



C. Dukes Scott
Executive Director

STATE OF SOUTH CAROLINA
OFFICE OF REGULATORY STAFF

1401 Main Street
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Ms. Holly G. Pisarik
1205 Pendleton Street
Columbia, SC 29201

Dear Holly,

The holiday season provides an opportunity for us to reflect on some highlights of the past twelve months. The year 2015 was a landmark one for the ORS as we acquired new responsibilities arising from Act 236, expanded as an agency with the addition of the Energy Office, and continued in our daily work to represent the public interest.

Our staff members that work with EMD spent many hours this year planning for and responding to weather-related events and communicating with the utilities, electric cooperatives, Santee Cooper, the S.C. Association of Municipal Power Systems, and consumer fuel providers. The year 2015 tested us with inclement weather and record-low temperatures in January and February and an unprecedented flood in October. Through it all, ORS staff assigned to EMD duties went above and beyond. In the October flooding, we devoted over 645 hours to the ESF 12 (Energy) function during the 11-day activation period. With each crisis, we recognized areas for improvement and fine-tuned our team accordingly so that we were even better prepared to aid the public in the next emergency situation.

The Energy Office joined the ORS in July, and they have been a great addition. A major focus is creation of the State Energy Plan. This endeavor is a multi-year process for which we have gathered input from stakeholders and will continue to do so. At the same time, we are engaged with stakeholders in developing the State Implementation Plan (SIP) for compliance with the Environmental Protection Agency's 111 (d). This fall, we held joint public engagement sessions with DHEC staff. Consumers attending these sessions were encouraged to provide their thoughts and ask questions about both plans.

Our responsibilities arising from the Distributed Energy Resources (DER) Program Act, also known as Act 236, are also keeping us busy. Third-party solar leasing is underway, and we are encouraging anyone considering going solar, whether leasing or buying solar panels, to become educated about the process. Act 236 mandates that the interconnection standards of the electric IOUs be revised, and we continue to work with stakeholders toward the goal of reaching consensus on new standards.

During the year, the net metering rates for Duke Energy Progress (DEP), Duke Energy Carolinas (DEC), and SCE&G were approved. As a result of Act 236, eight proceedings were filed and completed, with as many as 17 parties to each case. In every one of them, the ORS was able to facilitate a consensus among the parties such that no contested issues remained. That accomplishment was remarkable and the result of hard work and patience by all involved.

A very complicated and public issue that arose this year was the proposed construction by Duke Energy of a substation in Campobello, S.C. and the proposed siting of a 45-mile transmission line between Asheville, N.C. and the new substation. The proposal drew the interest and ire of landowners in the affected area.

While the process of gathering the necessary information caused concern for some, the result was in the public interest. In November, Duke Energy announced that the Foothills transmission line and Campobello substation were no longer needed for its revised Western Carolinas modernization plan. The ORS, Duke Energy, and the landowners worked closely together to reach this resolution; the resulting plan was clearly better for all.

In promoting economic development, the ORS provided letters of support for electric contracts with various companies that expect to invest a total of approximately \$1.88 billion and create more than 2,000 jobs in South Carolina over the next several years. Settlement of cases in 2015 resulted in over \$60 million in savings to consumers, which also contributes significantly to economic development.

Throughout the year, the ORS continued to monitor both the construction progress and associated costs at the VC Summer Units 2 & 3 (Units) nuclear construction site. In October, SCE&G announced an amendment to the contract for construction of the Units. Under this amendment, the total project cost for SCE&G will increase by approximately \$286 million over the \$6.827 billion previously approved. This will bring the total gross construction cost of the project to approximately \$7.113 billion. This total compares to the originally approved project cost of approximately \$6.3 billion (SCE&G's portion).

In addition, this amendment provides SCE&G an exclusive and irrevocable option to (at any time prior to November 1, 2016) further amend the contract to fix as of June 30, 2015 the total amount remaining to be paid for the entire scope of work on the project (excluding amount of work within the time and materials component of the contract price) at approximately \$3.345 billion (SCE&G's 55% portion of \$6.082 billion). Exercising this option would bring the total gross construction cost of the project to approximately \$7.601 billion (SCE&G's 55% portion).

SCE&G intends to file for approval next spring at about the same time it files for its annual request for revised rates. This scenario is similar to what occurred this year, which caused confusion and calls for amending the Base Load Review Act. We continue our review of the amendment.

Due to the construction delays and budget increases that have occurred, we also determined it was reasonable to have an independent analysis conducted to determine whether the revised rates provision under the BLRA that is being utilized for construction of the V.C. Summer Units by SCE&G is cost beneficial to customers. The firm of Elliot Davis Decosimo, LLC is currently working with SCE&G and progressing through this review. SCE&G has been cooperative with the auditors in this process.

