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DIRECT TESTIMONY AND EXHIBITS OF

DANIEL F. SULLIVAN

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2020-125-E

IN RE: APPLICATION OF DOMINION ENERGY SOUTH CAROLINA, INCORPORATED FOR ADJUSTMENT OF RATES AND CHARGES

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

A. My name is Daniel F. Sullivan. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina, 29201. I am employed by the State of South Carolina as the Director of the Audit Department for the Office of Regulatory Staff ("ORS").

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND YOUR BUSINESS EXPERIENCE.

A. I received a Bachelor of Science Degree with a major in Accounting from the University of South Carolina in December 1998. In February 2005, I began my employment with ORS and since then have participated in cases involving the regulation of telecommunications, electric, natural gas, radioactive waste disposal, and water and wastewater utilities.

Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA ("PSC" OR "COMMISSION")?

A. Yes. I have previously testified before the Commission on cases involving the regulation of radioactive waste disposal, natural gas, electric, water and wastewater.

Q. WHAT IS THE MISSION OF THE OFFICE OF REGULATORY STAFF?

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A. ORS represents the public interest as defined by the South Carolina General Assembly as:

> [T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to set forth the findings and recommendations resulting from ORS's examination of the application of Dominion Energy South Carolina, Incorporated ("Company" or "DESC"), in Docket No. 2020-125-E. These findings and recommendations are explained in detail in my testimony and attached exhibits.

Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes. The review to which I testify was performed by me or under my supervision.

Q. PLEASE DESCRIBE THE PROCEDURES USED TO PERFORM THE EXAMINATION OF THE COMPANY'S APPLICATION.

A. ORS's examination of the Company's Application for Adjustment of Rates and Charges ("Application") consisted of three major steps. In step one, ORS verified that the operating experience and rate base, reported by the Company in its Application, were supported by the Company's accounting books and records for the year ended December 31, 2019 ("Test Year"). In the second step, ORS tested the underlying transactions in the books and records to ensure that the transactions were adequately supported, had a stated business purpose, were allowable for ratemaking purposes and were properly recorded. Lastly, our examination consisted of adjusting, as necessary, the revenues, expenditures

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and capital investments to normalize the Company's operating experience and rate base in accordance with generally accepted regulatory principles and prior Commission orders.

Q. PLEASE IDENTIFY THE EXHIBITS ATTACHED TO YOUR TESTIMONY.

A. I have attached the following exhibits to my testimony relating to the total Company per books and retail per books:

- Exhibit DFS-1: Operating Experience, Rate Base and Rate of Return
- Exhibit DFS-2: Explanation of Accounting and Pro Forma Adjustments – Retail Electric
- Exhibit DFS-3: Statement of Fixed Assets - Electric
- Exhibit DFS-4: Statement of Depreciation Reserves – Electric
- Exhibit DFS-5: Materials and Supplies - Electric
- Exhibit DFS-6: Deferred Debits and Credits - Electric
- Exhibit DFS-7: Working Capital Investment - Electric
- Exhibit DFS-8: Weighted Cost of Capital

These exhibits were either prepared by me, or under my direction and supervision, in compliance with Commission recognized accounting and regulatory procedures for electric utility rate cases. These exhibits show various aspects of DESC's operations and financial position.

Q. PLEASE DESCRIBE THE FORMAT OF EXHIBIT DFS-1 AND ELABORATE ON THE CALCULATIONS.

A. Exhibit DFS-1 shows DESC's operating experience, rate base and rate of return for Company total electric per books and retail per books for the Test Year. For presentation purposes, all exhibits report dollar amounts in thousands (000's omitted).

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The exhibit's format is designed to reflect Company total electric per book operations, retail per book operations, the ORS accounting and pro forma adjustments necessary to normalize the results of the Company's Test Year operations, and reflect ORS's adjustments necessary to achieve the return on equity recommended by ORS witness Woolridge.

Column (1) shows Company total electric per books operations. ORS verified operating revenue of $1,526,706,000, total operating expenses of $1,759,427,000 and net operating income for return of ($234,106,000). Total rate base amounted to $5,653,874,000. Total electric per books operations rate of return of -4.14% was calculated by dividing the net operating income for return by the total rate base.

Column (2) shows the allocation of Company total electric per books to retail per books as verified by the ORS Energy Operations Division. Using retail per books, net operating income for return was ($232,342,000) and total rate base was $5,551,775,000 resulting in a rate of return of -4.19% and a return on common equity of -13.49%.

Column (3) shows ORS accounting and pro forma adjustments for retail operations. Each adjustment is shown in Exhibit DFS-2 and explained further in testimonies of various ORS witnesses.

Column (4) shows the Company's retail operations after ORS accounting and pro forma adjustments by adding columns (2) and (3). Using net operating income for return of $407,613,000 and total rate base of $5,744,625,000 a rate of return of 7.10% was computed. The corresponding return on common equity was 8.63%.

Column (5) details ORS's adjustments to revenues, taxes and customer growth for retail operations for the cost of debt, capital structure and return on equity recommendations

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of ORS witnesses Kollen and Woolridge. Each of these adjustments is shown in Exhibit DFS-2.

Column (6) details the effect of ORS's adjustments on retail operations by adding columns (4) and (5). Using net operating income for return of $415,337,000 and total rate base of $5,744,625,000 a rate of return of 7.23% was calculated. The corresponding return on common equity was 8.90%.

Q. PLEASE EXPLAIN THE ADJUSTMENTS IN EXHIBIT DFS–2.

A. Explanations of the ORS accounting and pro forma adjustments are presented on a retail basis for both ORS and the Company. The ORS Energy Operations Division verified the retail allocated amounts and reviewed the revenue, fuel related and other various adjustments. Additionally, certain adjustments, as noted, are further discussed by ORS witnesses Briseno, Kleckley and Kollen. As shown on Exhibit DFS-2, ORS used the same numbering for the adjustments the Company did in its Application. Exhibit DFS-2 also includes several additional adjustments based on review of the Company's books and records and Company responses to ORS Continuing Requests for Books and Records and Other Information ("ORS Request") that were not originally identified as adjustments by the Company in the Application. The adjustments are as follows:

<u>Adjustment #1 – Annualize Wages, Benefits and Payroll Taxes</u> – Details of this adjustment are reflected in the direct testimony of ORS witness Kleckley.

