PUBLIC SERVICE COMMISSION

of

SOUTH CAROLINA

COMMISSION STAFF REPORT

South Carolina Electric & Gas Company

Docket No. 2002-223-E

Test Year Ended: March 31, 2002

REPORT OF THE COMMISSION STAFF

THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2002-223-E

SOUTH CAROLINA ELECTRIC AND GAS COMPANY

REPORT OF THE AUDIT DEPARTMENT

THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2002-223-E

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REPORT OF THE AUDIT DEPARTMENT

THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

RATES ADJUSTMENT

SOUTH CAROLINA ELECTRIC AND GAS COMPANY

DOCKET NO. 2002-223-E

SYNOPSIS

Amount Requested - Net Increase	$104,714,000
Rate of Return on Rate Base	
Total Electric – Per Filing	8.95%
Total Electric – After Accounting and Pro Forma Adjustments	7.88%
Retail Electric – Per Filing	9.08%
Retail Electric – After Accounting and Pro Forma Adjustments	8.07%
Retail Electric – After Proposed Increase	10.26%
Return on Common Equity	
Retail Electric – After Accounting and Pro Forma Adjustments	8.88%
Retail Electric – After Proposed Increase	13.08%

REPORT OF THE AUDIT DEPARTMENT

THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

APPLICATION FOR RATE INCREASE

SOUTH CAROLINA ELECTRIC AND GAS COMPANY

DOCKET NO. 2002-223-E

ANALYSIS

The Audit Department Staff has conducted a review of the application for rate increase of South Carolina Electric and Gas Company (hereinafter referred to as "the Company"). The application covered operating results for the test year ended March 31, 2002.

The Company is an electric utility operating in 24 counties in the central and southern areas of South Carolina where it is engaged in the generation, transmission, distribution and sale of electricity to the public.

The following is a summary of the dockets relative to the Company's most recent rate adjustments:

Date of Order	Effective Date	Docket Number	Amount Requested	Amount Granted	Approved Return on Equity
6-07-1993	6-07-1993	92-619-E	$72,200,000	$60,504,000	11.50%-12.00%
1-09-1996	1-09-1996	95-1000-E	$76,727,000	$67,465,000	12.00%
12/11/1998	12/11/1998	98-623-E	Rate Reduction	($22,699,000)	12.00%

In the Company's present application before this Commission, a rate increase is being requested that will result in additional net revenues of $104,714,000. The increase consists of $112,795,000 for the proposed increase and an adjustment to reduce the proposed increase by $8,081,000 for fixed capacity charges that the Company will incur for gas service to the Urquhart facility.

The Staff computed a rate of return on rate base, after accounting and pro forma adjustments, of 8.07% on retail operations. Such rate increased to 10.26% after the effect of the proposed increase. Rate of return on common equity was computed by the Staff to be 8.88% after the effects of accounting and pro forma adjustments. Such rate increased to 13.08% after the revenues were adjusted for the proposed increase.

The Staff's exhibits relative to the Company's application are as follows:

EXHIBIT A: OPERATING EXPERIENCE, RATE BASE AND RATES OF RETURN

Detailed in this Staff exhibit is the Company's Operating Experience, Rate Base and Rates of Return for the test year ended March 31, 2002 for both total Company and South Carolina retail operations. The exhibit is designed to reflect the Company's per book information and applicable accounting and pro forma adjustments that are necessary to correct or normalize the Company's test year operations.

Utilizing a rate base of $3,214,281,000 and net operating income for return of $287,720,000, the Staff computed a rate of return on rate base of 8.95% on total electric operations. Accounting and pro forma adjustments decreased income and increased rate base resulting in a total income for return of $264,570,000 and a rate base of $3,358,184,000. The rate of return on rate base computed by the Staff after these adjustments was 7.88%.

Utilizing a rate base of $3,099,899,000 and net operating income for return of $281,544,000, the Staff computed a rate of return on rate base of 9.08% on retail electric operations. Accounting and pro forma adjustments decreased income and increased rate base resulting in as adjusted net operating income for return of $258,625,000 and a rate

base of $3,203,046,000. The rate of return on rate base computed by the Staff after these adjustments was 8.07%.

After the Staff adjusted operating income for the full effect of the net proposed increase of $104,714,000, net operating income for return increased to $328,717,000, while the rate base remained $3,203,046,000. The rate of return on rate base as computed by the Staff after the effect of the proposed increase was 10.26%.

EXHIBIT A-1: EXPLANATION OF ACCOUNTING AND PRO FORMA ADJUSTMENTS

This exhibit details the Company's and Staff's accounting and pro forma adjustments for both total company and retail operations.

EXHIBIT A-2: CUSTOMER GROWTH COMPUTATION

The Staff's computation of the Company's customer growth is shown in this exhibit. The Staff computed a growth factor of 1.05% which includes updated customer counts as of June 30, 2002.

EXHIBIT A-3: COMPUTATION OF TOTAL WORKING CAPITAL

This exhibit presents Staff's computation of working capital for both total electric and retail operations using a forty-five day allowance. The Staff computed working capital allowances of $4,386,000 and $1,822,000, respectively, on an as adjusted basis.

EXHIBIT A-4: SCHEDULE OF DEFERRED DEBITS AND CREDITS

This exhibit shows the per book deferred debits and credits as well as Staff's adjustments for both total electric and retail operations. Net deferred debits and credits amounted to $148,397,000 for total electric operations and $142,837,000 for retail operations, on an as adjusted basis. These amounts are subtracted from rate base.

EXHIBIT A-5: RETURN ON COMMON EQUITY

The Company's return on common equity is computed for retail electric operations both before and after the requested increase. The rate base, as shown on Exhibit A for retail operations, is allocated among the various classes of debt and equity, excluding short-term debt, according to the respective ratios as computed using the company's capital structure as of September 30, 2002 adjusted for the issuance of $150,000,000 in common stock during October 2002. The Staff considered the stock issuance to be a known and measurable change to the Company's capital structure. The amount of retail as adjusted net income for return necessary to cover embedded cost rates on long-term debt of 7.23% was computed to be $100,529,000. The amount of as adjusted retail income for return necessary to cover embedded cost rates on preferred stock of 6.81% was computed to be $9,619,000. The remainder of total income for return is income to common equity. Such remainder produces a return of 8.88% to common equity before the requested increase. After the requested increase of $104,714,000, income available to common equity increases to $218,569,000 and the return on common equity increases to 13.08%.

EXHIBIT A-6: RECONCILIATION OF NET INCOME FOR RETURN

This exhibit details the differences between the Company's filing and the Staff's presentation of financial data leading to net operating income for return.

EXHIBIT A-7: RECONCILIATION OF RATE BASE

This exhibit details the differences between the Company's filing and the Staff's presentation of financial data leading to the rate base contained on Exhibit A.

EXHIBIT A-8: SUMMARY OF REAL ESTATE TRANSACTIONS

This Staff exhibit summarizes the Company's real estate transactions for the year ended December 31, 2001.

EXHIBIT A-9: CONSOLIDATED INCOME STATEMENT

This exhibit presents the Company's condensed consolidated income statement for the test year ended March 31, 2002.

EXHIBIT A-10: CONSOLIDATED BALANCE SHEET

Presented in this exhibit is the Company's condensed consolidated balance sheet as of the end of the test year ended March 31, 2002.

South Carolina Electric and Gas Company
Operating Experience, Rate Base and Rates of Return
Test Year Ended March 31, 2002
($000's)

