

# **Annual Accountability Report**

**FY 2007-2008**



*South Carolina Office  
Of  
Regulatory Staff*

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# Section I -- Executive Summary

## 1. Mission, Vision, and Values

The **mission** of the Office of Regulatory Staff (ORS) is to represent the public interest in utility regulation by balancing the concerns of the using and consuming public, the financial integrity of public utilities, and the economic development of South Carolina.

**Vision:** The **vision** of the ORS is to represent the public interest in utility regulation in a manner that balances the interests of all whom we are charged to represent.

**Values:** Integrity, Impartiality, Responsiveness, Respect, Professionalism, Innovation, and Excellence. These seven values are required performance characteristics of every ORS employee as indicated on each employee's EPMS evaluation.

## 2. Major Achievements from the Past Year

### Case Management:

The ORS facilitated the settlement or resolution of 69 cases (two non-docketed) during FY 2007-2008. Forty-one settlements and proposals generated a savings to customers totaling approximately **\$115 million**, of which over **\$50 million will recur annually**.

<b>Settlement and Proposals</b>	<b>Savings (\$)</b>	<b>Type of Savings</b>
SCE&G electric rate case	41,200,000	Annual
SCE&G annual fuel review municipal franchise fee refunds	37,500,000 (\$27MM electric + \$10.5 MM gas)	Non-recurring
Duke Energy Efficiency case	24,000,000	Over life of the program
Chem-Nuclear Systems, LLC	3,000,000	Non-recurring
Transfer 2.5 miles natural gas pipeline to SCE&G Gas (non- docketed)	2,700,000	Annual
Piedmont Natural Gas RSA	2,506,940	Annual savings in margin
SCE&G RSA	2,313,202	Annual
USSC rate case proposal*	620,701	Annual
Southland Utilities, Inc.	36,454	Annual
Harbor Island Utilities, Inc.	17,202	Annual
USSC Clearview (non- docketed)	15,664	Non-recurring
South Atlantic Utilities, Inc.	1,785	Annual
Telecommunications	750,000	Annual

\*The ORS filed testimony in the USSC rate case which would result in annual savings to customers of \$620,701. The company accepted the ORS' proposal.

### **Economic Development:**

- ◆ **Base Load Review Act.** Under the Base Load Review Act, supported Duke Energy's project development request to continue to retain the nuclear option for a plant in the Upstate and (at the time of this writing) reviewing SCE&G's application for construction and operation of two new nuclear units in the Midlands.
- ◆ **Palmetto Clean Energy (PaCE).** Initiated and created the Palmetto Clean Energy (PaCE) program. PaCE, one of the first multi-utility programs in the nation, allows utility customers to purchase blocks of electricity generated from renewable or "clean" sources, such as wind, solar, and biomass. The program, designed and implemented in collaboration with investor-owned electric utilities and the S.C. Energy Office, encourages the development of green power in the state by helping local generators offset the cost of generating electricity from renewable energy resources.
- ◆ **Agreement between an Electric Investor-owned Utility and Industrial Customers.** Facilitated by the ORS in FY 2006-2007, this agreement between an electric investor-owned utility and certain industrial customers to better utilize their energy consumption by taking advantage of cost savings through the offering of real-time price signals continues to provide approximately **\$3 million** in annual savings to customers.
- ◆ **Review Letters for Utilities.** Provided 44 letters of support to electric and gas utilities for various financing options, special purchases, tariff modifications, or industrial incentives, which generally aid in the recruitment of new industry, retention of existing industry, and the financial health of South Carolina.

### **Advocacy, Education, Outreach and Assistance:**

- ◆ **Customer Complaints and Inquiries.** Processed approximately 3,491 complaints and inquiries and saved customers approximately **\$3,379,877**. Of this total, \$3 million is an annually recurring savings resulting from a facilitated agreement in FY 2006-2007 between an electric investor-owned utility and certain industrial customers to better utilize their energy consumption by taking advantage of cost savings through the offering of real-time price signals.
- ◆ **Deposit Waiver for Domestic Violence Victims.** Benefited 57 individuals who were victims of domestic violence. This program resulted from an innovative agreement facilitated by the ORS with each of the investor-owned electric and gas utilities and women's shelters to waive the initial credit and deposit requirements for domestic violence victims.
- ◆ **Promotion of Safety Net Programs.** As the peak winter season approached, distributed to radio stations statewide pre-recorded public service announcements regarding third-party notification for electric and gas customers. Print versions were distributed to television and newspaper outlets. Also published and distributed a brochure on safety net programs for electric and natural gas customers. The ORS Executive Director was interviewed on National Public Radio's noonday show, *Your Day*, regarding third-party notification and other safety net programs. This show has a listenership base in South Carolina of 25,000.
- ◆ **Promotion of Palmetto Clean Energy (PaCE).** Subsequent to initiating and facilitating

discussions which ultimately resulted in the creation of this green energy program for South Carolina, successfully promoted the official kickoff of PaCE. Efforts included assistance with creation of the PaCE web site, assistance with the creation of marketing and media materials, and assistance with the kickoff event, at which the ORS Executive Director served as Master of Ceremony. The ORS Executive Director was interviewed on *Your Day* about the PaCE program.

- ◆ **Lifeline and Link-up.** Enrolled 4,794 households during this third year of the program – thus generating an annual monetary benefit to these program recipients of \$776,628. The FY 2007-2008 Return on Investment (ROI) for the program, based on current-year expenses in relation to new federal dollars brought into the state by current-year enrollees, is 183%. Programmatic highlights this year included the development of a strategic plan and the initiation of partnerships with food banks around the state.

### **Regulatory and Safety:**

- ◆ **Norfolk Southern Claims Settlement Conference.** ORS railroad inspector served as an expert witness at a Norfolk Southern claims settlement conference – 200 violations submitted and accepted from Region 3 (eight southeastern states), with a collective value of about \$1.5 million.
- ◆ **Gains in Annual Report Compliance.** Revised and simplified annual report forms, which resulted in increased utility/carrier compliance – 93% in Transportation (up from 80%); 90% in Telecommunications (up from 81%); and 64% in Water/Wastewater (up from 20%).
- ◆ **Gains in Regulatory Compliance.** Reduced the number of citations written for unauthorized moves and operating without a license by about 20% from 153 to 123. This improvement is the result of continuing efforts to educate carriers regarding what is required of them through forums, inspections, in-field communications, notices, and newsletters.
- ◆ **Regulatory Reviews and Audits.** Conducted a total of 245 regulatory reviews and audits, an increase of 28% in audit activities compared to FY 2006-2007.
- ◆ **Natural Gas Pipeline Safety.** Achieved an almost-perfect score of 99 as a result of a weeklong onsite review by the federal Pipeline and Hazardous Materials Safety Administration. This evaluation included a review of reports and written materials as well as an audit of field work and safety procedures.
- ◆ **Regulation Improvements.** Collaborated with other state agencies and regulated industry to explore the adoption of a new class of stretcher-van transportation carriers, implementation of drug-testing standards for Class C carriers, and possible recommendation for adoption of a maximum rate tariff for household goods carriers. New regulations for Eligible Telecommunications Carrier (ETC) designation were adopted.
- ◆ **S.C. Business One Stop (SCBOS).** Collaborated with SCBOS to raise awareness among new businesses that may need to contact the ORS regarding compliance requirements. A link to the ORS is available on the SCBOS web site.
- ◆ **Energy Efficiency Initiatives.** Reviewed, analyzed, and supported several initiatives involving

energy-efficiency funding for lower income citizens, energy efficiency goals for state agencies, and green power. One of the outcomes of this support was a joint resolution for the ORS and the S.C. Energy Office to provide a report to the General Assembly by January 1, 2009, that recommends process and procedures for establishing net metering programs at all distribution electric utilities in South Carolina.

◆ **Comments to FCC.** Filed comments with the Federal Communications Commission (FCC) to represent the public interest of South Carolina in utility regulation on the following matters:

- Federal USF (FUSF) funding for designated ETCs -- In May of 2007, the Federal-State Joint Board for the USF (Board) proposed an interim individual-state cap on FUSF funding for designated ETCs. In June of 2007 (FY 2006-2007), the ORS filed opposing comments with the FCC since such a cap (set at 2006 levels) would mean zero dollars flowing into South Carolina for investment in telecommunications infrastructure.

During FY 2007-2008, the Executive Director and three members of ORS senior staff traveled to Washington, D.C. on two separate occasions (July and December) to make presentations to the staff and certain Commissioners of the FCC regarding the ORS' position on this issue on behalf of South Carolina's consumers. Namely, the ORS expressed opposition to the establishment of an interim individual-state cap and instead proposed a proxy cap so that South Carolinians can benefit from rural deployment of telecommunications services. A more recent recommendation of the Board suggests that a cap be imposed on a nationwide basis, which would be a more equitable approach.

- Reviewed issues relating to a Notice of Proposed Rulemaking (NPR) concerning the future reform of the Federal Universal Service Fund and its impact on South Carolina. In a related matter, several members of the ORS Audit team traveled to Washington, D.C. to meet with senior audit officials of the Universal Service Administrative Company (USAC) in March of 2008 to gain insight into the audit process of Federal USF contributors.

◆ **Comments to FERC.** Filed comments with the Federal Energy Regulatory Commission (FERC) to represent the public interest of South Carolina in utility regulation on the following matters:

- Filed comments (October '07) expressing opposition, on behalf of South Carolina natural gas customers, to Southern Natural Gas Company's proposed updates to tariffs concerning gas quality on the company's system. The ORS argued that the proposed changes could jeopardize the quality of gas delivered to South Carolina customers – likely resulting in safety, maintenance, and operational issues as well as adverse impacts on operating costs and rates that would be disproportionately and improperly borne by South Carolinians. In March of 2008, FERC issued an order rejecting the proposed tariff changes. This ruling equates to very significant savings in rates for all customers as well as savings in terms of cost avoidance for industrial and electric-generation users.
- Notice of Proposed Rulemaking (NPR) to eliminate FERC Form 423. Filed comments expressing opposition, on behalf of South Carolina's electric customers, to the elimination of Form 423. This form requires, for each generating plant, detailed monthly filing by electric companies of their fuel purchases. The ORS filed comments with FERC expressing its position that Form 423 should be retained.

- ◆ **Position on Cap-and-Trade.** In April of 2008, the ORS Executive Director spent two days in Washington, D.C. meeting with two South Carolina congressmen and staff from each of the other members of the S.C. delegation to present the state's public interest position on how the proposed cap-and-trade federal legislation could affect South Carolina. While cap-and-trade may be beneficial to some states, it could adversely affect the price of electricity in South Carolina where we generate a significant portion of our electricity using fossil fuel.
- ◆ **Monitoring Rising Energy Prices.** As rising energy prices are foremost among the concerns facing our state and nation, the ORS is continuing to monitor developments in this arena including an investigation by the U.S. Senate Commerce Committee on potential energy price manipulation. Concurrently, Congress is pushing the Commodity Futures Trading Commission and other federal agencies to increase the oversight of markets for fuels. Proposals to increase the money needed to trade commodities and to limit speculators are also being discussed by federal lawmakers.
- ◆ **Drought Management.** Monitored the drought status and the plans of regulated utilities – electric/gas and water/wastewater – to minimize the effect of the drought on their systems and to protect the reliability of service to customers. The ORS sent special written notification to stakeholders regarding the drought situation and the utilities' plans. Also, the ORS issued a press release promoting South Carolina's Drinking Water Week, which coincided with National Drinking Water Week, to encourage consumers to practice water conservation.
- ◆ **Filing with Nuclear Regulatory Commission (NRC).** Under its responsibility to provide legal representation of the public interest before federal regulatory agencies, the ORS filed a request with the NRC in June of 2008 for the opportunity to participate in any hearing that may be scheduled concerning Duke Energy Carolinas' application for a combined license for the William States Lee III Nuclear Station Units 1 and 2. At the time of this writing, the ORS continues to monitor the company's filings at the NRC.

#### **Administrative:**

- ◆ **New Data Base System.** Successfully converted the agency's data base to a .Net environment. The new data base – South Carolina Regulatory Information System (SCRIS) – is accessible to all ORS employees to check compliance, generate mailing lists, and perform other regulatory functions. In the near future, the PSC will share docketed information from its DMS (Docket Management System) with SCRIS.
- ◆ **Staff Development.** Continued staff development and training for the delivery of better services and a deeper understanding of the regulatory environment and the regulated utility industries. Also fostered the commitment to education and career development through attendance at classes, seminars, conferences, site visits, and special meetings.

### **3. Key Strategic Goals for the Present and Future Years**

- ◆ Represent the public interest with integrity and impartiality by balancing the concerns of all stakeholders.
- ◆ Monitor utility compliance with rules, regulations, and statutes.
- ◆ Operate the ORS with professional excellence.
- ◆ Develop and maintain productive and trusting relationships through communication with all stakeholders.

### **4. Key Strategic Challenges**

#### **Mission:**

- ◆ Increase online accessibility and knowledge transfer to customers and stakeholders for needed services.
- ◆ Monitor federal and state laws and regulations, make policy recommendations, and advocate for changes where necessary.
- ◆ Interpret and analyze the impact of federal and state statutory and regulatory developments in the various utility industries and advocate for changes when necessary.
- ◆ Interpret and analyze the impact of external market factors on fuel prices, transport prices, and other factors that may ultimately affect rates charged and service provided by regulated utilities.
- ◆ Create consumer outreach efforts to include new and existing programs as well as new promotional/educational materials and presentations.