<u>Adjustment #2 – Incentive Compensation Adjustment</u> – Details of this adjustment are reflected in the direct testimony of ORS witness Kleckley.

<u>Adjustment #3 – Annualized Health Care</u> – Details of this adjustment are reflected in the direct testimony of ORS witness Kleckley.

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Adjustment #4 – Remove Employee Clubs Investment and Expenses – The Company proposes to adjust depreciation and amortization expense by ($134,000), income taxes by $34,000, plant in service by ($5,487,000), and accumulated depreciation by ($2,436,000) to remove expenses related to the employee clubs Pine Island, Sand Dunes, and Misty Lake, which are owned and operated by DESC. The expenses for these clubs, which are not necessary for the provision of electric service and provide no benefit to customers, were recomputed and verified by ORS to the Company's books and records. ORS accepts the Company's adjustment.

Adjustment #5 – Annualize Depreciation Based on Current Rates – The Company proposes to adjust depreciation and amortization expense by $8,153,000, income taxes by ($2,035,000), and accumulated depreciation and amortization by $7,675,000 to annualize depreciation on year end plant balances and reflect a full year of depreciation expense at the current approved rates on plant in service as of March 31, 2020. The Company provided an update to this adjustment to annualize the depreciation expense at the current approved rates on plant in service balances through September 30, 2020. The update was provided by the Company in its supplemental response to ORS Request 8-6. Through that response, the Company proposes to adjust depreciation and amortization expense by $10,966,000, income taxes by ($2,736,000), and accumulated depreciation and amortization by $10,986,000. ORS verified and accepts the Company's updated adjustment as provided in its supplemental response to ORS Request 8-6. The ORS Energy Operations Division also reviewed details of this adjustment.

Adjustment #6 – Depreciation Study – Details of this adjustment are reflected in the direct testimony of ORS witnesses Kollen and Garrett.

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1 Adjustment #7 – Annualize Property Taxes - The Company proposes to adjust taxes other
2 than income by $13,964,000 and income taxes by ($3,484,000) to reflect an annual level of
3 expense for property taxes based on additions and retirements to plant in service using the
4 current average millage rate. This adjustment included plant additions and retirements
5 through March 31, 2020. The Company provided an update to this adjustment to include
6 plant in service additions and retirements through September 30, 2020, remove amounts
7 associated with deferred transmission (adjustment 24), and remove property deemed not
8 assessable for property taxes. The update to this adjustment was provided through the
9 Company's second supplemental response to ORS Request 8-6. Through that response, the
10 Company proposes to adjust taxes other than income by $567,000 and income taxes by
11 ($141,000).

12 ORS proposes to adjust taxes other than income by $1,303,000 and income taxes by
13 ($325,000). ORS's adjustment modifies the Company's updated adjustment provided
14 through its second supplemental response to ORS Request 8-6 to account for the impact on
15 accumulated depreciation from ORS witness Garrett's analysis of the Company's
16 depreciation study in adjustment 6.

17 Adjustment #8 – Annualize Insurance Expense – The Company proposes to adjust other
18 operation and maintenance ("O&M") expenses by ($1,734,000), income taxes by $433,000,
19 and working capital by ($217,000) to reflect annualized insurance policy premiums as of
20 March 31, 2020. ORS verified the Company's calculations and accepts the Company's
21 adjustment.

22 Adjustment #9 – Capital Cost Rider Adjustment – Details of this adjustment are reflected
23 in the direct testimony of ORS witness Kollen.

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1 Adjustment #10 – Remove Amounts Associated with Demand Side Management ("DSM")
2 The Company proposes to adjust revenues by ($31,722,000), other O&M expenses by
3 ($13,318,000), taxes other than income by ($158,000), income taxes by ($4,552,000), and
4 working capital by ($1,665,000). The Company's adjustment removes revenues and
5 expenses associated with DSM that are recovered through a separate rate rider authorized by
6 Commission Order No. 2010-472. ORS verified the Company's calculations and accepts
7 the Company's adjustment. The ORS Energy Operations Division and Energy Efficiency /
8 Renewables Division also reviewed details of this adjustment.
9 Adjustment #11 – Annualize Other Post-Employment Benefits ("OPEB") – Details of this
10 adjustment are reflected in the direct testimony of ORS witness Briseno.
11 Adjustment #12 – Adjust Fuel Inventory – The Company proposes to adjust materials and
12 supplies by ($3,012,000) to decrease the coal inventory balance at the end of the Test Year
13 to reflect the new targeted policy level of inventory. The decrease in the policy level for
14 coal inventory is related to the McMeekin plant conversion to natural gas only. ORS
15 reviewed the Company's calculations and accepts the Company's adjustment. The ORS
16 Energy Operations Division also reviewed this adjustment and additional details of the
17 adjustment are reflected in the direct testimony of ORS witness Sandonato.
18 Adjustment #13 – To Remove Savannah River Site ("SRS") Refund Reversal Impact From
19 Revenue – The Company proposes to adjust revenues by ($870,000), taxes other than income
20 by ($4,000), and income taxes by ($216,000) to remove from the Test Year the effect of the
21 reversal of a prior period refund reserve related to the Company's O&M agreement for
22 certain transmission facilities at SRS. ORS verified and accepts the Company's adjustment.

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The ORS Energy Operations Division also reviewed this adjustment and additional details of this adjustment are reflected in the direct testimony of ORS witness Bickley.

Adjustment #14 – Normalize Test Year Purchase Power From GENCO – The Company proposes to adjust fuel O&M expenses by ($12,152,000) and income taxes by $3,032,000 to adjust purchased power for excess deferred income taxes ("EDIT") and capital structure revisions to the GENCO bill. Because of a Federal Energy Regulatory Commission ("FERC") approved modification to GENCO's formula rate due to tax reform, DESC's purchased power from GENCO is expected to be less than the Test Year levels going forward. The Company also normalizes Test Year purchased power expense to reflect the capital structure in effect at GENCO as of December 31, 2019. ORS verified the Company's calculations and accepts the Company's adjustment. The ORS Energy Operations Division also reviewed this adjustment and additional details of the adjustment are reflected in the direct testimony of ORS witness Sandonato.