Description	(1) Per Filing Total Electric	(2) Accounting and Pro Forma Adjustments		(3) As Adjusted Total Electric	S. C. Retail (4) Per Filing Retail*	(5) Accounting and Pro Forma Adjustments		(6) As Adjusted Retail	(7) Proposed Increase		(8) After Proposed Increase
	$	$		$	$	$		$	$		$
Operating Revenues	1,336,701	(52,063)	(1)	1,284,638	1,287,805	(59,636)	(1)	1,228,169	104,714	(15)	1,332,883
Operating Expenses											
Fuel Costs (O&M) Expenses	345,186	4,080	(2)	349,266	325,168	(1,544)	(2)	323,624	(8,081)	(16)	315,543
Other O&M Expenses	352,093	(36,951)	(3)	315,142	338,613	(36,543)	(3)	302,070	0		302,070
Depreciation and Amort.	152,714	19,780	(4)	172,494	147,606	17,096	(4)	164,702	0		164,702
Taxes Other Than Income	90,004	2,057	(5)	92,061	87,196	1,095	(5)	88,291	465	(17)	88,756
Income Taxes	110,013	(17,412)	(6)	92,601	108,707	(16,416)	(6)	92,291	42,967	(18)	135,258
Interest on Customer's Dep.	1,169	84	(7)	1,253	1,169	84	(7)	1,253	0		1,253
Total Operating Expenses	1,051,179	(28,362)		1,022,817	1,008,459	(36,228)		972,231	35,351		1,007,582
Net Operating Income	285,522	(23,701)		261,821	279,346	(23,408)		255,938	69,363		325,301
Customer Growth (Note 1)	2,198	551	A-2	2,749	2,198	489	A-2	2,687	729	(19)	3,416
Net Operating Income For Return	287,720	(23,150)		264,570	281,544	(22,919)		258,625	70,092		328,717
Rate Base											
Gross Plant in Service	4,739,569	272,707	(8)	5,012,276	4,586,160	214,178	(8)	4,800,338	0		4,800,338
Accumulated Depreciation	(1,674,844)	(1,318)	(9)	(1,676,162)	(1,619,597)	13,817	(9)	(1,605,780)	0		(1,605,780)
Net Plant in Service	3,064,725	271,389		3,336,114	2,966,563	227,995		3,194,558	0		3,194,558
Construction Work in Progress (CWIP)	581,639	(79,200)	(10)	502,439	555,892	(81,454)	(10)	474,438	0		474,438
Materials and Supplies	156,725	(11,043)	(11)	145,682	148,995	(12,233)	(11)	136,762	0		136,762
Total Working Capital (Note 2)	12,022	(7,636)	(12)	4,386	9,744	(7,922)	(12)	1,822	0		1,822
Deferred Debits and Credits	(118,790)	(29,607)	(13)	(148,397)	(115,153)	(27,684)	(13)	(142,837)	0		(142,837)
Accumulated Deferred Income Taxes	(482,040)	0	(14)	(482,040)	(466,142)	4,445	(14)	(461,697)	0		(461,697)
Total Rate Base	3,214,281	143,903		3,358,184	3,099,899	103,147		3,203,046	0		3,203,046
Return on Rate Base	8.95%			7.88%	9.08%			8.07%			10.26%

Note 1: See Audit Exhibit A-2
Note 2: See Audit Exhibit A-3
* Per Filing as Contained in the Company's Cost of Service Study

South Carolina Electric and Gas Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended March 31, 2002
($000's)

Revenue, Expense and Rate Base Description	(1) Operating Revenue	(2) Fuel Costs	(3) Other O&M Expense	(4) Depr. & Amort.	(5) Taxes - Other	(6) Income Taxes	(7) Interest on Cust. Dep.	(8) Plant in Service	(9) Accumulated Depreciation	(10) CWIP	(11) Materials & Supplies	(12) Total Wkg. Capital	(13) Deferred Drs. & Crs.	(14) ADIT
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
(1) Both the Company and the Staff propose to remove the revenue and expenses associated with energy bought and resold to third parties during the test year in accordance with Commission Order No. 2002-74, effective October 1, 2001. The adjustment removes revenues and expenses that were recorded in the test year prior to the effective date of the order. (A&U)														
Per Company:														
Total Electric	(62,621)		(60,856)		0	(675)								
S.C. Retail	(58,188)		(56,548)		0	(627)								
Per Staff:														
Total Electric	(62,621)		(60,856)		(258)	(576)								
S.C. Retail	(58,188)		(56,548)		(247)	(533)								
(2) Both the Company and the Staff propose to recognize the effect of a new sale for resale contract that became effective March 1, 2002. (A&U)														
Per Company:														
Total Electric	10,558	4,080			0	2,478								
S.C. Retail	0	0			0	0								
Per Staff:														
Total Electric	10,558	4,080			44	2,461								
S.C. Retail	0	0			0	0								
(3) The Company and the Staff propose to decrease operating expenses for capacity purchases that were necessary prior to the Urquhart repowering project beginning operations. (A&U)														
Per Company:														
Total Electric			(1,965)			751								
S.C. Retail			(1,826)			698								
Per Staff:														
Total Electric			(1,965)			751								
S.C. Retail			(1,826)			698								

South Carolina Electric and Gas Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended March 31, 2002
($000's)

Revenue, Expense and Rate Base Description	(1) Operating Revenue	(2) Fuel Costs	(3) Other O&M Expense	(4) Depr. & Amort.	(5) Taxes - Other	(6) Income Taxes	(7) Interest on Cust. Dep.	(8) Plant in Service	(9) Accumulated Depreciation	(10) CWIP	(11) Materials & Supplies	(12) Total Wkg. Capital	(13) Deferred Drs. & Crs.	(14) ADIT
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
(4) The Company proposes to lower uncollectible accounts expense based on a three year average. The Staff agrees with the Company because the large increase in uncollectibles during the test year makes it necessary to normalize such expenses. The Company attributed the unusual level of uncollectibles during the test year to weather. (A)														
Per Company:														
Total Electric			(680)			260								
S.C. Retail			(680)			260								
Per Staff:														
Total Electric			(680)			260								
S.C. Retail			(680)			260								
(5) Both the Company and the Staff are proposing an adjustment to remove the effect of expenses and rate base items associated with employee clubs. The Staff considers such clubs to be unnecessary for the provision of utility service. The Staff found three projects in CWIP that were related to employee clubs. The Staff removed employee clubs based on June 30, 2002 rate base levels. (A)														
Per Company:														
Total Electric			(233)	(120)		135		(2,663)	968	0				
S.C. Retail			(223)	(115)		129		(2,546)	926	0				
Per Staff:														
Total Electric			(233)	(123)		136		(2,728)	926	(321)				
S.C. Retail			(223)	(118)		130		(2,608)	886	(307)				

South Carolina Electric and Gas Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended March 31, 2002
($000's)

Revenue, Expense and Rate Base Description	(1) Operating Revenue $	(2) Fuel Costs $	(3) Other O&M Expense $	(4) Depr. & Amort. $	(5) Taxes - Other $	(6) Income Taxes $	(7) Interest on Cust. Dep. $	(8) Plant in Service $	(9) Accumulated Depreciation $	(10) CWIP $	(11) Materials & Supplies $	(12) Total Wkg. Capital $	(13) Deferred Drs. & Crs. $	(14) ADIT $
(6) Both the Company and the Staff propose to lower expenses to change from allocating corporate governance costs based on a three factor formula to a modified three factor formula. The modified three factor formula includes intercompany dividends paid to the parent company by affiliates as revenue to the parent in arriving at allocation percentages. This change was required by the Securities Exchange Commission (SEC). (A)														
Per Company:														
Total Electric			(146)			56								
S.C. Retail			(139)			53								
Per Staff:														
Total Electric			(146)			56								
S.C. Retail			(139)			53								
(7) The Company and the Staff both propose to increase expenses for nuclear refueling and maintenance costs. This adjustment brings expenses up to an annual amount based on refueling every 18 months. (A&U)														
Per Company:														
Total Electric			1,750			(669)								
S.C. Retail			1,626			(622)								
Per Staff:														
Total Electric			1,750			(669)								
S.C. Retail			1,626			(622)								

South Carolina Electric and Gas Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended March 31, 2002
($000's)

Revenue, Expense and Rate Base Description	(1) Operating Revenue	(2) Fuel Costs	(3) Other O&M Expense	(4) Depr. & Amort.	(5) Taxes - Other	(6) Income Taxes	(7) Interest on Cust. Dep.	(8) Plant in Service	(9) Accumulated Depreciation	(10) CWIP	(11) Materials & Supplies	(12) Total Wkg. Capital	(13) Deferred Drs. & Crs.	(14) ADIT
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
(8) The Company proposes to adjust expenses to reflect increases in security costs in response to the terrorists attacks of September 11, 2001. The Company annualized three months of expenses after the test year ended. The Staff agreed with the Company's adjustment. (A)														
Per Company:														
Total Electric			1,168			(447)								
S.C. Retail			1,095			(419)								
Per Staff:														
Total Electric			1,168			(447)								
S.C. Retail			1,095			(419)								
(9) Both the Company and the Staff propose to annualize wage increases that were effective in February 2002. The Staff used FICA rates in determining the associated payroll tax increase. The Staff used only those benefits that fluctuate with payroll in determining the increase to employee benefits. (A)														
Per Company:														
Total Electric			968		65	(395)								
S.C. Retail			926		62	(378)								
Per Staff:														
Total Electric			879		58	(359)								
S.C. Retail			841		55	(343)								

South Carolina Electric and Gas Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended March 31, 2002
($000's)

Revenue, Expense and Rate Base Description	(1) Operating Revenue	(2) Fuel Costs	(3) Other O&M Expense	(4) Depr. & Amort.	(5) Taxes - Other	(6) Income Taxes	(7) Interest on Cust. Dep.	(8) Plant in Service	(9) Accumulated Depreciation	(10) CWIP	(11) Materials & Supplies	(12) Total Wkg. Capital	(13) Deferred Drs. & Crs.	(14) ADIT
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
(10) The Company proposes to include pro forma employee incentive pay increases in test year expenses. The Staff did not include this adjustment because employee incentive payments were not paid out during the test year. The Staff's adjustment is necessary because the Company reversed a full year of accruals during the test year. A portion of such reversals removed amounts prior to the test year causing the account to have a negative per books balance. (A)														
Per Company:														
Total Electric			5,920		613	(2,499)								
S.C. Retail			5,661		586	(2,390)								
Per Staff:														
Total Electric			1,638		130	(676)								
S.C. Retail			1,566		124	(646)								
(11) Both the Company and the Staff propose to increase expenses to reflect decreased income from the Company's pension plan assets. Income from such assets is used to offset pension expenses. The Company's adjustment is based on information provided by its actuaries. The Staff accepted the Company's adjustment after reviewing the latest estimates from the Company's actuaries. (A)														
Per Company:														
Total Electric			10,943			(4,186)								
S.C. Retail			10,464			(4,001)								
Per Staff:														
Total Electric			10,943			(4,186)								
S.C. Retail			10,464			(4,002)								

