Pro Forma
With Increase

SouthCarolina Electric and Gas Company
Electric Cost of Service Study
12 Months Ending March 31,2002

**Modified to Show New KCH Rate Spread Proposal**
**Step 1: Class Revenue Requirement Increased on an Equal Percentage Basis**

Target Retail Revenues = $ 1,340,964 — Overall Percent Increase = 9.18%

| Line | Description | | TOTAL | RESIDENTIAL | SMALL | MEDIUM | LARGE | STR. LIGHTING | RETAIL | Source |
|---|---|---|---|---|---|---|---|---|---|---|
| (1) | TOTAL REVENUES (@ current rates) | | $ 1,284,638 | $ 533,881 | $ 223,760 | $ 135,594 | $ 299,622 | $ 28,281 | $ 1,228,189 | Data Response to S-3(b), p. 1 |
| (2) | **TOTAL REVENUES (@ SCE&G proposed retail revenue with equal % increase by class)** | | **$ 1,397,433** | **$ 582,706** | **$ 261,976** | **$ 148,047** | **$ 327,358** | **$ 30,871** | **$ 1,340,964** | **Ln (1) x Overall % Increase (for retail)** |
| | OPERATING EXPENSES | | | | | | | | | |
| (3) | O&M EXPENSES - FUEL | | $ 349,288 | $ 116,159 | $ 52,783 | $ 42,427 | $ 109,046 | $ 4,111 | $ 324,540 | Data Response to S-3(c), p. 1 |
| (4) | O&M EXPENSES - OTHER | | $ 320,849 | $ 148,802 | $ 59,702 | $ 29,111 | $ 52,391 | $ 6,794 | $ 306,800 | Data Response to S-3(c), p. 1 |
| (5) | DEPRECIATION & AMORT. EXPENSE | | $ 172,978 | $ 75,100 | $ 31,482 | $ 17,389 | $ 33,432 | $ 4,811 | $ 165,201 | Data Response to S-3(c), p. 1 |
| (6) | TAXES OTHER THAN INCOME | | $ 94,942 | $ 41,969 | $ 18,692 | $ 9,908 | $ 18,198 | $ 2,839 | $ 91,106 | Data Response to S-3(c), p. 1 |
| (7) | TOTAL OPER. EXP. BEFORE INCOME TAXES | | $ 938,038 | $ 381,230 | $ 162,659 | $ 98,715 | $ 223,069 | $ 18,562 | $ 887,446 | Ln (3)+Ln (4)+Ln (5)+Ln (6) |
| (8) | OPERATING INCOME BEFORE TAXES | | $ 459,397 | $ 201,475 | $ 85,106 | $ 49,332 | $ 104,289 | $ 12,317 | $ 453,518 | Ln (2)-Ln (7) |
| (9) | STATE INCOME TAXES | 5% | $ 12,676 | $ 5,474 | $ 2,274 | $ 1,416 | $ 3,182 | $ 339 | $ 12,680 | Calculated SIT |
| (10) | FEDERAL INCOME TAXES | 35% | $ 116,211 | $ 51,348 | $ 21,398 | $ 13,303 | $ 29,914 | $ 3,019 | $ 118,982 | Calculated FIT |
| (11) | TOTAL INCOME TAXES | | $ 131,887 | $ 56,822 | $ 23,671 | $ 14,719 | $ 33,095 | $ 3,354 | $ 131,662 | Ln (9)+Ln (10) |
| (12) | TOTAL DEFERRED INCOME TAX (NET) | | $ (331) | $ 1,348 | $ 547 | $ (425) | $ (2,601) | $ 661 | $ (364) | Data Response to S-3(c), p. 16 |
| (13) | INVESTMENT TAX CREDIT (NET) | | $ (18) | $ 128 | $ 90 | $ (23) | $ (253) | $ 134 | $ 71 | Data Response to S-3(c), p. 16 |
| (14) | TOTAL OPERATING EXPENSES | | $ 1,069,574 | $ 439,528 | $ 186,277 | $ 112,986 | $ 253,311 | $ 22,711 | $ 1,016,815 | Ln (7)+Ln (11)+Ln (12)+Ln (13) |
| (15) | OPERATING RETURN | | $ 327,859 | $ 142,177 | $ 61,697 | $ 35,061 | $ 74,047 | $ 8,161 | $ 323,149 | Ln (2)-Ln (14) |
