

## Scope of Services

This scope of work is being made pursuant to Public Service Commission of South Carolina Order No. 2018-81 which is attached. The South Carolina Office of Regulatory Staff ("ORS") seeks to engage a Certified Public Accounting firm to conduct an independent written analysis and render an opinion answering the following question:

*What would be the financial impacts to South Carolina Electric & Gas Company ("SCE&G") under each of the different scenarios presented below pertaining to the Base Load Review Act ("BLRA"), S.C. Code 58-33-210 et. cet.*

In addition, ORS requests 1) an overall cost for providing the draft analysis by March 19, 2018 and a final analysis by March 23, 2018 and 2) an overall cost if the analysis could be provided on a date certain as designated by the Certified Public Accounting Firm.

### Facts and Assumptions:

1. The BLRA authorizes SCE&G to annually collect revised rates. SC Code Section 58-33-220(17) defines revised rates as, "a revised schedule of electric rates and charges reflecting a change to the utility's then current nonfuel rates and charges to add incremental revenue requirements related to a base load plant as authorized in this article. For a nuclear plant under construction, until it enters commercial operation the rate adjustments related to the plant shall include recovery of the weighted average cost of capital applied to the outstanding balance of capital costs of that plant only and shall not include depreciation or other items constituting a return of capital to the utility."
2. SCE&G is currently collecting approximately \$445 million annually (\$37 million a month) in revised rates revenues from ratepayers.
3. BLRA Construction work in progress as of September 2017 is approximately \$4.7 billion.
4. For purposes of this analysis, approximately \$2 billion shall be deemed as having been collected by SCE&G from ratepayers since revised rates collections began in 2009.

**Under each of the scenarios listed on the following page, the analysis should provide a written opinion with illustrations and financial statements describing and showing:**

1. Impairments related to the suspension or nonrecovery and the reason for the impairment(s);
2. An explanation of impairments in general and different scenarios that may cause an impairment;
3. The impact to revenues;
4. The impact to cash flow;
5. The impact to return on equity;
6. The balance sheet impact;
7. The income statement impact;
8. The ability to service debt obligations;
9. Market and bankruptcy risks caused by each scenario;
10. A sworn Affidavit attesting to the analysis; and
11. Other information deemed pertinent by the Certified Public Accounting Firm to fully illustrate and describe the financial impact.

The final analysis should be presented as a written report with an Executive Summary, Table of Contents, and Appendices. The written report should be provided in pdf format to the ORS.

**Scenarios**

<b>Scenarios</b>	<b>Revised Rates Revenue Collection Impact</b>	<b>CWIP Recovery</b>	<b>Credit to Ratepayers of \$2b Previously Collected in Revised Rates Revenue</b>
1.	Suspend* Annual Collection	Unknown if CWIP will be recovered or amount	No
2.	Suspend Annual Collection	Unknown if CWIP will be recovered or amount	Yes – credit over 4 yrs

\*Suspension or to suspend revised rates means that collection of revised rates or a portion of the revised rates may resume later.

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