South Carolina Electric and Gas Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended March 31, 2002
($000's)

Revenue, Expense and Rate Base Description	(1) Operating Revenue	(2) Fuel Costs	(3) Other O&M Expense	(4) Depr. & Amort.	(5) Taxes - Other	(6) Income Taxes	(7) Interest on Cust. Dep.	(8) Plant in Service	(9) Accumulated Depreciation	(10) CWIP	(11) Materials & Supplies	(12) Total Wkg. Capital	(13) Deferred Drs. & Crs.	(14) ADIT
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
(12) The Company and the Staff propose to annualize the expenses for post employment benefits other than pensions (OPEB's) based on the Company's most recent actuarial study. The Company rounded the actuarial study amount upward causing rounding differences between the Company and the Staff. (A)														
Per Company:														
Total Electric			154			(59)							(95)	
S.C. Retail			147			(56)							(91)	
Per Staff:														
Total Electric			110			(42)							(68)	
S.C. Retail			105			(40)							(65)	
(13) The Company and the Staff propose to update Plant in Service, Accumulated Depreciation and Construction Work in Progress (CWIP) to reflect additions, retirements and CWIP as of June 30, 2002. (A)														
Per Company:														
Total Electric								5,330	17,019	75,920				
S.C. Retail								5,913	15,487	71,448				
Per Staff:														
Total Electric								(4,591)	17,019	75,920				
S.C. Retail								(3,387)	15,487	71,448				
(14) Both the Company and the Staff propose to remove non utility CWIP that was reported as a common plant project in error. (A)														
Per Company:														
Total Electric										(3,534)				
S.C. Retail										(3,326)				
Per Staff:														
Total Electric										(3,534)				
S.C. Retail										(3,326)				

South Carolina Electric and Gas Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended March 31, 2002
($000's)

Revenue, Expense and Rate Base Description	(1) Operating Revenue	(2) Fuel Costs	(3) Other O&M Expense	(4) Depr. & Amort.	(5) Taxes - Other	(6) Income Taxes	(7) Interest on Cust. Dep.	(8) Plant in Service	(9) Accumulated Depreciation	(10) CWIP	(11) Materials & Supplies	(12) Total Wkg. Capital	(13) Deferred Drs. & Crs.	(14) ADIT
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
(15) Both the Company and the Staff propose to annualize depreciation expense using currently approved depreciation rates and June 30, 2002 plant balances. Staff excluded the Urquhart repowering project from plant balances prior to the annualization calculation. Staff subtracted actual per book depreciation expense in arriving at the adjustment. (U&A)														
Per Company:														
Total Electric				692		(265)			(346)					
S.C. Retail				723		(276)			(360)					
Per Staff:														
Total Electric				283		(108)			(283)					
S.C. Retail				296		(113)			(294)					
(16) The Company proposes to adjust depreciation expense based on a new depreciation study and June 30, 2002 Plant in Service balances. The Staff accepted the adjustment subject to the Commission's approval of the new depreciation rates. However, the Staff excluded Urquhart plant balances in its adjustment. (U&A)														
Per Company:														
Total Electric				13,289		(5,083)			(6,644)					
S.C. Retail				12,450		(4,763)			(6,228)					
Per Staff:														
Total Electric				13,218		(5,056)			(13,218)					
S.C. Retail				12,383		(4,737)			(12,390)					

South Carolina Electric and Gas Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended March 31, 2002
($000's)

Revenue, Expense and Rate Base Description	(1) Operating Revenue	(2) Fuel Costs	(3) Other O&M Expense	(4) Depr. & Amort.	(5) Taxes - Other	(6) Income Taxes	(7) Interest on Cust. Dep.	(8) Plant in Service	(9) Accumulated Depreciation	(10) CWIP	(11) Materials & Supplies	(12) Total Wkg. Capital	(13) Deferred Drs. & Crs.	(14) ADIT
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
(17) The Company and the Staff propose to reduce amortization expense for test year write-offs including a nuclear steam generator that was replaced in 1994 and certain obsolete software. (U&A)														
Per Company:														
Total Electric				(4,376)		1,674								
S.C. Retail				(4,160)		1,591								
Per Staff:														
Total Electric				(4,376)		1,674								
S.C. Retail				(4,160)		1,591								
(18) The Company proposes to increase property taxes due to plant additions. The Staff proposes a decrease to property taxes based on Staff's net plant in service minus the adjustments for Urquhart repowering and Columbia Franchise agreements. (A)														
Per Company:														
Total Electric					563	(215)								
S.C. Retail					540	(207)								
Per Staff:														
Total Electric					(914)	350								
S.C. Retail					(877)	335								
(19) The Company and the Staff propose to adjust rate base and expenses to reflect the effect of the Urquhart repowering project. (U&A)														
Per Company:														
Total Electric			9,103	9,927	3,232	(8,515)		248,176	(4,964)	(239,736)				
S.C. Retail			8,534	9,306	3,030	(7,982)		232,656	(4,654)	(224,753)				
Per Staff:														
Total Electric			9,318	9,927	3,085	(8,541)		248,176	(9,927)	(239,736)				
S.C. Retail			8,736	9,306	2,892	(8,007)		232,656	(9,307)	(224,753)				

South Carolina Electric and Gas Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended March 31, 2002
($000's)

Revenue, Expense and Rate Base Description	(1) Operating Revenue	(2) Fuel Costs	(3) Other O&M Expense	(4) Depr. & Amort.	(5) Taxes - Other	(6) Income Taxes	(7) Interest on Cust. Dep.	(8) Plant in Service	(9) Accumulated Depreciation	(10) CWIP	(11) Materials & Supplies	(12) Total Wkg. Capital	(13) Deferred Drs. & Crs.	(14) ADIT
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
(20) The Company proposes to include the December 31, 2002 estimated costs of its Jasper generation project in CWIP. The Staff proposes to include the amounts subject to verification prior to proposed rates being placed into effect. (U&A)														
Per Company:														
Total Electric										128,083				
S.C. Retail										120,072				
Per Staff:														
Total Electric										128,083				
S.C. Retail										120,072				
(21) The Company and the Staff propose to remove the costs related to the Saluda Dam remediation project from this case. (U&A)														
Per Company:														
Total Electric										(39,612)				
S.C. Retail										(37,135)				
Per Staff:														
Total Electric										(39,612)				
S.C. Retail										(37,135)				
(22) The Company and the Staff propose to amortize the costs associated with the Company's participation in the GridSouth Regional Transmission Organization (RTO) . The RTO was established in response to FERC directives. The Company seeks rate base treatment for its average unamortized investment in the RTO. (A)														
Per Company:														
Total Electric			2,630			(1,006)							6,575	
S.C. Retail			2,476			(947)							6,144	
Per Staff:														
Total Electric			2,293			(877)							5,733	
S.C. Retail			2,159			(826)							5,357	

South Carolina Electric and Gas Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended March 31, 2002
($000's)

Revenue, Expense and Rate Base Description	(1) Operating Revenue $	(2) Fuel Costs $	(3) Other O&M Expense $	(4) Depr. & Amort. $	(5) Taxes - Other $	(6) Income Taxes $	(7) Interest on Cust. Dep. $	(8) Plant in Service $	(9) Accumulated Depreciation $	(10) CWIP $	(11) Materials & Supplies $	(12) Total Wkg. Capital $	(13) Deferred Drs. & Crs. $	(14) ADIT $
(23) The Company proposes to adjust the accumulated amortization associated with the Charleston Franchise Agreement to a December 31, 2002 level. The Staff does not oppose the adjustment. (U&A)														
Per Company:														
Total Electric									(800)					
S.C. Retail									(765)					
Per Staff:														
Total Electric									(800)					
S.C. Retail									(765)					
(24) The Company and the Staff propose to include the effects of the Columbia Franchise Agreement in this case. The agreement was finalized after the test year ended. The adjustment includes the expense and rate base effects of the agreement. (U&A)														
Per Company:														
Total Electric			0	853	0	(327)		31,887	5,245				(17,290)	
S.C. Retail			0	824	0	(315)		30,642	4,917				(16,534)	
Per Staff:														
Total Electric			(408)	851	(88)	(136)		31,850	4,965				(27,790)	
S.C. Retail			(380)	822	(84)	(137)		30,606	4,655				(26,575)	
(25) Both the Company and the Staff propose to adjust synthetic fuel income tax credits to the balance at June 30, 2002. Such credits are a reduction from rate base. (A)														
Per Company:														
Total Electric													(6,010)	
S.C. Retail													(5,756)	
Per Staff:														
Total Electric													(6,010)	
S.C. Retail													(5,756)	

