

Appendix A

South Carolina Electric & Gas Company (SCEG)			
Formula Rate	Notes	FERC Form 1 Page No or Instruction	2007
Shaded cells are input cells			
Allocators			
Wages & Salary Allocation Factor			
1	Transmission Wages Expense	p354.21.b	4,468,514
2	Total Wages Expense	p354.28b	131,375,692
3	Less A&G Wages Expense	p354.27b	30,131,225
4	Total	(Line 2 - 3)	101,244,467
5	Wages & Salary Allocator	(Line 1 / 4)	4.4136%
Plant Allocation Factors			
6	Electric Plant in Service	(Note B) p207.104g	7,031,898,382
7	Common Plant In Service - Electric	(Line 24)	248,175,396
8	Total Plant In Service	(Sum Lines 6 & 7)	7,280,073,778
9	Accumulated Depreciation Electric Plant	(Note A) Attachment 5	2,447,580,598
10	Accumulated Other Utility Plant Amortization - Electric Only	(Note A) Attachment 5	49,607,753
11	Accumulated Common Depreciation - Electric Only	(Note A) Attachment 5	10,213,656
12	Accumulated Common Other Utility Plant Amort. - Electric Only	(Note A) Attachment 5	75,254,180
13	Total Accumulated Depreciation	(Sum Lines 9 to 12)	2,582,656,186
14	Net Plant	(Line 8 - 13)	4,697,417,592
15	Transmission Gross Plant	(Line 28 - Line 43)	734,052,250
16	Gross Plant Allocator	(Line 15 / 8)	10.0830%
17	Transmission Net Plant	(Line 38 - Line 43)	510,217,476
18	Net Plant Allocator	(Line 17 / 14)	10.8617%

Plant Calculations

Plant In Service				
19	Transmission Plant In Service	(Note B)	Attachment 5	696,026,663
20	For True up only - remove New Transmission Plant Additions for Current Calendar Year	For True Up Only	Attachment 6	0
21	New Transmission Plant Additions for Current Calendar Year (weighted by months in service)	(Note B)	Attachment 6	16,425,102
22	Total Transmission Plant In Service		(Line 19 - 20 + 21)	712,451,765
23	General & Intangible Plant - Electric Only	(Notes A & B)	p205.5.g & p207.99.g	241,233,309
24	Common Plant - Electric Only	(Notes A & B)	p356.2	248,175,396
25	Total General & Common		(Line 23 + 24)	489,408,705
26	Wage & Salary Allocation Factor		(Line 5)	4.4136%
27	General & Common Plant Allocated to Transmission		(Line 25 * 26)	21,600,486
28	TOTAL Plant In Service		(Line 22 + 27)	734,052,250
Accumulated Depreciation				
29	Transmission Accumulated Depreciation	(Note B)	Attachment 5	215,525,792
30	Accumulated General Plant Depreciation - Electric Only		p219.28.c	53,183,527
31	Accumulated Other Utility Plant Amortization - Electric Only		(Line 10)	49,607,753
32	Accumulated Common Depreciation - Electric Only		(Line 11)	10,213,656
33	Accumulated Common Other Utility Plant Amort. - Electric Only		(Line 12)	75,254,180
34	Total Accumulated Depreciation		(Sum Lines 30 to 33)	188,259,115
35	Wage & Salary Allocation Factor		(Line 5)	4.4136%
36	General & Common Allocated to Transmission		(Line 34 * 35)	8,308,982
37	TOTAL Accumulated Depreciation		(Line 29 + 36)	223,834,774
38	TOTAL Net Property, Plant & Equipment		(Line 28 - 37)	510,217,476