#### **Operational:**

- ◆ Maximize intra-office efficiency through leadership opportunities and cross-functional, inter-departmental communication and collaboration.
- ◆ Develop mutually beneficial alliances with other governmental agencies and organizations for both policy and administrative matters.
- ◆ Continue to enhance and broaden utilization of a new regulatory data base system while training staff to make full use of the system.

#### **Workforce:**

- ◆ Increase staff expertise in regulatory and technical matters through training and sharing of best practices.
- ◆ Retain and recruit qualified employees comparable to industry standards; develop the necessary expertise for changes in the utility industry and for cyclical, seasonal, or evolving changes in workload; and provide appropriate career management to include knowledge transfer, career path planning, and leadership development.

### **5. Use of Accountability Report to Improve Organizational Performance**

The Accountability Report is an integral tool in the agency's continuous improvement process involving input from the agency leadership team, agency staff, the State Regulation of Public Utilities Review Committee, and the South Carolina Legislature. It provides a benchmark by which progress can be gauged on key measures of performance. This information is used in conjunction with the agency strategic planning process to guide the course of the agency in fulfilling its mission and objectives. (Refer to *Section II Organizational Profile, Item 8*, for a more complete description.)



## **Section II – Organizational Profile**

**1. Main Products and Services and Primary Delivery Methods.** The main products and services of the ORS are delivered as follows:

- ◆ Representing the interest of consumers – legal representation in rate setting and other regulatory matters; inspections; audits; safety monitoring; and consumer advocacy and education
- ◆ Representing the interest of regulated utilities – audits; technical assistance; economic analysis; policy recommendations; and rate adjustment application reviews
- ◆ Representing the interest of the economic development of the state – facilitation of balanced settlements; economic analysis and recommendations; policy recommendations

### **2. Key Customer Groups and Their Key Requirements/Expectations.**

The ORS is charged with representing the public interest of South Carolina in utility regulation for the major utility industries – electric, natural gas, telecommunications, water/wastewater, transportation, and low-level radioactive waste disposal – before the PSC, the court system, the S.C. General Assembly, and federal regulatory bodies. The ORS also has oversight responsibility for railroad safety and natural gas pipeline safety in South Carolina.

For purposes of utility regulation by the ORS, S.C. Code Annotated § 58-4-10 defines public interest as a balance among three essential components: 1) **concerns of the using and consuming public** 2) **financial integrity of public utilities** and 3) **economic development of South Carolina**

#### **Key Customer Groups:**

1. **consumers of regulated utilities**
2. **public utilities**
3. **citizens of South Carolina**

#### **Key Requirements/Expectations:**

By law, as defined in S.C. Code Annotated § 58-4-10, the key expectation of all ORS customers is that the agency represent the public interest in utility regulation. In fact, the ORS is the only state agency with this authority. To fulfill this mandated customer expectation, the ORS provides key services to its customers as categorized below:

- ◆ In legal matters ~
  - Filing testimony
  - Providing staff witnesses
  - Securing expert witnesses, as necessary
  - Conducting formal mediations/arbitrations
  - Initiating/mediating settlement agreements
  - Conducting audits -- On-site audits, business audits, management audits, and prudence

audits

- Conducting studies of purchase practices and other operating procedures

◆ In consumer issues ~

- Educating consumers of public utility services
- Investigating and resolving complaints and inquiries
- Informally mediating consumer complaints
- Providing on-site equipment testing
- Administering funding for assistance programs like Lifeline and Link-up, Sprint Relay Center, Telecommunications Relay Service, and Telephone Equipment Distribution Program
- Administering the Universal Service Fund (USF) and Interim LEC Fund

◆ In safety matters ~

- Inspecting the state's railroad system
- Monitoring natural gas pipeline safety
- In collaboration with other state agencies, monitoring safety issues in transportation and water/wastewater

◆ In policy matters ~

- Monitoring regulatory and statutory developments at the state and federal levels
- Developing and advocating policy positions that represent the public interest with state and federal lawmaking and regulatory bodies

◆ In economic development matters ~

- Providing input on utility facility siting and on certifications of public convenience and necessity
- Providing input on territorial matters involving utilities
- Reviewing and making recommendations regarding utility-filed industrial economic rate incentives

3. **Key Stakeholder Groups (other than customers).** S.C. General Assembly; S.C. Public Service Commission (PSC); affiliated state agencies; ORS employees; attorneys appearing before the PSC; the media

4. **Key Suppliers and Partners.** S.C. Budget and Control Board; State Regulation of Public Utilities Review Committee; federal regulatory agencies; affiliated state agencies

5. **Operation Locations.** The ORS is located at 1401 Main Street in Columbia, South Carolina. The agency occupies the eighth and ninth floors.

6. **Number of Employees.** At the end of FY 2007-2008, the ORS had 73 unclassified positions.

7. **Regulatory Environment under which ORS Operates.** The ORS abides by the mandates and standards of Act 175 of 2004; Act 318 of 2006; Base Load Review Act of 2007; the Occupational Safety and Health Administration (OSHA); the American Disabilities Act (ADA); the S.C. Budget and Control Board guidelines and codes; the S.C. Comptroller General and the S.C. Treasurer accounting requirements; and the S.C. Human Affairs Commission.

**8. Performance Improvement System.** The creation of the ORS represents a major reform in accountability within the realm of utility regulation. The legislation creating the ORS also created the State Regulation of Public Utilities Review Committee (Review Committee) to oversee the agency. The ten-member Committee includes three members from the S.C. Senate, three from the S.C. House of Representatives, and four appointed by the S.C. General Assembly from the general public.

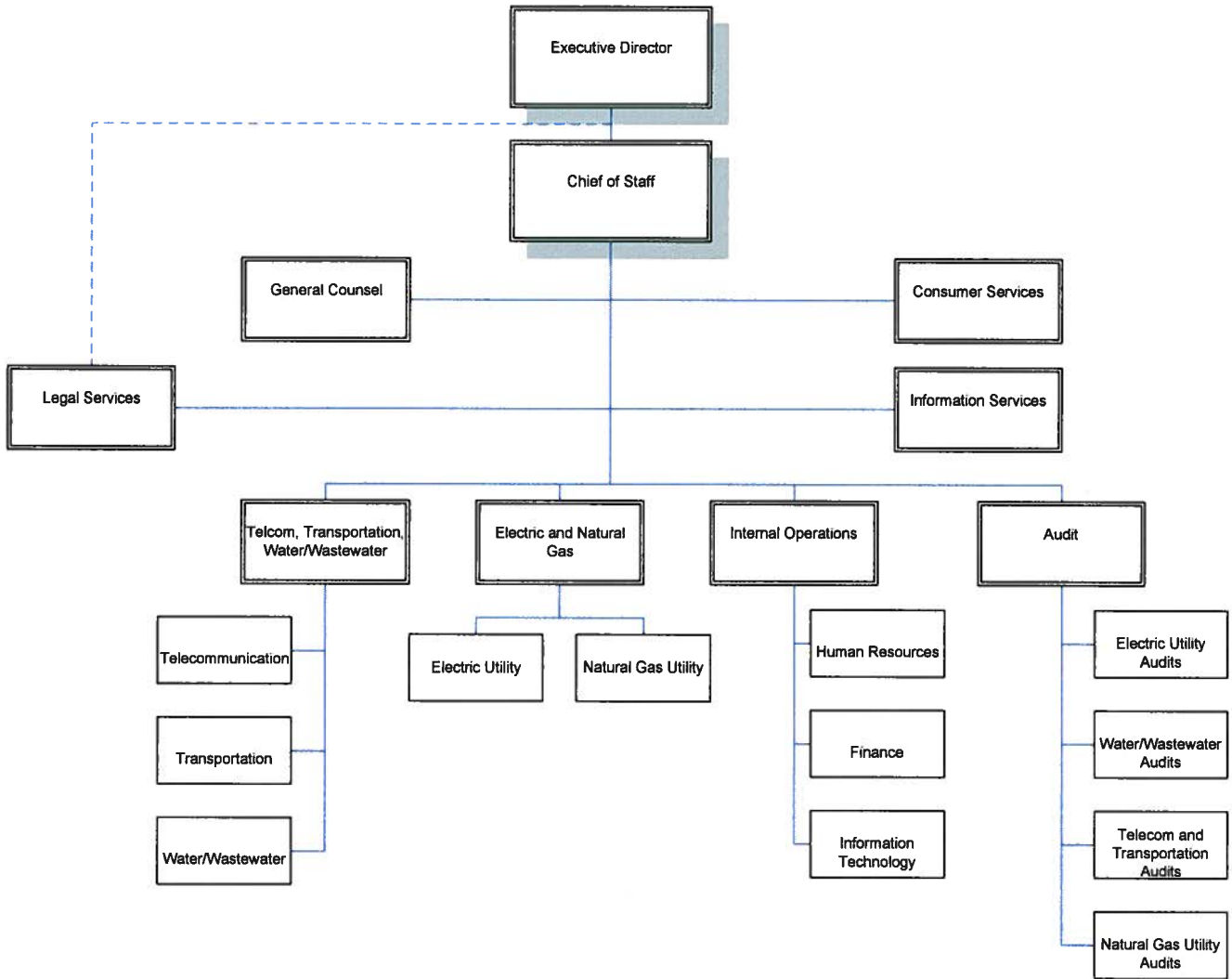
The Review Committee plays a central role in the agency's performance improvement system. For the ORS as a whole, the Committee established approximately 35 performance measures. In addition, the Review Committee established agency goals that form the strategic plan. The performance measures are categorized as objectives or action items under the goals of the strategic plan. Each year, the Review Committee evaluates the agency based on its goals and performance measures. In addition, the Review Committee conducts an annual survey of individuals who have had contact with the ORS concerning matters filed with the Public Service Commission. This includes matters negotiated by the ORS as well as matters heard by the PSC in which the ORS participated. The Review Committee also conducts an annual survey of ORS employees. The information from these surveys, as well as other information gathered by the Review Committee, is used by the Committee to evaluate the ORS performance and that of the Executive Director.

Accountability for performance is built into this system at all levels, beginning with the Executive Director. The Review Committee evaluates the performance of the Executive Director at the same time that it evaluates the agency's performance. The Executive Director's main performance goals are the agency goals. In turn, the performance goals of the Chief of Staff and other members of senior management are linked to agency goals. Also, each member of senior management has as an EPMS objective to contribute to the overall success of the agency by supporting agency goals. At the departmental level, senior management use the goals and objectives of the EPMS process as a means of linking accountability for agency performance to each individual's performance and evaluation. All ORS staff members are evaluated within the EPMS cycle in relation to their contribution toward the agency's success in fulfilling its mission. The ORS implemented a universal review date so that agency and individual performance can be linked and assessed simultaneously.

The Review Committee developed the ORS performance measures to ensure that the agency continuously monitors and improves the processes necessary to fulfill its mission. Toward this end, the ORS has established a performance improvement system. The Executive Director, Chief of Staff, and other members of senior management (directors) comprise the Executive Management Team (Team) that leads this effort. Under the Team's direction, each ORS department monitors performance measures relevant to its role within the agency. The performance measures are updated and reviewed by the Team during quarterly strategic planning meetings. Trends in performance, both positive and negative, are readily identified in this way and communicated to appropriate staff members via their department director with recommendations on how to effect any necessary changes. Weekly departmental meetings provide a frequent means for two-way communication with regard to making improvements.

In addition to the quarterly strategic meetings, the Team has an annual strategic planning session. At this session, team members assess the agency's current strengths and opportunities using a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis. Based on this assessment, the agency's performance measures within the strategic plan are modified as necessary to keep the plan aligned with the agency's mission.