South Carolina Electric and Gas Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended March 31, 2002
($000's)

Revenue, Expense and Rate Base Description	(1) Operating Revenue $	(2) Fuel Costs $	(3) Other O&M Expense $	(4) Depr. & Amort. $	(5) Taxes - Other $	(6) Income Taxes $	(7) Interest on Cust. Dep. $	(8) Plant in Service $	(9) Accumulated Depreciation $	(10) CWIP $	(11) Materials & Supplies $	(12) Total Wkg. Capital $	(13) Deferred Drs. & Crs. $	(14) ADIT $
(26) The Company proposes to increase cash working capital based on one-eighth of its O&M expense adjustments. The Staff proposes to adjust cash working capital using one-eighth of the adjustments that correct the Company's per book numbers. (A)														
Per Company:														
Total Electric												4,457		
S.C. Retail												4,204		
Per Staff:														
Total Electric												62		
S.C. Retail												58		
(27) The Company and the Staff propose to include the effects of interest synchronization on income taxes. (A)														
Per Company:														
Total Electric						(2,455)								
S.C. Retail						(2,340)								
Per Staff:														
Total Electric						(1,239)								
S.C. Retail						(1,180)								
(28) The Staff proposes to reclassify certain miscellaneous costs to a below the line account. The Staff does not consider such costs to be necessary for ratemaking purposes. (A)														
Per Company:														
Total Electric			0			0								
S.C. Retail			0			0								
Per Staff:														
Total Electric			(762)			291								
S.C. Retail			(729)			279								

South Carolina Electric and Gas Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended March 31, 2002
($000's)

Revenue, Expense and Rate Base Description	(1) Operating Revenue	(2) Fuel Costs	(3) Other O&M Expense	(4) Depr. & Amort.	(5) Taxes - Other	(6) Income Taxes	(7) Interest on Cust. Dep.	(8) Plant in Service	(9) Accumulated Depreciation	(10) CWIP	(11) Materials & Supplies	(12) Total Wkg. Capital	(13) Deferred Drs. & Crs.	(14) ADIT
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
(29) The Staff proposes to lower income taxes for the tax deduction associated with interest on customers' deposits. (A)														
Per Company:														
Total Electric						0								
S.C. Retail						0								
Per Staff:														
Total Electric						(447)								
S.C. Retail						(447)								
(30) The Staff proposes to annualize interest on customers' deposits. (A)														
Per Company:														
Total Electric						0	0					0		
S.C. Retail						0	0					0		
Per Staff:														
Total Electric						(32)	84					(84)		
S.C. Retail						(32)	84					(84)		
(31) The Staff proposes to reduce rate base for unclaimed funds. (A)														
Per Company:														
Total Electric												0		
S.C. Retail												0		
Per Staff:														
Total Electric												(3)		
S.C. Retail												(3)		

South Carolina Electric and Gas Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended March 31, 2002
($000's)

Revenue, Expense and Rate Base Description	(1) Operating Revenue	(2) Fuel Costs	(3) Other O&M Expense	(4) Depr. & Amort.	(5) Taxes - Other	(6) Income Taxes	(7) Interest on Cust. Dep.	(8) Plant in Service	(9) Accumulated Depreciation	(10) CWIP	(11) Materials & Supplies	(12) Total Wkg. Capital	(13) Deferred Drs. & Crs.	(14) ADIT
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
(32) The Staff proposes to reduce materials and supplies to reflect the test year's average balance. The Company included the materials and supplies account balance at year end in rate base. (U&A)														
Per Company:														
Total Electric											0			
S.C. Retail											0			
Per Staff:														
Total Electric											(11,043)			
S.C. Retail											(10,261)			
(33) The Staff proposes to allocate all of the storm damage reserve to the Company's retail operations. (U&A)														
Per Company:														
Total Electric													0	
S.C. Retail													0	
Per Staff:														
Total Electric													0	
S.C. Retail													(264)	
(34) The Company and the Staff proposes to reclassify a portion of costs associated with Genco from fuel to other Operating and Maintenance expense to reflect proper account balances. The adjustment is necessary due to cost of service allocators. (U)														
Per Company:														
Total Electric		0	0											
S.C. Retail		458	(458)											
Per Staff:														
Total Electric		0	0											
S.C. Retail		(458)	458											

South Carolina Electric and Gas Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended March 31, 2002
($000's)

Revenue, Expense and Rate Base Description	(1) Operating Revenue	(2) Fuel Costs	(3) Other O&M Expense	(4) Depr. & Amort.	(5) Taxes - Other	(6) Income Taxes	(7) Interest on Cust. Dep.	(8) Plant in Service	(9) Accumulated Depreciation	(10) CWIP	(11) Materials & Supplies	(12) Total Wkg. Capital	(13) Deferred Drs. & Crs.	(14) ADIT
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
(35) The Staff proposes to remove cash working capital associated with Genco fuel. A cash working capital component is included on the bill from Genco. (A)														
Per Company:														
Total Electric												0		
S.C. Retail												0		
Per Staff:														
Total Electric												(7,611)		
S.C. Retail												(7,180)		
(36) The Staff proposes to deduct deferred environmental costs from rate base. The Company inadvertently added such costs to rate base in its filing. (U&A)														
Per Company:														
Total Electric													0	
S.C. Retail													0	
Per Staff:														
Total Electric													(191)	
S.C. Retail													(183)	
(37) The Company and the Staff propose to recognize a change in cost of service allocators due to a new sale for resale contract. (U)														
Per Company:														
Total Electric	0	0	0	0	0	0		0	0	0	0	0	0	0
S.C. Retail	(1,448)	(1,086)	(3,068)	(1,433)	(768)	2,322		(43,089)	15,545	(7,453)	(1,972)	(713)	1,030	4,445
Per Staff:														
Total Electric	0	0	0	0	0	0		0	0	0	0	0	0	0
S.C. Retail	(1,448)	(1,086)	(3,068)	(1,433)	(768)	2,322		(43,089)	15,545	(7,453)	(1,972)	(713)	1,030	4,445

South Carolina Electric and Gas Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended March 31, 2002
($000's)

Revenue, Expense and Rate Base Description	(1) Operating Revenue	(2) Fuel Costs	(3) Other O&M Expense	(4) Depr. & Amort.	(5) Taxes - Other	(6) Income Taxes	(7) Interest on Cust. Dep.	(8) Plant in Service	(9) Accumulated Depreciation	(10) CWIP	(11) Materials & Supplies	(12) Total Wkg. Capital	(13) Deferred Drs. & Crs.	(14) ADIT
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
(38) The Staff proposes to true up the balance in the storm damage reserve to reflect actual amounts at the end of the test year. (A)														
Per Company:														
Total Electric													0	
S.C. Retail													0	
Per Staff:														
Total Electric													(76)	
S.C. Retail													(76)	
(39) The Staff proposes to decrease rate base to reflect the correct OPEB per book balance at the end of the test period. Such OPEB balances are an unfunded liability and are treated as cost free capital to the utility. (A)														
Per Company:														
Total Electric													0	
S.C. Retail													0	
Per Staff:														
Total Electric													(1,205)	
S.C. Retail													(1,152)	
Total Accounting and Pro Forma Adjustments:														
Per Company:														
Total Electric	(52,063)	4,080	(31,244)	20,265	4,473	(21,442)	0	282,730	10,478	(78,879)	0	4,457	(16,820)	0
S.C. Retail	(59,636)	(628)	(32,013)	17,595	3,450	(20,270)	0	223,576	24,868	(81,147)	(1,972)	3,491	(15,207)	4,445
Per Staff:														
Total Electric	(52,063)	4,080	(36,951)	19,780	2,057	(17,412)	84	272,707	(1,318)	(79,200)	(11,043)	(7,636)	(29,607)	0
S.C. Retail	(59,636)	(1,544)	(36,543)	17,096	1,095	(16,416)	84	214,178	13,817	(81,454)	(12,233)	(7,922)	(27,684)	4,445

(U) - Utilities Department's Responsibility
(A) - Audit Department's Responsibility

South Carolina Electric and Gas Company
Explanation of Accounting and Pro Forma Adjustments
Test Year Ended March 31, 2002
(000's)