Adjustment To Rate Base

Construction Work in Progress (CWIP)				
39	CWIP (weighted by months expected to be placed in service)	(Note D)	Attachment 6	0
40	Construction Work in Progress Transmission		(Line 39)	0
Accumulated Deferred Income Taxes				
41	ADIT net of FASB 106 and 109		Attachment 1	-42,097,874
42	Accumulated Deferred Income Taxes Allocated To Transmission		(Line 41)	-42,097,874
43	Plant Held for Future Use (Including Land)	(Note C)	Attachment 5	0
Prepayments				
44	Prepayments - Labor Related (Account 165)	(Note A)	Attachment 5	31,526,113
45	Prepayments - Plant Related (Account 165)	(Note A)	Attachment 5	9,032,257
46	Wage & Salary Allocation Factor		(Line 5)	4.4136%
47	Net Plant Allocation Factor		(Line 18)	10.0830%
48	Total Prepayments Allocated to Transmission		(Line 44 * 46) + (Line 45 * 47)	2,302,158
Materials and Supplies				
49	Undistributed Stores Exp	(Note A)	p227.16c	0
50	Wage & Salary Allocation Factor		(Line 5)	4.4136%
51	Total Transmission Allocated		(Line 49 * 50)	0
52	Transmission Materials & Supplies		p227.8c	5,287,493
53	Total Materials & Supplies Allocated to Transmission		(Line 51 + 52)	5,287,493
Cash Working Capital				
54	Operation & Maintenance Expense		(Line 82)	19,238,813
55	1/8th Rule		x 1/8	12.5%
56	Total Cash Working Capital Allocated to Transmission		(Line 54 * 55)	2,404,852
Network Credits				
57	Outstanding Network Credits	(Note M)	Attachment 5	-3,438,034
58	Less Accumulated Depreciation Associated with Facilities with Outstanding Network Credits	(Note M)	Attachment 5	384,000
59	Net Outstanding Credits		(Line 57 - 58)	-3,054,034
60	TOTAL Adjustment to Rate Base		(Line 40 + 42 + 43 + 48 + 53 + 56 + 59)	-35,157,405
61	Rate Base		(Line 38 + 60)	475,060,071

O&M

Transmission O&M				
62	Transmission O&M		p321.112.b	13,320,280
63	Less Account 565		p321.96.b	336,766
64	Transmission O&M		(Lines 62 - 63)	12,983,514
Allocated General Expenses				
65	Total A&G		p323.197.b	136,413,203
66	Less Property Insurance Account 924		p323.185b	4,367,603
67	Plus PBOP for Base Year	(Note P)	(Attachment 5)	421,790
68	Less PBOP Current Year	(Note P)	(Attachment 5)	-421,790
69	Less Regulatory Commission Exp Account 928	(Note E)	p323.189b	4,646,678
70	Less General Advertising Exp Account 930.1		p323.191b	14,790
71	General Expenses		(Line 65 - Sum (Lines 66 to 70))	127,384,132
72	Wage & Salary Allocation Factor		(Line 5)	4.4136%
73	General Expenses Allocated to Transmission		(Line 71 * 72)	5,622,211
Directly Assigned A&G				
74	Regulatory Commission Exp Account 928 - Transmission Related	(Note G)	Attachment 5	158,694
75	General Advertising Exp Account 930.1 - Education & Outreach	(Note J)	Attachment 5	0
76	Subtotal - Transmission Related		(Line 74 + 75)	158,694
77	Property Insurance Account 924		(Line 66)	4,367,603
78	General Advertising Exp Account 930.1 - Safety	(Note F)	Attachment 5	0
79	Total		(Line 77 + 78)	4,367,603
80	Net Plant Allocation Factor		(Line 18)	10.8617%
81	A&G Allocated to Transmission		(Line 79 * 80)	474,394
82	Total Transmission O&M		(Line 64 + 73 + 76 + 81)	19,238,813