| (16) | CUSTOMER GROWTH | | $ 2,560 | $ 1,529 | $ 584 | $ 354 | $ - | $ 93 | $ 2,560 | Data Response to S-3(c), p. 1 |
| (17) | INTEREST ON CUSTOMER DEPOSITS | | $ (1,169) | $ (980) | $ (132) | $ (18) | $ (5) | $ (34) | $ (1,169) | Data Response to S-3(c), p. 1 |
| (18) | RETURN | | $ 329,250 | $ 142,726 | $ 62,149 | $ 35,397 | $ 74,042 | $ 8,226 | $ 323,540 | Ln (15)+Ln (16)+Ln (17) |
| | RATEBASE | | | | | | | | | |
| (19) | ELECTRIC PLANT IN SERVICE | | $ 5,022,298 | $ 2,193,975 | $ 1,028,431 | $ 508,995 | $ 927,471 | $ 153,556 | $ 4,809,738 | Data Response to S-3(c), p. 1 |
| (20) | RESERVE FOR DEPRECIATION | | $ (1,664,366) | $ (728,927) | $ (340,398) | $ (167,682) | $ (304,742) | $ (53,259) | $ (1,594,728) | Data Response to S-3(c), p. 1 |
| (21) | NET PLANT | | $ 3,357,932 | $ 1,465,048 | $ 685,333 | $ 340,613 | $ 622,729 | $ 100,298 | $ 3,215,008 | Ln (19)+Ln (20) |
| (22) | TOTAL CONST. WORK. IN PROGRESS | | $ 502,760 | $ 208,714 | $ 98,651 | $ 52,565 | $ 112,900 | $ 9,335 | $ 474,744 | Data Response to S-3(c), p. 1 |
| (23) | TOTAL DEFERRED DEBITS/CREDITS | | $ (135,610) | $ (60,943) | $ (29,712) | $ (12,626) | $ (24,894) | $ (9,385) | $ (130,360) | Data Response to S-3(c), p. 1 |
| (24) | TOTAL WORKING CAPITAL | | $ 16,479 | $ (1,359) | $ 3,326 | $ 3,117 | $ 8,763 | $ (312) | $ 15,256 | Data Response to S-3(c), p. 1 |
| (25) | TOTAL MATERIALS & SUPPLIES | | $ 156,725 | $ 57,210 | $ 25,093 | $ 17,951 | $ 42,593 | $ 3,175 | $ 147,022 | Data Response to S-3(c), p. 1 |
| (26) | ACCUM. DEFERRED INCOME TAXES | | $ (482,040) | $ (210,994) | $ (98,072) | $ (48,441) | $ (88,162) | $ (15,008) | $ (461,687) | Data Response to S-3(c), p. 1 |
| (27) | TOTAL RATEBASE | | $ 3,418,246 | $ 1,457,676 | $ 685,219 | $ 353,179 | $ 672,714 | $ 88,099 | $ 3,257,953 | Ln (21)+Ln (22)+Ln (23)+Ln (24)+Ln (25)+Ln (26) |
| (28) | RATE OF RETURN | | 9.64% | 9.80% | 9.06% | 10.02% | 11.01% | 9.34% | 9.93% | Ln (18)÷Ln (27) |
| (29) | **RELATIVE RETURN RATIO (@ SCE&G proposed retail revenue with equal % increase by class)** | | **97%** | **99%** | **91%** | **101%** | **111%** | **94%** | **100%** | **Ln (28)_____÷Ln (28)_____** |
| (30) | RELATIVE RETURN RATIO (@ current revenues) | | 98% | 100% | 92% | 101% | 109% | 98% | 100% | Calculated from Data Response to S-3(b), p. 1 |

**Note:**
**Total retail revenue of $1,341 million comes from SCE&G Response to Staff Data Request 1-33(c). This figure is $8 million greater than the amount reported in SCE&G Exhibit D-II, p. 2, line 1, col. 6, which includes the effects of the Company's proposed $.00044 reduction in the fuel rate. This difference will not materially affect the rate spread proposal here.**

