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Executive Director

STATE OF SOUTH CAROLINA  
OFFICE OF REGULATORY STAFF

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Mr. Joshua Baker  
1205 Pendleton Street  
Columbia, SC 29201

Dear Josh,

The holiday season provides an opportunity for us to reflect on some highlights of the past twelve months. The year 2014 brought challenges, triumphs, and transitions in our daily work to represent the public interest.

Back-to-back winter storms in January and February ushered in the New Year with a challenge. The February storm, Pax, was the most significant weather event to impact South Carolina since Hurricane Hugo and left *hundreds of thousands* of South Carolinians without electricity in its wake. The investor-owned electric utilities as well as the electric cooperatives took proactive steps to prepare for the storm – marshalling both material and manpower resources from within and outside the State. As ECSC President and CEO Mike Couick aptly commented, the collaboration among the state and the electric suppliers was “a model of government that works.”

Early in the year, the ORS assisted the Energy Advisory Council of PURC with completing its Distributed Energy Resources Report. This report laid the foundation for the passage in June of Act 236 by the S.C. General Assembly.

The ORS Electric and Audit departments performed their annual fuel and environmental reagent cost reviews for SCE&G, Duke Energy Carolinas and Duke Energy Progress. Michael Seaman-Huynh, Lynda Shafer, and Ivana Gearhart testified in these cases and proposed settlements that resulted in more than \$25.7 million in savings. With the passage of Act 236, ORS will have additional responsibilities for the review of distributed energy resource program costs in each utility's annual fuel review.

ORS team members Lynda Shafer and Robert Lawyer headed up the review of the demand side management and energy efficiency (“DSM/EE”) programs for SCE&G, Duke Energy Carolinas and Duke Energy Progress. For SCE&G and Duke Energy Carolinas, this year marked the first full year of the new DSM/EE recovery mechanisms which were established late in 2013. The new mechanisms ensure transparency and consistency in each company's DSM/EE annual filings. ORS's review and recommendations resulted in more than \$10.6 million in savings to ratepayers.

Also, members of ORS facilitated a settlement in the Lockhart Power rate case. Leigh Ford, Lynda Shafer, and Robert Lawyer led our efforts and testified in support of the settlement which reduced the Company's request by 29% or approximately \$353,000.

In promoting economic development, the ORS provided letters of support for electric contracts with various companies that expect to invest approximately \$1.2 billion and create more than 2,400 jobs in South Carolina.

Palmetto Clean Energy (PaCE) awarded five grants of \$50,000 each to K-12 schools for installations of rooftop solar panels. In its second round of grants, PaCE approved two \$50,000 matching grants to Riverbanks Zoo and Keenan High School and a \$20,000 grant to Lower Richland High School for the installation of solar panels.

Throughout the year, Tom Allen monitored the prudence of SCE&G and Piedmont Natural Gas through the Purchased Gas Adjustment hearings. Both Companies continue to purchase natural gas effectively. Tom, Daniel Sullivan, and Matthew Schellinger made recommendations to the Commission in our annual reports under the Rate Stabilization Act (RSA), which resulted in savings to customers equating to \$4.66 million for PNG and \$2.64 million for SCE&G.

Vernon Gainey and the Pipeline Safety Program received a performance score of 100 and a progress score of 98 for CY 2013 as a result of its annual audit that was conducted in May by a representative of PHMSA (Pipeline and Hazardous Materials Safety Administration). Also, Pipeline Safety conducted DIMP (Distribution Integrity Management Program) inspections around the State and completed the inspections before the federally mandated deadline of December 31, 2014.

The pipeline safety inspectors have been involved in continuing education. Johnny Eustace has completed ten courses and now has only four courses remaining until he obtains federal certification.

The Rail Safety Program worked to ensure that South Carolina's rail system remained safe. The ORS coordinated with SLED, the Department of Public Safety, and State Warning Point to perform a reportable incident reconciliation audit. The purpose of this audit was to ensure that the railroads are reporting incidents correctly.

The Rail Safety Staff also participated in educational opportunities. Rail Inspectors Marcus Landy and Joe Fianchino attended Operating Practices and Track recurrence training, and Tom Allen attended the Association of State Rail Safety Managers Conference in Washington, DC.

Chris Rozycki, Director of the Telecommunications Department, and James McDaniel, Telecom Program Manager, have been working with the telecommunications industry on the introduction of a new area code for the 843 Area Code. The 843 Area Code generally covers the coastal counties and principally serves the communities of Charleston, Hilton Head Island, Myrtle Beach, and Florence. Chris and Jim have also performed the annual resize of the South Carolina Universal Service Fund (USF) and the Interim LEC Fund. This year's annual independent audit of the USF was successful.

In support of the SC Dual Party Relay and Equipment Distribution Programs (EDP), new contracts for equipment and real-time closed captioning were awarded through the State procurement process.

