Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.
A. My name is Tami S. Haselden and my address is 220 Operation Way, Cayce, South Carolina.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?
A. I am employed by SCANA Services, Inc., a subsidiary of SCANA Corporation, where I am the Manager of Tax Compliance and Accounting for SCANA Corporation and its subsidiaries, including SCE&G (collectively, “SCANA”).

Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?
A. Yes. As part of SCE&G’s fuel costs proceeding, I provided testimony to the Commission regarding SCE&G’s proposal to reduce its fuel costs through a
change in the method of accounting for the Economic Impact Zone Investment Tax Credit ("EIZ Tax Credit").

Q. HAVE YOU TESTIFIED IN OTHER PROCEEDINGS?
A. Yes. I previously testified before the South Carolina Administrative Law Court in a contested case proceeding initiated by SCANA after the South Carolina Department of Revenue ("DOR") denied in part the EIZ Tax Credit that was claimed by SCANA on its 1995, 1996, 1997, and 1998 corporate income tax returns. In that proceeding, which I further explain below, I testified regarding the methodology employed by SCANA in calculating and reporting the EIZ Tax Credit during the years at issue in that proceeding.

Q. ARE YOU A CERTIFIED PUBLIC ACCOUNTANT ("CPA")?
A. Yes. I have been a CPA since September 1988. I also am a member of the American Institute of Certified Public Accountants and the South Carolina Association of Certified Public Accountants.

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.
A. I hold a Bachelor of Science in Business Administration, Accounting Major, and a Master of Accountancy with an Emphasis in Taxation from the University of South Carolina. After receiving my Master’s degree, I was employed
with the public accounting firm of Ernst & Whinney, where I was responsible for preparing income tax returns, researching federal and state tax laws, and conducting financial statement audits and compilations. I joined SCANA Services as a Junior Tax Analyst in January 1988. Since that time and prior to assuming my current position in 2005, I have worked with SCANA as a Tax Analyst, a Senior Tax Analyst, a Senior Tax Specialist, and the Supervisor of Tax Compliance and Accounting.

Q. WHAT ARE YOUR DUTIES AS THE MANAGER OF TAX COMPLIANCE AND ACCOUNTING?

A. I am primarily responsible for the successful completion and filing of SCANA’s federal and state consolidated income tax returns. In addition, I am responsible for directing tax research, coordinating with external accounting, tax, and legal firms, implementing various financial accounting standards related to accounting for income taxes, developing procedures to comply with tax accounting requirements, negotiating settlements with taxing authorities, analyzing the impact of tax law changes, and overseeing departmental documentation of internal controls in compliance with the Sarbanes-Oxley Act of 2002.
Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY TODAY?

A. The purpose of my testimony is to explain SCE&G’s proposal to reduce its revenue requirements in this proceeding through a change in its method of accounting for the EIZ Tax Credit.

Q. PLEASE EXPLAIN THE ECONOMIC IMPACT ZONE INVESTMENT TAX CREDIT AND PROVIDE THE PURPOSE STATED BY THE GENERAL ASSEMBLY FOR ENACTING THAT CREDIT.

A. In 1995, the South Carolina General Assembly enacted the Economic Impact Zone Community Development Act of 1995 (the “Act”), South Carolina Code Sections 12-14-10 to 12-14-70, as amended. The Act establishes the EIZ Tax Credit against the state corporate income tax liability of any company placing in service tangible manufacturing or production equipment within a designated Economic Impact Zone. The purpose of the Act, which is explained in Section 12-14-20, is stated as follows:

It is the purpose [of the Act] to establish a program of providing tax incentives for the creation of economic impact zones in order:

(1) to revitalize economically and physically distressed areas impacted as a result of the closing or realignment of a federal military installation area, primarily by encouraging the formation of new businesses and the retention and expansion of existing businesses;

(2) to promote meaningful employment for economic impact zone
residents; and
(3) to encourage individuals to reside in the economic impact zones in which they are employed.

Q. WHAT IS THE DEFINITION OF AN ECONOMIC IMPACT ZONE?
A. Consistent with the purpose of the Act, Section 12-14-30(1) defines an Economic Impact Zone as any county or a municipality having any portion of its boundaries within a 50-mile radius of an “applicable federal military installation” or “applicable federal facility.” An “applicable federal military installation” is defined in Section 12-14-30(2) as a federal military installation that has been closed or realigned under federal law. An “applicable federal facility” is defined in Section 12-14-30(3) as a federal facility at which employment has been reduced by 3,000 or more jobs after December 31, 1990. This latter definition includes the Savannah River Site, which is located in portions of Aiken County, Allendale County, and Barnwell County near the Savannah River.