Proposed Increase Description	(15) Operating Revenue	(16) Fuel Costs	(17) Taxes - Other	(18) Income Taxes	(19) Customer Growth
	$	$	$	$	$
(40) The Company and the Staff propose to adjust base electric rates for fixed capacity charges that the Company will incur for gas service to the Urquhart facility. (U&A)				
Per Company:					
Total Electric	(8,510)	(8,510)			
S.C. Retail	(8,079)	(8,079)			
Per Staff:					
Total Electric	(8,510)	(8,510)			
S.C. Retail	(8,081)	(8,081)			
(41) The Company and the Staff propose to include the effects of the proposed rate increase. (U&A)					
Per Company:					
Total Electric	112,795		465	42,967	545
S.C. Retail	112,795		465	42,967	545
Per Staff:					
Total Electric	112,795		465	42,967	729
S.C. Retail	112,795		465	42,967	729
Total Accounting and Pro Forma Adjustments:					
Per Company:					
Total Electric	104,285	(8,510)	465	42,967	545
S.C. Retail	104,716	(8,079)	465	42,967	545
Per Staff:					
Total Electric	104,285	(8,510)	465	42,967	729
S.C. Retail	104,714	(8,081)	465	42,967	729

(U) Utilities Department's Responsibility
(A) Audit Department's Responsibility

South Carolina Electric and Gas Company
Customer Growth Computation
Test Year Ended March 31, 2002
($000's)

	Total Electric	Retail Electric	
	(1) As Adjusted	(2) As Adjusted	(3) After Proposed Increase
Description	$	$	$
Net Operating Income	261,821	255,938	325,301
Growth Factor	1.05%	1.05%	1.05%
Customer Growth	2,749	2,687	3,416

Computation of Growth Factor:

Ending Customers- Average Customers
Average Customers

Total Electric

End of Year- Average/Average=

(627,708 - 621,161) / 621,161= 1.05%

Retail Electric

End of Year- Average/Average=

(627,698 - 621,152) / 621,152= 1.05%

	Total Electric	Retail Electric
Beginning Customers	614,614	614,606
Ending Customers (See Note)	627,708	627,698
Average Customers	621,161	621,152

Note - Customers as of June 30, 2002

Audit Exhibit A-3

South Carolina Electric and Gas Company
Computation of Total Working Capital
Test Year Ended March 31, 2002
($000's)

Description	(1) Per Books Total Electric	(2) Per Books Retail Electric
	$	$
Fuel Operating and Maintenance Expenses	345,186	325,168
Other Operating and Maintenance Expenses	352,093	338,613
Total Operating and Maintenance Expenses	697,279	663,781
Less: Purchased Power	(131,273)	(124,017)
Less: Burn Costs - Nuclear Fuel	(25,252)	(23,788)
Total	540,754	515,976
Percentage for 45 Day Cash Working Capital Allowance	12.50%	12.50%
Cash Working Capital	67,594	64,497
Add: Prepayments	10,005	9,740
Less:		
Rounding in Cost of Service Study		(1)
Customer Deposits	(15,655)	(15,655)
Average Tax Accruals	(46,304)	(45,336)
Injuries and Damages	(3,618)	(3,501)
Total Working Capital Per Filing	12,022	9,744
Staff's Adjustments		
Remove Genco Fuel from Cash Working Capital	(7,611)	(7,180)
Annualized Interest Effect on Customers Deposits	(84)	(84)
Remove Unclaimed Funds	(3)	(3)
Correcting Adjustments	62	58
Change in Allocators	0	(713)
Total Working Capital As Adjusted Per Staff Exhibit A	4,386	1,822

South Carolina Electric and Gas Company
Schedule of Deferred Debits and Credits
Test Year Ended March 31, 2002
($000's)

Description	(1) Per Books Total Electric $	(2) Per Books Retail Electric $
Post Employment Benefits Other Than Pensions	(64,370)	(62,154)
Deferred Environmental Costs	95	92
Storm Damage Reserve	(16,797)	(16,581)
Synthetic Fuel Tax Credits	(37,718)	(36,510)
Total Deferred Debits and Credits	(118,790)	(115,153)
Staff Adjustments		
Annualize OPEB Expense	(68)	(65)
Average Investment in GridSouth	5,733	5,357
Correct Storm Damage Reserve Allocation to Retail	0	(264)
True Up Balance in Storm Damage Reserve	(76)	(76)
Columbia Franchise Agreement	(27,790)	(26,575)
Correct OPEB Per Book Balance	(1,205)	(1,152)
Adjust Synthetic Fuel Tax Credits to June 30, 2002 Balance	(6,010)	(5,756)
Correct Allocation to Retail	0	1,030
Correct Deferred Environmental Costs	(191)	(183)
Total Staff Adjustments to Deferred Debits and Credits	(29,607)	(27,684)
Total As Adjusted Deferred Debits and Credits Per Staff Exhibit A	(148,397)	(142,837)

Audit Exhibit A-5

South Carolina Electric and Gas Company
Return on Common Equity
Test Year Ended March 31, 2002
($000)

			SC Retail As Adjusted				SC Retail After Proposed Increase			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Description	Capital Structure*	Ratio	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	1,633,886	43.41%	1,390,442	7.23%	3.14%	100,529	1,390,442	7.23%	3.14%	100,529
Preferred Stock	165,971	4.41%	141,254	6.81%	0.30%	9,619	141,254	6.81%	0.30%	9,619
Common Equity	1,964,071	52.18%	1,671,350	8.88%	4.63%	148,477	1,671,350	13.08%	6.82%	218,569
Totals	3,763,928	100.00%	3,203,046		8.07%	258,625	3,203,046		10.26%	328,717

* Total Company Capital Structure as of September 30, 2002 Including $150 Million Issuance of Common Stock after Test Year Ended

South Carolina Electric and Gas Company
Reconciliation of Net Income For Return
Test Year Ended March 31, 2002
($000)

	(1)	(2)	(3)	(4)	(5)
	Total Electric		S.C. Retail		
	Per Filing	As Adjusted	Per Filing*	As Adjusted	After Proposed Increase
	$	$	$	$	$
Net Income For Return Per Company Exhibit D-II	287,720	259,313	281,544	253,562	323,470
Summary of Net Adjustments and Differences:					
Operating Revenue - Company	0	52,063	0	59,636	59,636
Operating Revenue - Staff	0	(52,063)	0	(59,636)	(59,636)
Fuel Costs - Company	0	(4,080)	0	(628)	(628)
Fuel Costs - Staff	0	4,080	0	1,544	1,544
Other O&M Expense - Company	0	(31,244)	0	(32,013)	(32,013)
Other O&M Expense - Staff	0	36,951	0	36,543	36,543
Depreciation And Amortization - Company	0	20,265	0	17,595	17,595
Depreciation And Amortization - Staff	0	(19,780)	0	(17,096)	(17,096)
Other Taxes - Company	0	4,473	0	3,450	3,450
Other Taxes - Staff	0	(2,057)	0	(1,095)	(1,095)
Income Taxes - Company	0	(21,442)	0	(20,270)	(20,270)
Income Taxes - Staff	0	17,412	0	16,416	16,416
Interest on Customers Deposits - Company	0	0	0	0	0
Interest on Customers Deposits - Staff	0	(84)	0	(84)	(84)
Customer Growth - Company	0	(1,986)	0	(1,986)	(1,986)
Customer Growth - Staff	0	2,749	0	2,687	2,687
Total Net Differences Between Staff and Company	0	5,257	0	5,063	5,063
Proposed Increase Differences:					
Proposed Increase - Company					(104,716)
Proposed Increase - Staff					104,714
Fuel Costs - Company					(8,079)
Fuel Costs - Staff					8,081
Customer Growth - Company					(545)
Customer Growth - Staff	0	0	0		729
Total Net Income for Return Staff's Exhibit A	287,720	264,570	281,544	258,625	328,717

* Per Filing as Contained in The Company's Cost of Service Study

South Carolina Electric and Gas Company
Reconciliation of Rate Base
Test Year Ended March 31, 2002
($000)

	(1)	(2)	(3)	(4)	(5)
	Total Electric		S.C. Retail		
	Per Filing	As Adjusted	Per Filing*	As Adjusted	After Proposed Increase
	$	$	$	$	$
Rate Base Per Company Exhibit D-II	3,214,281	3,416,247	3,099,899	3,257,953	3,257,953
Summary of Net Adjustments and Differences:					
Plant in Service - Company	0	(282,730)	0	(223,576)	(223,576)
Plant in Service - Staff	0	272,707	0	214,178	214,178
Accumulated Depreciation - Company	0	(10,478)	0	(24,868)	(24,868)
Accumulated Depreciation - Staff	0	(1,318)	0	13,817	13,817
Construction Work in Progress - Company	0	78,879	0	81,147	81,147
Construction Work in Progress - Staff	0	(79,200)	0	(81,454)	(81,454)
Materials and Supplies - Company	0	0	0	1,972	1,972
Materials and Supplies - Staff	0	(11,043)	0	(12,233)	(12,233)
Cash Working Capital - Company	0	(4,457)	0	(3,491)	(3,491)
Cash Working Capital - Staff	0	(7,636)	0	(7,922)	(7,922)
Deferred Debits and Credits - Company	0	16,820	0	15,207	15,207
Deferred Debits and Credits - Staff	0	(29,607)	0	(27,684)	(27,684)
Accumulated Deferred Income Taxes - Company	0	0	0	(4,445)	(4,445)
Accumulated Deferred Income Taxes - Staff	0	0	0	4,445	4,445
					0
Total Net Differences Between Staff and Company	0	(58,063)	0	(54,907)	(54,907)
Total Rate Base Per Staff's Exhibit A	3,214,281	3,358,184	3,099,899	3,203,046	3,203,046

