

**BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COLUMBIA, SOUTH CAROLINA**

SPECIAL CM #18-05

February 15, 2018

1:00 ~ 1:18 P.M.

COMMISSION MEMBERS PRESENT: Swain E. WHITFIELD, *Chairman*; Comer H. ‘Randy’ RANDALL, *Vice Chairman*; and COMMISSIONERS John E. ‘Butch’ HOWARD, Elliott F. ELAM, Jr., Elizabeth B. ‘Lib’ FLEMING, Robert T. ‘Bob’ BOCKMAN, and G. O’Neal HAMILTON

COMMISSION MEMBERS ABSENT: —

ADVISOR TO COMMISSION: Joseph Melchers, Esq.
GENERAL COUNSEL

PRESENTING AGENDA: James Spearman, Ph.D.
EXECUTIVE ASSISTANT TO COMMISSIONERS

STAFF PRESENT: Jocelyn G. Boyd, Chief Clerk/Administrator; F. David Butler, Esq., Senior Counsel; B. Randall Dong, Esq., Josh Minges, Esq., and David W. Stark, III, Esq., Legal Advisory Staff; Douglas Pratt, John Powers, and Thomas Ellison, Technical Advisory Staff; Deborah Easterling and Patricia Stephens, Clerk’s Staff; and Jo Elizabeth M. Wheat, CVR-CM/M-GNSC, Court Reporter.

**TRANSCRIPT / MINUTES
OF
SPECIAL COMMISSION BUSINESS MEETING**

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

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P R O C E E D I N G S

1
2 **CHAIRMAN WHITFIELD:** Please be seated. I'll
3 call this Special Called Commission Meeting to
4 order and turn it over to Dr. Spearman to read the
5 docket.

6 **DR. SPEARMAN:** Mr. Chairman and Commissioners,
7 we have one item on the Special Business Meeting
8 Agenda. It has three dockets: Docket 2017-207-E,
9 this is the Friends of the Earth Complaint with
10 South Carolina Electric & Gas; Docket No. 2017-305-
11 E, which is the Office of Regulatory Staff request
12 for rate relief; and Docket No. 2017-370-E, which
13 is the Joint Petition of South Carolina Electric &
14 Gas and Dominion Energy, regarding the merger.
15 Today we have as the issue before us the ORS
16 request for guidance and/or clarification of our
17 Order dated February 7, 2018.

18 **COMMISSIONER ELAM:** Mr. Chairman?

19 **CHAIRMAN WHITFIELD:** Thank you, Dr. Spearman.
20 I'll now entertain a motion. Commissioner
21 Elam.

22 **COMMISSIONER ELAM:** Thank you, Mr. Chairman.
23 Mr. Chairman, I have a lengthy motion to make
24 in this matter, but I would like to preface it by
25 saying that I'm somewhat reluctant to get as

1 specific as my motion will, for fear of crossing
2 over from the role of trier of fact to that of an
3 investigating party. However, we have requested
4 ORS to conduct an investigation of issues in this
5 case, as we are permitted under Code Section 58-3-
6 200. It would, therefore, not be appropriate to
7 deny ORS's request for clarification of the scope
8 of our request. I also believe that this will
9 expedite our review of the issues in this matter,
10 which I'm sure all parties can agree is a good
11 thing.

12 ORS should not take this clarification as
13 limiting the scope of what it may investigate. It
14 is what I believe is the minimum scope needed to
15 enable us to reach a just and reasonable result in
16 this case. If ORS believes it needs to go further,
17 it should do so.

18 The scope I will describe attempts to cover
19 the waterfront of reasonably possible scenarios for
20 a decision. Right now, we simply do not have
21 sufficient information to make an informed decision
22 consistent with the law. Hopefully, this
23 information will begin to get us there.

24 With respect to the relief that ORS has
25 requested in its case, SCE&G has made assertions

1 regarding potential cascading, adverse financial
2 consequences, ultimately resulting in bankruptcy.
3 As a result of these assertions, the Commission
4 issued Order No. 2017-769, requesting ORS to
5 complete a thorough inspection, audit, and
6 examination of the potential financial
7 ramifications that SCE&G asserts could happen.
8 This request was made on December 20, 2017.