Q. WHAT COUNTIES QUALIFY AS AN ECONOMIC IMPACT ZONE PURSUANT TO THESE DEFINITIONS?
A. In its Information Letter 96-23 dated November 19, 1996, the South Carolina Department of Revenue (“DOR”) identified the following counties as Economic Impact Zones effective April 4, 1995:
Aiken          Colleton          Jasper
Allendale      Dillon           Lexington
Bamberg        Dorchester       Marion
Barnwell       Edgefield        McCormick
Beaufort       Florence          Newberry
Berkeley       Georgetown        Orangeburg
Calhoun        Greenwood        Richland
Charleston     Hampton          Saluda
Clarendon      Horry            Williamsburg

All or a portion of these 27 counties fall within SCE&G’s electric service area with
the exception of Dillon County, Florence County, Georgetown County, Horry
County, Marion County, and Williamsburg County.

Q. DOES EQUIPMENT PLACED IN SERVICE BY SCE&G WITHIN THE
COUNTRIES DESIGNATED AS ECONOMIC IMPACT ZONES QUALIFY
TO RECEIVE THE EIZ TAX CREDIT?

A. Yes. As pertinent to this retail electric rate proceeding, Section 12-14-60
allows the credit for any tangible property placed in service within an Economic
Impact Zone and used as an integral part of furnishing electrical energy in that zone.

Q. HOW IS THE AMOUNT OF THE EIZ TAX CREDIT DETERMINED?

A. The amount of the EIZ Tax Credit is based on a percentage of the tax basis of
the property placed in service within the Economic Impact Zone. The applicable
percentage is based upon the tax life of the property as designated by the Internal
Revenue Code for tax depreciation purposes, and ranges from 1% for property with a
tax life of three years to 5% for property with a tax life of 15 years or more. Most of
the qualifying property placed in service by SCE&G has a tax life of 15 years or
more due to the nature of the assets used to furnish electrical energy in Economic
Impact Zones. Thus, most of the qualifying property placed in service by SCE&G
generates a credit of 5% of the tax basis of that property.

Q. ARE THERE ANY LIMITATIONS ON THE AMOUNT OF THE EIZ TAX
CREDIT THAT MAY BE GENERATED BY A COMPANY IN EACH
YEAR?
A. Yes. For investments made after June 30, 1998, Section 12-14-60(H) limits
the amount of the credit that SCE&G may generate in each year to $5,000,000. It is
important to note, however, that this limitation did not apply to the tax years at issue
in SCANA’s controversy with DOR concerning the EIZ Tax Credit because the
credit was generated prior to June 30, 1998.

Q. IF THE COMPANY’S CORPORATE INCOME TAX LIABILITY IN A
PARTICULAR YEAR IS LESS THAN THE AMOUNT OF THE EIZ TAX
CREDIT GENERATED FOR THAT YEAR, WHAT HAPPENS TO THE
REMAINING OR UNUSED EIZ TAX CREDIT?
Section 12-14-60(D)(1) permits a carryforward of unused EIZ Tax Credit for a period of “ten years from the close of the tax year in which the credit was earned.” In other words, the unused tax credit can be applied against the tax liability generated in later tax years for a period of ten years or until the credit is completely used, whichever happens first. This carryforward provision was not in the original version of the Act, but was added by amendment on June 24, 1997 and made effective for tax years beginning after 1996. I am familiar with the carryforward provision and the issues involving the effective date of the amendment because this was one of the issues involved in SCANA’s controversy with DOR.

Q. PLEASE IDENTIFY THE ISSUES RAISED IN THE CONTROVERSY WITH DOR.

A. There actually were two issues involved in SCANA’s litigation with DOR. The first issue involved whether SCANA could claim the EIZ Tax Credit in the 1995 tax year for property placed into service prior to April 4, 1995, which is the date that the Act was signed into law by the Governor and, thus, became effective. The second issue was whether SCANA could claim on its 1997 and 1998 state corporate tax returns an EIZ Tax Credit generated but not fully used in the 1996 tax year.