* Per Filing as Contained in The Company's Cost of Service Study
* Per Filing as Contained in The Company's Cost of Service Study

South Carolina Electric & Gas Company
Summary of Real Estate Transactions
For the Year 2001

Market Value	Market Value Determination	Book Value	Original Purchase Price	Selling Price	Gain (Loss)	Identification
$		$	$	$	$	
2001						
2,000	Market Analysis	1	1	2,000	1,999	0.01 acres, Lake Murray Encroachment, Lexington County
6,000	Market Analysis	6	6	6,000	5,994	0.077 acres, Lake Murray Fringeland, Saluda County
12,000	Market Analysis	7	7	12,000	11,993	0.105 acres, Lake Murray Encroachment, Richland County
4,350	Market Analysis	36	36	4,350	4,314	0.04 acres, Ladson Substation, Fee Simple Highway Right-of-Way, Charleston County
105,000	Market Analysis	101	101	101 *	0	2.42 acres, LM Property in Lexington County in Exchange for 1.66 acres in Newberry County, Equal Property Exchange
1,000	Market Analysis	65	65	65 *	0	0.07 acres, 20' Road Easement, Quit Claim Azure Bay, Lexington County, Release of Easement
150,000	Market Analysis	22,544	22,544	150,000	127,456	0.59 acres, Carolina Bays Parkway, Fee Simple Highway Right-of-Way, Myrtle Beach Gas Office - Horry County
8,804	Market Analysis	494	494	8,804	8,310	0.11 acres, Lake Murray Earth Fill Encroachment, Lexington County
3,600	Market Analysis	3	3	3,600	3,597	0.0438 acres, Lake Murray Fringeland, Saluda County
24,500	Market Analysis	12	12	24,500	24,488	0.26 acres, Lake Murray Encroachment, Lexington County
123,550	Market Analysis	1,534	1,534	123,550	122,016	17.75 acres, Mohawk Drive, Lexington County
20,000	Market Analysis	3,865	3,865	20,000	16,135	1.28 acres, Lincreek Dr., Highway 60, Lexington County
5,000	Market Analysis	14,607	14,607	14,607 *	0	0.48 acres, Lucius Street Property, Richland County, Equal Property Exchange
656,352	Market Analysis	244	244	656,352	656,108	6.54 acres, Rainey Tract Property, Lexington County
1,015,000	Market Analysis	673,300	673,300	1,015,000	341,700	4.001 acres, Runey Street Closing, Charleston County
285,000	Market Analysis	148	148	148 *	0	1.25 ac. - Lot 9 - Shull Island - Lex. Cty., 0.82 ac. - Lot 30 - Shull Is. - Lex. Cty., 1.21 ac. - Lot 54 - Shull Is. - Lex. Cty. - For 22.18 ac. in Saluda County, Equal Property Exchange
5,700	Market Analysis	1,837	1,837	5,700	3,863	0.126 acres - Ladies Island Substation, Highway Right-of-Way, Beaufort County
989,370	Market Analysis	515,228	515,228	989,370	474,142	4.04 acres, Catawba Street Training Center, Richland County
106,200	Market Analysis	102	102	106,200	106,098	1.77 acres, Lake Murray Fringeland, Newberry County
52,500	Market Analysis	24	24	52,500	52,476	0.54 acres, Lake Murray Fringeland, Lexington County
8,000	Market Analysis	11	11	8,000	7,989	0.23 acres, Lake Murray Fringeland, Newberry County
8,000	Market Analysis	4	4	8,000	7,996	0.043 acres, Lake Murray Fringeland, Lexington County
3,591,926		1,234,173	1,234,173	3,210,847	1,976,674	**2001 Totals**

* For equal and like-kind exchanges, Staff put in a selling price equal to the original price to reflect -0- gain or loss.

South Carolina Electric & Gas Company
Consolidated Income Statement
Test Year Ended March 31, 2002
(Millions of Dollars)

	$
Operating Revenues:	
Electric	1,337
Gas	291
Total Operating Revenues	1,628
Operating Expenses:	
Fuel used in electric generation	230
Purchased power (including affiliated purchases)	192
Gas purchased for resale	206
Other operating & maintenance expenses	319
Depreciation & amortization	164
Other taxes	100
Total Operating Expenses	1,211
Operating Income	417
Other Income:	
Allowance for Equity Funds Used During Construction	18
Other income	17
Total Other Income	35
Interest expense, net of Allowances for Borrowed Funds Used During Construction	110
Preferred dividend requirement - Mandatorily redeemable preferred securities	4
Income Before Income Taxes and Preferred Stock Dividends	338
Income Taxes	118
Preferred Stock Dividends	7
Net Income	213

See Notes to Condensed Consolidated Financial Statements contained in the Company's Application.

South Carolina Electric & Gas Company
Consolidated Balance Sheet
Test Year Ended March 31, 2002
(Millions of Dollars)

Assets	
Utility Plant:	$
Electric	4,582
Gas	428
Other	194
Total Utility Plant	5,204
LESS: Accumulated Depreciation and Amortization	1,875
PLUS: Construction Work In Progress	578
Nuclear Fuel, net of Accumulated Amortization	51
Net Utility Plant	3,958
Net Nonutility Property and Investments	24
Current Assets:	
Cash and Temporary Investments	81
Receivables	222
Receivables - Affiliated Companies	1
Inventories (@ average cost):	
Fuel	44
Materials and Supplies	50
Emissions Allowances	14
Prepayments	11
Total Current Assets	423
Deferred Debits:	
Environmental	21
Nuclear Plant Decommissioning Fund	81
Net Pension Assets	246
Due From Affiliates - Postretirement Benefits	15
Other Regulatory Assets	185
Other	106
Total Deferred Debits	654
Total Assets	5,059

See Notes to Condensed Consolidated Financial Statements contained in the Company's Application.

South Carolina Electric & Gas Company
Consolidated Balance Sheet
Test Year Ended March 31, 2002
(Millions of Dollars)

Liabilities and Stockholders Equity	
Current Liabilities:	$
Short-Term Debt	98
Current Portion of Long-Term Debt	26
Accounts Payable	99
Accounts Payable - Affiliated Companies	58
Customer Deposits	20
Accrued Taxes	20
Accrued Interest	32
Dividends Declared	36
Net Deferred Income Taxes	11
Other	6
Total Current Liabilities	406
Deferred Credits:	
Deferred Income Taxes, net	623
Deferred Investment Tax Credits	108
Reserve for Nuclear Plant Decommissioning	81
Due to Affiliates - Pension Assets	16
Postretirement Benefits	124
Regulatory Liabilities	90
Other	70
Total Deferred Credits	1,112
Long-Term Debt and Stockholders' Equity:	
Preferred Stock (Subject to purchase or sinking funds)	10
Company-Obligated Mandatorily Redeemable Preferred Securities	50
Net Long-Term Debt	1,609
Common Equity	1,766
Preferred Stock (Not subject to purchase or sinking funds)	106
Total Long-Term Debt and Stockholders' Equity	3,541
Total Liabilities and Stockholders' Equity	5,059

See Notes to Condensed Consolidated Financial Statements contained in the Company's Application.

REPORT OF UTILITIES DEPARTMENT

THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2002-223-E

SOUTH CAROLINA ELECTRIC & GAS COMPANY

UTILITIES DEPARTMENT'S REPORT

DOCKET NO. 2002-223-E

SOUTH CAROLINA ELECTRIC & GAS COMPANY

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PART A

SUMMARY OF REVIEW OF COST OF SERVICE STUDY

This section is a summary of the results of the Utilities Department's analysis of the cost of service studies developed by the Company for the test year ending March 31, 2002. It describes the methodology used by the Company and presents Staff's assessment of these studies.

In response to Staff's Data Request, the Company provided copies of its Cost of Service (COS) Studies on a per-book basis; on an adjusted basis; and on an adjusted basis using the Company's proposed rates. The Studies were performed utilizing the four hour summer coincident peak methodology (4-CP) as previously approved by this Commission. The Coincident Peak allocator was developed based on the Company's system territorial peak demand between the hours of 2 p.m. and 6 p.m.

The Cost of Service Studies provide for the allocation of the Company's rate base, revenues, and expenses to total Company and South Carolina retail. These Studies also separate these items by class of service within the South Carolina retail jurisdiction. The COS per-book data was verified by the Commission's Audit Department.