9 The ORS filed its report titled "ORS
10 Examination of South Carolina Electric & Gas
11 Revenue," on January 19, 2018, in response to our
12 request. However, the report did not address
13 several necessary issues. This led to the issuance
14 of Commission Order 2018-81 on January 31, 2018,
15 responding to ORS's report. Essentially, Order No.
16 2018-81 reiterates and provides further guidance
17 regarding the Commission's request for a thorough
18 inspection, audit, and examination of the company's
19 records, to determine the likelihood and extent of
20 financial repercussions. By letter dated February
21 7th, ORS proposed a scope of work and made a
22 request for further guidance and clarification.

23 Before I get into the details, I must say it's
24 not possible to overstate the importance of the
25 Commission's request and the responses to it, not

1 just to this Commission but to all potentially
2 affected ratepayers and citizens and the State at
3 large. The decisions that are to be made in this
4 case will significantly affect the interests of
5 many stakeholders. In the final analysis, this
6 Commission must act dutifully and it must act
7 wisely. To do so, the Commission must be able to
8 rely on the most complete and reliable evidence
9 available.

10 An evaluation of the ORS request for guidance
11 leads me to propose an expanded set of analyses,
12 beyond the two ORS proposed in its February 7
13 letter; namely, an audit of the likelihood of
14 ramifications to the financial condition of SCE&G,
15 given several additional possible scenarios.

16 The ORS January 19th report stated that an
17 audit such as the one we are seeking would take in
18 excess of 90 days. That is a reasonable statement,
19 which I recognize. In response, in Order 2018-81,
20 we asked for results of a full and thorough
21 evaluation by March 30th, with the possibility of
22 reasonable extensions of time. Given the initial
23 30 days from our first request, the additional 60
24 days from our second request would provide
25 approximately 90 days to complete the assessment.

1 Upon further reflection and with consideration
2 of the specific requests that I shall address, it
3 seems likely that additional time may be needed to
4 produce the analysis we seek. In light of the
5 passage of time and my clarification of the ORS
6 proposed scope, I propose we reconsider the March
7 30th deadline and ask that ORS consult appropriate
8 independent accounting firms with experience in
9 energy-related utility auditing and report back to
10 us a reasonable timeline for delivery of the
11 assessment. I further request that ORS report back
12 to us as soon as possible, but no later than March
13 2nd, as to their progress on determining the
14 timeline.

15 It is in the interests of all parties for the
16 assessment we request be accomplished in an
17 expedient manner.

18 I've reviewed the draft of the proposed Scope
19 of Services filed by ORS on February 7, 2018. The
20 Fact and Assumptions – items enumerated one through
21 four – are reasonable. Similarly, the descriptions
22 and illustrations required under each scenario –
23 items enumerated one through eleven – and the
24 deliverable presentation format appear to be
25 reasonable.

1 As I've already noted, there are two scenarios
2 outlined in the ORS proposal. The ORS scenarios
3 proposed to be analyzed consider it is unknown if
4 CWIP will be recovered or the amount of recovery.
5 They further assume that the revised rates, or a
6 portion thereof, being suspended, may resume later.
7 They also consider whether or not there is a credit
8 to the ratepayers of the \$2 billion previously
9 collected under revised rates, over four years. My
10 consultation with Commission Staff has resulted in
11 a list of scenarios that would give a more
12 developed picture of the reasonably possible
13 outcomes.

14 Now, a copy of the list of the proposed
15 scenarios has been provided to each Commissioner,
16 and I ask that Mr. Pratt place a copy on the screen
17 for public viewing. I would further request a copy
18 of this chart be attached to my –

19 **CHAIRMAN WHITFIELD:** Let's give Mr. Pratt just
20 one second, if you could, Commissioner Elam?

21 **COMMISSIONER ELAM:** I will.

22 [Brief pause]

23 While he's doing that, I was just simply
24 requesting that a copy of this chart be attached to
25 my motion, if it is passed.

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CHAIRMAN WHITFIELD: So noted. Okay.
Continue on, Commissioner Elam.