## 9. Organizational Structure



**10. Expenditures/Appropriations Chart.****Base Budget Expenditures and Appropriations**

Major Budget Categories	06-07 Actual Expenditures		07-08 Actual Expenditures		08-09 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	\$3,899,562	\$0	\$4,122,524	\$0	\$4,480,813	\$0
Other Operating	\$1,185,479	\$0	\$1,489,511	\$0	\$1,112,525	\$0
Special Items	\$3,615,333	\$0	\$3,710,939	\$0	\$4,165,696	\$0
Permanent Improvements	\$0	\$0	\$0	\$0	\$0	\$0
Case Services	\$0	\$0	\$0	\$0	\$0	\$0
Distributions to Subdivisions	\$0	\$0	\$0	\$0	\$0	\$0
Fringe Benefits	\$970,514	\$0	\$1,109,740	\$0	\$1,254,628	\$0
Non-recurring	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$9,670,888</b>	<b>\$0</b>	<b>\$10,432,714</b>		<b>\$11,013,662</b>	<b>\$0</b>

**Other Expenditures**

Sources of Funds	06-07 Actual Expenditures	07-08 Actual Expenditures
Supplemental Bills	\$0	\$0
Capital Reserve Funds	\$0	\$0
Bonds	\$0	\$0

**11. Major Program Areas Chart**

Program Number and Title	Major Program Area Purpose (Brief)	FY 06-07 Budget Expenditures	FY 07-08 Budget Expenditures	Key Cross References for Financial Results*
I. Legal	<ul style="list-style-type: none"> <li>-To represent ORS and the public in legal proceedings before the Public Service Commission</li> <li>-To provide legal services to ORS</li> </ul>	State: Federal: 772,444.00 Other: 772,444.00 Total: 1,544,888.00 % of Total Budget: 8%	State: Federal: 825,640.00 Other: 825,640.00 Total: 1,651,280.00 % of Total Budget: 8%	7.1-1, 7.1-2, 7.1-3, 7.1-4
II. Support Services	<ul style="list-style-type: none"> <li>-To provide customer service to consumers of transportation companies and regulated utilities</li> <li>-To perform audits of regulated utilities</li> </ul>	State: Federal: 1,516,004.00 Other: 1,516,004.00 Total: 3,032,008.00 % of Total Budget: 16%	State: Federal: 1,617,078.00 Other: 1,617,078.00 Total: 3,234,156.00 % of Total Budget: 16%	7.1-2, 7.1-3, 7.1-4, 7.1-5, 7.1-6, 7.1-7, 7.2-1, 7.2-2, 7.2-3, 7.2-4,
III. Telecommunications, Transportation, Water and Wastewater	<ul style="list-style-type: none"> <li>-To ensure safety of State railways</li> <li>-To monitor regulated telecommunications, water and wastewater utilities and transportation carriers.</li> </ul>	State: Federal: 1,524,620.00 Other: 1,524,620.00 Total: 3,049,240.00 % of Total Budget: 16%	State: Federal: 1,527,787.00 Other: 1,527,787.00 Total: 3,055,574.00 % of Total Budget: 15%	7.1-2, 7.1-4, 7.1-7, 7.1-8, 7.1-10, 7.1-11, 7.2-5, 7.2-6, 7.2-7, 7.2-8, 7.2-9
IV. Utilities, Electric and Gas	<ul style="list-style-type: none"> <li>-To ensure safety of gas pipelines</li> <li>-To monitor regulated electric and gas utilities</li> </ul>	State: Federal: 993,110.00 Other: 993,110.00 Total: 1,986,220.00 % of Total Budget: 10%	State: Federal: 1,103,021.00 Other: 1,103,021.00 Total: 2,206,042.00 % of Total Budget: 10%	7.1-2, 7.1-3, 7.1-6, 7.1-9, 7.2-4
V. Dual Party	<ul style="list-style-type: none"> <li>-To regulate a statewide program to provide access to basic phone service for the hearing and speech impaired</li> </ul>	State: Federal: 3,615,332.00 Other: 3,615,332.00 Total: 7,230,664.00 % of Total Budget: 37%	State: Federal: 3,710,939.00 Other: 3,710,939.00 Total: 7,421,878.00 % of Total Budget: 36%	
<b>Below: List any programs not included above and show the remainder of expenditures by source of funds.</b>				
<b>Remainder of Expenditures:</b>		State: Federal: 1,249,376.00 Other: 1,249,376.00 Total: 2,498,752.00 % of Total Budget: 13%	State: Federal: 1,648,250.00 Other: 1,648,250.00 Total: 3,296,500.00 % of Total Budget: 15%	7.3 through 7.5

\* Key Cross-References are a link to the Category 7 - Business Results. These References provide a Chart number that is included in the 7th section of this document.

## **Section III – Elements of the Malcolm Baldrige Criteria**

### **1.0 Senior Leadership, Governance, and Social Responsibility**

The leadership team of the Office of Regulatory Staff, referred to earlier as the Executive Management Team (Team), continuously monitors all operational and financial aspects of the agency to address the impact of internal and external factors. This is done through a continuous improvement/strategic planning process as described in *Section II Organizational Profile, Item 8, Performance Improvement System*.

#### **1.1 How do senior leaders set, deploy, and ensure two-way communication for:**

**A. Short-and Long-term Organizational Direction and Organizational Priorities.** The Review Committee sets the long-term direction and organizational priorities for the ORS through the agency goals (strategic plan) and agency performance measures (objectives or action plans) that it establishes. Within these established parameters for the long term, the Team manages the short-term direction of the agency. The members of the Team communicate expectations and get feedback from staff through weekly departmental meetings, topic-specific meetings, day-to-day communications, the EPMS process, the strategic planning process (including quarterly meetings and annual re-alignment session), and the office policy manual. This continuous exchange of information and feedback is a critical element of the agency's performance improvement system.

**B. Performance Expectations.** As noted earlier, the Review Committee established agency performance measures that are categorized as objectives or action plans under the goals of the strategic plan. Management is responsible for providing quarterly written updates to senior management regarding their respective areas' accomplishments in relation to the agency performance measures. Weekly departmental meetings provide a forum for supervisor-staff interaction regarding performance.

In addition, agency performance measures are directly linked to individual staff members' EPMS planning stages at all levels of the agency. Supervisors are responsible for monitoring and evaluating these measures through the EPMS review process for actual performance.

**C. Organizational Values.** Agency values (listed in the *Executive Summary, Item 1*) are included on each staff member's EPMS appraisal as performance characteristics. Each value is stated, along with a definition as it pertains to the ORS. Employees receive a rating of Acceptable or Unacceptable for each value. Through this system, employees and their supervisors have a means of tying performance to values. More generally, agency values are communicated through visual displays in the agency's meeting rooms, through the ORS web site, and by positive examples of conduct from the Executive Director and other agency leaders.

**D. Ethical Behavior.** As mandated by the agency's enabling legislation, all ORS staff members participate in six hours of ethics training annually. In addition, state OHR core policies are incorporated into the agency policy manual and are carried out through standard operating practices at all levels of the agency.

## **1.2 How do senior leaders establish and promote a focus on customers and other stakeholders?**

The ORS has a Consumer Services Division whose purpose is to provide a way for consumers to voice questions, complaints, or inquiries regarding their utilities. In addition the ORS, under the guidance of its senior leaders, has created several customer-oriented communication, feedback, and tracking systems. A few examples are as follows 1) an agency web site dedicated to informing and communicating with customers and stakeholders – this web site includes a comprehensive section dedicated to consumer issues, an online consumer complaint/inquiry form, and a variety of downloadable forms 2) a periodic newsletter sent to the State Regulation of Public Utilities Review Committee 3) quarterly strategic planning meetings 4) a periodic newsletter sent to regulated motor carriers 5) a periodic newsletter sent to water/wastewater companies 6) customer service compliance reviews with utilities' business offices 7) educational workshops for regulated utilities 8) accessibility and prompt responsiveness to members of the media and 9) communications, both formal and informal, with members of the S.C. Legislature to respond to requests on behalf of constituents and to keep them informed of the agency's progress.

## **1.3 How does the organization address the current and potential impact on the public of its products, programs, services, facilities, and operations, including associated risks?**

As noted earlier, the ten-member Review Committee includes members of the S.C. General Assembly as well as members from the general public. In its oversight of the ORS, the Review Committee is continuously mindful of its accountability to the citizens of the state.

From an agency standpoint the strategic planning process, which includes quarterly strategic planning meetings, and the performance improvement system provide for an ongoing means of evaluating and effectively addressing the current and future needs of the agency and those it serves. The ORS tracks its key performance measures and seeks professional assistance of other state agencies, federal agencies, or consultants in areas that require expertise beyond the agency staff. Both formal and informal feedback from various stakeholder groups is assessed and used in making adjustments to programs, products, or services.

With regard specifically to pleadings by regulated utilities, the potential effect on each facet of the public interest is part of the consideration of findings that the ORS reviews in making its recommendations.

## **1.4 How do senior leaders maintain fiscal, legal, and regulatory accountability?**

Agency senior leaders are responsible for monitoring and maintaining accountability in all agency operations for both state and federal regulations through continuous review of operations, including monthly meetings to review the budget and staffing; accountability to the Review Committee, including regularly scheduled meetings of the ORS Executive Director with the Review Committee's Chair of the ORS Subcommittee; quarterly strategic planning meetings; ongoing legal consultation; continuous contacts with accountability personnel from other regulatory agencies (state and federal); attention to high standards of operation; and implementation of accountability systems through technology.

The ORS uses the GAFRS accounting system and the Human Resources Information System to assist in maintaining and reporting accountability on the fiscal level. Senior leaders work with other state



agencies to ensure compliance with other state guidelines and laws.

### **1.5 What key performance measures are regularly reviewed by your senior leaders?**

- ◆ Regulatory fiscal oversight (including case management, audits and tracking of utilities' finances, etc.)
- ◆ Regulatory compliance
- ◆ Safety oversight
- ◆ Customer satisfaction
- ◆ Education and outreach
- ◆ Budget and finance
- ◆ Human resources

### **1.6 How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness, the effectiveness of management throughout the organization including the head of the organization, and the governance board/policy making body? How do their personal actions reflect a commitment to the organizational values?**

As noted in Section 1.1-B, the Review Committee established agency performance measures that are categorized as objectives or action plans under the goals of the strategic plan. The Review Committee evaluates the agency annually based on the performance measures. As part of the evaluation, the Committee conducts an annual survey of individuals who have had contact with the ORS concerning matters filed with the Public Service Commission (PSC). This includes matters negotiated by the ORS as well as matters heard by the PSC in which the ORS participated. The Committee also conducts an annual survey of ORS employees. The information from these surveys is used by the Review Committee to evaluate the ORS performance and that of the Executive Director. Regularly scheduled meetings of the ORS Executive Director with the Review Committee's Chair of the ORS Subcommittee provide another means for ensuring ongoing input from and communication with the Review Committee.

The Committee provides the Executive Director and senior leaders with feedback based on these evaluations. The Executive Director and senior leaders use this information, along with feedback they continuously gather from staff based on weekly meetings and day-to-day interactions, to make adjustments that may improve the effectiveness of their leadership or management styles.

As noted in detail in 1.1-C, the Executive Director and senior management communicates the values of the ORS through the EPMS review process as well as by providing positive examples of leadership. The Executive Director and senior leaders encourage open communication and collaboration among all staff and departments, implement goal-oriented planning, and adhere to and model agency policies and procedures.

### **1.7 How do senior leaders promote and personally participate in succession planning and the development of future organizational leaders?**

Human Resources and senior management hold monthly workforce planning meetings. These meetings include reviews of staff profiles (knowledge inventory, number of years to retirement, etc.) and

training levels and trends. These assessments provide senior management with ongoing current information regarding staffing strengths and weaknesses so that they can plan organizational structuring and re-structuring needs with further role definition of employees.

**1.8 How do senior leaders create an environment for performance improvement and the accomplishment of strategic objectives?**

The ORS, its Executive Director, and its senior leaders operate within an environment of accountability as determined by the agency's enabling legislation and its oversight by the Review Committee. Each year, the Review Committee reviews the accomplishments of the ORS. Guidance provided to the agency based on these reviews is incorporated into senior management's priorities and plans for continuous improvement. These priorities and plans are communicated and implemented at all levels of the agency.

Furthermore, senior management engages in the following practices to create the desired environment for continuous improvement: encourages employees to take initiative and to solve problems; supports the efforts of staff to try new approaches; tracks performance measures for the agency in tandem with the strategic planning cycle, shares feedback with employees through the EPMS cycle, and exchanges information with employees through both regularly scheduled and informal meetings and an employee suggestion box.

**1.9 How do senior leaders create an environment for organizational and workforce learning?**

The executive director and senior leaders encourage employees to participate in training conferences and in industry-specific workgroups such as the National Association of Regulatory Utility Commissioners (NARUC) and its regional counterpart SEARUC (for the Southeast). In addition, senior leaders -- in consultation with Human Resources -- periodically assess the needs of the agency and bring in experts to conduct internal training seminars.

**1.10 How do senior leaders communicate with, engage, empower, and motivate the entire workforce throughout the organization? How do senior leaders take an active role in reward and recognition processes to reinforce high performance throughout the organization?**

The management team developed and implemented an employee recognition program. This program encompasses a variety of efforts to recognize employees including Employee Week (which coincides with State Government Employee Recognition) and a Regulatory Rewards peer-award program that allows co-workers to recognize the contributions of their peers. Staff members' accomplishments are highlighted each month in the Review Committee newsletter.

Senior leaders meet regularly with employees to communicate expectations, share information, and recognize employees for a job well done. In addition to the EPMS process, the Executive Director also communicates regularly with the agency via email regarding agency successes, compliments received regarding the agency, and individual successes of employees or departments.

**1.11 How do senior leaders actively support and strengthen the communities in which your organization operates? Include how senior leaders determine areas of emphasis for organizational involvement and support, and how senior leaders, the workforce, and the organization contribute to improving these communities.**

Senior leaders determine areas of emphasis for organizational involvement based on the needs of those the ORS is charged to represent. A notable example is the implementation in FY 2007-2008 of the Palmetto Clean Energy (PaCE) program, which provides South Carolinians the opportunity to purchase “green” power through their electric utilities. Also in FY 2007-2008, the ORS issued a pre-recorded audio public service announcement regarding third-party notification to assist consumers in helping those they care about stay warm during the winter. Examples of civic efforts undertaken collectively by senior leaders and the workforce include a blood drive, the Cinderella Project that collects gently used prom wear, the United Way of the Midlands fund drive, and the Muscular Dystrophy Association’s annual Jail-a-Thon. Individually, both senior leaders and other ORS staff are very active participants in civic and community efforts.

