



C. Dukes Scott
Executive Director

STATE OF SOUTH CAROLINA
OFFICE OF REGULATORY STAFF

1401 Main Street
Suite 850
Columbia, SC 29201

February 29, 2016

Ms. Holly G. Pisarik
1205 Pendleton Street
Columbia, SC 29201

Dear Holly,

The ORS has suspended devoting resources to the EPA's Clean Power Plan due to the stay implemented by the U.S. Supreme Court. The impact that the death of Justice Scalia may have remains to be seen.

Nevertheless, our work on the State Energy Plan (SEP) continues. The effort and information from our work on the Clean Power Plan is not wasted regardless of its outcome because we have produced data that is useful to the SEP. Furthermore, our work will be helpful in case the Clean Energy Plan ever moves forward.

Our SEP Advisory Committee has created subcommittees for Phase One and Phase Two of this process. Collectively, the subcommittees have over 60 members representing more than 20 organizations. Phase One subcommittees will assemble the foundational information for the SEP. Six additional subcommittees (Phase Two) will develop considerations based on data from Phase One for the SEP. The Phase One subcommittees include the following: 1) Electric Infrastructure 2) Natural Gas Infrastructure 3) Transportation Infrastructure/Baseline and 5-10 Year Outlook 4) Energy Use and Resources: Baseline and 5-10 Year Outlook 5) State and Federal Statutes and Regulations Impacting the Energy Plan and 6) Economic and Demographic Data.

The S.C. Department of Health and Environmental Control (DHEC) is participating in the development of the SEP with representation on both the Advisory Committee and subcommittees. DHEC will be valuable in this preparation.

We expect SCE&G to be filing for approval in the second quarter of 2016 regarding an amendment to the contract for the construction at V.C. Summer. On September 10, 2015, SCE&G obtained approval for an increase in the construction budget to \$6.827 billion. On October 27, 2015, SCE&G announced an executed amendment to that contract increasing the \$6.827 billion by \$286 million to \$7.113 billion. Furthermore, the amendment provides for an option to further amend the contract to create a "fixed price" totaling \$7.601 billion.

We have already begun our examination of these contracts to determine whether the increase in price and schedule delays is warranted.

To represent the public interest, we must always strive to strengthen and enhance our staff. Toward this end, we have recently recruited and successfully hired six employees in three distinct departments with an impressive array of skills, competencies, and academic credentials. We welcome the following individuals to the ORS:

- Allyn Powell, as the Manager for Nuclear Programs. Allyn holds a Bachelor of Science degree in Physics from the University of South Carolina Honors College and a Master of Science in Physics, with an area of study in nuclear and particle physics. Allyn has professional experience coordinating the state budget process for the South Carolina House of Representatives, and she served as lead staff for the South Carolina Governor's Nuclear Advisory Council.
- Kevin Meeks, as an Energy Specialist. Kevin is a 2015 graduate from Clemson University with a Bachelor of Science degree in Mechanical Engineering and an Engineer-In-Training certification from the SC Licensing Board of Engineers and Surveyors.
- Conn Fraser, as an Energy Specialist. Conn is a 2014 graduate of the State University of New York College of Environmental Science and Forestry. Conn holds a Bachelor of Science degree in Environmental Science with a focus in Renewable Energy.
- Renee Herndon, as Director of Administration. Renee holds a Bachelor of Science degree in Business Administration, with an emphasis in Accounting, from the University of South Carolina. She is a Certified Public Accountant and a member of the Government Finance Officers Association of South Carolina. Renee has a strong background in governmental accounting and budgeting and was previously employed by the S.C. Department of Administration where she was the Manager of General Ledger Accounting and Reporting.
- Maeve Mason, as a Senior Energy Specialist. Maeve holds a Bachelor of Science degree in Environmental Policy and Political Science from Central Michigan University, as well as a Master of Science in Environmental Studies (Policy Concentration) degree from Ohio University. Maeve was previously employed as a Program Manager for Regulatory Development at the SC Department of Health and Environmental Control where she directed planning and development of air quality regulations. She is a Certified Public Manager.
- Larry Bryant, as a Pipeline Safety Inspector. Larry brings 22 years of experience to this position as he was previously employed by the Clinton Newberry Natural Gas Authority. Larry has already successfully completed the PL 1250 course in Oklahoma City, OK.