Development of the Cost of Service Studies entails three major components; functionalization, classification, and allocation. First the rate base, revenues, and expenses were functionalized into appropriate categories relating to production, transmission, and distribution. These costs were then classified into the characteristics of the type of service to which they correspond, namely the customer, demand and energy components. These cost components were then

allocated to the individual classes of service based upon the responsibility of each class for the customer, demand and energy expense. Additionally, costs that were identified as being attributable to a specific jurisdiction or class were directly assigned to that category.

Staff concluded from our review that the methodology applied in constructing these cost studies continues to provide reasonable apportionment and allocation of the Company's revenues, operating expenses and rate base. A summary of the results of the cost study utilizing the Company's adjustments and proposed revenue increase is shown on Utilities Department Exhibit No. 1. This Exhibit shows the rates of return for South Carolina Retail and each class of service within the Retail jurisdiction. Also provided on this Exhibit is an Index of Return that shows the relative contribution of each class as well as that of the total Retail class. Utilities Department Exhibit No. 2 shows these same categories' rates of return and the respective Indexes of Return using Staff's adjustments.

PART B

PRO FORMA ADJUSTMENTS

The Utilities Department Staff analyzed the adjustments for which it is responsible and as shown on the Audit Department's Exhibit A-1 with a "U" designation. This also included joint review of a number of adjustments. There are a total of 41 adjustments that Utilities Staff participating in 19 of these either in whole or partially. Theses adjustments are numbers 1, 2, 3, 7, 15, 16, 17, 19, 20, 21, 23, 24, 32, 33, 34, 36, 37, 40 and 41. The following adjustments are of particular note or ones that differ from the Company's proposal.

Adjustment Nos. 2 & 37: The Company entered into a contract with the City of Greenwood, South Carolina for the provision of electric service on a sale for resale basis effective March 1, 2002. This necessitated adjusting not only the test year expenses and revenues but also inputs to the Cost of Service Study to reflect a greater portion of cost responsibility being shifted away from retail and to the wholesale jurisdiction. The changes to operating expenses and revenues are reflected on Adjustment No. 2, while the effect on the Cost of Service Study allocations is recognized on Adjustment No. 37.

Adjustment Nos. 15 & 16: These two depreciation adjustments are based on the currently approved depreciation rates used to annualize this expense for the test year to June 30, 2002 plant balances, and the proposed rates used to adjust expenses based the results of the new depreciation study. The Utilities Department verified the currently approved depreciation rates as well as reviewed the new depreciation study the Company has proposed in this case. The new study was performed using standard grouping procedures and remaining life technique applied to depreciable plant balances as of December 31, 2001. The Company continues to review the actual and expected service lives of depreciable plant as well as the value of the salvage and cost to remove equipment at the end of its useful life. The resulting rates were furnished to the Audit Department.

PART C

SUMMARY OF REVIEW OF RATES

The Staff has verified the percent increase requested by South Carolina Electric & Gas Company (hereinafter "the Company") for each class by rate schedule by a computation of the presently approved rates and proposed rates applied to the April 1, 2001 through March 31, 2002 test period data. This was combined with a review of the Company's rates, tariffs and General Terms and Conditions. These figures are based on test year active customers' billing determinants applied to the presently approved rate and the proposed rates adjusted to reflect an average base fuel cost of $0.01678 per KWH. (See Utilities Department Exhibit No. 3). The Company's retail rate schedules are grouped into three principal categories: Residential, General and Lighting. Exhibit No. 3 shows a breakdown of the General Service Class to differentiate between the Small, Medium and Large General Service Customers. The total requested increase to the Residential Class is 7.06%; the proposed increase to the Small General Service Class is 13.81%, with an 11.94% increase proposed for the Medium General Service Class and 5.40% increase proposed for the Large General Service Customer Class. The Total requested increase for the Lighting Class is 12.82%. The Company filed its application with the Commission based on a fuel factor of $0.01678 per KWH requesting authority to adjust and increase its retail electric rates and charges. Individual customer bill increases may vary depending upon actual usage pattern and amount of consumption.

The Company also proposes modification to its monthly basic facilities charge in its residential rates, an increase of $1.00 in Rates 1, 2, 6, and 8. In Rate 5 it would be an increase from $9.80 to $11.25. The Company also proposes modification to its monthly basic facilities charge in its Small General Services Class ranging from $0.75 to $2.40; in its Medium General Service Class the Company proposes a $20.00 increase; and in its Large General Service Class a $200.00 increase.

The Company also proposes changes to its General Terms and Conditions for electric service increasing the Reconnection Fee from $15.00 to $25.00 during normal working hours with an additional $10.00 charge to $35.00 for customers requesting after hours reconnection.

Staff has prepared comparisons of the Company's presently approved rates and those proposed in this Docket. The Residential Rates are compared at various energy consumption levels. The exhibits show the summer and winter season rates (See Utilities Department Exhibit No. 4). Included in these comparisons are the approved rates for Carolina Power & Light, Duke Power and Lockhart Power Companies. A similar comparison of rates of the Residential Conservation Schedules of the three companies, excluding Lockhart Power is shown on Utilities Department Exhibit No. 5.

In a manner similar to that of the residential sector, the Company's approved and proposed Small General Service, Medium General Service and Large General Service Rates were compared. (See Utilities Department Exhibit No. 6). These comparisons were made using a table of varying demands from 3

KW with a corresponding energy usage of 375 KWH, to a demand of 500 KW with an energy consumption of 200,000 KWH on the Small General Service and the Medium General Service schedules as appropriate. Similarly, the Large General Service sector is compared using a demand of 1,000 KW at 400,000 KWH of energy to 50,000 KW of demand and 25,000,000 KWH of energy consumption. Three additional columns show the charge for the same usage levels and corresponding approved rate schedules of Duke Power, Carolina Power & Light and Lockhart Power Companies.

Exhibit No. 7 shows a comparison of the number of complaints registered with the Commission's Consumer Services Department during the test year April 1, 2001 through March 31, 2002 for South Carolina Electric & Gas, Carolina Power & Light, Duke Power and Lockhart Power Companies.

RATE/INDEX OF RETURN

(12 MONTHS ENDING MARCH 31, 2002)

USING COMPANY ADJUSTMENTS

SOUTH CAROLINA ELECTRIC & GAS COMPANY

ITEM (1)	S.C. RETAIL (2)	RESIDENTIAL SERVICE (3)	SML GENERAL SERVICE (4)	MED GENERAL SERVICE (5)	LRG GENERAL SERVICE (6)	STREET LIGHTING (7)
RATE OF RETURN (%) (Proposed)	9.93%	9.50%	10.13%	10.87%	10.12%	10.17%
INDEX OF RETURN (%) (Proposed)	100.0%	95.7%	102.0%	109.5%	101.9%	102.4%

UTILITIES DEPARTMENT
EXHIBIT NO. 1

RATE/INDEX OF RETURN

(12 MONTHS ENDING MARCH 31, 2002)

USING STAFF ADJUSTMENTS

SOUTH CAROLINA ELECTRIC & GAS COMPANY

ITEM (1)	S.C. RETAIL (2)	RESIDENTIAL SERVICE (3)	SML GENERAL SERVICE (4)	MED GENERAL SERVICE (5)	LRG GENERAL SERVICE (6)	STREET LIGHTING (7)
RATE OF RETURN (%) (Proposed)	10.24%	9.77%	10.38%	11.17%	10.61%	10.31%
INDEX OF RETURN (%) (Proposed)	100.0%	95.4%	101.4%	109.1%	103.6%	100.7%

UTILITIES DEPARTMENT
EXHIBIT NO. 2

UTILITIES DEPARTMENT
EXHIBIT NO. 3

PRESENT AND PROPOSED REVENUE
BY CLASS
TEST YEAR ENDING MARCH 31, 2002

SOUTH CAROLINA ELECTRIC & GAS COMPANY

SCHEDULE	PRESENT REVEVNUE	PROPOSED REVENUE	INCREASE	INCREASE
	$	$	$	%
RESIDENTIAL				
TOTAL RES	527,821,040	565,110,616	37,289,576	7.06
GENERAL				
SGS	227,871,539	259,351,901	31,480,362	13.81
MGS	135,880,023	152,096,903	16,216,880	11.94
LGS	281,750,511	296,919,686	15,169,175	5.40
TOTAL GENERAL	645,502,073	708,368,490	62,866,417	8.58
LIGHTING				
TOTAL LIGHTING	28,561,195	32,222,115	3,660,920	12.82
RATE REVENUE TOTAL	1,201,884,308	1,305,701,221	103,816,913	8.46
RECONNECT REVENUE	1,345,410	2,242,650	897,240	66.69
TOTAL RETAIL	1,203,229,718	1,307,943,871	104,714,153	8.70

NOTE: Revenue includes actual test year fuel expense of $0.01678/KWH

UTILITIES DEPARTMENT
EXHIBIT NO. 4

THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
RESIDENTIAL ELECTRIC BILL COMPARISON
INVESTOR-OWNED UTILITIES AS OF JUNE 30, 2002

