



report are any proposed changes to the revised rates or to the information supporting them which result from the ORS review and audit of the matters at issue. *Id.* Within one (1) month of the date ORS files its report with the Commission, interested parties may file written comments concerning ORS's report. S.C. Code Ann. § 58-33-280(E). ORS is authorized to revise its report based on filed comments. S.C. Code Ann. § 58-33-280(E). Within four (4) months after the date the Request is filed, the Commission must issue an order granting, modifying, or denying the revised rates requested by the Company. S.C. Code Ann. § 58-33-280(F).

In this proceeding, SCE&G filed its Request on June 27, 2016. Pursuant to S.C. Code Ann. § 58-33-280(B), SCE&G established June 30, 2016, as the date for calculating its outstanding balance of CWIP and weighted average cost of capital. In the Request, SCE&G projected that, as of June 30, 2016, its CWIP for V.C. Summer Nuclear Station Units 2 & 3 ("Units"), incremental to the amount already included in rates pursuant to Order No. 2015-712, including associated Allowance for Funds Used During Construction ("AFUDC"), would total \$664,314,000. SCE&G requested the approval of rates and tariffs calculated to produce an increase in annual revenues of approximately \$74,161,000, which reflected SCE&G's then-current cost of capital of 11.56% as applied to that amount. The rate adjustments proposed in the Request amount to a proposed average increase to customers in the residential class of 3.10%.

The exhibits to the Request included detailed budgetary information, construction milestone schedules, and SCE&G's March 2016 Quarterly Report which was filed in accordance with S.C. Code Ann. §§ 58-33-277 and 58-33-280(B). In the March 2016

Quarterly Report, SCE&G provided a detailed review of the progress of engineering, procurement and construction of the Units. ORS conducted its review and audit of the Request as required by S.C. Code Ann. § 58-33-280(D).

On August 29, 2016, ORS timely filed its “*Report on South Carolina Electric & Gas Company’s Annual Request for Revised Rates*” (“Report”). In the Report, ORS documented that it had conducted the statutorily-required review of SCE&G’s actual CWIP expenditures through June 30, 2016, and compared those figures with the forecasted amounts set forth in Exhibit D to the Request. ORS determined that SCE&G’s adjusted incremental CWIP for the review period was \$574,150,000, net of deferrals, which was \$90,164,000 less than the projected balance as of June 30, 2016, as set forth in Exhibit D to the Request. Incremental allowable CWIP for the Review Period was \$574,150,000. ORS also recomputed the amount of AFUDC properly included in the CWIP account to reflect the adjusted CWIP balances as of June 30, 2016. In addition, ORS verified and recalculated SCE&G’s cost of capital as of June 30, 2016, which it computed in accordance with the terms of the BLRA and the findings as to cost of capital contained in Order No. 2009-104(A). Based on these verified and recalculated numbers, ORS computed an additional annual retail revenue requirement of \$64,428,000 associated with the allowable CWIP for the Review Period, reflecting a weighted average gross cost of capital of 11.62%. The ORS adjustments result in an average increase to customers in the residential class of 2.69%.

As indicated in the Report, ORS also examined the rate design and class allocation factors SCE&G used to create the rates presented in Exhibit F to the Request. ORS verified

that the Company's proposed rate design and class allocation factors complied with S.C. Code Ann. § 58-33-270(D) and the rate design contained in the Company's last rate order, Order No. 2012-951. ORS concluded that the project is being constructed in accordance with the construction schedules and cumulative cost forecasts approved in Order Nos. 2009-104(A), 2010-12, 2011-345, 2012-884, and 2015-661.

Although public comments were filed with regard to the proposed rate increase, the findings of the ORS Report were not challenged.

On September 27, 2016, SCE&G submitted its written comments on the ORS Report and indicated that the Company was in agreement with the conclusions of ORS, including specifically ORS's calculation of SCE&G's CWIP, incremental retail revenue requirement, capital structure, allocation of additional revenue requirement, rate design and other operative matters related to the current Request. With regard to the future treatment of the removal of certain capital cost items totaling \$139,554,000, SCE&G informed the Commission that the Company intended to seek recovery of these costs in a future proceeding under the terms of the BLRA.

The Commission has examined the Request, Report, and the comments filed in this Docket. In doing so, the Commission is mindful that, where the ORS and the utility have agreed in writing as to a revised rates filing, the BLRA requires the Commission to give substantial weight to the agreement in issuing its order. S.C. Code Ann. § 58-33-280(G). Based upon our review, we conclude that the Request should be granted with modifications proposed by the ORS and agreed to by SCE&G in accordance with the Findings and Conclusions set forth herein.

### **FINDINGS AND CONCLUSIONS**

1. S.C. Code Ann. § 58-33-280(A) provides that an electric utility may file a request for revised rates no earlier than one year after filing a combined application, and no more frequently than annually thereafter under the BLRA.

2. SCE&G filed its last request for revised rates in Docket No. 2015-160-E, effective May 30, 2015.

3. SCE&G's Request in this proceeding is timely.

4. ORS has examined the Request and concluded that SCE&G's adjusted incremental CWIP associated with the Units as of June 30, 2016, was \$574,150,000.

5. Based upon ORS's Report, an increase in SCE&G's annual retail revenue requirement of \$64,428,000 is appropriate to allow SCE&G the opportunity to recover its approved cost of capital as applied to the incremental CWIP associated with the Units on June 30, 2016. Although public comments were filed containing general objections to the proposed rate increase, the findings of the ORS Report were not challenged.

6. Revised rate tariffs which are consistent with the terms of this Order shall be electronically filed by the Company with this Commission within ten (10) days of the Company's receipt of this Order. The revised tariffs should be electronically filed in a text searchable PDF format using the Commission's DMS System (<http://dms.psc.sc.gov>). An additional copy should be sent via email to [etariff@psc.sc.gov](mailto:etariff@psc.sc.gov) to be included in the Commission's ETariff System (<http://etariff.psc.sc.gov>).

7. SCE&G shall provide a reconciliation of each tariff rate change approved as a result of this order to each tariff rate revision filed in the ETariff system. Such

reconciliation shall include an explanation of any differences and be submitted separately from the Company's ETariff system filing.

8. SCE&G shall file a schedule showing the revenue produced by each and every tariffed rate approved by the Commission and reconcile the revenue produced, by each tariffed rate, to the revenue requirement approved in this Order.

9. Under S.C. Code Ann. § 58-33-280(H), a utility may implement revised rates for bills rendered on or after a date selected by the utility but not sooner than 30 days after revised rates are approved. The revised rate tariffs shall be effective for bills rendered on and after November 27, 2016, which is a date that conforms with the provisions of S.C. Code Ann. § 58-33-280(H).

10. The Commission finds no other changes are appropriate or necessary in SCE&G's proposed Request apart from those proposed by ORS and agreed to by SCE&G.

11. Any aggrieved party may petition this Commission for a review of this Order within thirty (30) days from the date of this Order. S.C. Code Ann. § 58-33-285(A).

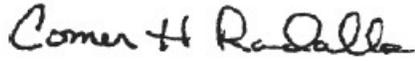
12. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



Swain E. Whitfield, Chairman

ATTEST:



Comer H. Randall, Vice Chairman