For information, contact:
C. Dukes Scott
Executive Director
Office Phone: (803) 737-0805
Cell: (803) 463-6524
Email: cdscott@regstaff.sc.gov

For Immediate Release

ORS Releases Results of Independent Analysis on V.C. Summer Units 2 & 3 under Base Load Review Act

Columbia, S.C., January 15, 2016 –

The South Carolina Office of Regulatory Staff (ORS) has received the results of an independent analysis conducted by the firm of Elliot Davis Decosimo, LLC with regard to SCE&G's construction of Units 2 & 3 (the Units) at its V.C. Summer plant in Jenkinsville, S.C. The analysis was conducted to determine whether the revised rates provision under the Base Load Review Act (BLRA) utilized by SCE&G for construction of the Units is cost beneficial. The report is attached.

According to ORS Executive Director Dukes Scott, "The results of the Elliott Davis Decosimo analysis confirm that the revised rate methodology under the BLRA is cost beneficial to customers. In addition to being in the customers' financial interest, the BLRA is in the State's public interest. The cost savings, as confirmed by the Elliott Davis Decosimo analysis, and the coverage of cost of capital under the BLRA allow for the construction of a reliable, greenhouse-gas-free source of generation for decades to come."

The Office of Regulatory Staff is an agency of the State of South Carolina. Its mission is to represent the public interest in utility regulation by balancing the concerns of the using and consuming public, the financial integrity of public utilities, and the economic development of South Carolina. For more information, please visit the ORS web site at http://www.regulatorystaff.sc.gov/.

####

elliott davis
decosimo

Independent Accountant's Report

The South Carolina Office of Regulatory Staff
Columbia, South Carolina

We have examined the assertion below of the management of South Carolina Electric & Gas Company (the Company) regarding the effect of the Base Load Review Act (the Act) on the construction costs and future depreciation and cost of capital of the VC Summer nuclear plant Units 2 and 3 (the Facilities). The Company has provided us with the following written assertion:

In accordance with the Act, allowing the Company to establish annual revised rates and collect additional revenue during the construction of the Facilities will have the following effects:

a. reduce the total costs to construct the Facilities by approximately $1 billion, compared to if the revised rates were not implemented during construction, and

b. as a result of the above reduction in total construction costs, reduce future depreciation and cost of capital of the Facilities by approximately $4 billion over the Facilities' estimated 60-year life.

Our responsibility is to express an opinion on the assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, the following primary assumptions of the Company which are prevalent industry practice when developing revenue requirements for a utility:

a. The Company may accrue an Allowance for Funds Used During Construction (AFUDC) for its financing costs associated with Construction Work In Progress (CWIP).

b. The accrual of AFUDC will be added to the capitalized costs of the completed Facilities thus increasing future depreciation and cost of capital that must be recovered through increased rates once the Facilities are operational.

c. AFUDC can significantly increase if financing costs are not paid during construction.

d. The amount of AFUDC accruing to CWIP can be effectively limited by collecting in rates the financing costs associated with the construction of the Facilities as they are incurred.

e. Upon annual implementation of revised rates under the Act, the Company will cease to accrue AFUDC on that component of its CWIP on which it is recovering its weighted average cost of capital through revised rates.

f. The methodology used by the Company to calculate AFUDC rates during the construction phase is in accordance with the requirements of Federal Energy Regulatory Commission Order 561 (the Order).

g. The AFUDC rate of 5.68% which was used to estimate cost reductions for 2015 is the same rate that has been used to estimate cost reductions for the period from 2016 through the projected completion of the construction phase.

h. The Order permits AFUDC to be compounded semi-annually during the construction period thus increasing the amount of CWIP that the Company would potentially be permitted to recover in rates; however, the Company has elected to not compound AFUDC for the Facilities.

i. The cost to complete construction will meet or exceed the Company's approved budget, and completion of the construction phase will occur prior to the end of the second quarter of 2020.

We also performed such other procedures as we considered necessary in the circumstances.

We believe that our examination provides a reasonable basis for our opinion.

In our opinion, managements' assertion referred to above is fairly stated, in all material respects, based on assumptions established by prevalent industry practice when developing revenue requirements for a utility.

This report is intended solely for the information and use of The South Carolina Office of Regulatory Staff and is not intended to be and should not be used by anyone other than this specified party.

Elliott Davis Decosimo, LLC

Columbia, South Carolina
January 8, 2016