Adjustment #15 – GENCO Excess Deferred Income Taxes ("EDIT") – The Company proposes to adjust other O&M expenses by ($1,798,000), income taxes by $449,000, and deferred debits and credits by ($2,698,000) to provide the benefit of the amortization of GENCO's EDIT liabilities to customers. ORS proposes to adjust depreciation and amortization expense by ($1,311,000), income taxes by $327,000, and deferred debits and credits by ($1,968,000).

ORS's adjustment removes estimates included by the Company from the adjustment calculation and records the amortization of the regulatory liability in depreciation and amortization expense rather than other O&M expenses consistent with the accounting methodology used by ORS witness Briseno.

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Adjustment #16 – Voluntary Retirement Program – Details of this adjustment are reflected in the direct testimony of ORS witness Kleckley.

Adjustment #17 – Dominion Energy Services Expense – Details of this adjustment are reflected in the direct testimony of ORS witness Kleckley.

Adjustment #18 – Synergy Savings – Details of this adjustment are reflected in the direct testimony of ORS witness Kleckley.

Adjustment #19 – Storm Remediation Cost Deferral – Details of this adjustment are reflected in the direct testimony of ORS witness Briseno.

Adjustment #20 – Storm Damage Remediation Rider Reinstatement – Details of this adjustment are reflected in the direct testimony of ORS witness Briseno.

Adjustment #21 – Tree Trimming and Vegetation Management Accrual – Details of this adjustment are reflected in the direct testimony of ORS witness Briseno.

Adjustment #22 – Turbine Major Maintenance Accrual – Details of this adjustment are reflected in the direct testimony of ORS witness Briseno.

Adjustment #23 – V.C. Summer Outage Accrual – Details of this adjustment are reflected in the direct testimony of ORS witness Briseno.

Adjustment #24 – Deferred Transmission – Details of this adjustment are reflected in the direct testimony of ORS witness Kollen.

Adjustment #25 – Adjust Test Year Taxes – The Company proposes to adjust income taxes by ($39,558,000) and accumulated deferred income taxes by ($9,445,000) to remove the impacts of cumulative uncertain tax positions recorded during the test year. ORS verified the Company's calculations and accepts the Company's adjustment.

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Adjustment #26 – Tax Reform Refund – The Company proposes to adjust depreciation and amortization expense by ($489,000), income taxes by $122,000, and deferred debits and credits by ($734,000) to record and amortize a regulatory liability associated with the Tax Cuts and Jobs Act. ORS proposes to adjust depreciation and amortization expense by ($485,000), income taxes by $121,000, and deferred debits and credits by ($729,000).

The Company proposes to amortize the regulatory liability over a three (3) year period. ORS accepts the amortization period as proposed by the Company. ORS's adjustment removes estimates included by the Company from the adjustment calculation consistent with the accounting methodology used by ORS witness Briseno.

Adjustment #27 – Amortize Capacity Purchases – Details of this adjustment are reflected in the direct testimony of ORS witness Briseno.

Adjustment #28 – Environmental Compliance Study – The Company proposes to adjust other O&M expenses by ($92,000) and income taxes by $23,000 to remove amortization expense associated with a fully amortized deferral from the Test Year. In Order No. 2010-471, the Commission authorized the ten (10) year amortization of deferred environmental compliance study costs. The ten (10) year amortization period ended in July 2020. ORS verified the Company's calculations and accepts the Company's adjustment.

Adjustment #29 – KapStone Gain – Details of this adjustment are reflected in the direct testimony of ORS witness Briseno.

Adjustment #30 – Critical Infrastructure Protection Costs Deferral – Details of this adjustment are reflected in the direct testimony of ORS witness Briseno.

Adjustment #31 – Fukushima Nuclear Regulatory Commission Requirements Deferral – Details of this adjustment are reflected in the direct testimony of ORS witness Briseno.

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1 Adjustment #32 – V.C. Summer Cyber Security Deferral – Details of this adjustment are
2 reflected in the direct testimony of ORS witness Briseno.
3 Adjustment #33 – Facility Charge – The Company proposes to adjust revenues by
4 ($502,000) and income taxes by ($125,000) to reflect a change in its facility charge policy
5 rate of 2.25% to 1.75% to bring the facility charge billed to customers in line with current
6 costs. The Company provided an update to this adjustment in its response to ORS Request
7 8-6. The updated adjustment reflected the same adjustment to revenues and income taxes
8 but also adjusted taxes other than income by ($3,000). ORS reviewed the policy change
9 and Company calculations and agrees with the Company's updated adjustment. The ORS
10 Energy Operations Division also reviewed this adjustment and additional details of the
11 adjustment are reflected in the direct testimony of ORS witness Seaman-Huynh.
12 Adjustment #34 – Amortization of Columbia and Charleston Franchise Agreements – The
13 Company proposes to adjust depreciation and amortization expense by ($4,097,000) and
14 income taxes by $1,022,000 to remove amortization expense included in the Test Year
15 associated with the Columbia and Charleston Franchise Agreements. In Order No. 2003-38,
16 the Commission approved the amortization of deferred costs associated with the Company's
17 franchise agreements with the cities of Columbia and Charleston. The deferred costs will be
18 fully amortized in March 2021 and therefore need to be removed from inclusion in the
19 revenue requirement. ORS verified the Company's calculations and accepts the Company's
20 adjustment.
21 Adjustment #35 – Unrecovered Plant Amortization – Details of this adjustment are reflected
22 in the direct testimony of ORS witness Briseno.

