BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
Docket No. 2009-489-E
May 14, 2010

IN RE: Application of South Carolina Electric
& Gas Company for Adjustments and
Increases in the Company’s Electric
Rate Schedules and Tariffs

SECOND STIPULATION ON CERTAIN MATTERS

This Stipulation (“Stipulation”) is made by and between the South Carolina Office of Regulatory Staff (“ORS”), Frank Knapp, Jr., and South Carolina Electric & Gas Company (“SCE&G” or “the Company”) (collectively referred to as the “Parties” or sometimes individually as “Party”).

WHEREAS, ORS, Frank Knapp, Jr., and SCE&G have varying positions regarding the issues in this case;

WHEREAS, ORS and SCE&G entered into a Stipulation on Certain Matters dated May 3, 2010, in which the Parties agreed to a 10.7% return on common equity, a pilot weather normalization adjustment mechanism, and a one-time credit of $25 million to SCE&G’s retail electric customers;

WHEREAS, on May 3, 2010, ORS pre-filed the direct testimony of A. Randy Watts, Sharon G. Scott, M. Anthony James, Daniel F. Sullivan, and Leigh C. Ford (“ORS Witnesses”) with the Public Service Commission of South Carolina (“Commission”), which set forth ORS’s findings and recommendations resulting from ORS’s examination of SCE&G’s application filed in this docket;
WHEREAS, SCE&G has reviewed the pre-filed direct testimony of the ORS Witnesses;

WHEREAS, ORS and SCE&G have continued discussions to determine if a stipulation on certain matters would be in their best interests and in the case of ORS, in the public interest; and

WHEREAS, following those discussions, SCE&G and Frank Knapp, Jr. have determined that their interests, and ORS has determined that the public interest, would be best served by stipulating to certain matters pending in the above-captioned case under the terms and conditions set forth below:

1) The Parties agree to place into the record before the Commission this Stipulation.

2) Except as otherwise agreed to herein, SCE&G agrees, solely for the purposes of this case and no future cases, with the ORS Accounting and Pro Forma Adjustments set forth in the pre-filed direct testimony of the ORS Witnesses. As such, SCE&G agrees to stipulate to testimony regarding the ORS Accounting and Pro Forma Adjustments set forth in Audit Exhibit SGS-2 pages 1 through 5 in the column labeled “ORS Retail Electric” and described in the pre-filed direct testimony of the ORS Witnesses without objection, change, amendment or cross-examination with the exception of changes comparable to those which would be presented via an errata sheet or through a witness noting a correction. Where ORS has indicated that there is no adjustment, the Parties agree that no adjustment shall be made; additionally, neither Party will propose nor advocate adoption of adjustments in addition to, instead of, or inconsistent with the accounting and pro forma adjustments set forth in Audit Exhibit SGS-2. All Parties reserve the right to conduct redirect examination of its witnesses as necessary in order to respond to issues raised by the examination of its witnesses, if any, by non-Parties to this Stipulation or by any other person, or to any late-filed testimony.
3) By agreeing to the ORS Accounting and Pro Forma Adjustments in this docket, SCE&G is not waiving, but specifically reserves, its right to object to any proposed removal of such costs from utility expenses in future proceedings.

4) SCE&G further agrees with ORS’s recommendation to flow the deferred Economic Impact Zone Investment Tax Credit balance to retail ratepayers via a decrement rider which will remain in place for two years or until the credits are exhausted. This amounts to $24,362,500 per year or a total of $48,725,000. The Parties acknowledge there is a possibility that more or less than $48,725,000 may be credited to customers. If the customers are over-credited or under-credited, then the difference between the actual credit and $48,725,000 will be placed in a deferred account with interest at the 3-year U.S. Government Treasury Notes, as reported by the Wall Street Journal, either in its print edition or on its website, plus an all-in spread of 65 basis points (0.65 percentage points) not to exceed 6% to be recovered or returned in a future general rate case proceeding.

5) The Parties further agree that SCE&G should be authorized to continue to withdraw the policy premiums for the storm damage insurance for SCE&G’s transmission and distribution system from the Storm Damage Reserve Fund. SCE&G will review any changes in premiums for storm damage insurance with ORS on an annual basis. For the purposes of calculating working cash and rate base in this proceeding the parties agree to assume a one-time charge to the storm damage reserve in the amount of $407,000 which will not otherwise be reflected on the books of SCE&G.

6) The Parties agree that collection of the Storm Damage Reserve Rider shall be suspended subject to future reinstatement by the Commission. The Parties agree that in future proceedings SCE&G may present evidence indicating that the annual average cost of SCE&G’s storm expense may equal or exceed the expected damage assessment contained in the Hurricane and Ice Storm Loss and Reserve Solvency Analysis presented to the Commission in 2007.

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7) The Parties further agree with ORS's proposal to use the eight-year period of major maintenance costs from 2010 through 2017 as the appropriate cycle over which to calculate the adjustment for the major maintenance accrual. The Parties agree that interest on the major maintenance account should be based upon the 3-Year U.S. Government Treasury Notes, as reported by the Wall Street Journal, either in its print edition or on its website, plus an all-in spread of 65 basis points (0.65 percentage points).

8) The Parties agree that the adjustment sought by SCE&G in its tree trimming test year expense shall not be made in this proceeding and further acknowledge that SCE&G may present evidence in future proceedings indicating that the cost of maintaining a five-year tree trimming cycle may exceed the amount reflected in current rates.

9) SCE&G agrees that Rate 21A shall remain open and available.

10) The Parties agree that signing this Stipulation (a) will not constrain, inhibit, impair, or prejudice their arguments or positions on remaining matters in this docket or held in future or collateral proceedings, (b) will not constitute a precedent or evidence of acceptable practice in future proceedings, (c) will not limit the relief, rates, recovery or rates of return that any Party may seek or advocate in any future proceeding, and (d) that all stipulations as to any fact, argument or position contained in the direct testimony of ORS' Witnesses shall apply only for purposes of this proceeding and not any other. If the Commission declines to approve the Stipulation in its entirety, then any Party desiring to do so may withdraw from the Stipulation without penalty or obligation.

[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]
Representing and binding the South Carolina Office of Regulatory Staff

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I AGREE:

Frank Knapp, Jr.

Frank Knapp, Jr., Individually
WE AGREE:

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THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2009-489-E

IN RE:

Application of South Carolina Electric & Gas Company for Increases and Adjustments in Electric Rate Schedules and Tariffs

CERTIFICATE OF SERVICE

This is to certify that I, Chrystal L. Morgan, have this date served one (1) copy of the SECOND STIPULATION ON CERTAIN MATTERS in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

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May 14, 2010
Columbia, South Carolina