Our Cyber Security Specialist attended the Cyber and Physical Security Stakeholder meeting hosted by Santee Cooper. This meeting was a discussion by stakeholder cyber security professionals on cyber threats to South Carolina's electric infrastructure. The purpose of the meeting was to identify opportunities for stakeholders to collaborate their efforts to defend against these security threats. Representatives from Duke, SCE&G, Santee Cooper, SC Electric Cooperatives, SC EMD, and the National Guard were present to share information on vulnerabilities and threats as well as initiatives, resources, and sharing opportunities. Critical infrastructure is a large target for malicious actors, and SC stakeholders sharing issues and

solutions, along with strategies for moving forward, will strengthen our State's utility posture in cyber security.

The ORS Deputy Director for Safety and Transportation presented at an SCEMD Region 4 (Pee Dee area) meeting information on the role of ESF 12, rail safety, and gas safety. In addition, ORS staff assigned to EMD participated in several events this month including a final planning conference for the full-scale exercise, both hurricane and recovery task force meetings, dam failure exercises for Jocassee and Duke Hydro, and the first planning meeting for the Governor's annual hurricane tabletop exercise which is scheduled to occur in May.

Staff met with DHEC representatives to discuss alternative power in emergency situations for special-medical-needs shelters. The Federal Emergency Management Agency requires these shelters to have back-up power; rather than generators, solar is being considered as a more practical alternative.

Many South Carolina consumers have to choose between paying for energy and paying for food, medical care, and other basic necessities. The ORS Consumer Services team helps consumers navigate affordability issues through mediation and education. South Carolina laws and regulations provide energy consumers with many "safety net" programs to try to ensure uninterrupted electric service. The ORS Consumer Services team provides both the consumer and the utility support to arrange installment payments, extensions to payment due dates, manageable security deposits, and access to community financial assistance resources. Another important focus is education in the areas of energy efficiency and consumer rights and responsibilities.

As required by Act 236, we are beginning our analysis in preparation for the net metering and DER update due to the General Assembly and PURC by July 31, 2016. We are required to produce a report the first two years (2016 and 2017) and every two years thereafter.

In an attempt to learn from North Carolina's experience, Electric staff is working with DEC, DEP, and the Solar Business Alliance to address concerns about backlogs with regard to interconnection requests. We have agreed upon process improvements that we hope will expedite the interconnection process in South Carolina. The ORS is satisfied with the process DEC and DEP are making to reduce backlogs, and we filed a letter of support with the Commission requesting that the proposed interconnection standards and these process improvements be approved.

DEC and DEP representatives briefed our staff on plans to build combined heat and power plants in South Carolina. These plants would capture wasted heat to create steam, which could be sold to industrial customers. This arrangement would have several benefits: an additional revenue stream for the utility which could offset fuel costs and benefit customers; savings in capital and operating costs for industrial customers; a boost to economic development; and a reduction in carbon emissions.

A new pipeline safety organization, the South Carolina Pipeline Emergency Response Initiative (SC PERI), has been created to plan for and better organize training for first responders in gas

emergencies. The ORS Deputy Director of Safety and Transportation is on the SC PERI Steering Committee, along with first responders and representatives from 811, law enforcement, county emergency managers, gas operators, and firefighters.

Our Pipeline Safety inspectors have already completed their required comprehensive transmission inspections for 2016. In addition, our Pipeline Safety inspectors continue their required federal training: Inspector Larry Bryant was in Oklahoma City for two weeks of training, and Inspector John Iglesias just began a two-week stint of federal training, also in Oklahoma City.

In Telecommunications we are modifying the guidelines, worksheet, and instructions for the State USF based on Commission Order 2016-22 which found that wireless telecommunications companies compete with wireline and therefore -- as required by § 58-9-280 (E)(2) -- must contribute to the State USF.

Outreach continues in the S.C. Equipment Distribution Program. This month, presentations were made at the National Association of Retired Federal Employees meetings in Anderson and Columbia, as well as at the Shepherd's Center of Lexington.

In Transportation, we continue to manage multiple requests for rate increases and Certificates of Public Convenience and Necessity for new Household Goods (HHG) applicants. We have taken steps to ensure uniformity in our HHG inspections across the State, including training for our inspectors that was conducted last month; we are preparing to implement these newly standardized procedures in upcoming HHG inspections. This month, HHG inspections were conducted in Sumter, Asheville, Greenville, and Columbia.

If you have any questions or concerns, please feel free to contact me. Thank you for your ongoing support of the Office of Regulatory Staff.

Sincerely,

A handwritten signature in blue ink, appearing to read 'C. Dukes Scott', with a stylized, flowing script.

C. Dukes Scott
Executive Director