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1 Adjustment #36 – Advanced Metering Infrastructure – Details of this adjustment are
2 reflected in the direct testimony of ORS witness Briseno.
3 Adjustment #37 – Local Business Offices – The Company proposes to adjust other O&M
4 expenses by ($413,000), depreciation and amortization expense by ($155,000), income taxes
5 by $141,000, plant in service by ($1,542,000), and working capital by ($52,000) to remove
6 amounts related to the closure of several business offices. The adjustment to plant in
7 service of ($1,542,000) is to remove land associated with the closure of those offices. ORS
8 verified the Company's calculations and accepts the Company's adjustment. The ORS
9 Energy Operations Division also reviewed this adjustment and additional details of the
10 adjustment are reflected in the direct testimony of ORS witness Sandonato.
11 Adjustment #38 – Rate Case Expenses – The Company proposes to adjust other O&M
12 expenses by $296,000, income taxes by ($74,000) and working capital by $37,000 to
13 amortize estimated rate case expenses over a three (3) year period. The Company provided
14 an update to this adjustment in its response to ORS Request 8-6. The updated adjustment
15 proposes to adjust other O&M expense by $280,000, income taxes by ($70,000) and
16 working capital by $35,000. The Company's updated adjustment includes an estimate for
17 night hearing mailings of $300,000. ORS proposes to adjust other O&M expense by
18 $180,000, income taxes by ($45,000) and working capital by $23,000 for actual rate case
19 expenses incurred as of September 30, 2020.
20 Adjustment #39 – PSC Support Fees – Details of this adjustment are reflected in the direct
21 testimony of ORS witness Kleckley.
22 Adjustment #40 – Projected Capital Spend – The Company proposes to adjust plant in
23 service by $35,584,000, accumulated depreciation by $190,581,000, construction work in

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progress by $281,539,000, deferred debits and credits by $2,839,000, working capital by $15,620,000, materials and supplies by $3,728,000, and accumulated deferred income taxes by ($9,304,000) to project the additional capital spend occurring after the test period through September 30, 2020. This adjustment included actuals as of March 31, 2020 and estimated the additional costs through September 2020. The Company provided an update to this adjustment to include actual spending through September 30, 2020. The update was provided by the Company in its supplemental response to ORS Request 8-6. Through that response, the Company proposes to adjust plant in service by $199,675,000, accumulated depreciation by $128,397,000, construction work in progress by $62,568,000, deferred debits and credits by $10,628,000, working capital by $34,435,000, materials and supplies by $5,581,000, and accumulated deferred income taxes by ($55,018,000). ORS verified the Company's calculations and accepts the Company's updated adjustment as provided in ORS Request 8-6 supplemental response. This adjustment was also reviewed by the ORS Energy Operations Division and additional details of this adjustment can be found in the direct testimony of ORS witness Sandonato.

Adjustment #41 – Tax Effect of Annualized Interest – The Company proposes to adjust income taxes by ($1,598,000) to reflect the impact of adjustments to rate base on annualized interest and the corresponding effect on income taxes. ORS proposes to adjust income taxes by $1,898,000 for the decrease in annualized interest expense.

ORS's adjustment is comprised of two components. First, ORS calculated the effect on annualized interest for the increase in the debt portion of capital structure to 50.00% from 46.65%, as recommended by ORS witness Woolridge, and the decrease in the cost of debt from 6.46% to 5.56%, as recommended by ORS witness Kollen. The impact of these

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changes to capital structure and the cost of debt resulted in a decrease to annualized interest expense of $12,969,000. Secondly, ORS calculated the effect of ORS accounting and pro forma adjustments to rate base on computed annualized interest expense. The impact of accounting and pro forma adjustments to rate base resulted in an increase to annualized interest of $5,361,000. The combined impacts of changes to capital structure, the cost of debt and rate base adjustments resulted in a net decrease to annualized interest expense of $7,608,000. The composite tax rate of 24.95% for state and federal income taxes was applied to the net decrease in annualized interest expense of $7,608,000 for a total increase in income taxes of $1,898,000. The allowable interest expense was computed using the retail rate base after ORS accounting and pro forma adjustments, a long-term debt ratio of 50%, and a cost of debt of 5.56% as reflected in Exhibit DFS-8.

Adjustment #42 – Remove Certain Expenses – The Company provided an update to include an adjustment to remove certain non-allowable expenses that should be excluded from calculating rates to be charged to customers. The update was provided by the Company in its second supplemental response to ORS Request 8-6. Through that response, the Company proposes to adjust other O&M expenses by ($493,000), taxes other than income by ($54,000), income taxes by $136,000, construction work in progress by ($1,022,000), and working capital by ($62,000). The Company identified $3,000 in expenses recorded during the Test Year associated with non-allowable items such as flowers, candy, late payment charges, employee clubs and grand jury legal expenses through responses to ORS Requests 2-62, 6-8 and 7-16. The Company identified $530,000 in expenses recorded during the Test Year related to the abandonment of V.C. Summer Units 2 and 3 through response to ORS Request 2-73. The Company identified $55,000 in expenses recorded during the Test Year

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for merger related costs through response to ORS Request 2-77. The Company identified $42,000 in expenses recorded during the Test Year for expenses related to lobbying through response to ORS Request 8-22. In addition, the Company identified $1,022,000 of construction work in progress that should be excluded from rate recovery through response to ORS Request 10-14.

The total of other O&M expenses and taxes other than income identified by the Company to be removed is $630,000. The amount of other O&M expenses and taxes other than income removed through the Company's update adjustment totals $546,000. The $84,000 variance is due to the Company incorrectly subtracting the $42,000 associated with lobbying from its calculation of total expenses to remove, rather than adding it, which is the appropriate approach.

ORS proposes to adjust other O&M expenses by ($570,000), taxes other than income by ($59,000), income taxes by $157,000, construction work in progress by ($1,022,000), and working capital by ($71,000). ORS's adjustment correctly removes the lobbying expenses as identified by the Company in response to ORS Request 8-22.

<u>Adjustment #43 – Customer Growth</u> – The Company proposes to adjust customer growth by $1,151,000. The Company did not reflect this as an adjustment in their Application but did adjust operating return for customer growth. The ORS proposes an adjustment to reflect customer growth after accounting and pro forma adjustments using operating income and a customer growth factor of .6329% as provided by the Company in response to ORS Request 2-83. ORS proposes to adjust customer growth by $2,572,000. The customer growth factor used to calculate the adjustment is discussed in more detail by ORS witness Seaman-Huynh.