Depreciation & Amortization Expense

Depreciation Expense				
83	Transmission Depreciation Expense	(Note N)	p336.7b	15,131,397
84	General Plant Depreciation - Electric Only	(Note A and N)	Attachment 5	3,377,120
85	Intangible Plant Amortization - Electric Only	(Note A)	Attachment 5	5,098,791
86	Total		(Line 84 + 85)	8,475,911
87	Wage & Salary Allocation Factor		(Line 5)	4.4136%
88	General Depreciation Allocated to Transmission		(Line 86 * 87)	374,092
89	Common Plant Depreciation - Electric Only	(Note A and N)	Attachment 5	7,813,281
90	Common Plant Amortization - Electric Only	(Note A)	Attachment 5	7,906,311
91	Total		(Line 89 + 90)	15,719,592
92	Wage & Salary Allocation Factor		(Line 5)	4.4136%
93	Common Depreciation - Electric Only Allocated to Transmission		(Line 91 * 92)	693,798
94	Total Transmission Depreciation & Amortization		(Line 83 + 88 + 93)	16,199,287

Taxes Other than Income

95	Taxes Other than Income		Attachment 2	11,601,037
96	Total Taxes Other than Income		(Line 95)	11,601,037

Return / Capitalization Calculations

Long Term Interest				
97	Long Term Interest		p117.62c through 66c	112,974,523
98	Less LTD Interest on Securitization Bonds	(Note O)	Attachment 8	0
99	Long Term Interest		(Line 97 - 98)	112,974,523
100	Preferred Dividends	enter positive	p118.29c	7,255,053
Common Stock				
101	Proprietary Capital		p112.16c	2,736,602,289
102	Less Preferred Stock (Acct. 204)	enter negative	(Line 111)	-113,758,800
103	Plus Securitization Adjustment		Attachment 8	0
104	Less Account 216.1	enter negative	p112.12c	0
105	Common Stock		(Sum Lines 101 to 104)	2,622,843,489

Capitalization

106	Long Term Debt			p112.18c through 23c	2,789,066,007
107	Less Reaquired Debt		enter negative	p112.19c	0
108	Less Non-interest bearing debt	(Note O)	enter negative	Attachment 8	0
109	Less Securitization Bonds	(Note O)	enter negative	Attachment 8	0
110	Total Long Term Debt			(Sum Lines 106 to 109)	2,789,066,007
111	Preferred Stock			p112.3c	113,758,800
112	Common Stock			(Line 105)	2,703,692,957
113	Total Capitalization			(Sum Lines 110 to 112)	5,606,517,764
114	Debt %	Total Long Term Debt		(Line 110 / 113)	49.7%
115	Preferred %	Preferred Stock		(Line 111 / 113)	2.0%
116	Common %	Common Stock		(Line 112 / 113)	48.2%
117	Debt Cost	Total Long Term Debt		(Line 99 / 110)	0.0577
118	Preferred Cost	Preferred Stock		(Line 100 / 111)	0.0638
119	Common Cost	Common Stock	(Note I)	Fixed	0.1200
120	Weighted Cost of Debt	Total Long Term Debt (WCLTD)		(Line 114 * 117)	0.0287
121	Weighted Cost of Preferred	Preferred Stock		(Line 115 * 118)	0.0013
122	Weighted Cost of Common	Common Stock		(Line 116 * 119)	0.0579
123	Total Return (R)			(Sum Lines 120 to 122)	0.0879
124	Investment Return = Rate Base * Rate of Return			(Line 61 * 123)	41,742,054

Composite Income Taxes

Income Tax Rates			
125	FIT=Federal Income Tax Rate		35.00%
126	SIT=State Income Tax Rate or Composite	(Note H)	5.00%
127	p	(percent of federal income tax deductible for state purposes)	Per State Tax Code 0.00%
128	T	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$	38.25%
129	T/ (1-T)		61.94%
ITC Adjustment			
130	Amortized Investment Tax Credit	enter negative	p266.8f -4,657,875
131	1/(1-T)		1 / (1 - Line 129) 161.94%
132	<u>Net Plant Allocation Factor</u>		(Line 18) 10.8617%
133	ITC Adjustment Allocated to Transmission		(Line 130 * 131 * 132) -819,308
134	Income Tax Component =	$CIT=(T/1-T) * Investment\ Return * (1-(WCLTD/R)) =$	[Line 129 * 124 * (1-(120 / 123))] 17,409,766
135	Total Income Taxes		(Line 133 + Line 134) 16,590,458

