

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COMMISSION DIRECTIVE**

ADMINISTRATIVE MATTER	<input type="checkbox"/>	DATE	<u>December 19, 2012</u>
MOTOR CARRIER MATTER	<input type="checkbox"/>	DOCKET NO.	<u>2012-218-E</u>
UTILITIES MATTER	<input checked="" type="checkbox"/>	ORDER NO.	_____

SUBJECT:

DOCKET NO. 2012-218-E - Application of South Carolina Electric & Gas Company for Increases and Adjustments in Electric Rate Schedules and Tariffs and Request for Mid-Period Reduction in Base Rates for Fuel – This Matter is Ready for Final Disposition.

COMMISSION ACTION:

In its application for a rate increase, South Carolina Electric & Gas Company (SCE&G) sought a return on equity of 10.95% and a retail revenue increase of \$151.5 million or 6.61%. SCE&G also proposed a reduction in fuel cost and a reduction in the Demand Side Management Component Rider to Retail Rates, which reduced the net revenue increase requested in the Application to 3.75%. To ensure adequate opportunities for public input after this application was filed, we held 3 public hearings in this Docket, hearing from 43 members of the public and one elected official. The total attendance for these hearings numbered in the hundreds of people. We are appreciative of the time invested and efforts made by the public witnesses and the other citizens who attended the public hearings.

The parties in this case represented virtually every customer interest group, and include large industrial users (the South Carolina Energy Users Committee), large retail stores (Wal-Mart), other large users of electricity (Time Warner), the military and Federal Government (the U.S. Navy and Federal Executive Agencies), community service groups (AARP), a small business owner (Frank Knapp), and members of the public (the Office of Regulatory Staff). As a result of extensive settlement negotiations with SCE&G, the parties proposed a number of reductions to the requested rate increase. In the end, all parties except for the South Carolina Energy Users Committee were signatories to a Memorandum of Understanding (“MOU”) memorializing these reductions. Specifically, the Memorandum of Understanding proposed the following major points:

- A rate of return on equity (“ROE”) of 10.25% for SCE&G and adoption of the ORS proposed recommendations set forth in the testimony and exhibits of ORS witnesses Cartin, Ford, and Seaman-Huynh, and the accounting adjustments set forth in ORS witness Webster’s Audit Exhibits HNW-1 and 2. With regard to the pension rider described in ORS witness Ford’s testimony, the initial rate for that rider is .051 cents per kWh, which will be reviewed annually as per the MOU,
- The parties to the MOU agreed that the net revenue increase, after incorporating the proposed fuel and Demand Side Management (“DSM”) decreases, using an ROE of 10.25% and accepting ORS’s recommendations and accounting adjustments is \$31,672,950 or 1.38%. The net allocation to the various classes of customers by class is shown in Exhibit MSH-1 of ORS witness Michael Seaman-

- Huynh. The total revenue increase after the MOU and not considering fuel savings or the DSM reduction is \$97,075,000 or 4.23%,
- SCE&G proposes a reduction to its Base Fuel Component to 3.278 cents per kWh, which would equal a fuel decrease of \$57,636,810. The parties agree that the Proposed Factor shall be in effect for the period of January 1, 2013 through the last billing cycle of April 2014, unless a change becomes necessary due to unforeseen extraordinary economic or financial conditions. The parties also agree that SCE&G is allowed to collect carrying costs at a rate equal to the 3-year United States Treasury Note plus 65 basis points on amounts that exceed the forecasted under-collected balance as of December 31, 2012 of \$24,338,526,
 - Under the MOU, SCE&G would not seek a rate increase in its retail base rates and charges to be effective prior to January 1, 2015, except for those approved under Section 58-33-280, rates approved as part of SCE&G's DSM rate rider and Energy Efficiency programs, or rates approved under Section 58-27-865 after April 1, 2014, except where necessary due to unforeseen extraordinary economic or financial conditions; Also as part of the MOU, a study would be done by SCE&G examining the impact to customers if certain modifications were incorporated into the eWNA. SCE&G must conduct the study using historical data and issue a report to the Commission and the Parties no later than June 30, 2013. ORS will analyze and review the SCE&G study and file a report with the Commission and the Parties detailing the ORS's findings and recommendations for the eWNA no later than November 1, 2013. Subsequent to the filing of the ORS report, any Party may request a hearing before the Commission to determine whether the eWNA should be modified or discontinued.

Based on the written and oral testimony of the witnesses, and the Commission's legally mandated balancing of the interests of the Company's customers against the interests of the Company, and its financial stability, I move that this Commission approve the MOU and its terms as being in the public interest in this case. I believe that the MOU will generate just and reasonable rates for the Company's customers, and that the terms of the MOU should be adopted. Whereas, I am mindful of the proposal of public witness Tom Clements, who requests that the Company have a line item on its electric bills to show that portion of the bill that represents the Base Load Review Act, I move that we decline the request. The same request was made in Docket No. 2012-203-E, and our reasoning for a denial in Order No. 2012-884 applies here as well.

In summary, based on the totality of the record, I move that the Commission find the following just and reasonable:

- The accounting and pro forma adjustments and other recommendations, including the pension rider presented in ORS testimony and exhibits as described above,
- A 10.25% return on equity, which is sufficient to allow the Company to attract capital,
- A net retail revenue rate increase to the Company of \$31,672,950 after the reductions in the Base Fuel and Demand Side Management components,
- A reduction in the Base Fuel Component to 3.278 cents per kWh for the period of January 1, 2013 through the last billing cycle of April 2014, which equals a fuel decrease of \$57,636,810, unless a change becomes necessary due to unforeseen extraordinary economic or financial conditions. The Company is allowed to collect carrying costs at a rate equal to the 3-year United States Treasury Note plus 65 basis points on amounts that exceed the forecasted under-collected balance as of December 31, 2012 of \$24,338,526,
- The proposed rate design,
- That SCE&G shall not seek an increase in its retail base rates and charges to be effective prior to January 1, 2015, except for those approved under Section 58-33-280, rates approved as part of SCE&G's DSM rate rider and Energy Efficiency programs, or rates approved under Section 58-27-865 after April 1, 2014, except where necessary due to unforeseen extraordinary economic or financial conditions,

- That a study of the customer impact of possible modifications of the eWNA be done by SCE&G and that the Company and ORS submit the reports, and in the case of ORS, the recommendations by the dates proposed in the MOU. The criteria for the study shall be applied as described in the MOU. Also, any party will be able to request a hearing before this Commission for possible modification of the eWNA after consideration of the reports and recommendations from the parties.
- All other provisions of the Memorandum of Understanding not described above.

In making this motion, I am mindful of the present state of the economy in South Carolina, and the difficulty that some of the Company's customers may have in managing their electric bills, and I do not make this motion lightly. Again, we are appreciative of the time invested and efforts made by the members of the public who attended and testified at the public hearings. Their testimony is entirely consistent with our understanding of the difficulties faced by all users of electric service in this State.

PRESIDING: Wright

SESSION: Regular

TIME: 2:00 p.m.

	MOTION	YES	NO	OTHER
FLEMING	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HALL	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HAMILTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HOWARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
MITCHELL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
WHITFIELD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
WRIGHT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

Voting via telephone

(SEAL)

RECORDED BY: J. Schmieding