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South Carolina Electric and Gas Company
Electric Cost of Service Study
12 Months Ending March 31, 2002

## Modified to Show New KCH Rate Spread Proposal
## Steps 2-4: Application of "No Further Harm Test" and Other Adjustments

Target Retail Revenues = $ 1,340,964 Overall Percent Increase = 9.18%

| Ln# | Description | | TOTAL | RESIDENTIAL | SMALL | MEDIUM | LARGE | STR LIGHTING | RETAIL | Source |
|---|---|---|---|---|---|---|---|---|---|---|
| (1) | TOTAL REVENUES (@equal percentage increase | | $ 1,397,433 | $ 582,705 | $ 251,975 | $ 148,047 | $ 327,358 | $ 10,679 | $ 1,340,964 | KCH-2 p. 1 of 2 |
| (2) | **TOTAL REVENUES (@proposed mitigation level)** | | **$ 1,397,433** | **$ 581,906** | **$ 261,579** | **$ 147,844** | **$ 317,926** | **$ 11,711** | **$ 1,340,964** | **Rate Spread Resulting from Ln 30 Constraints** |
| | OPERATING EXPENSES: | | | | | | | | | |
| (3) | O&M EXPENSES - FUEL | | $ 349,256 | $ 116,159 | $ 52,793 | $ 42,427 | $ 105,048 | $ 4,112 | $ 324,540 | Data Response to S-33(c), p. 1 |
| (4) | O&M EXPENSES - OTHER | | $ 320,649 | $ 148,602 | $ 59,702 | $ 29,111 | $ 62,391 | $ 6,794 | $ 306,600 | Data Response to S-33(c), p. 1 |
| (5) | DEPRECIATION & AMORT. EXPENSE | | $ 172,578 | $ 75,100 | $ 34,482 | $ 17,369 | $ 33,432 | $ 4,818 | $ 165,201 | Data Response to S-33(c), p. 1 |
| (6) | TAXES OTHER THANINCOME | | $ 94,542 | $ 41,369 | $ 18,892 | $ 9,808 | $ 16,188 | $ 2,838 | $ 91,105 | Data Response to S-33(c), p. 1 |
| (7) | TOTAL OPER. EXP. BEFORE INCOME TAXES | | $ 938,036 | $ 381,230 | $ 165,869 | $ 98,715 | $ 223,089 | $ 18,562 | $ 887,446 | Ln (3)+Ln (4+Ln (5)+Ln (6) |
| (8) | OPERATING INCOME BEFORE TAXES | | $ 459,397 | $ 200,675 | $ 95,710 | $ 49,129 | $ 94,837 | $ 13,149 | $ 453,518 | Ln (2)-Ln (7) |
| (9) | STATE INCOME TAXES | 5% | $ 12,676 | $ 5,444 | $ 2,631 | $ 1,408 | $ 2,832 | $ 365 | $ 12,680 | Calculated SIT |
| (10) | FEDERAL INCOME TAXES | 35% | $ 119,211 | $ 51,078 | $ 24,637 | $ 13,235 | $ 26,732 | $ 3,300 | $ 119,982 | Calculated FIT |
| (11) | TOTAL INCOME TAXES | | $ 131,887 | $ 56,522 | $ 27,268 | $ 14,643 | $ 29,564 | $ 3,665 | $ 131,862 | Ln (9)+Ln (10) |
| (12) | TOTAL DEFERRED INCOME TAX (NET) | | $ (331) | $ 1,348 | $ 647 | $ (425) | $ (2,601) | $ 657 | $ (364) | Data Response to S-33(c), p. 16 |
| (13) | INVESTMENT TAX CREDIT (NET) | | $ (16) | $ 128 | $ 90 | $ (23) | $ (253) | $ 130 | $ 71 | Data Response to S-33(c), p. 16 |
| (14) | TOTAL OPERATING EXPENSES | | $ 1,069,574 | $ 439,228 | $ 193,874 | $ 112,910 | $ 249,779 | $ 23,024 | $ 1,018,815 | Ln (7)+Ln (11)+Ln (12)+Ln (13) |