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Adjustment #44 – Return of Unprotected Property Excess Deferred Income Taxes – Details of this adjustment are reflected in the direct testimony of ORS witness Kollen.

Adjustment #45 – Adjust Revenue, Taxes and Customer Growth – The Company proposes to adjust retail electric operating revenues by $178,234,000, taxes other than income by $893,000, income taxes by $44,247,000, and customer growth by $433,000 for its proposed increase. ORS proposes to adjust retail electric operating revenues by $10,281,000, taxes other than income by $55,000, income taxes by $2,551,000, and customer growth by $49,000 for the cost of debt, capital structure and return on common equity recommendations of ORS witnesses Kollen and Woolridge. Details of the proposed electric operating revenues are reflected in the direct testimony and exhibits of ORS witness Seaman-Huynh.

Q. PLEASE DESCRIBE THE REMAINING EXHIBITS.

A. Exhibit DFS-3 details the computation of DESC's retail electric plant in service and construction work in progress as adjusted by ORS. Exhibit DFS-4 details the computation of DESC's retail electric accumulated depreciation and amortization as adjusted by ORS. Exhibit DFS-5 details the calculation of DESC's retail electric materials and supplies as adjusted by ORS. Exhibit DFS-6 details DESC's retail electric deferred debits and credits as adjusted by ORS. Exhibit DFS-7 details DESC's retail electric working capital investment as adjusted by ORS. Exhibit DFS-8 details the calculation of DESC's retail electric weighted cost of capital as adjusted by ORS and incorporates the cost of long-term debt recommendation of ORS witness Kollen and the 50% debt, 50% equity capital structure ratio and return on common equity recommendations of ORS witness Woolridge.

Q. WILL YOU UPDATE YOUR DIRECT TESTIMONY BASED ON INFORMATION THAT BECOMES AVAILABLE?

A. Yes. ORS fully reserves the right to revise its recommendations via supplemental testimony should new information become available not previously provided by the Company.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

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Dominion Energy South Carolina, Inc.
Operating Experience, Rate Base and Rate of Return
Total and Retail Electric
For the Test Year Ended December 31, 2019
Docket No. 2020-125-E

(000's Omitted)

		Total Electric	RETAIL ELECTRIC						
		(1)	(2)	(3)		(4)	(5)		(6)
Line No.	Description	Total Per Books	Retail Per Books	ORS Accounting & Pro Forma Adjustments		After ORS Accounting & Pro Forma Adjustments	ORS Proposed Adjustment		After Proposed Adjustment
1	**Operating Revenues**	$ 1,526,706	$ 1,475,939	$ 591,432	(A)	$ 2,067,371	$ 10,281	(O)	$ 2,077,652
2	**Operating Expenses:**								
3	O&M Expenses - Fuel	602,989	579,928	(12,152)	(B)	567,776	-		567,776
4	O&M Expenses - Other	576,105	562,624	(12,913)	(C)	549,711	-		549,711
5	Depreciation & Amortization	408,395	398,814	(111,803)	(D)	287,011	-		287,011
6	Taxes Other Than Income	211,565	206,906	14,495	(E)	221,401	55	(P)	221,456
7	Total Income Taxes	(39,627)	(41,376)	76,422	(F)	35,046	2,551	(Q)	37,597
8	**Total Operating Expenses**	$ 1,759,427	$ 1,706,896	$ (45,951)		$ 1,660,945	$ 2,606		$ 1,663,551
9	**Operating Income**	$ (232,721)	$ (230,957)	$ 637,383		$ 406,426	$ 7,675		$ 414,101
10	Customer Growth	-	-	2,572	(G)	2,572	49	(R)	2,621
11	Interest on Customer Deposits	(1,385)	(1,385)	-		(1,385)	-		(1,385)
12	**Net Operating Income for Return**	$ (234,106)	$ (232,342)	$ 639,955		$ 407,613	$ 7,724		$ 415,337
13	**Rate Base:**								
14	Gross Plant in Service	$ 11,060,113	$ 10,833,342	$ 190,041	(H)	$ 11,023,383	$ -		$ 11,023,383
15	Accum. Depr. & Amort.	4,557,095	4,455,452	124,030	(I)	4,579,482	-		4,579,482
16	Net Plant in Service	6,503,018	6,377,890	66,011		6,443,901	-		6,443,901
17	Construction Work In Progress	277,697	270,243	61,546	(J)	331,789	-		331,789
18	Deferred Debits/Credits	(571,242)	(560,117)	93,009	(K)	(467,108)	-		(467,108)
19	Total Working Capital	(42,362)	(27,682)	34,178	(L)	6,496	-		6,496
20	Materials & Supplies	409,894	396,488	2,569	(M)	399,057	-		399,057
21	Accum. Deferred Income Taxes	(923,131)	(905,047)	(64,463)	(N)	(969,510)	-		(969,510)
22	**Total Rate Base**	$ 5,653,874	$ 5,551,775	$ 192,850		$ 5,744,625	$ -		$ 5,744,625
23	**Rate of Return**	-4.14%	-4.19%			7.10%			7.23%
24	**Return on Common Equity**		-13.49%			8.63%			8.90%

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Dominion Energy South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments - Retail Electric
For the Test Year Ended December 31, 2019
Docket No. 2020-125-E
(000's Omitted)