COMMISSIONER ELAM: I move that we request each of the scenarios on the chart be analyzed for potential financial implications to SCE&G. These proposed scenarios address whether all, none, or some CWIP is recovered. Further, each scenario should assume suspension of the revised rates, both with and without resumption of the collection of revised rates at a later date, and with and without a credit to the ratepayers for the \$2 billion already recovered in revised rates. The credit should be allocated over four years, as proposed by ORS.

It is likely that these recommended scenarios will increase the resources that must be allocated to conduct the proposed analysis. I believe that the statutes provide ORS discretion to pursue several options for funding. I think this process will generate critical data to aid in the considerations that must be made, regarding an extraordinarily complex matter. The magnitude of what is at stake dictates that the clearest picture must be established before the decisions are made. The citizens, the State, and the company cannot

1 afford to do anything less.

2 Finally, we are aware that both the South
3 Carolina House and Senate are considering bills
4 that could have significant impacts on the subject
5 matter we're now considering. I would request
6 that, upon completion of the ORS assessment, a copy
7 of its report be delivered to both the House and
8 Senate for their consideration.

9 So moved, Mr. Chairman.

10 **CHAIRMAN WHITFIELD:** Thank you, Commissioner
11 Elam.

12 Commissioners, you've heard Commissioner
13 Elam's motion and his request that the publicly
14 displayed chart be made an addendum to his motion.
15 Are there any questions of Commissioner Elam or is
16 there any discussion regarding Commissioner Elam's
17 motion at this time?

18 **VICE CHAIRMAN RANDALL:** Mr. Chairman.

19 **CHAIRMAN WHITFIELD:** Commissioner Randall.

20 **VICE CHAIRMAN RANDALL:** Commissioner Elam, you
21 are allowing for, in your motion, additional time
22 past the 90 days. Does that have to be – and
23 you're asking them to come back to us March 2nd, to
24 give progress, so we can decide how to proceed with
25 that?

1 **COMMISSIONER ELAM:** Well, right now, what, in
2 a sense, we're saying right now is we need to just
3 sort of reset on the schedule. ORS needs to find
4 out how long it will take to do what is suggested
5 here, and anything else they may think is relevant
6 to our decision; for ORS to seek out that
7 assistance; and report back to us what a reasonable
8 timeline is.

9 **VICE CHAIRMAN RANDALL:** And, as well, with the
10 resources that will be required financially?

11 **COMMISSIONER ELAM:** Yes.

12 **VICE CHAIRMAN RANDALL:** Okay. Thank you.
13 Thank you, Mr. Chairman.

14 **CHAIRMAN WHITFIELD:** Thank you, Commissioner
15 Randall.

16 Commissioner Elam, as kind of a follow-up
17 result of Commissioner Randall's question, so what
18 you're saying in your motion is the current March
19 30th deadline, we're going to reset that, if you
20 will, and ask them to come back and give us a
21 timeline by March 2nd. Is that the way I
22 understand it?

23 **COMMISSIONER ELAM:** We are reconsidering the
24 deadline and it will be – where the deadline is
25 will be based on what they tell us.

1 **CHAIRMAN WHITFIELD:** On March 2nd.

2 **COMMISSIONER ELAM:** Or before, yes.

3 **CHAIRMAN WHITFIELD:** On, before, or by March
4 2nd.

5 **COMMISSIONER ELAM:** Correct.

6 **CHAIRMAN WHITFIELD:** Understood.

7 All right. Any further questions for
8 Commissioner Elam, Commissioners? Commissioner
9 Fleming.

10 **COMMISSIONER FLEMING:** Thank you, Mr.
11 Chairman.

12 The first thing I'd like to ask: On the chart,
13 the word "suspend," you are asking that they do a
14 study both with and without resumption of revised
15 rates, correct?

16 **COMMISSIONER ELAM:** That's correct.

17 **COMMISSIONER FLEMING:** Previously, they were
18 not doing that, correct?

19 **COMMISSIONER ELAM:** It was not clear.

20 **COMMISSIONER FLEMING:** Okay. And you talked
21 about that the independent accounting firm should
22 have experience in energy-related utility auditing.

23 **COMMISSIONER ELAM:** I would think that would
24 be a wise choice.

25 **COMMISSIONER FLEMING:** Yeah. Yes, I feel

1 that's important, too. And with the scope and
2 complexity of the work, and being so specific to
3 this particular type of utility, it seems to me – I
4 mentioned this the last time, too, but that the
5 really only appropriate companies to do this would
6 be one of the big-four accounting firms. Is that
7 something you would feel comfortable with?