REVENUE REQUIREMENT

136	Gross Revenue Requirement		(Sum Lines 144 to 148)	98,497,036
Adjustment to Remove Revenue Requirements Associated with Excluded Transmission Facilities				
137	Transmission Plant In Service		(Line 19)	696,026,663
138	Less Excluded Transmission Facilities	(Note L)	Attachment 5	45,409,884
139	Included Transmission Facilities		(Line 137 - 138)	650,616,779
140	Inclusion Ratio		(Line 139 / 137)	93.48%
Summary and Adjustment by Inclusion Ratio				
141	Net Property, Plant & Equipment		(Line 38 * 140)	476,930,078
142	Adjustment to Rate Base		(Line 60 * 140)	-32,863,680
143	Rate Base		(Line 61 * 140)	444,066,398
144	O&M		(Line 82 * 140)	17,983,643
145	Depreciation & Amortization		(Line 94 * 140)	15,142,420
146	Taxes Other than Income		(Line 96 * 140)	10,844,167
147	Investment Return		(Line 124 * 140)	39,018,736
148	Income Taxes		(Line 135 * 140)	15,508,070
149	Adjusted Gross Revenue Requirement		(Sum Lines 144 to 148)	98,497,036

Revenue Credits & Interest on Network Credits

150	Revenue Credits		Attachment 3	2,567,448
151	Interest on Network Credits	(Note M)	Attachment 5	-138,034
152	Net of Revenue Credit & Interest on Network Credits		(Line 150 + 151)	2,429,414
153	Net Revenue Requirement		(Line 149 - 152)	96,067,622
	Net Plant Carrying Charge without New Investment Incentive			
154	Net Revenue Requirement		(Line 153)	96,067,622
155	Net Transmission Plant times Inclusion Ratio		(Line 19 - 29) * Line 140	449,152,232
156	Net Plant Carrying Charge without New Investment Incentive		(Line 154 / 155)	21.3887%
157	Net Plant Carrying Charge without New Investment Incentive without Depreciation		(Line 154 - 144) / 155	17.6460%
158	Net Plant Carrying Charge without New Investment Incentive without Depreciation, Return, nor Income Taxes		(Line 154 - 144 - 147 - 148) / 155	5.2448%
	Net Plant Carrying Charge with 100 Basis Point New Investment Incentive			
159	Net Revenue Requirement Less Return and Taxes		(Line 153 - 147 - 148)	41,540,815
160	Incentive Return and Taxes		Attachment 4	57,376,136
161	Net Revenue Requirement with 100 Basis Point New Investment Incentive		(Line 159 + 160)	98,916,952
162	Net Transmission Plant times Inclusion Ratio		(Line 155)	449,152,232
163	Net Plant Carrying Charge with 100 Basis Point New Investment Incentive		(Line 161 / 162)	22.0230%
164	Net Plant Carrying Charge with 100 Basis Point New Investment Incentive without Depreciation		(Line 160 - 145) / 162	18.6517%
165	Net Revenue Requirement		(Line 153)	96,067,622
166	True-up amount		Attachment 6	
167	Increased Revenue Requirement due to Authorized Incentive ROE OUT		Attachment 7	
168	Net Zonal Revenue Requirement		(Line 165 - 166)	96,067,622
	Network Zonal Service Rate			
169	12 CP Peak	(Note K)	Attachment 5	4,538
170	Rate (\$/MW-Year)		(Line 168 / 169)	21,171
171	Network Service Rate (\$/MW/Year)		(Line 170)	21,171