Adj. No.	Description	(1) Revenues	(2) O & M Expenses Fuel	(3) O & M Expenses Other	(4) Deprec. & Amort. Expense	(5) Taxes Other Than Income	(6) State Income Taxes @ 5%	(7) Federal Income Taxes @ 21%	(8) Cust. Growth	(9) Plant in Service	(10) Accum. Deprec. and Amort.	(11) CWIP	(12) Deferred DBT/CRDT	(13) Working Capital	(14) Materials & Supplies	(15) ADIT
		$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
1	Annualize Wages, Benefits & Payroll Taxes															
	Per ORS			(1,802)		(127)	96	385						(225)		
	Per Company			(1,223)		(86)	65	261						(153)		
2	Incentive Compensation Adjustment															
	Per ORS			(6,740)		(485)	361	1,442						(843)		
	Per Company			(1,224)		(106)	66	265						(153)		
3	Annualized Health Care															
	Per ORS			(543)			27	108						(68)		
	Per Company			3,054			(153)	(609)						382		
4	Remove Employee Clubs Investment and Expenses															
	Per ORS				(134)		7	27		(5,487)	(2,436)					
	Per Company				(134)		7	27		(5,487)	(2,436)					
5	Annualize Depreciation Based on Current Rates															
	Per ORS				10,966		(548)	(2,188)			10,986					
	Per Company				8,153		(408)	(1,627)			7,675					
6	Depreciation Study															
	Per ORS				(11,703)		585	2,335			(11,703)					
	Per Company				6,985		(349)	(1,393)			6,985					
7	Annualize Property Taxes															
	Per ORS					1,303	(65)	(260)								
	Per Company					13,964	(698)	(2,786)								
8	Annualize Insurance Expense															
	Per ORS			(1,734)			87	346						(217)		
	Per Company			(1,734)			87	346						(217)		
9	Capital Cost Rider Adjustment															
	Per ORS	624,526			(126,923)	3,116	37,417	101,197		(2,605)	(1,214)					
	Per Company	624,526			(126,923)	3,116	37,417	101,197		(2,605)	(1,214)					
10	Remove Amounts Associated with DSM															
	Per ORS	(31,722)		(13,318)		(158)	(912)	(3,640)						(1,665)		
	Per Company	(31,722)		(13,318)		(158)	(912)	(3,640)						(1,665)		

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Dominion Energy South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments - Retail Electric
For the Test Year Ended December 31, 2019
Docket No. 2020-125-E
(000's Omitted)

Adj. No.	Description	(1) Revenues	(2) O & M Expenses Fuel	(3) O & M Expenses Other	(4) Deprec. & Amort. Expense	(5) Taxes Other Than Income	(6) State Income Taxes @ 5%	(7) Federal Income Taxes @ 21%	(8) Cust. Growth	(9) Plant in Service	(10) Accum. Deprec. and Amort.	(11) CWIP	(12) Deferred DBT/CRDT	(13) Working Capital	(14) Materials & Supplies	(15) ADIT
		$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
11	Annualize Other Post-Employment Benefits (OPEB)															
	Per ORS			134			(7)	(27)					(100)	17		
	Per Company			258			(13)	(51)					(194)	32		
12	Adjust Fuel Inventory															
	Per ORS						0	0							(3,012)	
	Per Company						0	0							(3,012)	
13	To Remove SRS Refund Reversal Impact From Revenue															
	Per ORS	(870)				(4)	(43)	(173)								
	Per Company	(870)				(4)	(43)	(173)								
14	Normalize Test Year Purchase Power From GENCO															
	Per ORS		(12,152)				608	2,424								
	Per Company		(12,152)				608	2,424								
15	GENCO Excess Deferred Income Taxes															
	Per ORS			0	(1,311)		66	261					(1,968)			
	Per Company			(1,798)	0		90	359					(2,698)			
16	Voluntary Retirement Program															
	Per ORS			(2,155)		(132)	114	456						(269)		
	Per Company			(3,303)		(203)	175	700						(413)		
17	Dominion Energy Services Expense															
	Per ORS			8,080			(404)	(1,612)						1,010		
	Per Company			8,944			(447)	(1,784)						1,118		
18	Synergy Savings															
	Per ORS			(823)			41	164						(103)		
	Per Company			(773)			39	154						(97)		
19	Storm Remediation Cost Deferral															
	Per ORS			0	4,390		(220)	(876)					29,652	0		
	Per Company			8,780	0		(439)	(1,752)					26,357	1,097		
20	Storm Damage Remediation Rider															
	Per ORS			5,000			(250)	(998)					(3,753)	625		
	Per Company			9,840			(492)	(1,963)					(7,385)	1,230		

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Dominion Energy South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments - Retail Electric
For the Test Year Ended December 31, 2019
Docket No. 2020-125-E
(000's Omitted)

Adj. No.	Description	(1) Revenues	(2) O & M Expenses Fuel	(3) O & M Expenses Other	(4) Deprec. & Amort. Expense	(5) Taxes Other Than Income	(6) State Income Taxes @ 5%	(7) Federal Income Taxes @ 21%	(8) Cust. Growth	(9) Plant in Service	(10) Accum. Deprec. and Amort.	(11) CWIP	(12) Deferred DBT/CRDT	(13) Working Capital	(14) Materials & Supplies	(15) ADIT
		$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
21	Tree Trimming and Vegetation Management Accrual															
	Per ORS			2,748			(137)	(548)						344		
	Per Company			3,519			(176)	(702)						440		
22	Turbine Major Maintenance Accrual															
	Per ORS			10,295			(515)	(2,054)						1,287		
	Per Company			10,295			(515)	(2,054)						1,287		
23	VCS Outage Accrual															
	Per ORS			(400)			20	80						(50)		
	Per Company			69			(3)	(14)						9		
24	Deferred Transmission															
	Per ORS				10,855	10,739	(1,080)	(4,308)					33,143			
	Per Company				13,167	10,739	(1,195)	(4,769)					46,086			
25	Adjust Test Year Taxes															
	Per ORS						0	(39,558)								(9,445)
	Per Company						0	(39,558)								(9,445)
26	Tax Reform Refund															
	Per ORS				(485)		24	97					(729)			
	Per Company				(489)		24	98					(734)			
27	Amortize Capacity Purchases															
	Per ORS			(10,760)	690		503	2,009					1,036			
	Per Company			(10,070)	0		503	2,009					1,036			
28	Environmental Compliance Study															
	Per ORS			(92)			5	18								
	Per Company			(92)			5	18								
29	KapStone Gain															
	Per ORS				(473)		24	94					(355)			
	Per Company				(473)		24	94					(355)			
30	Critical Infrastructure Protection Costs Deferral															
	Per ORS			0	2,272		(114)	(453)					15,347	0		
	Per Company			4,234	526		(238)	(950)					14,290	529		

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Dominion Energy South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments - Retail Electric
For the Test Year Ended December 31, 2019
Docket No. 2020-125-E
(000's Omitted)