Q. PLEASE BRIEFLY EXPLAIN THE CONTROVERSY WITH RESPECT TO THE ISSUE OF THE EFFECTIVE DATE FOR TAKING THE EIZ TAX CREDIT.
With respect to this issue, SCANA contended that it was entitled to claim approximately $2.1 million in EIZ Tax Credit related to property placed into service between January 1, 1995 and the effective date of the Act, which was April 4, 1995. DOR contended that SCANA could claim the credit only for property placed into service after the effective date of the Act. SCANA challenged DOR’s determination in the contested case proceeding before the ALC, which ruled in favor of SCANA on that issue in April 2006. DOR appealed that issue to the South Carolina Court of Common Pleas, and SCANA again prevailed on that issue when the court affirmed the ALC’s ruling in November 2006. DOR did not further appeal that issue to the South Carolina Supreme Court and, thus, abandoned its challenges to SCANA’s EIZ Tax Credit related to property placed into service between January 1, 1995 and April 4, 1995.


In 1996, SCANA generated a total EIZ Tax Credit of $29,575,619. However, SCANA’s total state income tax liability for that year was $14,252,362. SCANA carried forward the unused EIZ Tax Credit of $15,323,257 to offset its tax liability for the 1997 tax year. This amount subsequently was reduced to $15,284,526 following an audit by DOR. Because the credit was not fully used in 1997, SCANA then carried forward and used the remaining 1996 EIZ Tax Credit to offset its tax
liability for the 1998 tax year. The carryover of the 1996 EIZ Tax Credit was completely used in the 1998 tax year.

DOR rejected the use of the carryover for both the 1997 and 1998 tax years, asserting that SCANA could not carry forward any credit generated but not used during the 1996 tax year because the statutory provision allowing a carry forward was enacted after 1996 and, thus, did not apply to investments made during that tax year. DOR thus disallowed the tax credit for the 1997 and 1998 tax years and retained the $15,284,526 that SCANA claimed as a credit on its returns for those two years.

SCANA challenged DOR’s decision in the ALC, which ruled in favor of DOR on this issue in April 2006. SCANA appealed the ALC’s decision on this issue to the South Carolina Court of Common Pleas at the same time that DOR appealed the ALC’s decision on the effective date issue to that court. As stated previously, the court affirmed the ALC’s findings with respect to the effective date issue, and also ruled in SCANA’s favor on this carryforward issue, thereby authorizing SCANA’s carryforward of the credit to the years 1997 and 1998.

DOR appealed the decision of the Court of Common Pleas with respect to the carryforward issue to the South Carolina Supreme Court. After initially reversing the Court of Common Pleas’ decision and ruling in favor of DOR in June 2008, the Supreme Court in August 2008 granted SCANA’s petition for rehearing and, following rehearing, reversed its original decision in September 2009, holding that
SCANA was entitled to carry forward any unused EIZ Tax Credit to tax years after 1996 based on the plain language of the statute.

Q. HAS THE DEPARTMENT OF REVENUE SINCE REFUNDED THE DISALLOWED AMOUNT OF THE EIZ TAX CREDIT?
A. Yes. SCANA received a tax refund of the $15,284,526 from DOR shortly after the Supreme Court’s decision, of which $14,913,957 was allocable to SCE&G’s electric operations and $370,569 allocable to its gas operations.

Q. HOW HAS SCE&G ACCOUNTED FOR THE EIZ TAX CREDIT FOR REGULATORY PURPOSES IN PRIOR PERIODS?
A. The EIZ Tax Credit reduces state income taxes and, because state income taxes are a deduction on the federal income tax return, results in an increase in federal income taxes of 35% of the amount of the EIZ Tax Credit. This net benefit (i.e., reduction) to income tax expense is currently being deferred and amortized over a 30-year period, which is the approximate average service life of the property additions which generate the EIZ Tax Credit.

Q. NOW THAT THE CONTROVERSY WITH DOR HAS CONCLUDED AND THE AMOUNT OF THE EIZ TAX CREDIT TO WHICH THE COMPANY WAS ENTITLED IS KNOWN, DOES SCE&G PROPOSE A CHANGE IN THE METHOD OF ACCOUNTING FOR THE EIZ TAX CREDIT?
A. Yes. The Company proposes to begin directly flowing through to its customers the amount of the EIZ Tax Credit actually taken on that year’s corporate income tax return and to accelerate the recognition of the net deferred electric EIZ Tax Credit benefit as recorded at December 31, 2009.