**2.0 Strategic Planning**

	Supported Agency Strategic Planning Goal/Objective	Related FY 06-07 Key Action Plan/Initiative(s)	Key Cross References for Performance Measures*
Agency Wide	Represent the public interest by balancing the concerns of the public, the financial integrity of public utilities and the economic development of SC.	<ol style="list-style-type: none"> <li>1. Provides technical assistance to new entrants</li> <li>2. Enforces rules, regulations and laws equitably</li> <li>3. Keeps abreast of issues</li> <li>4. Balances the interest of consumers , job development and retention and financial well being of the utilities</li> </ol>	7.1-1, 7.1-2, 7.1-3, 7.1-4, 7.1-5, 7.1-6, 7.1-7, 7.1-8, 7.1-9, 7.1-10, 7.1-11, 7.2-4
Agency Wide	Is responsive to the public	<ol style="list-style-type: none"> <li>1. Resolves consumer complaints in a timely manner</li> <li>2. Solicits public input on emerging issues</li> <li>3. Consults with expert to assess emerging trends</li> <li>4. Utilizes its website so that consumers may be informed</li> <li>5. Publishes consumer brochures and publications</li> <li>6. Provides regular briefings to the media</li> <li>7. Provides media alerts</li> </ol>	7.2-1, 7.2-2, 7.2-3, 7.2-4, 7.2-7, 7.2-8, 7.2-9
Agency Wide	Is alert to and anticipates federal regulatory and industry developments and their effect on SC	<ol style="list-style-type: none"> <li>1. Has processes to alert stakeholders of industry developments</li> <li>2. Retains outside experts when needed</li> <li>3. Reviews and analyzes the impact of state court decisions and federal agency and court decisions</li> <li>4. Pays attention to the interplay between state regulation and the federal intention to regulate</li> <li>5. Maintains knowledge</li> </ol>	7.2-4, 7.2-7, 7.1-11, 7.5
	Are marked by professional excellence	<ol style="list-style-type: none"> <li>1. Hires and retains qualified personnel</li> <li>2. Provides professional training and Ethics workshop</li> <li>3. Provides internally organized and staffed educational programs</li> <li>4. Provides its employees with tools they need</li> </ol>	7.1-1, 7.1-2, 7.1-3, 7.1-4, 7.1-5, 7.1-6, 7.4, 7.5

	<p>Are marked by professional excellence (Continued...)</p>	<p>and equips the office</p> <ol style="list-style-type: none"> <li>5. Embraces technology in the workplace</li> <li>6. Optimizes consumer education and outreach and seeks out persons who qualify for special assistance programs</li> <li>7. Participates in state regulatory proceedings and appeals and federal regulatory proceedings and court cases</li> <li>8. Provides input in legislative matters</li> <li>9. Handles properly legislators requests</li> <li>10. Coordinates appropriately with other state agencies</li> </ol>	<p>7.1-1,7.1-2,7.1-3,7.1-4,7.1-5,7.1-6,7.2-5,7.2-6,7.2-7,7.2-8,7.2-9,7.3</p>
	<p>Promotes excellence in each regulated industry</p>	<ol style="list-style-type: none"> <li>1. Inspects public utilities and enforces laws and regulations</li> <li>2. Minimizes the regulatory burden on companies by taking steps to assist in settlements and mediations</li> <li>3. Minimizes the regulatory burden by improving methods for submitting and access information</li> <li>4. Keeps abreast of best practices</li> </ol>	<p>7.1-1,7.1-2,7.1-3, 7.1-4,7.1-5,7.1-6, 7.1-7, 7.1-8,7.1-9, 7.1-10,7.1-11, 7.5</p>
<p>Agency Wide</p>	<p>Provides value to the citizens</p>	<ol style="list-style-type: none"> <li>1. Provides access to information</li> <li>2. Resolves disputes in a timely manner</li> <li>3. Number of complaints processed, audits performed, enforcement actions brought and commission proceedings participated in justify the number of employees and operational costs of the ORS</li> <li>4. Societal benefits of utility rate stability and affordability, financial performance, infrastructure investment, environmental protection exceeds the monetary costs of the operation</li> </ol>	<p>7.1-1,7.1-2,7.1-3, 7.1-4,7.1-5,7.1-6, 7.1-7, 7.1-8,7.1-9, 7.1-10,7.1-11, 7.2-1, 7.2-2,7.2-3,7.2-4,7.2-5, 7.2-6,7.2-7,7.2-8,7.2-9,7.3,7.4,7.5</p>

\*Key Cross-References are a link to the Category 7 - Business Results. These References provide a Chart number that is included in the 7th section of this document.

**2.1 What is your strategic planning process, including KEY participants, and how does it address:**

Members of the Executive Management Team (Team) and the Review Committee are the **key participants** in the strategic planning process. As noted in *Section II, Organizational Profile, Item 8 Performance Improvement System*, the Team's members include the Executive Director, Chief of Staff, and other members of senior management (directors). The strategic planning process has **key process steps** that flow cyclically as follows:

1. Quarterly reviews of the strategic plan in which performance measures are evaluated, trends identified, and recommendations are formulated to be shared with appropriate departments via their Team representative
2. Annual planning session to realign the plan
3. Creation of the following fiscal year's projected budget, based on priorities and needs identified in the strategic plan, to be submitted to the Budget Office

**A. Your Organization's Strengths, Weaknesses, Opportunities, and Threats (SWOT).** During the annual strategic planning session this year, the Team reviewed the prior year's SWOT analysis and updated it to identify currently perceived strengths, weaknesses, opportunities, and threats. Using that information, senior leaders updated the strategic plan and realigned objectives for the long term and for the coming year.

**B. Financial, Regulatory, Societal, and Other Potential Risks.** Through the SWOT analysis process, perceived risks and threats (both internal and external) are identified and addressed through strategic objectives in the plan.

**C. Shifts in Technology, Regulatory, Societal, and other Potential Risks, and Customer Preferences.** Regular reviews of the strategic plan by the Team as well as attendance at industry-related conferences help assess the efficacy of the plan in the context of any changes in the environment (both technological and regulatory) so it can be adjusted accordingly. Societal and customer-preference shifts are assessed by tracking the types and frequencies of complaints and inquiries received by our Consumer Services Division, monitoring current issues, trends, legislation, and regulations on the state and federal levels, and staying abreast of industry-specific issues.

**D. Workforce Capabilities and Needs.** Within the strategic planning process, workforce planning meetings are held monthly by Human Resources and senior management to examine organizational structure, staffing patterns, and training trends and needs. This information is analyzed, and necessary adjustments are made to ensure that the agency is structured in the way that best meets current needs and that knowledge transfer and succession planning are accomplished.

**E. Organizational Continuity in Emergencies.** ORS systems such as GAFRS and various data bases, including those that outline ORS processes for conducting work and the new ORS-PSC data base system, are housed electronically with the Division of State Information Technology (State IT) of the S.C. Budget and Control Board. The State IT has back-up systems in the case of power loss or other emergencies. In addition, the State IT has a disaster recovery and business continuity plan designed to protect the systems and information entrusted to that organization.

**F. Ability to Execute the Strategic Plan.** The strategic planning process for the ORS is designed to receive input from all levels of the organization. Members of the Team discuss the strategic plan with their departmental staff at regular intervals. During the quarterly update meetings for the plan and the annual planning session, input from departmental staff is shared with the rest of the leadership team and becomes part of the analysis to determine what is and is not still a viable part of the plan. In this way, the plan remains a viable and effective course of action for the agency.

**2.2 How do your strategic objectives address the strategic challenges you identified in your Executive Summary (Section I, Question 4)?**

Objectives have been established by the Review Committee to meet the strategic challenges. Within the parameters of these objectives, the agency has developed components that address the strategic challenges and support the strategic plan. These components include, among others, providing training; monitoring state and federal regulations and legislation; attending conferences; conducting process reviews; embracing technology; and monitoring workforce issues and trends.

**2.3 How do you develop and track action plans that address your key strategic objectives and how do you allocate resources to ensure the accomplishment of your action plans?**

Action plans are developed and updated through the quarterly meetings of the strategic planning process. As each plan is implemented, the ORS documents processes and tracks data as a means of evaluating the effectiveness of the plan. The implementation and ongoing evaluation of action plans is discussed regularly at management and departmental meetings. Resources are allocated by evaluating available staff, workload, and priorities.

**2.4 How do you communicate and deploy your strategic objectives, action plans, and related performance measures?**

As noted earlier (*Section II, Organizational Profile, Item 8 Performance Improvement System*), the Review Committee established agency performance measures that are categorized as objectives or action plans under the goals of the strategic plan. Under the Team's direction, each ORS department monitors its performance relevant to its role within the agency. The performance measures are updated and reviewed by the Team. Trends in performance, both positive and negative, are readily identified in this way and communicated to appropriate staff members via their department director with recommendations on how to effect any necessary changes. Weekly departmental meetings provide a forum for two-way communication with regard to making improvements.

**2.5 How do you measure progress on your action plans?**

The ORS continuously collects a variety of data and feedback to track progress on its action plans. Many measures are quantifiable and directly attributable to actions taken by the agency. A second category of measures are those that, while often quantifiable, may be partially attributable to actions taken by outside entities with which we collaborate to achieve a collectively desired result. (An example of this type of collaboration would be the recruitment of a new industry to the state.) A third category of measures include those that are qualitative in nature, such as feedback received through daily interactions with various stakeholder groups. All types of measures are aggregated, reviewed, and analyzed at quarterly management team meetings, and adjustments are made as necessary to best achieve progress on the action plans.

## **2.6 How do you evaluate and improve your strategic planning process?**

The ORS meets on a regular basis to review and re-align the strategic plan. The measures toward accomplishing goals and objectives provide information that we use to modify the process as necessary.

## **3.0 Customer and Market Focus**

### **3.1 How do you determine who your customers are and what their key requirements are?**

The customers of the ORS and their key requirements are determined according to the agency's enabling legislation, which defines customer groups as facets of the public interest: 1) **concerns of the using and consuming public** 2) **financial integrity of public utilities** and 3) **economic development of South Carolina**. As defined in S.C. Code Annotated § 58-4-10, the key expectation of all ORS customers is that the agency represent the public interest in utility regulation. To fulfill this mandated customer expectation, the ORS meets the key requirements of these customer segments by fulfilling the investigative, legal, prosecutorial and educational roles necessary to utility regulation.

### **3.2 How do you keep your listening and learning methods current with changing customer/business needs and expectations?**

The ORS employs several means of keeping current with changing customer/business needs and expectations. The agency and its staff are affiliated with professional regulatory organizations such as the National Association of Regulatory Utility Commissioners (NARUC). These professional affiliations provide a forum for sharing best practices among regulatory agencies and identifying trends nationwide and regionally.

On the state level, the ORS collaborates with other state agencies to keep abreast of new technology in the provision of services to its customers. The agency also has a Consumer Services Division that serves as a central receiving and tracking point for consumer inquiries and complaints. The agency makes full use of its web site as an interactive tool with customers and stakeholders. The site provides email links to staff, an online consumer complaint/inquiry form, and downloadable forms. The ORS attends community meetings and night hearings, publishes newsletters for various stakeholder groups, distributes consumer information brochures, hosts workshops, and initiates other outreach efforts for its customers and stakeholders. Information gathered from all these sources is analyzed to determine any improvements in operations or policy that need to be made. Such changes are decided upon by senior management with input from staff at the departmental levels.

### **3.3 What are your key customer access mechanisms and how do these access mechanisms enable customers to seek information, conduct business, and make complaints?**

The ORS web site is structured to provide several access mechanisms for customers, including *Contact Us* information for all departments, online forms for use by regulated utilities and consumers, and an online consumer complaint and inquiry form that provides a means for consumers to file complaints or inquiries with the Consumer Services Division 24/7. In addition, the ORS Executive Director vigilantly maintains a policy of personal accessibility to the media, legislators, and consumers, often



personally resolving issues or concerns from the calls he receives.

### **3.4 How do you measure customer/stakeholder satisfaction and dissatisfaction and use this information to improve?**

The Review Committee conducts an annual survey of individuals who have had contact with the ORS concerning matters filed with the Public Service Commission. This includes matters negotiated by the ORS as well as matters heard by the PSC in which the ORS participated. The Review Committee also conducts an annual survey of ORS employees. The information from these surveys, as well as other information gathered by the Review Committee, is used by the Committee to evaluate the ORS performance and that of the Executive Director. The Review Committee does not share either the survey questions or the specific results from the stakeholder survey, nor do they share the specific results of the employee survey. Nonetheless, the ORS receives guidance based on the results from both surveys. The agency and the Director use the Committee's feedback to make improvements in policies, processes, and operations dealing with customers and stakeholders.

In addition, the ORS has in place various means of measuring customer/stakeholder satisfaction. Current means include 1) conducting workshops that incorporate customer-feedback surveys and 2) engaging in meetings and discussions with key stakeholder and customer groups such as consumer groups, regulated utilities, legislators, and members of the media. Information gathered from these efforts is incorporated into the strategic planning process to re-align action items for continuous improvement.