Adj. No.	Description	(1) Revenues	(2) O & M Expenses Fuel	(3) O & M Expenses Other	(4) Deprec. & Amort. Expense	(5) Taxes Other Than Income	(6) State Income Taxes @ 5%	(7) Federal Income Taxes @ 21%	(8) Cust. Growth	(9) Plant in Service	(10) Accum. Deprec. and Amort.	(11) CWIP	(12) Deferred DBT/CRDT	(13) Working Capital	(14) Materials & Supplies	(15) ADIT
		$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
31	Fukushima Nuclear Regulatory Commission Requirements Deferral															
	Per ORS			0	436		(22)	(87)					2,947	0		
	Per Company			436	0		(22)	(87)					2,947	55		
32	VCS Cyber Security Deferral															
	Per ORS			0	823		(41)	(164)					5,558	0		
	Per Company			1,116	556		(84)	(334)					5,020	140		
33	Facility Charge															
	Per ORS	(502)				(3)	(25)	(100)								
	Per Company	(502)				0	(25)	(100)								
34	Amortization of Columbia & Charleston Franchise Agreements															
	Per ORS				(4,097)		205	817								
	Per Company				(4,097)		205	817								
35	Unrecovered Plant Amortization															
	Per ORS				385		(19)	(77)					1,156			
	Per Company				385		(19)	(77)					1,156			
36	Advanced Metering Infrastructure															
	Per ORS				2,661	305	(148)	(592)		0	0		447			
	Per Company				2,334	592	(146)	(584)		18,727	2,155		537			
37	Local Business Offices															
	Per ORS			(413)	(155)		28	113		(1,542)				(52)		
	Per Company			(413)	(155)		28	113		(1,542)				(52)		
38	Rate Case Expenses															
	Per ORS			180			(9)	(36)						23		
	Per Company			296			(15)	(59)						37		
39	PSC Support Fees															
	Per ORS					0	0	0								
	Per Company					(1,745)	87	348								
40	Projected Capital Spend															
	Per ORS						0	0		199,675	128,397	62,568	10,628	34,435	5,581	(55,048)
	Per Company						0	0		35,584	190,581	281,539	2,839	15,620	3,728	(9,304)

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Dominion Energy South Carolina, Inc.
Explanation of Accounting and Pro Forma Adjustments - Retail Electric
For the Test Year Ended December 31, 2019
Docket No. 2020-125-E
(000's Omitted)

Adj. No.	Description	(1) Revenues	(2) O & M Expenses Fuel	(3) O & M Expenses Other	(4) Deprec. & Amort. Expense	(5) Taxes Other Than Income	(6) State Income Taxes @ 5%	(7) Federal Income Taxes @ 21%	(8) Cust. Growth	(9) Plant in Service	(10) Accum. Deprec. and Amort.	(11) CWIP	(12) Deferred DBT/CRDT	(13) Working Capital	(14) Materials & Supplies	(15) ADIT
		$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
41	Tax Effect of Annualized Interest															
	Per ORS						380	1,518								
	Per Company						(320)	(1,278)								
42	Remove Certain Expenses															
	Per ORS			(570)		(59)	31	126				(1,022)		(71)		
	Per Company			0		0	0	0				0		0		
43	Customer Growth															
	Per ORS						0	0	2,572							
	Per Company						0	0	1,151							
44	Return of Unprotected Property EDIT															
	Per ORS						0	(15,914)								
	Per Company						0	0								
Total Adjustments Per ORS		**591,432**	**(12,152)**	**(12,913)**	**(111,803)**	**14,495**	**36,070**	**40,352**	**2,572**	**190,041**	**124,030**	**61,546**	**93,009**	**34,178**	**2,569**	**(64,435)**
Total Adjustments Per Company		**591,432**	**(12,152)**	**16,893**	**(100,165)**	**26,109**	**32,718**	**42,886**	**1,151**	**44,677**	**203,746**	**281,539**	**88,902**	**19,226**	**716**	**(18,749)**
		(A)	**(B)**	**(C)**	**(D)**	**(E)**			**(G)**	**(H)**	**(I)**	**(J)**	**(K)**	**(L)**	**(M)**	**(N)**

Total Income Taxes Per ORS **$ 76,422**
Total Income Taxes Per Company **$ 75,604**
(F)

Proposed Adjustment

45	Adjust Revenue, Taxes & Customer Growth															
	Per ORS	10,281				55	511	2,040	49							
	Per Company	178,234				893	8,867	35,380	433							
Total Adjustments Per ORS		**10,281**	**0**	**0**	**0**	**55**	**511**	**2,040**	**49**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Adjustments Per Company		**178,234**	**0**	**0**	**0**	**893**	**8,867**	**35,380**	**433**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
		(O)				**(P)**			**(R)**							

Total Income Taxes Per ORS **$ 2,551**
Total Income Taxes Per Company **$ 44,247**
(Q)

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Dominion Energy South Carolina, Inc.
Statement of Fixed Assets - Electric
For the Test Year Ended December 31, 2019
Docket No. 2020-125-E

		(000's Omitted)			
		Total Electric	Retail Electric		
		(1)	(2)	(3)	(4)
Line No.	Description	Total Per Books	Retail Per Books	ORS Accounting & Pro Forma Adjustments	After ORS Accounting & Pro Forma Adjustments
		($)	($)	($)	($)
	Gross Plant in Service				
1	Intangible Plant	83,296	81,588	493	82,081
2	Production	5,043,689	4,890,664	66,107	4,956,771
3	Transmission	1,904,740	1,844,363	18,521	1,862,884
4	Distribution	3,509,310	3,508,292	94,970	3,603,262
5	General	201,907	197,767	10,098	207,865
6	Common	317,171	310,668	(148)	310,520
7	**Total Gross Plant in Service**	11,060,113	10,833,342	190,041	11,023,383
	Construction Work in Progress				
8	Production	165,013	160,007	713	160,720
9	Transmission	70,414	68,182	35,833	104,015
10	Distribution	32,201	32,192	(2,873)	29,319
11	General and Intangible	6,237	6,109	7,688	13,797
12	Common	3,832	3,753	20,185	23,938
13	**Total Construction Work in Progress**	277,697	270,243	61,546	331,789