(Summer Rates)

	SCE&G				CP&L	DUKE	LOCKHART
	APPROVED RATE 8*	PROPOSED RATE 8**	$ INCREASE	% INCREASE	APPROVED RATE RES	APPROVED RATE RS-2	APPROVED RATE R
KWH/MONTH							
0	6.50	7.50	1.00	15.38	6.50	6.16	6.50
100	14.13	15.61	1.48	10.47	14.40	12.56	13.94
250	25.57	27.77	2.20	8.60	26.25	22.15	25.09
500	44.65	48.04	3.39	7.59	46.01	38.14	43.68
600	52.27	56.14	3.87	7.40	53.91	44.54	51.11
750	63.72	68.30	4.58	7.19	65.76	54.13	62.26
1000	84.56	90.45	5.89	6.97	85.51	70.12	80.85
1500	127.12	135.69	8.57	6.74	125.02	109.55	122.28
2000	169.68	180.93	11.25	6.63	164.52	148.97	163.70
2500	212.24	226.17	13.93	6.56	204.03	188.40	205.13
3000	254.80	271.41	16.61	6.52	243.53	227.83	246.55
4000	339.92	361.89	21.97	6.46	322.54	306.68	329.40
5000	425.04	452.37	27.33	6.43	401.55	385.53	412.25

(Winter Rates)

	SCE&G				CP&L	DUKE	LOCKHART
	APPROVED RATE 8*	PROPOSED RATE 8**	$ INCREASE	% INCREASE	APPROVED RATE RES	APPROVED RATE RS-2	APPROVED RATE R
KWH/MONTH							
0	6.50	7.50	1.00	15.38	6.50	6.16	6.50
100	14.13	15.61	1.48	10.45	14.40	12.56	13.94
250	25.57	27.77	2.20	8.59	26.25	22.15	25.09
500	44.65	48.04	3.39	7.58	46.01	38.14	43.68
600	52.27	56.14	3.87	7.41	53.91	44.54	51.11
750	63.72	68.30	4.58	7.19	65.76	54.13	62.26
1000	81.91	87.63	5.72	6.98	83.51	70.12	80.85
1500	117.86	125.82	7.96	6.75	118.02	109.55	122.28
2000	153.80	164.00	10.20	6.63	152.52	148.97	163.70
2500	189.75	202.19	12.44	6.55	187.03	188.40	205.13
3000	225.69	240.37	14.68	6.50	221.53	227.83	246.55
4000	297.58	316.74	19.16	6.44	290.54	306.68	329.40
5000	369.47	393.11	23.64	6.40	359.55	385.53	412.25

* Includes fuel cost of $0.01722 per Kwh.
** Includes fuel cost of $0.01678 per Kwh.

UTILITIES DEPARTMENT
EXHIBIT NO. 5

THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
RESIDENTIAL CONSERVATION ELECTRIC BILL COMPARISON
INVESTOR-OWNED UTILITIES AS OF JUNE 30, 2002

(Summer Rates)

	SCE&G				CP&L	DUKE
	APPROVED RATE 6	PROPOSED RATE 6*	$ INCREASE	% INCREASE	APPROVED (RES) - 5%	APPROVED RATE RS-2
KWH/MONTH						
0	6.50	7.50	1.00	15.38	6.50	6.16
100	14.04	15.52	1.48	10.54	14.04	11.61
250	25.34	27.56	2.22	8.76	25.26	19.79
500	44.19	47.61	3.42	7.74	44.03	33.42
600	51.72	55.63	3.91	7.56	51.54	38.87
750	63.03	67.67	4.64	7.36	62.79	47.04
1000	82.95	88.88	5.93	7.15	81.56	60.67
1500	123.35	131.89	8.54	6.92	119.09	90.97
2000	163.74	174.90	11.16	6.82	156.62	121.26
2500	204.14	217.91	13.77	6.75	194.15	151.55
3000	244.53	260.92	16.39	6.70	213.68	181.85
4000	325.32	346.94	21.62	6.65	306.74	242.43
5000	406.11	432.96	26.85	6.61	381.80	303.02

(Winter Rates)

	SCE&G				CP&L	DUKE
	APPROVED RATE 6	PROPOSED RATE 6*	$ INCREASE	% INCREASE	APPROVED (RES) - 5%	APPROVED RATE RS-2
KWH/MONTH						
0	6.50	7.50	1.00	15.38	6.50	6.16
100	14.04	15.52	1.48	10.54	14.04	11.61
250	25.34	27.56	2.22	8.76	25.26	19.79
500	44.19	47.61	3.42	7.74	44.03	33.42
600	51.72	55.63	3.91	7.56	51.54	38.87
750	63.03	67.67	4.64	7.36	62.79	47.04
1000	80.21	85.95	5.74	7.16	79.66	60.67
1500	113.75	121.63	7.88	6.93	112.44	90.97
2000	147.29	157.31	10.02	6.80	145.22	121.26
2500	180.83	192.99	12.16	6.72	178.00	151.55
3000	214.37	228.67	14.30	6.67	210.78	181.85
4000	281.45	300.03	18.58	6.60	276.34	242.43
5000	348.53	371.39	22.86	6.56	341.90	303.02

* Includes fuel cost of $0.01722 per Kwh.
** Includes fuel cost of $0.01678 per Kwh.

COMMERCIAL AND INDUSTRIAL RATE COMPARISON
INVESTOR-OWNED ELECTRIC UTILITIES
OPERATING IN SOUTH CAROLINA
AS OF JUNE 30, 2002

			SCE&G						CP&L		DUKE		LOCKHART	
SERVICE	KW	KWH	APPROVED RATE **		PROPOSED RATE ***		$ INCREASE	% INCREASE	APPROVED RATE		APPROVED RATE		APPROVED RATE ***	
GENERAL														
	3	375	41.88	R9 *	47.97	C3	6.09	14.54%	43.79	SGS	42.49	G	45.89	C3
	6	750	70.76	R9 *	80.93	C3	10.17	14.37%	78.48	SGS	78.13	G	85.29	C3
	12	1,500	128.52	R9 *	146.87	C3	18.35	14.28%	147.87	SGS	149.42	G	164.08	C3
	30	6,000	488.77	R9 *	559.41	C3	70.64	14.45%	472.36	MGS	431.58	G	495.80	C3
	40	10,000	815.09	R9 *	933.65	C3	118.56	14.55%	733.50	MGS	650.34	G	723.00	C3
	100	30,000	2,050.60	R20	2,320.60	C3	270.00	13.17%	2,086.90	MGS	1,768.92	G	1,914.00	C3
	300	90,000	5,951.80	R20	6,721.80	C3	770.00	12.94%	6,242.50	MGS	5,188.17	G	5,597.00	C3
INDUSTRIAL														
	75	15,000	1,222.99	R9 *	1,401.45	I	304.20	27.72%	1,167.25	MGS	987.64	I	1,097.25	I
	150	30,000	2,446.69	R9 *	2,804.85	I	610.35	27.81%	2,325.40	MGS	1,921.01	I	2,194.50	I
	300	60,000	5,024.09	R9 *	5,761.65	I	1,573.65	37.58%	4,641.70	MGS	3,787.77	I	4,188.00	I
	500	200,000	11,159.00	R20	11,340.50	I	1,215.50	12.00%	13,066.10	MGS	10,790.47	I	10,125.00	I
	1,000	400,000	21,326.00	R23	23,738.00	I	4,493.00	23.35%	24,989.00	LGS	20,146.96	I	19,245.00	I
	5,000	2,000,000	102,630.00	R23	113,890.00	I	21,685.00	23.52%	123,245.00	LGS	89,031.36	I	92,205.00	I
	10,000	4,000,000	204,260.00	R23	226,580.00	I	43,175.00	23.54%	241,065.00	LGS	175,136.86	I	183,405.00	I
	20,000	10,000,000	454,800.00	R23	506,800.00	I	64,695.00	14.63%	535,525.00	LGS	417,070.86	I	442,105.00	I
	50,000	25,000,000	1,135,500.00	R23	1,265,200.00	I	161,445.00	14.63%	1,315,675.00	LGS	1,035,535.86	I	1,103,755.00	I

* Small General Service Rate (9) shown using SUMMER rates.
** Includes fuel cost of $0.01722 per Kwh.
*** Includes fuel cost of $0.01678 per Kwh.

UTILITIES DEPARTMENT
EXHIBIT NO. 6

UTILITIES DEPARTMENT
EXHIBIT NO. 7

COMPARISON OF COMPLAINTS
REGISTERED WITH THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
TWELVE MONTHS ENDING MARCH 31, 2002

	SCE&G	CP&L	DUKE	LOCKHART
NUMBER OF COMPLAINTS	645	178	373	5
AVERAGE NUMBER OF CUSTOMERS	541,999	166,485	493,864	9,390