The Pipeline Safety Program continues to be successful in achieving natural gas operator compliance by maintaining a cooperative working relationship with natural gas operators. Most natural gas incidents in South Carolina are caused by third-party damage and, to help remedy that situation, the ORS once again promoted *National Safe Digging* Month in April. The audit of the Pipeline Safety Program for Calendar Year 2014 by the Pipeline and Hazardous Materials Safety Administration resulted in scores of 48 out of 50 for the Progress Report and 99 out of 100 for the Program Evaluation.

The Rail Safety Program worked to ensure that South Carolina's rail system remained safe. Derailments involving either the actual or potential release of hazardous materials prompted the Federal Railroad Administration to promulgate new rules and regulations regarding tank cars and emergency notification to first responders. At the request of the SC EMD, the ORS produced a summary of the new tank-car rules and briefed county first responders on how to correctly respond to rail incidents involving hazardous materials. Rail staff continues to assist with issues arising from the flooding in early October, which damaged track infrastructure and also eroded land surrounding the tracks.

Another topic of interest in rail safety is Positive Train Control (PTC). PTC is, in essence, an accident-prevention system that Amtrak and most trains that travel on any main lines will be required to have. While it is supposed to be in effect by the end of 2015, a bill was passed in Congress in October that allows an extension to this deadline until 2018. This extension will allow the rail companies more time to retrofit trains to meet the requirements.

During 2015 the SC Telephone Coalition filed to have the PSC review whether or not wireless phone service competes with wireline phone service. If it is determined that the services compete with each other, then according to current state law wireless carriers will be required to contribute to the State Universal Service Fund.

Throughout the year, the ORS provided oversight for the transition to optional and then to mandatory 10-digit dialing in the 843 area code region and, finally, to the introduction of the new 854 area code in that region. Our assistance included the development of FAQs posted on our web site as well as a press release informing consumers of the transition, which generated considerable media interest and coverage by several news outlets in that portion of the State.

The SC Equipment Distribution Program had a busy year of outreach and providing services to our hearing- and speech-impaired citizens.

The ORS Telecom and Audit Departments have been tasked with monitoring the participation of telecommunications companies in the Universal Service Fund, the Interim LEC Fund, and the Dual Party Relay System. To date in 2015, our auditors have examined 85 filings under these telecommunication programs to ensure conformance with program requirements. Several examinations, currently in process, will be completed before year-end.

Our Transportation Department has remained diligent in conducting inspections, site visits, and resolving complaints related to passenger and household goods motor carriers (HHG). A continued upward trend in new entrants into the HHG arena has kept the Transportation Department busy with site visits and hearings.

The ORS hosted educational forums for our transportation carriers and our water/wastewater companies. The focus of the transportation forum was on best practices in the household goods moving industry. Sixty representatives of approximately 50 companies were in attendance.

Attendees expressed a desire for the forum to be held annually, rather than bi-annually as has been done in the past. The Water/Wastewater workshop provided valuable information to over 40 company representatives on trends in the water and wastewater regulatory arena as well as helpful tips on maintaining compliance.

Three water/wastewater rate cases involved a great deal of preparation and time throughout the year. Carolina Water Service filed a rate case as its consolidated entity on June 30, 2015. After months of hard work by our staff, including attendance at several night hearings, the case was settled in November, thus saving customers over \$1.5 million. The other two rate cases – Daufuskie Island Utility Company, Inc. and T.J. Barnwell Utilities, Inc. – were also settled. The Daufuskie settlement produced savings of over \$700,000.

Thanks to the hard working staff in the Consumer Services Department, many consumers recovered funds due to erroneous charges, refunds of deposits, unauthorized charges, incorrect rate being charged, or dispute about charges. Although there was much more recovered throughout the year, the following indicates the highest amounts recovered during this year:

- \$12,800 due to energy theft
- \$9,117 due to erroneous charges
- \$7,650 due to unauthorized pass-through charges
- \$3,168 due to erroneous charges
- \$2,440 due to misapplied rate

Consumer Services staff partnered with community organizations around the Midlands to host events in recognition of National Consumer Protection Week. We also distributed 18,900 brochures this year to 60 community assistance agencies around the State on a variety of topics including electric and natural gas safety net, winter heating, and basic utility rights. The mail-out also included 900 copies of the SC Emergency Management Division's *Severe Winter Weather Guide*.

ORS members added valuable certifications to our team. Two auditors and a member of the Electric staff earned their Associate Public Manager certifications through the S.C. Office of Human Resources. One of our Pipeline Safety inspectors completed his federal certification to be a fully certified inspector, and one of our rail inspectors became certified in Operation Lifesaver to give presentations to schoolchildren and other groups on safety at railroad crossings.

Best Wishes to you and your family for a warm and wonderful holiday and a prosperous New Year.

Sincerely,



C. Dukes Scott
Executive Director