### **3.5 How do you use information and feedback from customers/stakeholders to keep services and programs relevant and provide for continuous improvement?**

The ORS collects and analyzes data and feedback in order to establish benchmark measures for the agency to help guide its future direction. Collection and analysis of information is conducted at the agency, division, and departmental levels as part of the overall continuous improvement process. Findings are shared with all areas of the agency to identify operations, processes, or programs in need of improvement. Some specific examples include:

- ◆ The Consumer Services Division records all consumer contacts in its tracking system by type of utility industry and by category of complaint/inquiry. Customer relations compliance reviews are also conducted at the business offices of regulated utilities. Review and analysis of this data allows the ORS to identify patterns in consumer issues and in utilities' customer service that may need to be addressed with regulated utility companies.
- ◆ The Review Committee conducts annual surveys of individuals who have had contact with the ORS concerning matters filed with the PSC and of ORS employees.
- ◆ The ORS obtains input from the regulated utilities and their representatives with regard to the utility industry environment and its impact on the utilities and their customers.
- ◆ The Executive Director maintains a high level of accessibility to members of the Legislature and the media. This allows for a two-way exchange of information as they may let the agency know about constituent concerns or issues on the consuming public's mind, and the ORS can address or answer some of these issues or questions.

### **3.6 How do you build positive relationships with customers and stakeholders? Indicate any key distinctions between different customer and stakeholder groups?**

Building positive relationships is a top priority item for the senior management of the ORS. While the specific method used may vary depending on the type of customer/stakeholder group, the end result is the same – that of developing rapport, trust, and open lines of communication. As noted in 3.5 above, the ORS collects and analyzes information from customers and stakeholders as part of the overall continuous improvement process. Findings are shared with all areas of the agency to identify operations or processes in need of improvement. Examples of efforts to build and maintain positive relationships include:

- ◆ A Consumer Services Division that addresses **consumers'** complaints and inquiries and provides consumer education
- ◆ Online access to ORS staff for **consumers and stakeholders** via the ORS web site
- ◆ Online ability to submit **consumer** complaints and inquiries to the ORS
- ◆ Online **consumer** education information as well as hard-copy versions (brochures) created in response to current consumer issues or concerns
- ◆ Online publication of or links to **regulated utilities'** schedules of tariffs
- ◆ Online links to PSC for docket, hearing agenda, and other information
- ◆ Online posting of news releases, consumer advisories, and alerts for **media and public access**, including postings on the news center of state government's web site, SC.Gov.
- ◆ Periodic newsletters to **transportation motor carriers**
- ◆ Periodic newsletters to water/wastewater companies
- ◆ Periodic newsletters sent to **State Regulation of Public Utilities Review Committee**
- ◆ **Media** accessibility to ORS Executive Director and other senior-level managers
- ◆ Frequent meetings with representatives of **regulated utilities** to address consumer issues, prepare for hearings pending before the PSC, discuss possible facility sitings, etc.
- ◆ Weekly **senior management** meetings and weekly **departmental meetings**
- ◆ Frequent attendance at **community/neighborhood association** meetings
- ◆ Attendance at **public night hearings** to gain **consumer** input on proposed utility rate increases and service issues
- ◆ Hosting of **workshops for stakeholders** with participant surveys used to gauge effectiveness of the workshop
- ◆ Outreach efforts to **low-income or at-risk consumers** through the Lifeline program, the Safety Net initiative, and the domestic violence deposit waiver.
- ◆ Collaborative efforts with other entities to promote environmental awareness and use of renewable energy sources – most notably, the launch of the Palmetto Clean Energy (PaCE) program
- ◆ Emphasis on fostering the settlement of cases whenever possible due to benefits to **consumers, regulated utilities, and economic development.**

## **4.0 Measurement, Analysis, and Knowledge Management**

### **4.1 How do you decide which operations, processes, and systems to measure for tracking financial and operational performance, including progress relative to strategic objectives and action plans?**

The ORS is required to track various measures of financial and operational performance as mandated by state statute, federal requirements, and federal guidelines. The agency's enabling legislation, for example, states that the ORS has sole responsibility for the inspection, auditing, and examination of public utilities. The agency must be considered a party of record in all filings, applications, or proceedings before the PSC. Therefore, much of the tracking that is done relates to analysis of utilities' compliance as well as operational and fiscal performance.

In addition, the ORS tracks performance measures that relate to internal productivity and service delivery to ensure that the agency mission of representing the public interest in utility regulation is being achieved. The strategic planning process, which includes quarterly reviews as well as an annual planning session, provides a systematic means of reviewing organizational performance and adjusting objectives or action plans as necessary.

#### **4.2 How do you select, collect, align, and integrate data/information for analysis to provide effective support for decision making and innovation throughout your organization?**

Quantitative and qualitative information is continuously collected, integrated, and analyzed in order to adjust and improve processes and action plans within the various utility-industry departments. Performance measures are reviewed and analyzed at quarterly management team meetings, and adjustments are made as necessary. Federal and state accounting, personnel, and procurement standards and guidelines are used in conjunction with agency information to guide policy and operational decision making throughout the organization.

#### **4.3 What are your key measures, how do you review them, and how do you keep them current with organizational needs and direction?**

The key measures, stated in Category 1.5 and below, are reviewed systematically through a variety of means including the strategic planning process, the performance improvement system, departmental meetings on programmatic initiatives, the EPMS process, and internal tracking of agency finances and workforce data, among others. In all of these systems, review and evaluation is a built-in component which allows for adjustments as external factors change that could affect how the agency should operate to be most effective.

- ◆ Regulatory fiscal oversight (including case management, audits and tracking of utilities' finances, etc.)
- ◆ Regulatory compliance
- ◆ Safety oversight
- ◆ Customer satisfaction
- ◆ Education and outreach
- ◆ Budget and finance
- ◆ Human resources

#### **4.4 How do you select and use key comparative data and information to support operational and strategic decision making and innovation?**

Now entering its fifth year of operation, the ORS base of data is gaining some institutional depth, a trend which will continue and which will be enhanced as further phases of the ORS-PSC data base are

completed. Currently, the ORS can refer to data collected over time by its predecessor in regulatory oversight, the S.C. Public Service Commission. In addition, the ORS can sometimes draw comparisons between what it has tracked thus far and regional or national measures and standards. However, due to the unique nature of the ORS and its duties in relation to the utility-regulation systems of other states, directly comparable data on a particular issue or area is often non-existent.

#### **4.5 How do you ensure data integrity, timeliness, accuracy, security, and availability for decision making?**

From a programmatic standpoint, the ORS has and will continue to develop reliable and up-to-date data sources and data monitoring systems to document, track, and analyze performance. Internal operations data is monitored and reviewed by senior management on a regular basis to ensure that accurate indicators are being provided. Data quality controls are also in place which provide for the security of confidential information.

#### **4.6 How do you translate organizational performance review findings into priorities for continuous improvement?**

As noted elsewhere in this report, the Review Committee evaluates the organization's performance annually based on a review of the agency's accomplishments associated with its performance measures. As part of this review, the Review Committee conducts an annual survey of individuals who have had contact with the ORS concerning matters filed with the Public Service Commission. This includes matters negotiated by the ORS as well as matters heard by the PSC in which the ORS participated. The Review Committee also conducts an annual survey of ORS employees. The Committee provides guidance based on the results to senior leadership. This information is used to adjust the agency's priorities for continuous improvement; progress is monitored throughout the strategic planning cycle and within the performance improvement system.

#### **4.7 How do you collect, transfer, and maintain organizational and employee knowledge (your knowledge assets)? How do you identify and share best practices?**

The ORS employs a variety of means to manage organizational knowledge and share best practices. In all instances deemed beneficial, the ORS implements cross-training of employees. Also, senior management encourages employees to engage in training opportunities for both professional and personal development. Modeled by senior management and filtered through the entire agency are inter-departmental collaborative efforts to share information and best practices. Looking outside the agency, the ORS makes use of best practices information shared among state agencies in South Carolina and among regulatory agencies regionally and nationwide.

### **5.0 Workforce Focus**

#### **5.1 How does management organize and measure work to enable your workforce to: 1) develop to their full potential, aligned with the organization's objectives, strategies, and action plans and 2) promote cooperation, initiative, empowerment, teamwork, innovation, and your organizational culture?**

The talent of the ORS staff is aligned to most effectively serve customer needs and expectations.

Depending on the duty being fulfilled, staff may work in industry-specific or function-specific teams or they may organize into cross-functional or inter-departmental teams. In this arrangement, the delivery of services to customers is a coordinated approach among departments. It also optimizes the use of staff expertise, provides an opportunity for the sharing of knowledge and best practices, and enables employees to learn new skills and gain knowledge.

To encourage initiative and innovation, senior management employs an open door policy for all ORS employees. ORS employees at all levels are encouraged to identify any opportunities or barriers they encounter with regard to achieving individual and agency goals and objectives. Human Resources, in collaboration with senior management, identify training and development needs of the workforce; members of the workforce are encouraged to take advantage of training and development opportunities. The EPMS process provides a means of measurement to gauge progress in these areas.

**5.2 How do you achieve effective communication and knowledge/skill/best practice sharing across departments, jobs, and locations? Give examples.**

As noted above (5.1), staff may work in industry-specific or function-specific teams and may collaborate across departments. To ensure effective communication and share knowledge, the ORS has weekly senior management meetings, departmental meetings, and frequent interdepartmental meetings. The ORS also looks for training opportunities that can be provided for the workforce, such as a public speaking seminar that was brought in this year. In addition, meetings are held to evaluate processes and improve upon them; an example is the streamlining of the case management process.

**5.3 How does management recruit, hire, place, and retain new employees? Describe any barriers that you may encounter.**

To recruit the most qualified applicants, the Human Resources Department posts positions on NEOGOV, gets input from stakeholders, and talks with people in the field. A team-interview process provides the means for selecting the best candidate. An orientation process for new employees begins immediately to provide for a smooth transition by helping them understand the values, mission, goals, policies, and procedures of the ORS.

Barriers include challenges in recruiting technical experts, such as auditors and engineers, due to compensation competition with the private sector.

**5.4 How do you assess your workforce capability and capacity needs, including skills, competencies, and staffing levels?**

Senior management regularly discusses workforce capabilities and capacity needs with the directors of each department to ensure that agency needs are being met; monthly meetings to assess staffing are also held. Management observes the performance of employees on specific duties – such as providing testimony – and, if needed, training or additional support is provided.

**5.5 How does your workforce performance management system, including feedback to and from individual members of the workforce, support high performance work and contribute to the achievement of your action plans?**

As noted in *Section III under Customer and Market Focus 3.4*, the Review Committee conducts an

annual survey of ORS employees. The information from this survey is used by the Review Committee to evaluate the ORS performance and that of the Executive Director. The Review Committee does not share the specific results of the employee survey. Nonetheless, the ORS receives guidance based on the survey results. The agency and the Director use the Committee's feedback to make improvements in policies and processes involving the agency's employees.

In addition, the agency concentrates its performance evaluation efforts on linking job responsibilities and expectations with the agency mission, its strategic goals, and its action plans. Supervisors understand the need to have position descriptions that include duties linked directly to achieving the agency's objectives. The agency uses the EPMS process as its foundation for planning work priorities, professional development, and evaluation of employees. This process encourages employees to perform well because expectations are communicated and discussed with them in a continuous cycle of performance improvement.

**5.6 How does your development and learning system for leaders address the following:**

**a. development of personal leadership attributes**

**b. development of organizational knowledge**

**c. ethical practices**

**d. your core competencies, strategic challenges, and accomplishment of action plans**

By encouraging members of its workforce to attend training and participate in industry organizations, the ORS develops industry and organizational knowledge, leadership skills, and core competencies. A six-hour class on ethics is required yearly for all members of the workforce. In addition, the strategic planning process provides a means for senior management and the rest of the workforce to identify issues with regard to action items, re-align strategic objectives accordingly, and monitor and adjust the strategic plan.

**5.7 How do you identify and address key developmental and training needs for your workforce, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation, and safety training?**

As part of the EPMS process, each manager is responsible for assessing training needs and discussing training plans with their employees. The managers provide employees guidance in what training is needed, and employees can express their interests or needs for particular training during this process. Managers assess the training by assignment of applicable duties or by discussing with the employee what they learned and their assessment of the training. ORS employees are encouraged to participate in training opportunities for professional and personal development as well as for management and leadership skills. Workload is often reassigned to take advantage of employees' newly acquired knowledge or skills.

The agency encourages diversity in the workforce and achieved 99% of its Equal Employment Opportunity (EEO) goal.

With regard to safety, employees are trained in safety issues in seminars and by management where appropriate. Industry-specific safety issues, such as those for natural gas pipeline and railroad, are taught by management on the job and by attending professional training seminars, classes, or conferences for those industries.

In addition, Human Resources assists the departments with identifying needs and getting the training required. Human Resources coordinates ethics training for all employees, and new-employee orientation is provided to all new employees. This year Human Resources arranged for additional training offered onsite that included sessions on renewable resources, nutrition and health, tax planning, personal safety, travel, presentation skills, and tutorials on Microsoft 2007, including *Outlook*.

#### **5.8 How do you encourage on-the-job use of new knowledge and skills?**

Employees are encouraged to use the tools and knowledge they gain from training in their daily duties. As employees acquire more complex skills through training, more complex duties may be assigned to them; this training-put-to-use process contributes to more effective attainment of agency goals. As an example, when a vacancy occurs in the agency, some or all of the duties from the vacated position may be re-assigned to other members of the workforce who, through training and experience, have acquired the necessary expertise to perform the duties successfully.