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. Our auditors have examined more than 130 filings under these telecommunication programs to ensure conformance with program requirements.

Our Transportation Department had a busy year addressing the regulatory issues related to Uber Technologies. In June, ORS filed a petition for declaratory ruling (Docket No. 2014-165-T) to allow the Commission the opportunity to review the operations of Uber in South Carolina. ORS also issued a Consumer Advisory related to ridesharing services. On September 9, 2014 (Docket No. 2014-372-T), Rasier, LLC, -- a wholly owned subsidiary of Uber Technologies, Inc. -- filed an application with the PSC requesting to be regulated as a motor carrier in South Carolina as a Class C -- Transportation Network Company. As a result of the Rasier, LLC filing, the ORS requested and the PSC granted a continuance of the hearing date in the ORS petition for declaratory ruling (Docket No. 2014-165-T).

George Parker and the Transportation Inspectors have remained diligent in conducting inspections, site visits, and resolving complaints related to passenger and household goods motor carriers (HHG). A sharp uptick in new entrants into the HHG arena has kept the Transportation Department busy with site visits and hearings. As housing sales continue to rebound in South Carolina, the number of consumer complaints related to HHG movers has increased as consumers utilize new entrants or HHG movers cut corners to meet high demand.

Transportation staff have participated in a multi-state Moving Fraud conference call hosted by the Federal Motor Carrier Safety Administration and attended an inter-agency meeting with DHEC, Department of Transportation (DOT), Department of Health and Human Services (DHHS), and Logisticare to further discuss consolidation of driver and vehicle requirements for the DHHS request for proposal for a non-emergency Medicaid transportation brokerage services.

The Water/Wastewater Department faced many challenges this year. Due to the ongoing problem with Sanitary Sewer Overflows in Tega Cay, the ORS worked with the Tega Cay Water Service, Inc., DHEC, the City of Tega Cay, and members of the General Assembly to identify the best solution for the Company and its approximately 1,700 customers. As a result of these efforts, Tega Cay Water Service, Inc. filed a request in April 2014 for approval to transfer its water and sewer assets to the City of Tega Cay. The transfer of assets from Tega Cay Water Service, Inc. to the City of Tega Cay is now complete.

ORS facilitated a settlement agreement in the Carolina Water Service, Inc. (CWS) rate case. The settlement will save customers \$1 million, an approximately 50% reduction from the original requested increase of \$2 million. Dawn Hipp, Willie Morgan, and Daniel Sullivan were the key staff members in this matter.

Dawn, Willie, and Daniel are working with Utilities, Inc. (UI) to examine the company's request to consolidate its four operating subsidiaries -- Carolina Water Service, Inc., Utilities Service of South Carolina, Inc., United Utility Companies, Inc., and Southland Utilities, Inc. -- into a single entity, Carolina Water Service, Inc. The consolidation by UI will involve approximately 16,700 water customers and 17,000 sewer customers. These customers are located in portions of Aiken, Anderson, Beaufort, Cherokee, Georgetown, Greenville, Lexington, Orangeburg, Richland, Saluda, Sumter, Union, Williamsburg, and York counties.

Several smaller water and wastewater rate case settlement agreements were facilitated for the total savings to customers exceeding \$600,000.

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:

- \$10,600 commercial water customer had a dispute about sewer rates. ORS mediated and recovered funds for the customer
- \$10,306 -- due to refund of deposit to an electric commercial customer
- \$4,178 -- due to unauthorized charges on bill of an electric customer
- \$2,424 telecommunications customer billed more than his original agreement; recovered \$101 for 24 months
- \$2,074 erroneous charges for an electric customer

In collaboration with the DHEC Bureau of Air Quality Stakeholders Group, we have been engaged in a year-long effort to anticipate and examine issues related to the EPA's Clean Power Plan, or Proposed Rule, regarding the reduction of greenhouse-gas emissions from existing fossil-fuel-fired generating units. It has been estimated that the Rule, as proposed, could cause substantial increases in the rates and bills for electricity in South Carolina with the potential to also adversely affect the reliability of electric service. The ORS submitted comments to the EPA on December 1, 2014. Our comments recommend several modifications to the Proposed Rule that would make it more workable for South Carolina. We expect that many stakeholders in South Carolina also submitted comments and that we will likely concur with many of those comments.

ORS members added valuable certifications and licensures to our team. Director, Marty Rawls, achieved the certified Government Finance Officer certification. GFOA (Government Finance Officers Association) of South Carolina seeks to promote the professional competence of individuals who are responsible for and who are held in the trust of public funds. Also Pamela McMullan, ORS's Cyber Security Specialist, passed the GIAC Security Essentials (Global Information Assurance Certification). GIAC certification holders possess comprehensive network security skills to protect critical IT infrastructure. John Powers, one of our auditors, completed all the requirements for licensure as a Certified Public Accountant.

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

Sincerely,



C. Dukes Scott  
Executive Director