THE OFFICE OF REGULATORY STAFF

SETTLEMENT TESTIMONY

OF

GARY C. JONES

SEPTEMBER 28, 2016

DOCKET NO. 2016-223-E

Petition of South Carolina Electric & Gas Company for Updates and Revisions to Schedules Related to the Construction of a Nuclear Base Load Generation Facility at Jenkinsville, South Carolina
SETTLEMENT TESTIMONY OF

GARY C. JONES

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2016-223-E

IN RE: PETITION OF SOUTH CAROLINA ELECTRIC & GAS COMPANY
FOR UPDATES AND REVISIONS TO SCHEDULES RELATED TO THE
CONSTRUCTION OF A NUCLEAR BASE LOAD GENERATION FACILITY
AT JENKINSVILLE, SOUTH CAROLINA

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.
A. My name is Gary C. Jones, P.E. I am President of Jones Partners, Ltd., a private consulting engineering firm in the electrical power generation field. My business address is 1555 North Astor Street, Apt. 22W, Chicago, Illinois, 60610-5765.

Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS DOCKET?
A. Yes, I did.

Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY IN THIS PROCEEDING?
A. The purpose of my settlement testimony is to provide ORS’s support for the Settlement Agreement (“SA”) reached in this docket for SCE&G’s Petition for Updates and Revisions to Schedules Related to the Construction of a Nuclear Base Load Generation Facility at Jenkinsville, SC (“Petition”).

Q. WHO ARE THE PARTIES TO THE SETTLEMENT AGREEMENT?
Q. WHAT ARE THE MAJOR TOPICS ADDRESSED IN THE SETTLEMENT AGREEMENT?

A. In the Settlement Agreement ("SA"), the Settling Parties agree to support the new Guaranteed Substantial Completion Dates of August 31, 2019 and August 31, 2020, respectively. Of the $852 million requested in the Petition, the Settling Parties agree to support $831.3 million. SCE&G agrees to fix the price to consumers for EPC contract costs according to the terms of the Settlement Agreement ("the Guarantee") (SA paragraph #12). The Settlement Agreement sets a moratorium for filing future modification requests on items not covered by the Guarantee until at least January 28, 2019 ("the Moratorium") (SA paragraph #13) and for revised rates beginning in 2017, the return on equity ("ROE") is reduced from 10.50% to 10.25% (SA paragraph #18). These are the major components of the Settlement Agreement.

Q. WHAT COMPONENT OF THE SETTLEMENT AGREEMENT DO YOU CONSIDER MOST IMPORTANT?

A. All of the terms of the Settlement Agreement are important because they work together to benefit ratepayers. From my perspective, the Guarantee is the most important aspect of the Settlement Agreement because this provision encourages accountability for construction costs and preserves the benefits to ratepayers from electing the Option.

Q. IN THE CONTEXT OF THE SETTLEMENT AGREEMENT, WHAT IS YOUR OPINION ON THE COSTS ASSOCIATED WITH THE PETITION?

A. The Settlement Agreement mitigates the risks associated with electing the Option. In the context of the Settlement Agreement and the potential costs outlined in SCE&G's
sensitivity analysis, the collective Settlement Agreement is reasonable.

Q. DO YOU SUPPORT THIS SETTLEMENT AGREEMENT?
A. Yes, I support this Settlement Agreement. It represents a collaborative effort to address the concerns raised by ORS and the Settling Parties during our review of the Petition.

Q. WHAT IS YOUR RECOMMENDATION?
A. I recommend that the Commission approve the Settlement Agreement.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?
A. Yes, it does.