Notes

- A Electric portion only
- B Lines 6, 19, 25, & 29 exclude Construction Work In Progress.
Line 20 removes New Transmission Plant Additions for the current year while Line 21 adds back those additions weighted by the months placed in service.
- C Transmission Portion Only
- D Construction Work in Progress (CWIP) is set at zero until the Commission Orders a change.
- E All Regulatory Commission Expenses
- F Safety related advertising included in Account 930.1
- G Regulatory Commission Expenses directly related to transmission service, RTO filings, or transmission siting itemized in Form 1 at 351.h.
- H The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T). A utility must not include tax credits as a reduction to rate base and as an amortization against taxable income.
- I ROE will be supported in the original filing and no change in ROE may be made absent a filing with FERC.
- J Education and outreach expenses relating to transmission, for example siting or billing
- K Network or Point to Point transactions of one year or more for which the full revenue is received by the transmission owner
- L Amount of transmission plant excluded from rates, includes investment in generation step-up transformers to the extent included in Plant in Service.
- M Outstanding Network Credits is the balance of Network Facilities Upgrades Credits due Transmission Customers who have made lump-sum payments (net of accumulated depreciation) towards the construction of Network Transmission Facilities consistent with Paragraph 657 of Order 2003-A.
Interest on the Network Credits as booked each year is added to the revenue requirement to make the Transmisison Owner whole on Line 151.
- N Depreciation rates are fixed and not subject to adjustment except prusuant to a FPA Section 205 or 206 filing.
- O Appropriate adjustments to the capital structure may be made to reflect state authorized issuances of securitized bonds and to remove non-interest bearing debt.
Any such adjustments must be supported in the Section 205 filing seeking application of this formula .
- P Postretirement Benefits Other than Pensions (PBOPs) are not subject to adjustment except pursuant to a FPA Section 205 or 206 filing

**Appendix B
Gridsouth Surcharge**

South Carolina Electric & Gas Company (SCEG)			2007
Formula Rate	Notes	FERC Form 1 Page No or Instruction	

Shaded cells are input cells

Allocators			
Network & Long-term Point to Point to Total System Peak Allocator			
1	Firm Network	p.400.159f	3,364
2	Long-Term Point to Point	p.400.159g	6,600
3	Short-term Point to Point	p.400.159i	1,031
4	Other	p.400.159j	156
5	Retail	(Line 6 - (Sum Lines 1 - 4))	44,489
6	Total	(Sum Lines 1 - 5)	55,640
7	Network & Long-term Point to Point to Total System Peak Allocator	((Line 1 + 2) / 6)	17.9080%

Gridsouth Rate Base

8	Gridsouth Regulatory Asset			
9	Total Deferred Cost	(Note N)	Attachment 5	14,096,000
10	Less 1/2 year of Accumulated Amortization	(Note N)	Attachment 5	1,409,600
11	Net Deferred Cost - Gridsouth		(Line 9 - 10)	12,686,400
12	Network & Long-term Point to Point to Total System Peak Allocator		(Line 7)	17.9080%
13	Gridsouth Net Deferred Cost - Network & Long-term Point to Point Portion		(Line 12 * 11)	2,271,878
14	Grid South Rate Base - Network & Long-term Point to Point Portion		(Line 13)	2,271,878

Gridsouth Amortization Expense

	Gridsouth Amortization Expense (amortized over 5 yrs)			
15	Yearly amortization	(Note N)	Attachment 5	2,819,200
16	Network & Long-term Point to Point to Total System Peak Allocator		(Line 7)	17.9080%
17	Gridsouth Amortization Expense - Network & Long-term Point to Point Portion		(Line 16 * 15)	504,862
18	Gridsouth Amortization Expense - Network & Long-term Point to Point Portion		(Line 17)	504,862

Return / Capitalization Calculations

	Long Term Interest			
19	Long Term Interest		p117.62c through 66c	112,974,523
20	Less LTD Interest on Securitization Bonds	(Note O)	Attachment 8	0
21	Long Term Interest		(Line 19 - 20)	112,974,523
22	Preferred Dividends	enter positive	p118.29c	7,255,053
	Common Stock			
23	Proprietary Capital		p112.16c	2,736,602,289
24	Less Preferred Stock (Acct. 204)	enter negative	(Line 33)	-113,758,800
25	Plus Securitization Adjustment		Attachment 8	0
26	Less Account 216.1	enter negative	p112.12c	0
27	Common Stock		(Sum Lines 23 to 26)	2,622,843,489

