Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

A. My name is Jimmy E. Addison and my business address is 220 Operation Way, Cayce, South Carolina. I am Senior Vice President and Chief Financial Officer ("CFO") of South Carolina Electric & Gas Company (the "Company" or "SCE&G") and hold a similar position at SCANA Corporation, which is the parent company of SCE&G.

Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING?

A. I have.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my testimony is to respond to certain matters raised in the pre-filed direct testimony of witnesses for other parties in this proceeding. Specifically, I will offer testimony rebutting and responding to the recommendation of SCEUC witness Kevin O'Donnell to disallow
recovery of the costs related to the work performed by SCE&G witness Julie Cannell.

Q.  SCEUC WITNESS KEVIN O’DONNELL ARGUES THAT THE COSTS RELATED TO JULIE CANNELL’S TESTIMONY CONCERNING CURRENT CONDITIONS IN CAPITAL MARKETS AND INVESTORS’ PERSPECTIVES OF SCE&G SHOULD BE DISALLOWED. HOW DO YOU RESPOND?

A. I know of no reason why Mr. O’Donnell would single out Ms. Cannell’s testimony for criticism:

- Ms. Cannell is eminently qualified as a former utility fund analyst, and a nationally recognized expert and advisor to the Edison Electric Institute on investors’ perceptions of regulatory decision-making related to electric and gas companies. Ms. Cannell has participated in several NARUC conferences as either a panelist or a respondent and has testified from the investor perspective in utility rate proceedings in 17 states.

- Wall Street experts have testified without objection as to current market conditions, and investors’ perceptions and sensitivities as a part of each SCE&G electric rate case considered by this Commission since 1990. See Commission Orders No. 2007-855 (Wall Street witness Cannell); 2005-2 and 2003-38 (Wall Street witness Osborne); 1996-15 and 1993-465 (Wall Street witness
Similar investor perception testimony was recently introduced, without objection from Mr. O’Donnell, in the electric rate case filed by Duke Energy Carolinas, LLC in Docket No. 2009-226-E. See Order 2009-79.

Ms. Cannell’s testimony corroborates specific observations about market conditions and investor expectations discussed in my testimony, and that of Mr. Marsh.

Q. IS INFORMATION SUCH AS THAT CONTAINED IN MS. CANNELL’S TESTIMONY RELEVANT TO THIS PROCEEDING?

A. Information about market conditions, investors’ expectations and concerns and rating agency matters is supremely relevant to the question of what constitutes an appropriate Return on Equity (“ROE”) for SCE&G. The setting of an ROE for a utility is not an academic exercise. It is a real-world decision which, as this Commission has stated, “involves a balancing of investor and customer interests in the exercise of expert judgment by the Commission.” See Order No. 96-15, p. 41. Under the Hope and Bluefield standards (Federal Power Comm’n v. Hope Natural Gas Co., 320 U.S. 591 (1944) and Bluefield Water Works Improvement Co. v. Public Serv. Comm’n of West Virginia, 262 U.S. 679 (1923)), as adopted by the South Carolina Supreme Court (Southern Bell Telephone and Telegraph Co. v. South Carolina Public Serv. Comm’n, 270 S.C. 590, 244 S.E.2d 278 (1978)), a fair rate of return for a utility is one that is commensurate with
returns on investments for other enterprises with similar risks, is adequate to ensure the confidence of financial markets in the finances of the utility, and is adequate to allow the utility to maintain its credit worthiness and to attract new capital on reasonable terms. See Order No. 96-15, p. 41. Ms. Cannell’s testimony is well-documented with citations to analysts’ reports and credit rating agency studies. It provides direct evidence of what capital markets consider to be the risk profile of the Company, the commensurate returns available from similar investments and what sort of return is necessary for the Company to maintain its creditworthiness and ability to access capital on reasonable terms. This information is directly relevant to the decisions that the Commission must make under the Hope and Bluefield principles.

Q. HOW DO YOU RESPOND TO MR. O’DONNELL’S CRITICISM OF MS. CANNELL’S CONCLUSION THAT AN APPROPRIATE ROE MAY SAVE MONEY FOR CUSTOMERS BY LOWERING CAPITAL COSTS FOR THE COMPANY GOING FORWARD?

A. I would refer Mr. O’Donnell to pages 16 to 17 of my prefiled testimony where I calculate some of the additional financing costs that customers would have to bear if the Company’s debt rating or SCANA’s stock price were depressed by an unfavorable outcome in this proceeding. This analysis was based on future stock issuances and debt issuances and refinancing that have been publicly announced. The analysis shows only
part of the effect that would be expected but fully supports the position
taken in Ms. Cannell’s testimony that both customers and investors share an
interest in appropriate ROE decisions by this Commission.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.