.	Submitted rebuttal testimony in investigation of IRP in NC.
Piedmont Natural Gas Company	NC	G-9, Sub 519	Carolina Utility Customers Assoc.	Creditworthiness issue
Public Service Company of NC	NC	G-5, Sub 481	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
Duke Power	NC	E-7, 751	Carolina Utility Customers Assoc.	App to share net revenues from certain wholesale pwr trans
South Carolina Electric & Gas	SC	2006-192-E	South Carolina Energy Users Committee	Fuel application
Duke Power	NC	E-7, Sub 790	Carolina Utility Customers Assoc.	Application to construct generation
South Carolina Electric & Gas	SC	2007-229-E	South Carolina Energy Users Committee	Rate of return, accounting, rate design, cost of service
South Carolina Electric & Gas	SC	2008-196-E	South Carolina Energy Users Committee	Base load review act proceeding
Western Carolina University	NC	E-35, Sub 37	Western Carolina University	Rate of return, accounting, rate design, cost of service
Duke Power	NC	E-7, Sub 909	Carolina Utility Customers Assoc.	Cost of service, rate design, return on equity, capital structure
South Carolina Electric & Gas	SC	2009-261-E	South Carolina Energy Users Committee	DSM/EE rate filing
Duke Power	SC	2009-226-E	South Carolina Energy Users Committee	Return on equity, capital structure, rate design, cost of service
Tampa Electric	FL	080317-EI	Florida Retail Federation	Return on equity, capital structure
Duke Power	SC	2010-3-E	South Carolina Energy Users Committee	Fuel application - assisted in settlement
South Carolina Electric & Gas	SC	2009-489-E	South Carolina Energy Users Committee	Return on equity, capital structure, rate design, cost of service
Virginia Power	VA	PUE-2010-00006	Mead Westvaco	Rate design
Duke Energy	SC	2011-20-E	South Carolina Energy Users Committee	Nuclear construction financing
Northern States Power	MN	E002/GR-10-971	Xcel Large Industrials	Return on equity, capital structure
Virginia Power	VA	PUE-2011-0027	Mead Westvaco	Capital structure, revenue requirement
Duke Energy	NC	E-7, Sub 989	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, ROE, capital structure
Duke Energy	SC	2011-271-E	South Carolina Energy Users Committee	Accounting, cost of service, rate design, ROE, capital structure
Dominion Virginia Power	VA	PUE-2011-00073	Mead Westvaco	Rate design
Town of Smithfield/Partners Equity Gr	NC	ES-160, Sub 0	Partners Equity Group	Rate design, asset valuation
Florida Power & Light	FL	120015-EI	Florida Office of Public Counsel	Capital structure
South Carolina Electric & Gas	SC	2012-218-E	South Carolina Energy Users Committee	Accounting, cost of service, rate design, ROE, capital structure
Progress Energy Carolinas	NC	E-2, Sub 1023	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, ROE, capital structure
Duke Energy Carolinas	NC	E-7, Sub 1026	Carolina Utility Customers Assoc.	Rate design
Jersey Central Power & Light	NJ	BPU ER12111052	Gerdau Ameristeel	Return on equity, capital structure
Duke Energy Carolinas	SC	2013-59-E	South Carolina Energy Users Committee	Accounting, cost of service, rate design, ROE, capital structure
Tampa Electric	FL	130040-EI	Florida Office of Public Counsel	Capital structure and financial integrity
Piedmont Natural Gas	NC	G-9, Sub 631	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, ROE, capital structure
Dominion Virginia Power	VA	PUE-2014-00033	Mead Westvaco	Recoverable fuel costs, hedging strategies
Public Service Company of Colorado	CO	14AL-0660E	Colorado Healthcare Electric Coordinating Council	Return on equity, capital structure

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Regulatory Cases of Kevin W. O'Donnell, CFA
Nova Energy Consultants, Inc.