Q. WHY DOES SCE&G PROPOSE THIS ACCOUNTING CHANGE?

A. If approved by the Commission and adopted, the change would allow the Company’s customers to receive the full benefit of that portion of the tax credit allocated to electric operations in the period when the EIZ Tax Credit is earned. Further, the accelerated recognition of the existing deferred EIZ Tax Credit will provide the benefit more rapidly to customers. In sum, the Company believes its proposed accounting change is a preferable method of accounting for the EIZ Tax Credit going forward.

Q. WHAT IS THE ESTIMATED FINANCIAL IMPACT OF FLOWING THROUGH AND NOT DEFERRING THE EIZ TAX CREDIT?

A. If the Commission approves the proposed change to the flow-through method, the Company projects that it will recognize for regulatory accounting purposes a net state tax credit (i.e., tax reduction) each year in the amount of approximately $2,925,000 under the current statutory provisions governing the EIZ Tax Credit. This estimate also is based on the assumption that the Company will qualify for 100% of the maximum available credit each year. As shown on the attached Exhibit No. ___
(TSH-1), this amount is calculated by allocating 10% of the total available EIZ Tax Credit to SCE&G’s gas operations, which leaves 90% or $4,500,000 of the credit for SCE&G’s electric operations. This amount then is reduced by 35% to account for the increased federal income taxes, yielding a net annual EIZ Tax Credit of $2,925,000 that will flow through directly to customers in the year the credit is generated. When compared to the regular annual net deferred EIZ Tax Credit benefit amortization of $1,786,802 reported for the year ended December 31, 2009, the flow-through method further reduces the Company’s annual tax expense (i.e., increases the net tax benefit) by $1,138,198.

Q. WHAT TREATMENT DOES THE COMPANY PROPOSE WITH RESPECT TO THE NET DEFERRED EIZ TAX CREDIT BENEFIT?

A. As shown in the attached Exhibit No. ___ (TSH-2), the Company proposes to reduce its revenue requirement in this retail rate proceeding by $10,000,000 per year through accelerated amortization of $30,875,000 ($6,175,000 per year for five years) of the net deferred electric EIZ Tax Credit benefit recorded at December 31, 2009. The annual amortization amount is calculated by applying the statutory after tax percentage of 61.75% to the proposed annual revenue requirement reduction of $10,000,000. This proposed treatment will leave $10,737,315 of net deferred electric EIZ Tax Credit benefit. As explained in my testimony filed in Docket No. 2010-2-E, the Company proposes to apply this remaining balance to reduce undercollected fuel cost in its fuel costs proceeding. Also, if approved, the amounts recorded in 2010
under the current method of accounting prior to receiving approval of this accounting change will be reversed in conjunction with adopting this new method of accounting.

Q. WHY DOES THE COMPANY PROPOSE TO RECOGNIZE THE AMOUNT CONSIDERED IN THE BASE RETAIL RATES PROCEEDING OVER A PERIOD OF FUTURE YEARS?

A. Because the net deferred EIZ Tax Credit is nonrecurring, the Company believes it prudent to structure the recognition of the majority of the amounts recorded in those deferred accounts over a five-year period. Amortizing the amounts over five years will allow customers to receive the benefit more rapidly for rate making purposes while also recognizing that this one-time benefit should not serve to unreasonably distort the Company’s actual revenue needs.

Q. HAS THE COMPANY PROPOSED AN ADJUSTMENT TO REFLECT THESE CHANGES?

A. Yes. This impact is reflected in the Company’s Application in this proceeding as Electric Pro Forma Adjustment 28. The calculation of this adjustment is also shown in the attached Exhibit No. ___ (TSH-3). Adjustment 28 reduces the Company’s tax expense by $7,313,198 to reflect the accelerated recognition of the deferred EIZ Tax Credit and flow through accounting of current or future EIZ Tax Credit. This adjustment is the sum of the increased reduction in tax expense in the amount of $1,138,198 that results from directly flowing through the EIZ Tax Credit
in the year the credit is earned, plus the annual amortization of the existing deferred EIZ Tax Credit in the amount of $6,175,000 in each of the next five years.

