PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COMMISSION DIRECTIVE

ADMINISTRATIVE MATTER   DATE       June 30, 2010
MOTOR CARRIER MATTER     DOCKET NO.  2009-489-E
UTILITIES MATTER         ORDER NO.     

SUBJECT:
DOCKET NO. 2009-489-E - Application of South Carolina Electric & Gas Company for Increases and Adjustments in Electric Rate Schedules and Tariffs - A Hearing was Held on this Matter on May 24, 2010. This Matter is Ready for Final Disposition.

COMMISSION ACTION:
In its request for a rate increase, South Carolina Electric & Gas Company (SCE&G) sought a return on equity of 11.6% and a retail revenue increase of $197.6 million or 9.52%. The original proposal would have split the increase into three phases: July 15, 2010, January 1, 2011, and July 1, 2011. The Company’s customers have certainly made their feelings known about this case from the very beginning. We heard testimony from approximately 130 speakers at the four night hearings that we conducted throughout South Carolina. We also saw close to 500 people attend those hearings. We are appreciative of the time invested and efforts made by these public witnesses.

The parties in this case represented virtually every customer interest group, and included large industrial users (the South Carolina Energy Users Committee), large retail stores (Wal-Mart), the military and the Federal Government (the U.S. Navy and Federal Executive Agencies), community service groups (the Women’s Shelter), small business (Frank Knapp), environmentalists (Tom Clements), and members of the public (Pamela Greenlaw and the Office of Regulatory Staff). As a result of extensive settlement negotiations with SCE&G, the parties, through Stipulations, proposed a number of reductions to the requested rate increase. In the end, all parties were signatories to the Stipulations, except for Tom Clements who did not oppose the Stipulations and CMC Steel South Carolina who did not participate. Specifically, the Stipulations proposed would result in the following:

- Accounting and pro forma adjustments and a 10.7% rate of return on equity,
- A total revenue increase of approximately $52 million in year one which includes a one-year decrement of $25 million for the benefit of residential and small general service class customers related to a proposed weather normalization program which is applicable to the residential and small general service classes; and a reduction of approximately $24 million due to the first year’s installment of an approximate $48 million Economic Impact Zone Investment Tax Credit spread over a two year period, which is applicable to all retail classes of SCE&G’s customers. This results in a 2.50% revenue increase from all customer classes in year one. The rate increase for a residential customer on standard service is approximately 2.3% of the customer’s total bill.
- In year two, revenues will increase by $25 million as the weather normalization-related decrement expires. The rate increase for a residential customer on standard service in the second year would be an additional 1.7% of the customer’s total bill. This results in a cumulative revenue increase from all customer classes of 3.70% in year two, as compared to the 2.50% revenue increase in year one.
- In year three, revenues will increase by an additional $24 million as the second installment of the Economic Impact Zone Investment Tax Credit decrement expires. The rate increase
for a residential customer on standard service would be an additional 0.9% of the customer’s total bill.

- When all decrements have expired as of July 1, 2012, the total revenue increase will be approximately $101 million, or 4.88%.
- The average residential customer on standard service that uses 1,000 kWh per month would see the following increases on or about the below dates:

<table>
<thead>
<tr>
<th>Date</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2010</td>
<td>$2.76</td>
</tr>
<tr>
<td>July 2011</td>
<td>$2.04</td>
</tr>
<tr>
<td>July 2012</td>
<td>$1.14</td>
</tr>
</tbody>
</table>

| Total Monthly Increase | $5.94 |

Based on the written and oral testimony of the witnesses, and our legally mandated balancing of the interests of the Company’s customers against the interests of the Company and its financial stability, it is my opinion that the agreed upon accounting and pro forma adjustments are just and reasonable, and a 10.7% return on equity is just and reasonable, as is the proposed increase in revenues. Clearly, many of the dollars spent by the Company prior to this case are the result of meeting mandatory federal requirements. The Company and its affiliate Company GENCO have substantially completed work on scrubbers at two separate coal plants, which will reduce sulfur dioxide and mercury emissions from each. SCE&G has also installed a selective catalytic reactor at its Cope Station to reduce emissions of nitrogen oxides. The Company has invested in a number of other smaller environmental projects, and also had to fund 23% of the back-up dam at the site of the Saluda Hydro Project at Lake Murray in Lexington County. Although the Company was successful in funding 77% of the cost for this federally required dam from synthetic fuel tax credits at no cost to its customers, there were not enough credits available for SCE&G to defray the remaining costs.

In summary, based on the totality of the record, I move that the Commission find the following just and reasonable:

- The accounting and pro forma adjustments presented in ORS testimony and exhibits,
- A 10.7% return on equity, which is sufficient to allow the Company to attract capital,
- A gross retail revenue increase to the Company of approximately $101 million as delineated in attachment 3 of the Stipulation Agreement presented to us by the parties, as decreased by the significant credits to customers contained in the Settlement Stipulations for years one and two,
- A $25 million credit to customers related to weather normalization, and a two-year $48,725,000 credit to customers at the rate of approximately $24,362,500 per year, which is related to the Economic Impact Zone Investment Tax Credit, meaning that the full effect of the rate increase will not be felt for 24 months. The $25 million credit is directly related to the Company’s calculated potential savings of $22.5 million that would have been realized had a weather normalization adjustment been in effect for the first quarter of 2010, when SCE&G customers suffered from an abnormally cold period across its service territory,

- That SCE&G shall not seek an increase in its retail base rates and charges to be effective prior to June 2012, except for those approved under the fuel or base load review statutes, or as part of SCE&G’s Demand Side Management/Energy Efficiency programs, and except where necessary due
to unforeseen economic or financial conditions, all subject to review by this Commission.

Also, I move that the Commission adopt the Settlement Stipulations signed by the parties as being in the public interest, and that we order the parties to abide by all terms of the Stipulations.

In making this motion, I am mindful of the present state of the economy in South Carolina, and the difficulty that some of the Company’s customers may have in managing their electric bills, and I do not make this motion lightly. While the Company has attempted to economize in many instances, a number of the Company’s customers have protested the proposed rates. Virtually every one of the many public witnesses objected to the proposed rate increase as it would cause severe hardship regarding their ability to manage their electric bills, particularly given the current economic situation. Again, we are appreciative of the time invested and efforts made by these public witnesses, as well as the participation of the parties in the evening public hearings. Their testimony is entirely consistent with our understanding of the difficulties faced by all users of electric service in this state, and further highlights our challenge to assist utility customers in obtaining information that allows them to better manage their electric bills.

PRESIDING: Fleming
SESSION: Regular
TIME: 2:30 p.m.

MOTION YES NO OTHER
FLEMING  
HALL 
HAMilton 
HOWARD  
MITCHELL 
WHITFIELD 
WRIGHT 

(Seal) RECORDED BY: J. Schmieding

Commissioner Hall was not a member of the Commission at the time of the Hearing