Name of Applicant	State Jusrisdiction	Docket No.	Client/ Employer	Case Issues
WEC Acquisition of Integrys	WI	9400-YO-100	Staff of Wisconsin Public Service Commission	Merger analysis
Dominion Virginia Power	VA	PUE-2015-00027	Federal Executive Agencies	Return on equity
South Carolina Electric & Gas	SC	2015-103-E	South Carolina Energy Users Committee	Return on equity
Western Carolina University	NC	E-35, Sub 45	Western Carolina University	Accounting, cost of service, rate design, ROE, capital structure
Sandpiper Energy	MD	9410	Maryland Office of People's Counsel	Return on equity, capital structure
Washington Gas Light	DC	FC 1137	Washington, DC Office of People's Counsel	Return on equity, capital structure
Florida Power & Light	FL	160021-EI	Florida Office of Public Counsel	Capital Structure
Jersey Central Power & Light	NJ	EM15060733	NJ Division of Rate Counsel	Asset valuation
Rockland Electric Company	NJ	ER16050428	NJ Division of Rate Counsel	Rate design
Dominon NC Power	NC	E-22, Sub 532	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, ROE, capital structure
Potomac Electric Power	DC	FC 1139	Healthcare Council of the National Capitol Area (HCNCA)	ROE and capital structure
Columbia Gas of Maryland	MD	FC 9447	Maryland Office of People's Counsel	ROE and capital structure
Washington Gas Light	DC	FC 1142	Washington, DC Office of People's Counsel	Merger analysis
Duke Energy Progress	NC	E-2, Sub 1142	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, ROE, capital structure
Public Service Electric & Gas	NJ	GR17070776	NJ Division of Rate Counsel	ROE and capital structure
Duke Energy Carolinas	NC	E-7, Sub 1146	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, ROE, capital structure
Elkton Gas/SJI	MD	FC 9475	Maryland Office of People's Counsel	Merger analysis
Entergy Texas	TX	PUC 48371	Public Utilities Commission of Texas	ROE
Duke Energy Carolinas	SC	2018-3-E	South Carolina Energy Users Committee	Fuel case
Elkton Gas Company	MD	FC 9488	Maryland Office of People's Counsel	Accounting, ROE, capital structure
Baltimore Gas & Electric	MD	FC9484	Maryland Office of People's Counsel	ROE, capital structure

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SCE&G Interest Cost Increase Due to Downgrade
16.67-basis point spread

Year	T&D	Gen	Total	Cumulative	Int Costs
2018	$108,675,782	$90,000,000	$198,675,782	$198,675,782	$331,126
2019	111,120,987	0	111,120,987	309,796,769	516,328
2020	113,621,209	0	113,621,209	423,417,978	705,697
2021	116,177,686	0	116,177,686	539,595,665	899,326
2022	118,791,684	142,401,429	261,193,114	658,387,349	1,097,312
2023	121,464,497	142,401,429	263,865,927	779,851,846	1,299,753
2024	124,197,449	0	124,197,449	904,049,295	1,506,749
2025	126,991,891	0	126,991,891	1,031,041,186	1,718,402
2026	129,849,209	0	129,849,209	1,160,890,395	1,934,817
2027	132,770,816	0	132,770,816	1,293,661,211	2,156,102
2028	135,758,159	0	135,758,159	1,429,419,370	2,382,366
2029	138,812,718	0	138,812,718	1,568,232,088	2,613,720
2030	141,936,004	0	141,936,004	1,710,168,091	2,850,280
2031	145,129,564	59,924,357	205,053,921	1,855,297,655	3,092,163
2032	148,394,979	0	148,394,979	2,003,692,635	3,339,488
2033	151,733,866	0	151,733,866	2,155,426,501	3,592,378
2034	155,147,878	0	155,147,878	2,310,574,379	3,850,957
2035	158,638,705	0	158,638,705	2,469,213,085	4,115,355
2036	162,208,076	0	162,208,076	2,631,421,161	4,385,702
2037	165,857,758	0	165,857,758	2,797,278,919	4,662,132
2038	169,589,558	0	169,589,558	2,966,868,477	4,944,781
2039	173,405,323	0	173,405,323	3,140,273,799	5,233,790
2040	177,306,942	0	177,306,942	3,317,580,742	5,529,301
2041	181,296,349	0	181,296,349	3,498,877,090	5,831,462
2042	185,375,516	0	185,375,516	3,684,252,607	6,140,421
2043	189,546,466	0	189,546,466	3,873,799,073	6,456,332
2044	193,811,261	0	193,811,261	4,067,610,334	6,779,351
2045	198,172,014	0	198,172,014	4,265,782,348	7,109,637
2046	202,630,885	0	202,630,885	4,468,413,233	7,447,355
2047	207,190,080	0	207,190,080	4,675,603,313	7,792,672

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CERTIFICATE OF SERVICE

The undersigned employee of Elliott & Elliott, P.A. does hereby certify that (s)he has this date served one (1) copy of the pleading(s) indicated below by electronically mailing same and addressed as shown below:

RE: Friends of the Earth and Sierra Club vs. South Carolina Electric & Gas Company

Request of South Carolina Office of Regulatory Staff for Rate Relief to SCE&G Rates Pursuant to S.C. Code Ann. § 58-27-920

Joint Application and Petition of South Carolina Electric & Gas Company and Dominion Energy, Inc. for review and approval of a proposed business combination between SCANA Corporation and Dominion Energy, Inc., as may be required, and for prudency regarding the abandonment of the V.C. Summer Units 2 & 3 and associated customer benefits and cost recovery plan.

Consolidated Docket Nos.: 2017-207-E, 2017-305-E, and 2017-370-E

PARTIES SERVED:

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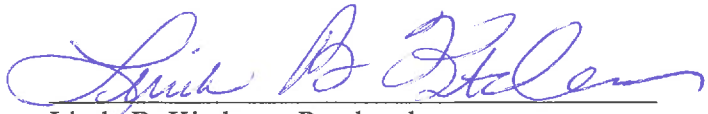
PLEADING: DIRECT TESTIMONY OF KEVIN W. O'DONNELL

September 24, 2018



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