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Dominion Energy South Carolina, Inc.
Statement of Depreciation Reserves - Electric
For the Test Year Ended December 31, 2019
Docket No. 2020-125-E

(000's Omitted)

		Total Electric	Retail Electric		
		(1)	(2)	(3)	(4)
Line No.	Description	Total Per Books	Retail Per Books	ORS Accounting & Pro Forma Adjustments	After ORS Accounting & Pro Forma Adjustments
		($)	($)	($)	($)
1	Production	2,640,512	2,560,399	36,879	2,597,278
2	Transmission	464,200	449,401	25,627	475,028
3	Distribution	1,140,496	1,140,159	50,030	1,190,189
4	General & Intangible Plant	155,944	152,747	5,692	158,439
5	Common	155,943	152,746	5,802	158,548
6	**Total**	4,557,095	4,455,452	124,030	4,579,482

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Dominion Energy South Carolina, Inc.
Materials and Supplies - Electric
For the Test Year Ended December 31, 2019
Docket No. 2020-125-E

(000's Omitted)

		Total Electric	Retail Electric		
		(1)	(2)	(3)	(4)
Line No.	Description	Total Per Books	Retail Per Books	ORS Accounting & Pro Forma Adjustments	After ORS Accounting & Pro Forma Adjustments
		($)	($)	($)	($)
1	Nuclear	194,481	186,869	7,252	194,121
2	Fossil	61,954	59,529	(6,893)	52,636
3	Total Fuel Stock	256,435	246,398	359	246,757
4	Emission Allowances	627	608	-	608
5	Other Electric Materials and Supplies	152,832	149,482	2,210	151,692
6	**Total**	409,894	396,488	2,569	399,057

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Dominion Energy South Carolina, Inc.
Deferred Debits and Credits - Electric
For the Test Year Ended December 31, 2019
Docket No. 2020-125-E

		(000's Omitted)			
		Total Electric	Retail Electric		
	(1)	(1)	(2)	(3)	(4)
Line No.	Description	Total Per Books	Retail Per Books	ORS Accounting & Pro Forma Adjustments	After ORS Accounting & Pro Forma Adjustments
		($)	($)	($)	($)
1	Other Post Employment Benefit	(122,254)	(119,441)	(645)	(120,086)
2	Deferred Environmental Costs	(450)	(445)	-	(445)
3	Tax Deferrals	(562,441)	(550,909)	17,903	(533,006)
4	Wateree Scrubber Deferral	16,489	15,989	(580)	15,409
5	Plant Retirements	60,836	58,990	(3,902)	55,088
6	Pension Deferral	36,578	35,699	(1,092)	34,607
7	Genco Excess Deferred Income Taxes	-	-	(1,968)	(1,968)
8	Deferred Transmission	-	-	33,143	33,143
9	Amortize Capacity Purchases	-	-	1,036	1,036
10	Kapstone Gain	-	-	(355)	(355)
11	Advanced Metering Infrastructure	-	-	447	447
12	VSC Cyber Security Deferral	-	-	5,558	5,558
13	Fukushima Nuclear Regulatory Commission Requirements Deferral	-	-	2,947	2,947
14	Critical Infrastructure Protection Costs Deferral	-	-	15,347	15,347
15	Tax Reform Refund	-	-	(729)	(729)
16	Storm Remediation Deferral	-	-	29,652	29,652
17	Storm Remediation Rider	-	-	(3,753)	(3,753)
18	**Total**	(571,242)	(560,117)	93,009	(467,108)

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Dominion Energy South Carolina, Inc.
Working Capital Investment - Electric
For the Test Year Ended December 31, 2019
Docket No. 2020-125-E

(000's Omitted)

		Total Electric	Retail Electric		
		(1)	(2)	(3)	(4)
Line No.	Description	Total Per Books	Retail Per Books	ORS Accounting & Pro Forma Adjustments	After ORS Accounting & Pro Forma Adjustments
		($)	($)	($)	($)
1	**Working Cash**	111,072	107,818	(257)	107,561
2	Add Prepayments	59,874	59,742	9,904	69,646
3	**Total Investor Advanced Funds**	170,946	167,560	9,647	177,207
4	Less: Customer Deposits	(52,440)	(52,440)	1,639	(50,801)
5	Less: Average Tax Accruals	(145,045)	(127,453)	16,451	(111,002)
6	Less: Nuclear Refueling Cycle	(8,049)	(7,734)	6,929	(805)
7	Less: Injuries and Damages	(7,774)	(7,615)	(488)	(8,103)
8	**Total Working Capital Investment**	(42,362)	(27,682)	34,178	6,496

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Dominion Energy South Carolina, Inc.
Weighted Cost of Capital
Retail Electric Operations
For the Test Year Ended December 31, 2019
Docket No. 2020-125-E

(000's Omitted)

				Company Retail Per Books				After ORS Accounting & Pro Forma Adjustments				After ORS Proposed Adjustment			
Description	**Capital Structure**	**Company Calculated Ratio**	**ORS Pro Forma Ratio**	**Rate Base**	**Embedded Cost/Return**	**Overall Cost/Return**	**Income For Return**	**Rate Base**	**Embedded Cost/Return**	**Overall Cost/Return**	**Income For Return**	**Rate Base**	**Embedded Cost/Return**	**Overall Cost/Return**	**Income For Return**
Long-Term Debt	$ 3,355,787	46.65%	50.00%	$ 2,589,903	6.46%	3.01%	$ 167,308	$ 2,872,313	5.56%	2.78%	$ 159,701	$ 2,872,313	5.56%	2.78%	$ 159,701
Preferred Stock	100	0.00%	0.00%	-	0.00%	0.00%	-	-	0.00%	0.00%	-	-	0.00%	0.00%	-
Common Equity	3,837,420	53.35%	50.00%	2,961,872	-13.49%	-7.20%	(399,650)	2,872,313	8.63%	4.32%	247,912	2,872,313	8.90%	4.45%	255,636
Totals	$ 7,193,307	100.00%	100.00%	$ 5,551,775		-4.19%	$ (232,342)	$ 5,744,625		7.10%	$ 407,613	$ 5,744,625		7.23%	$ 415,337

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