Q. PLEASE SUMMARIZE YOUR TESTIMONY FOR THE COMMISSION.
A. In this proceeding the Company proposes to flow through the EIZ Tax Credit for regulatory purposes when recognized on the Company’s South Carolina corporate income tax return rather than deferring the tax credit. This methodology will increase the net benefit of the EIZ Tax Credit for regulatory purposes by approximately $1,138,198 based on the net deferred EIZ Tax Credit benefit amortization as of December 31, 2009. The Company further proposes to accelerate the amortization of the net deferred EIZ Tax Credit benefit reported on the Company’s balance sheet as of December 31, 2009 to offset $10,000,000 in revenue requirements over each of the next five years. In summary, the Company recommends approval of this approach as being reasonable and beneficial to our customers.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?
A. Yes.
Proposed Treatment of SC Economic Impact Zone Investment Tax Credit
Reduction to Tax Expense by Change to Flow Through Method

Annual Amount of SC EIZ Tax Credit Generated 5,000,000

Multiplied By Estimated Allocation Percentage for Electric Operations 0.90

Annual Amount Allocated to Electric Operations 4,500,000

Multiplied By After Federal Tax Percentage (1 - .35) 0.65

Annual EIZ Tax Credit Allocated to Electric Operations, net of Federal Tax Effect 2,925,000

2009 Annual Net EIZ Tax Credit Amortization Computed Under Current Accounting Method 1,786,802

Reduction to Tax Expense by Change to Flow Through Method 1,138,198
Proposed Treatment of SC Economic Impact Zone Investment Tax Credit
Reduction to Revenue Requirement for Net Deferred EIz Tax Credit Benefit

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance Of Net Deferred Electric EIz Tax Credit Benefit At 12/31/09</td>
<td>41,612,315</td>
</tr>
<tr>
<td>Annual Revenue Requirement to be Offset by Proposed EIz Adjustment in Electric Rate Proceeding</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Multiplied By After Tax Percentage (1-.3825)</td>
<td>0.6175</td>
</tr>
<tr>
<td>Equals The Annual Net Deferred EIz Tax Credit Benefit Proposed For The Electric Rate Proceeding</td>
<td>6,175,000</td>
</tr>
<tr>
<td>Multiplied By Five Years for the Amortization Period</td>
<td>5</td>
</tr>
<tr>
<td>Equals The Net Deferred EIz Tax Credit Benefit Proposed For The Electric Rate Proceeding</td>
<td>30,875,000</td>
</tr>
<tr>
<td>(Refer to TSH Testimony in Docket No. 2010-2-E)</td>
<td></td>
</tr>
<tr>
<td>Remainder Of Net Deferred EIz Tax Credit Benefit Available For Reduction in Fuel Cost</td>
<td>10,737,315</td>
</tr>
</tbody>
</table>
SOUTH CAROLINA ELECTRIC & GAS COMPANY  
ELECTRIC PRO FORMA ADJUSTMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2009

| Adjustment Title: | Adjustment #28  
| Economic Impact Zone Credits |

| Allocation Method: | Allocated Total Plant in Service |

<table>
<thead>
<tr>
<th>Allocation Breakdown:</th>
<th>Total</th>
<th>Wholesale</th>
<th>Retail</th>
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</thead>
<tbody>
<tr>
<td>Income Tax Expense</td>
<td>$ (7,313,198)</td>
<td>$ (186,551)</td>
<td>$ (7,126,647)</td>
</tr>
<tr>
<td>%</td>
<td>100.00%</td>
<td>2.55%</td>
<td>97.45%</td>
</tr>
</tbody>
</table>

| Purpose of Adjustment: | Accelerates amortization of EIZ credits and adjusts tax expense to reflect flow through tax accounting going forward |

| Impact of Adjustment: | |

**To Calculate Annual Net Amortization:**

| Total Deferred Tax Credits | $ (30,875,000) |
| 5 Year Amortization Period | 5 |
| Annual Net Amortization | $ (6,175,000) |

**To Show Federal and State Impact of Annual Net Amortization:**

| Decrease State Tax Expense | $ (9,500,000) |
| Increase Federal Tax Expense | $ 3,325,000 |
| Increase (Decrease) in Tax Expense | $ (6,175,000) |

**To Show Effect Of Flow Through Accounting:**

| Remove Current Annual Net Amortization | $ 1,786,802 |
| Current Annual Net Credits Generated | $ (2,925,000) |
| Increase (Decrease) in Tax Expense | $ (1,138,198) |

**To Show Federal and State Impact of Flow Through Accounting:**

| Decrease State Tax Expense | $ (1,751,074) |
| Increase Federal Tax Expense | $ 612,876 |
| Increase (Decrease) in Tax Expense | $ (1,138,198) |

**Total Impact of Adjustment:**

| Decrease State Tax Expense | $ (11,251,074) |
| Increase Federal Tax Expense | $ 3,937,876 |
| Increase (Decrease) in Tax Expense | $ (7,313,198) |