#### **5.9 How does employee training contribute to the achievement of your action plans?**

Action plans derived from the strategic plan are analyzed in terms of training needs. These needs then become a priority for allocating resources to training. In each employee's annual review, training needs are discussed relative to their performance as linked to agency goals.

#### **5.10 How do you evaluate the effectiveness of your workforce and leader training and development systems?**

As explained in 5.6, processes are in place to evaluate the effectiveness of workforce and leadership training. The EPMS process provides another means of evaluation in this area.

#### **5.11 How do you motivate your workforce to develop and utilize their full potential?**

To encourage open communication, senior management employs an open door policy for all ORS employees. ORS employees at all levels are encouraged to identify any opportunities or barriers they encounter with regard to achieving individual and agency objectives as specified in EPMS plans and the agency's strategic plan. Senior management encourages employees to participate in training opportunities, to engage in cross-functional and interdepartmental sharing of knowledge and best practices, and to take the initiative to solve problems and find innovative solutions.

As noted in *Section III under Leadership 1.10*, the agency has established an employee recognition program. This program encompasses a variety of efforts to recognize employees including Employee Week (which coincides with State Government Employee Recognition events) and a Regulatory Rewards peer-award program that allows co-workers to recognize the contributions of their peers. The Human Resources Department has received very positive feedback from employees on these initiatives.

#### **5.12 What formal and/or informal assessment methods and measures do you use to obtain information on workforce well being, satisfaction, and motivation? How do you use other measures such as employee retention and grievances? How do you use this information?**

Managers have regularly scheduled staff meetings as well as individual meetings with employees to openly discuss issues, ensure open communication, and identify any problems. In addition, as noted in 5.5 above, the Review Committee gathers information and conducts an annual survey of ORS employees and provides guidance based on its results to the agency leadership. The Committee's feedback is used to make improvements in policies and processes involving the agency's employees.

A suggestion box was implemented last year. As a result, the ORS piloted a flexible working schedule, which has now been adopted. Also, birthdays are recognized quarterly with an organization-wide event. Special-occasion meals, such as the ORS Birthday and seasonal holidays, have also been coordinated by Human Resources to foster employee fellowship. These initiatives have been very well received.

Specifically with regard to human resources, the agency tracks the attrition rate, employment longevity, training and development, trends in EPMS evaluations, grievances, and other information that may be useful in assessing the workforce. ORS Human Resources conducts exit interviews with employees who leave the agency and uses this feedback, along with the aforementioned information, to assess the workforce.

**5.13 How do you manage effective career progression and effective succession planning for your entire workforce throughout the organization?**

The agency works with members of its workforce to ensure they are obtaining proper training and guidance to further their careers; monthly assessments of the workforce provides a regular means of evaluating needs and trends. Processes are in place for sharing of knowledge and succession planning so that there is a continuity of corporate knowledge.

**5.14 How do you maintain a safe, secure, and healthy work environment? (Include your workplace preparedness for emergencies and disasters.)**

The ORS has in place an agency emergency preparedness plan for safe evacuation of its building in the event of fire or other emergency. Regular fire drills are conducted by the building's management company.

The ORS Human Resources makes available to its employees information regarding health issues and periodic health screenings. The agency has a team of employees, known as *First Responders*, who are certified in first aid and cardiopulmonary resuscitation (CPR). When employees identify potential safety or health hazards, management moves quickly to find a solution and thereby eliminate the hazard.

ORS complies with the State Fleet Safe Driver program and training.

**6.0 Process Management**

**6.1 How do you determine and what are your organization's core competencies and how do they relate to your mission, competitive environment, and action plans?**

The ORS has established its core competencies based on the agency's statutory mission to represent



the public interest in utility regulation. They are as follows:

- Legal expertise in regulatory matters
- Regulatory and fiscal oversight
- Consumer education
- Regulatory enforcement
- Audit, inspection, and examination of public utilities' records
- Safety oversight for railroad and natural gas pipeline

These core competencies support the agency's strategic objectives and action plans.

**6.2 How do you determine and what are your key work processes that produce, create, or add value for your customers and your organization and how do they relate to your core competencies? How do you ensure these processes are used?**

The agency's key work processes are derived directly from its mandated mission. They are categorized as follows:

- ◆ Serving as a party of record in all filings, applications, or proceedings before the S.C. Public Service Commission
- ◆ Inspecting, auditing, and examining public utilities
- ◆ Serving as a mediator between the using and consuming public and regulated utilities to resolve informal complaints and inquiries
- ◆ Providing consumer education to the using and consuming public
- ◆ Monitoring and enforcing safety standards for railroads and for natural gas pipelines

Taken collectively, these processes form the foundation for providing a balanced representation of the public interest in utility regulation. They serve as the basis for carrying out the agency's duties and are continuously monitored, evaluated, and improved to optimize the delivery of services to customers.

**6.3 How do you incorporate organizational knowledge, new technology, cost controls, and other efficiency and effectiveness factors, such as cycle time, into process design and delivery?**

The ORS focuses on its key processes and, where possible, structures the implementation of those processes in ways that optimize the delivery of services to customers. In some cases, this effort has involved collaboration with other agencies. In other instances, strictly internal processes have involved collaboration among ORS departments to achieve the most efficient means of operating. In the design and delivery of all processes, the ORS sets priorities based on the goals and objectives of its strategic plan and monitors its costs to ensure that budgetary limits and guidelines are met. Examples of recent process improvements that optimize delivery of services to customers include:

- ◆ **Improvements in case management.** The agency implemented streamlined case management procedures for all utility areas.
- ◆ **Improvements in information management.** The ORS successfully converted its data base to a .Net environment. The former *Access* data base used by the ORS to house regulated utility

information was unstable and accessible to only a few individuals. The new data base – South Carolina Regulatory Information System (SCRIS) – is accessible to all ORS employees to check compliance, generate mailing lists, and perform other regulatory functions. In the near future, the PSC will share docketed information from its DMS (Docket Management System) with SCRIS. In addition, the public will gain access to the data base via the web and will be able to run secured queries for information; regulated utilities will be able to complete various compliance forms online.

Other information management initiatives begun in FY 2007-2008 that are still in process include:

- Transfer of the printing and mailing of transportation licenses from the State IT to the ORS
  - Research an imaging system for electronic recordkeeping that will interface with SCRIS and SCEIS (South Carolina Enterprise Information System)
- ◆ **Improvements in benchmarking.** The agency established and is now tracking operational and financial benchmarking measures of the regulated electric and gas utilities to better evaluate their financial performance and to aid the ORS in major electric and gas rate cases in the future.

#### **6.4 How does your day-to-day operation of these processes ensure meeting key performance requirements?**

Daily operations of the ORS are guided by its enabling legislation, mission statement, policies, procedures, strategic plan, and performance measures. All functions of the ORS are established, operated, and monitored so that they comply with relevant laws and regulations, meet budgetary requirements, occur within appropriate time frames, and accomplish the mission and goals of the agency.

#### **6.5 How do you systematically evaluate and improve your key product and service related work processes?**

The Review Committee developed the ORS performance measures to ensure that the agency continuously monitors and improves the processes necessary to fulfill its mission. Toward this end, the ORS has established a performance improvement system. Under the Team's direction, each ORS department monitors performance measures relevant to its role within the agency. The performance measures are updated and reviewed by the Team during quarterly strategic planning meetings. Weekly departmental meetings provide a frequent means for two-way communication with regard to making improvements. In addition to the quarterly strategic meetings, the Team has an annual strategic planning session. At this session, the agency's performance measures within the strategic plan are modified as necessary to keep the plan aligned with the agency's mission.

The ORS documents processes, gathers feedback, and tracks data as a means of evaluating and improving key product- and service-related processes. This capability is to be enhanced by the implementation of a new data base system. This more robust system will enable all ORS departments to access the same sources of information -- thereby improving processes for the documentation, tracking, retrieval, and integration of information.

**6.6 What are your key support processes, and how do you evaluate, improve and update these processes to achieve better performance?**

The strategic planning process is the means by which the agency's support processes are evaluated and improved. Human resources, finance and accounting, legislative relations, and communications serve as internal support processes within the ORS. Continuous maintenance and improvement of these processes occur throughout the strategic planning cycle, with adjustments made as necessary, and involve a range of efforts including 1) inter-departmental meetings to share information 2) budgetary and HR reporting and projections and 3) the formation of inter-departmental committees to spearhead agency-wide initiatives.

**6.7 How does your organization determine the resources needed to meet current and projected budget and financial obligations?**

In addition to following the normal state budgetary process, the ORS must present and justify its budgetary needs to the Review Committee each fiscal year. Within these parameters, senior leaders monitor the performance of the agency and make adjustments as needed to fulfill the mission and strategic objectives. Monthly meetings are held to assess both the budget and staffing.

**7.0 Results**

**7.1 What are your performance levels and trends for the key measures of mission accomplishment and organizational effectiveness?**

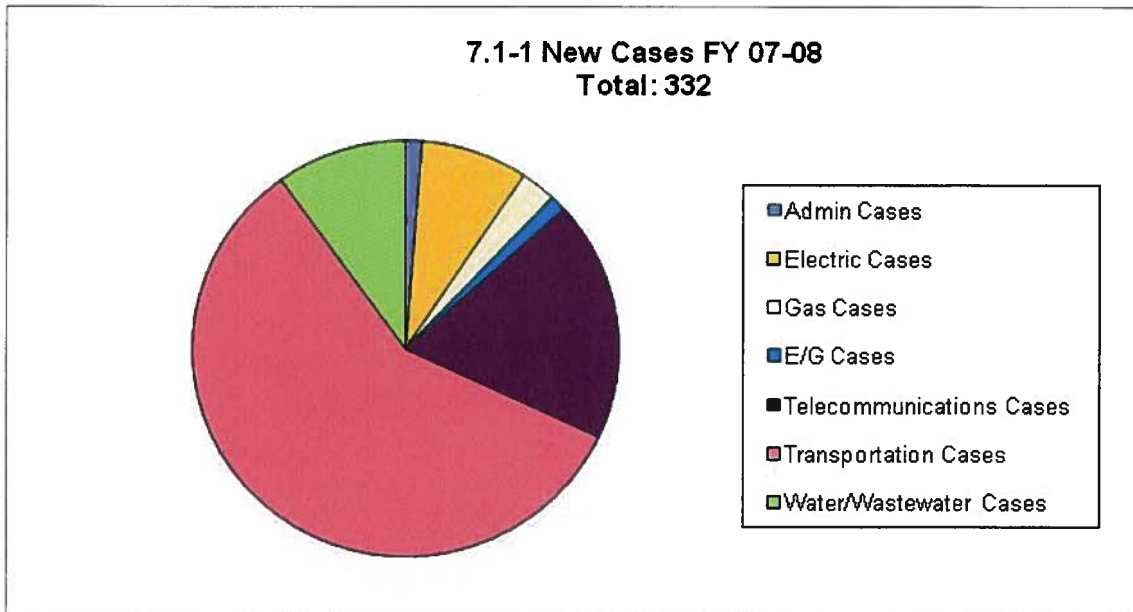
The mission of the Office of Regulatory Staff is to represent the public interest in utility regulation by balancing the concerns of the using and consuming public, the financial integrity of public utilities, and the economic development of South Carolina. Fiscal year 2007-2008 was the agency's fourth fiscal year in operation. The ORS is making progress in identifying the most effective means of tracking performance levels and trends. Those reported on graphically in Category 7 represent some, but not all, of the current means used to assess performance.

**Key Measure – Regulatory Fiscal Oversight.** This measure includes areas relating to *case management* and to *audits and tracking of regulated utilities' finances*.

- 1 The ORS is charged with representing the public interest of South Carolina in utility regulation for the major utility industries -- electric, natural gas, telecommunications, water/wastewater, and transportation. -- before the PSC, the court system, the S.C. General Assembly, and federal regulatory bodies.
- 2 S.C. Code Annotated § 58-4-10 lists among the duties and responsibilities of the ORS to serve as a facilitator or otherwise act directly or indirectly to resolve disputes and issues involving matters within the jurisdiction of the PSC.
- 3 The ORS has sole responsibility for the inspection, auditing, and examination of public utilities. The agency must be considered a party of record in all filings, applications, or proceedings before the PSC.

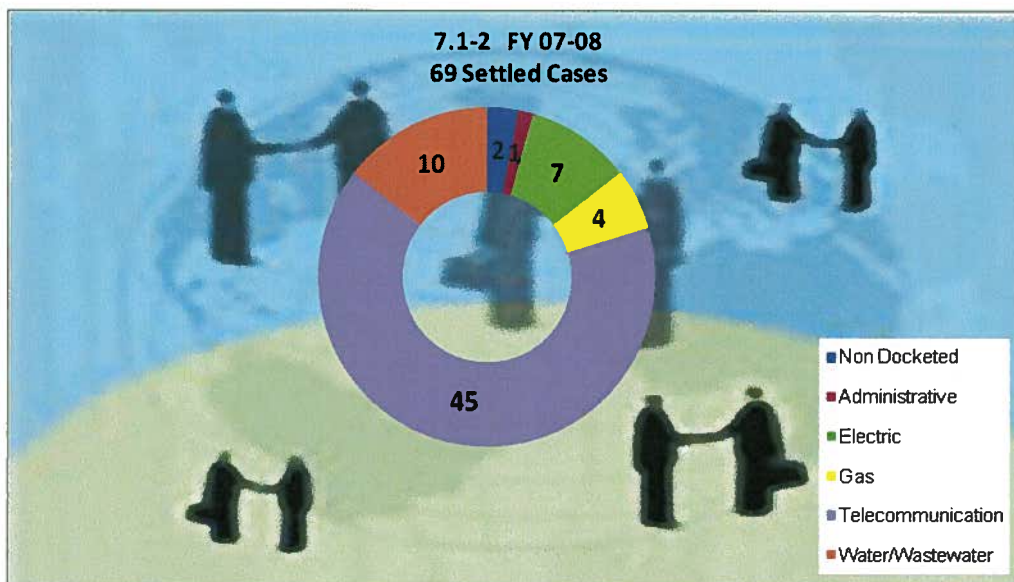
Case management.