8 **COMMISSIONER ELAM:** Well, I'm sure I would
9 feel comfortable with one of the big-four
10 accounting firms. I don't know for a fact that
11 only a big-four firm could do this.

12 **COMMISSIONER FLEMING:** Okay. But they would
13 have the knowledge and expertise to do it, if
14 asked.

15 **COMMISSIONER ELAM:** Perhaps I shouldn't
16 assume, but it would seem so.

17 **COMMISSIONER FLEMING:** Okay. And I just –
18 what I really want is a study that properly
19 reflects the financial health of the company. So I
20 feel like what you're proposing will give us a good
21 picture of that and what the revenues are and if
22 they are current and how they are appropriately
23 designated.

24 **COMMISSIONER ELAM:** Hopefully, what we are
25 asking for will be able to show us that.

1 **COMMISSIONER FLEMING:** Okay. Thank you.

2 **COMMISSIONER ELAM:** And let me just further
3 clarify, and with the advice of counsel, if I
4 misspoke, the March 2nd deadline is just – it's not
5 a hard date for when we have to have an answer
6 about a schedule. The March 2nd date is to report
7 to us and –

8 **CHAIRMAN WHITFIELD:** The progress?

9 **COMMISSIONER ELAM:** – to tell us what their
10 progress is in retaining a firm –

11 **CHAIRMAN WHITFIELD:** That's what –

12 **COMMISSIONER ELAM:** – to perform the work.

13 **CHAIRMAN WHITFIELD:** Commissioner Elam, that's
14 the way I understood you to –

15 **COMMISSIONER ELAM:** Okay.

16 **CHAIRMAN WHITFIELD:** – answer that question,
17 and if there was any ambiguity, I think you just
18 cleared that up, is to report back on or before
19 March 2nd and let us know the status of their
20 progress, is the way I understood your answer.

21 **COMMISSIONER ELAM:** Correct.

22 **COMMISSIONER FLEMING:** And I just wanted to
23 say I appreciate the emphasis you placed on the
24 importance of this coming to us appropriately, the
25 importance of it to the State, the citizens, and

1 for the long-term future of this State.

2 **COMMISSIONER ELAM:** Well, it's an undeniably
3 big, far-reaching case. And I think it's always
4 best to – if you can get better information to make
5 a decision on, I think we're all better off.

6 **COMMISSIONER FLEMING:** Thank you.

7 **CHAIRMAN WHITFIELD:** Commissioner Howard?

8 **COMMISSIONER HOWARD:** Commissioner Elam, you
9 might have answered this question. Are we getting
10 – we've got a pretty tight timeline for ORS. How
11 much time are we giving them to come up with an
12 accounting firm, to bid it, or do they – do we have
13 in mind a process of them selecting an accounting
14 firm and how long that would take?

15 **COMMISSIONER ELAM:** There really isn't
16 necessarily a timeline. The only time we have set
17 for it is by March 2nd to tell us their progress in
18 selecting an accounting firm, and, hopefully, it
19 will be far enough along, then, we can, at that
20 point, be able to set a more firm schedule going
21 forward. But the only real deadline, as it were,
22 right now, is just to report to us their progress
23 as of March 2nd.

24 **COMMISSIONER HOWARD:** Okay. Thank you, sir.

25 **CHAIRMAN WHITFIELD:** Thank you, Commissioner

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Howard.

Any other Commissioner questions, any other discussion, any other questions for Commissioner Elam?

[No response]

Well, Commissioner Elam, I would say that your motion, while lengthy, does lay out everything that I think this Commission is asking for, and I think we need to have everything on the table with this magnitude. And for that reason, I'm going to support your motion.

Is there any other discussion regarding Commissioner Elam's motion?

[No response]

If not, all those in favor of Commissioner Elam's motion, please, say "aye"?

COMMISSIONERS: Aye.

CHAIRMAN WHITFIELD: Any opposed?

[No response]

Motion carries.

And meeting adjourned.

[WHEREUPON, at 1:18 p.m., the proceedings in the above-entitled matter were adjourned.]

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Date: 2/15/18 .

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