Capitalization				
28	Long Term Debt		p112.18c through 23c	2,789,066,007
29	Less Reaquired Debt		enter negative p112.19c	0
30	Less Non-interest bearing debt	(Note O)	enter negative Attachment 8	0
31	Less Securitization Bonds	(Note O)	enter negative Attachment 8	0
32	Total Long Term Debt		(Line 28 - 30)	2,789,066,007
33	Preferred Stock		p112.3c	113,758,800
34	Common Stock		(Line 27)	2,703,692,957
35	Total Capitalization		(Sum Lines 32 - 34)	5,606,517,764
36	Debt %	Total Long Term Debt	(Line 32 / 35)	50%
37	Preferred %	Preferred Stock	(Line 33 / 35)	2%
38	Common %	Common Stock	(Line 34 / 35)	48%
39	Debt Cost	Total Long Term Debt	(Line 21 / 32)	0.0577
40	Preferred Cost	Preferred Stock	(Line 22 / 33)	0.0638
41	Common Cost	Common Stock	(Note I) Fixed	0.1200
42	Weighted Cost of Debt	Total Long Term Debt (WCLTD)	(Line 36 * 39)	0.0287
43	Weighted Cost of Preferred	Preferred Stock	(Line 37 * 40)	0.0013
44	Weighted Cost of Common	Common Stock	(Line 38 * 41)	0.0579
45	Total Return (R)		(Sum Lines 42 to 44)	0.0879
46	Investment Return = Rate Base * Rate of Return		(Line 14 * 45)	199,623

Composite Income Taxes

Income Tax Rates			
47	FIT=Federal Income Tax Rate		35.00%
48	SIT=State Income Tax Rate or Composite	(Note H)	5.00%
49	p	(percent of federal income tax deductible for state) Per State Tax Code	0.00%
50	T	$T=1 - \{[(1 - SIT) * (1 - FIT)] / (1 - SIT * FIT * p)\} =$	38.25%
51	T/ (1-T)		61.94%
52	Income Tax Component =	$CIT=(T/1-T) * Investment\ Return * (1-(WCLTD/F[Line\ 51 * 46 * (1-(42 / 45))])$	83,259
53	Total Income Taxes	(Line 52)	83,259

REVENUE REQUIREMENT

Summary			
54	Rate Base	(Line 14)	2,271,878
55	Amortization	(Line 18)	504,862
56	Investment Return	(Line 46)	199,623
57	Income Taxes	(Line 53)	83,259
58	Gross Revenue Requirement	(Sum Lines 55 to 57)	787,743
59	Net Zonal Revenue Requirement	(Line 58)	787,743
Network Zonal Service Rate			
60	12 CP Peak for Network and Long-Term Firm Point to Point only	(Note K) Attachment 5	830
61	Rate (\$/MW-Year)	(Line 59 / 60)	949
62	Network Service Rate (\$/MW/Year)	(Line 61)	949

Notes

- H The currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and $p =$ "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by $(1/1-T)$. A utility must not include tax credits as a reduction to rate base and as an amortization against taxable income.
- I ROE will be supported in the original filing and no change in ROE may be made absent a filing with FERC.
- K Network or Point to Point transactions of one year or more for which the full revenue is received by the transmission owner
- L Amount of transmission plant excluded from rates, includes investment in generation step-up transformers to the extent included in Plant in Service.
- N Initial investments in the RTO Gridsouth were recorded as deferred debits per 94 FERC, 61,080 in January 2001. FERC later issued orders disallowing the formation of Gridsouth. This adjustment increases rate base by the Gridsouth deferred debit (less 1/2 yr of amortization) and increases amortization expense based on a 5 yr amortization of the Gridsouth balance.
- O Appropriate adjustments to the capital structure may be made to reflect state authorized issuances of securitized bonds and to remove non-interest bearing debt. Any such adjustments must be supported in the Section 205 filing seeking application of this formula .