**Chart 7.1-1.** In FY 2007-2008, the ORS participated in 332 cases.

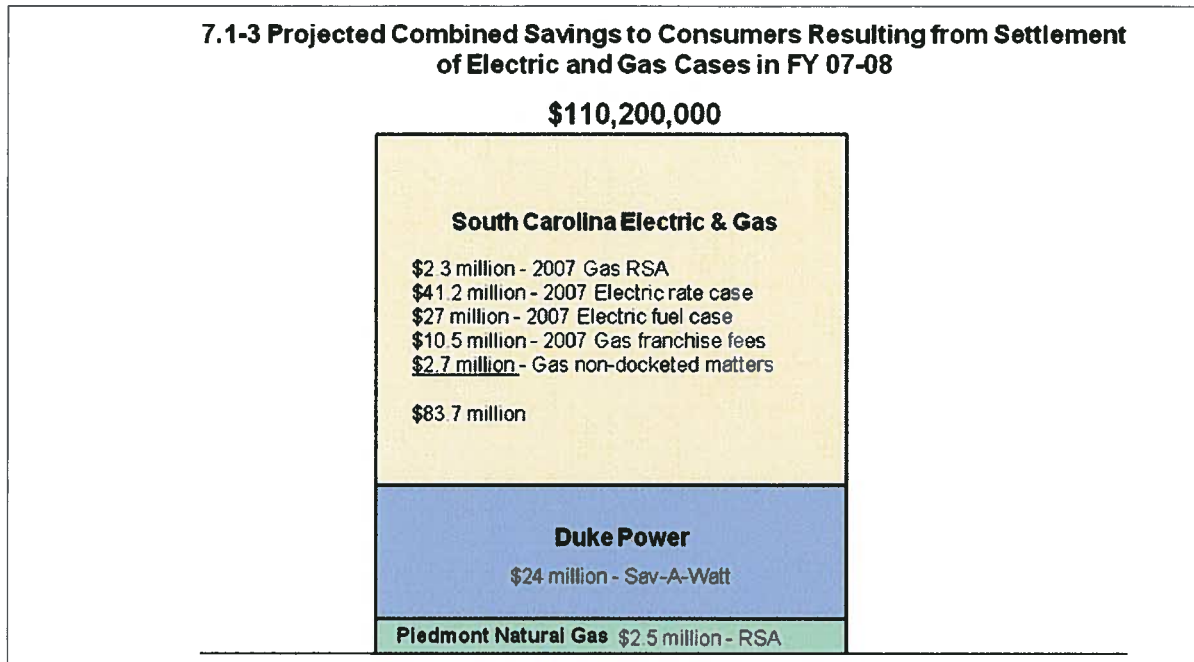


**Chart 7.1-2.** This chart shows the number of cases -- 69 -- in which the ORS facilitated settlement agreements during FY 2007-2008. Forty-one settlements and proposals generated a savings to customers totaling approximately \$115 million, of which over \$50 million will recur annually.

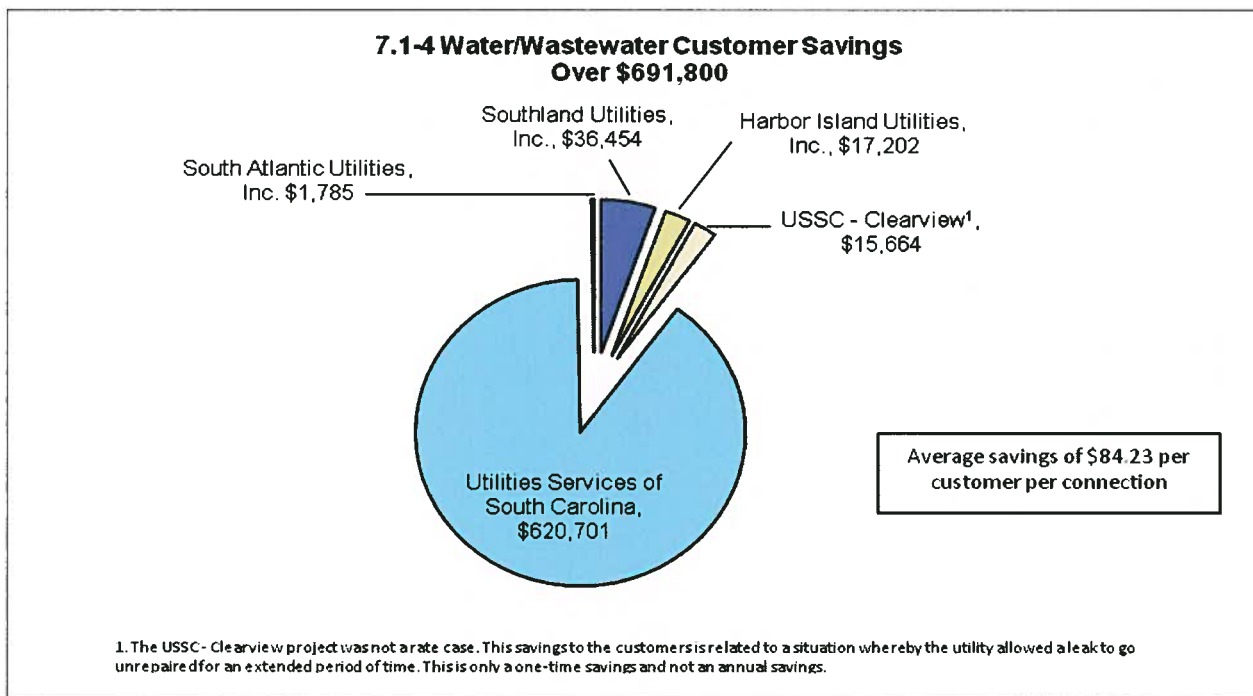
The settlement of cases benefits all parties involved. In addition to monetary savings to consumers, there are the additional benefits of reduced legal expenses for utilities as well as the overall benefit to the state’s economy. As noted by many economists and professional analysts, settled cases often result in a better rating of the state’s regulatory environment, which encourages investment in the state’s utilities. *Thus, it can be said that the settlement of cases addresses very effectively all aspects of the public interest that the ORS represents – the consuming public, the regulated utilities, and the economic development of the state.*



**Chart 7.1-3.** Of the aforementioned \$115 million total savings to customers, the settlement of seven electric and gas cases (one being a non-docketed matter) generated over \$110 million.

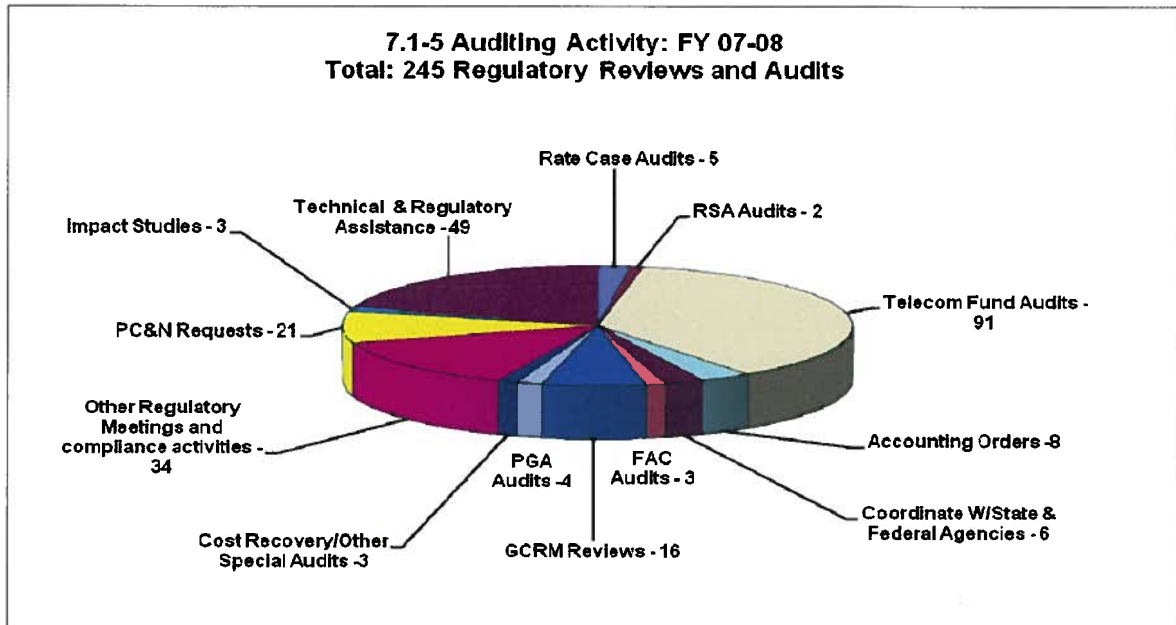


**Chart 7.1-4.** Savings totaling over \$691,800 attributed to five matters for water/wastewater customers (including one non-docketed matter and one settlement proposal) equates to an average savings of approximately \$84 per customer per connection.

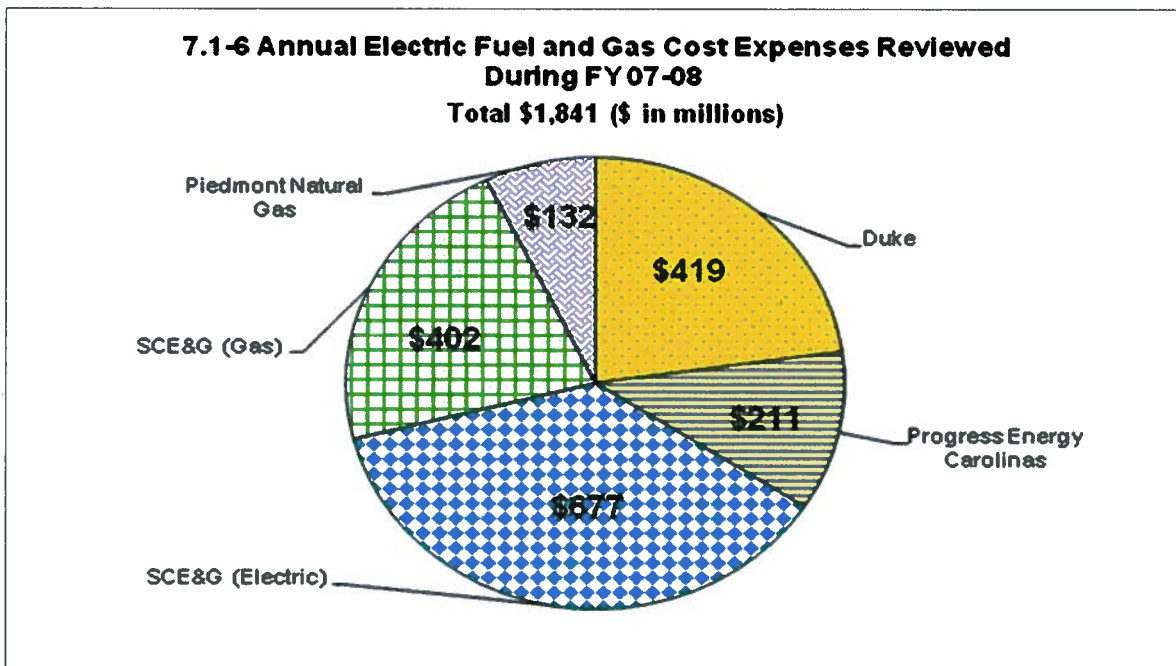


*Audits and Tracking of Regulated Utilities' Finances.*

**Chart 7.1-5.** In FY 2007-2008, the ORS conducted a total of 245 regulatory reviews and audits, an increase of 28% in audit activities compared to FY 2006-2007. One cost recovery resulted in a settlement and a one-time savings of **\$3 million** to the state of South Carolina (included as part of the \$115 million total from settlements and proposals noted earlier).