| (15) | OPERATING RETURN | | $ 327,859 | $ 142,677 | $ 67,705 | $ 34,934 | $ 68,147 | $ 8,687 | $ 322,149 | Ln (2)-Ln (14) |
| (16) | CUSTOMER GROWTH | | $ 2,550 | $ 1,529 | $ 584 | $ 354 | $ - | $ 93 | $ 2,560 | Data Response to S-33(c), p. 1 |
| (17) | INTEREST ON CUSTOMER DEPOSITS | | $ (1,169) | $ (980) | $ (132) | $ (18) | $ (5) | $ (34) | $ (1,169) | Data Response to S-33(c), p. 1 |
| (18) | RETURN | | $ 329,240 | $ 143,226 | $ 68,157 | $ 35,270 | $ 68,142 | $ 8,746 | $ 323,540 | Ln (15)+Ln(16)+Ln (17) |
| | RATEBASE: | | | | | | | | | |
| (19) | ELECTRIC PLANT IN SERVICE | | $ 5,022,298 | $ 2,193,975 | $ 1,026,431 | $ 508,306 | $ 927,471 | $ 13,555 | $ 4,809,738 | Data Response to S-33(c), p. 1 |
| (20) | RESERVE FOR DEPRECIATION | | $ (1,664,366) | $ (728,927) | $ (340,098) | $ (167,692) | $ (304,742) | $ (3,269) | $ (1,594,728) | Data Response to S-33(c), p. 1 |
| (21) | NET PLANT | | $ 3,357,932 | $ 1,465,048 | $ 686,333 | $ 340,613 | $ 622,729 | $ 10,286 | $ 3,215,009 | Ln (19)+Ln (20) |
| (22) | TOTAL CONST. WORKIN PROGRESS | | $ 502,790 | $ 208,714 | $ 95,651 | $ 52,565 | $ 112,505 | $ 5,309 | $ 474,744 | Data Response to S-33(c), p. 1 |
| (23) | TOTAL DEFERRED DEBITS/CREDITS | | $ (135,610) | $ (60,943) | $ (28,712) | $ (12,626) | $ (24,694) | $ (3,385) | $ (130,360) | Data Response to S-33(c), p. 1 |
| (24) | TOTAL WORKING CAPTAL | | $ 16,479 | $ (1,359) | $ 9,026 | $ 3,117 | $ 8,763 | $ (312) | $ 13,236 | Data Response to S-33(c), p. 1 |
| (25) | TOTAL MATERIALS & SUPPLIES | | $ 156,725 | $ 57,210 | $ 26,093 | $ 12,951 | $ 42,593 | $ 3,175 | $ 147,022 | Data Response to S-33(c), p. 1 |
| (26) | ACCUM. DEFERRED INCOME TAXES | | $ (480,040) | $ (210,994) | $ (98,072) | $ (48,441) | $ (88,182) | $ (5,006) | $ (451,697) | Data Response to S-33(c), p. 1 |
| (27) | TOTAL RATEBASE | | $ 3,418,246 | $ 1,457,676 | $ 656,319 | $ 353,179 | $ 672,714 | $ 8,066 | $ 3,257,953 | Ln (21)+Ln (22)+Ln (23)+Ln (24)+Ln (25)-Ln (26) |
| (28) | RATE OF RETURN | | 9.64% | 9.83% | 9.93% | 9.99% | 10.13% | 9.93% | 9.93% | Ln (18)/Ln (27) |
| (29) | REVENUE CHANGE TO MITIGATE CLASS IMPACT | | $ - | $ (800) | $ 9,604 | $ (203) | $ (9,432) | $ 831 | $ - | Ln 1 - Ln 1 |
| (30) | RELATIVE RETURN RATIO (@ SCE&G proposed revenues with class mitigation adjustment) | | 97% | 99% | 100% | 101% | 102% | 100% | 100% | Higgins Direct Testimony, pp. 11-12 |

Note:
Total retail revenue of $1,341 million comes from SCE&G Response to Staff Data Request 1-33(c). This figure is $6 million greater than the amount reported in SCE&G Exhibit M. p. 2, line 1, col. 6, which includes the effects of the Company's proposed $.00044 reduction in the fuel rate. This difference will not materially affect the rate spread proposal here.