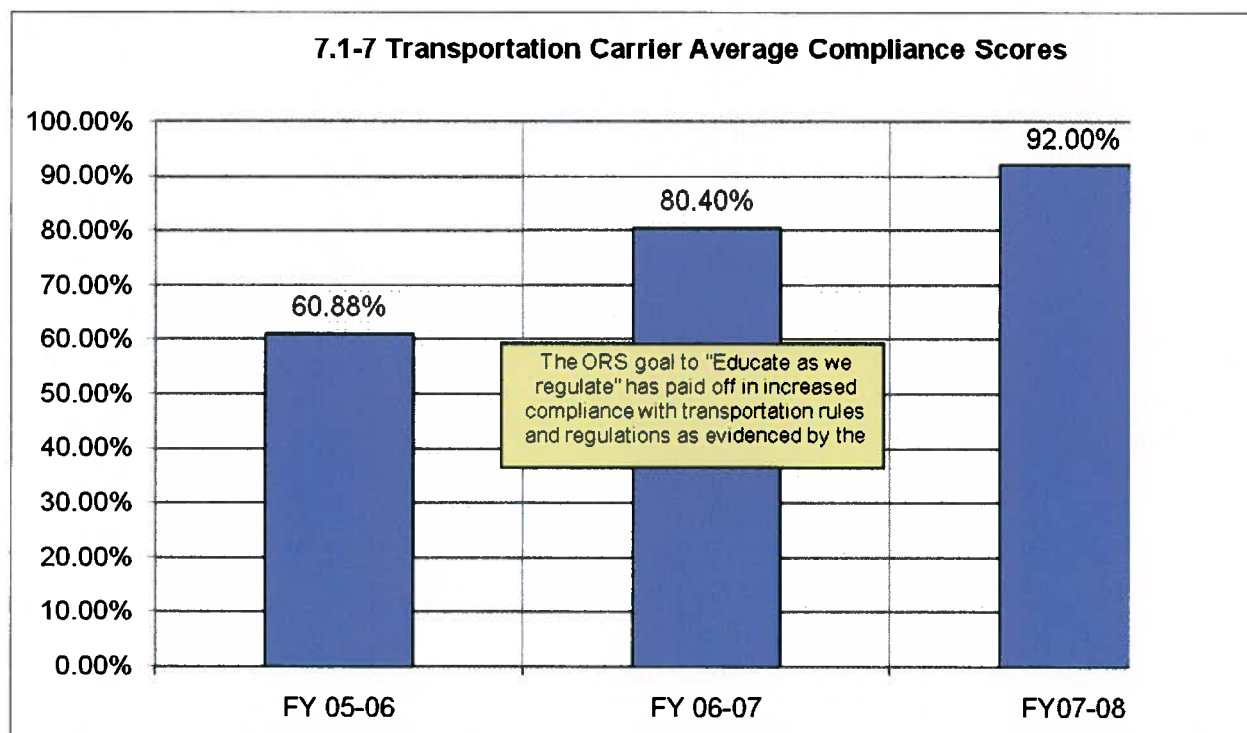


**Chart 7.1-6.** The ORS has oversight responsibility including prudence and audit review of investor-owned electric and gas utilities in South Carolina. The total annual dollars reviewed in examinations of the fuel costs for power generation and natural gas supply during FY 2007-2008 is approximately **\$1.8 billion**.

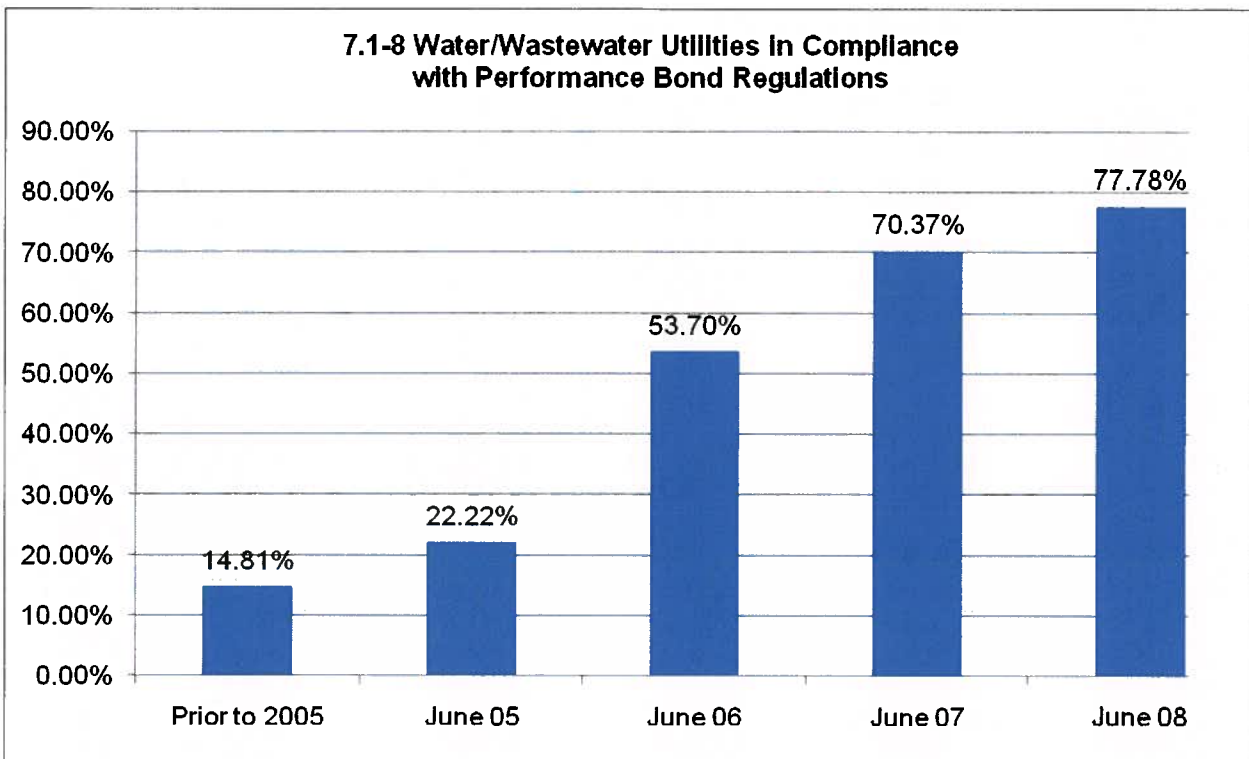


**Key Measure - Regulatory Compliance.** As part of its oversight duties, the ORS is charged with ensuring utilities' compliance with established regulations and statutes. The ORS approach to maximizing compliance is to *educate as we regulate*. Toward this end, the ORS hosts educational workshops for regulated utilities (See *Section 7.2 Education and Outreach* for participant-satisfaction results regarding workshops) and conducts compliance reviews to assist company owners in maintaining or achieving compliance. Findings from these reviews are provided to the companies to assist them in their compliance efforts.

**Chart 7.1-7.** The ORS conducted 107 compliance reviews with transportation carriers. Average compliance scores climbed to 92% in FY 2007-2008, following a roughly one third increase from FY 2005-2006 to FY 2006-2007. These steady gains in compliance with transportation rules and regulations can be attributed to the ORS goal to *educate as we regulate*.



**Chart 7.1-8.** Over the long term, the ORS hopes to bring all water/wastewater utilities into compliance with bonding regulations that require at least a minimum of \$100,000 posted for each utility. Since the first six months of ORS' regulatory authority (January through June of 2005), the agency has continued to make progress toward this goal by conducting business and site compliance reviews and providing assistance and education to water and wastewater companies. The percentage of companies in compliance in June of 2008 (approximately 78%) represents an approximate gain of 8 percentage points over the prior year. Currently, the ORS is almost four-fifths of the way towards its long-term goal of 100% compliance.



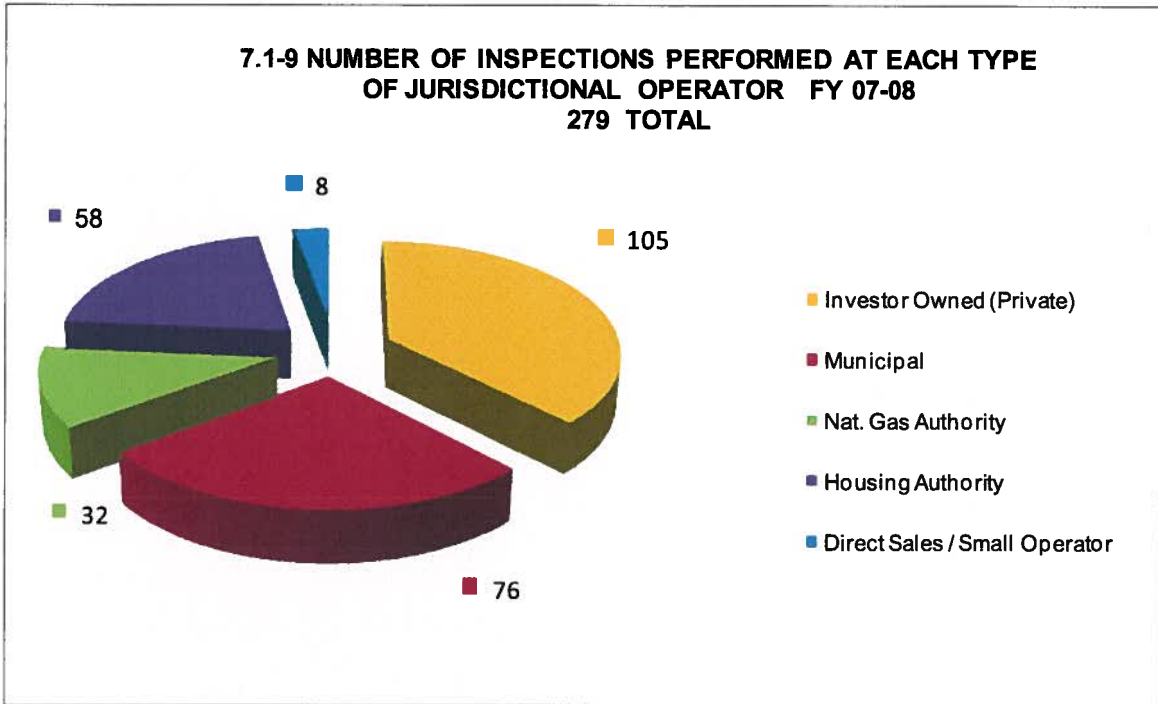
**Key Measure – Safety Oversight.** In addition to its regulatory oversight functions, the ORS has oversight responsibility for natural gas and hazardous liquid pipeline safety and railroad safety in South Carolina.

**Natural Gas Pipeline Safety.** The ORS has pipeline safety responsibility over the jurisdictional operators of natural gas distribution and transmission pipeline systems, liquefied natural gas facilities, certain liquefied propane systems, intrastate liquid pipelines, landfill gas systems, and lateral pipelines from interstate pipeline systems.

**For Calendar Year 2007, the ORS received a score of 99** from the U.S. Department of Transportation’s Pipeline and Hazardous Materials Safety Administration (PHMSA). This score was based on a site evaluation and review conducted in June of 2008 as well as a year-end validation of certification information for the annual compliance and monitoring report.

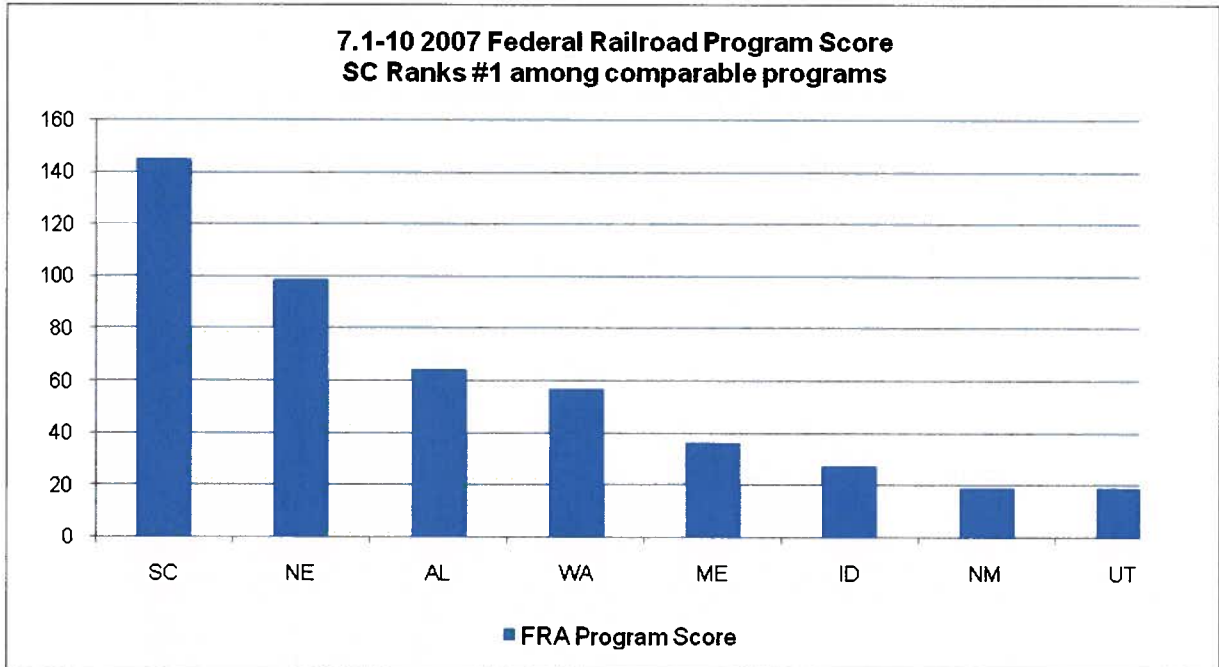
**Chart 7.1-9.** During FY 2007-2008, the ORS conducted 279 inspections of varying types including emergency plan reviews, operations and maintenance procedure reviews, facility evaluations, new construction, operator qualification plans, and drug- and alcohol-abuse prevention plans. Findings from these inspections are aggregated and analyzed, and feedback is provided to the operators to assist them in meeting all state and federal safety regulations.



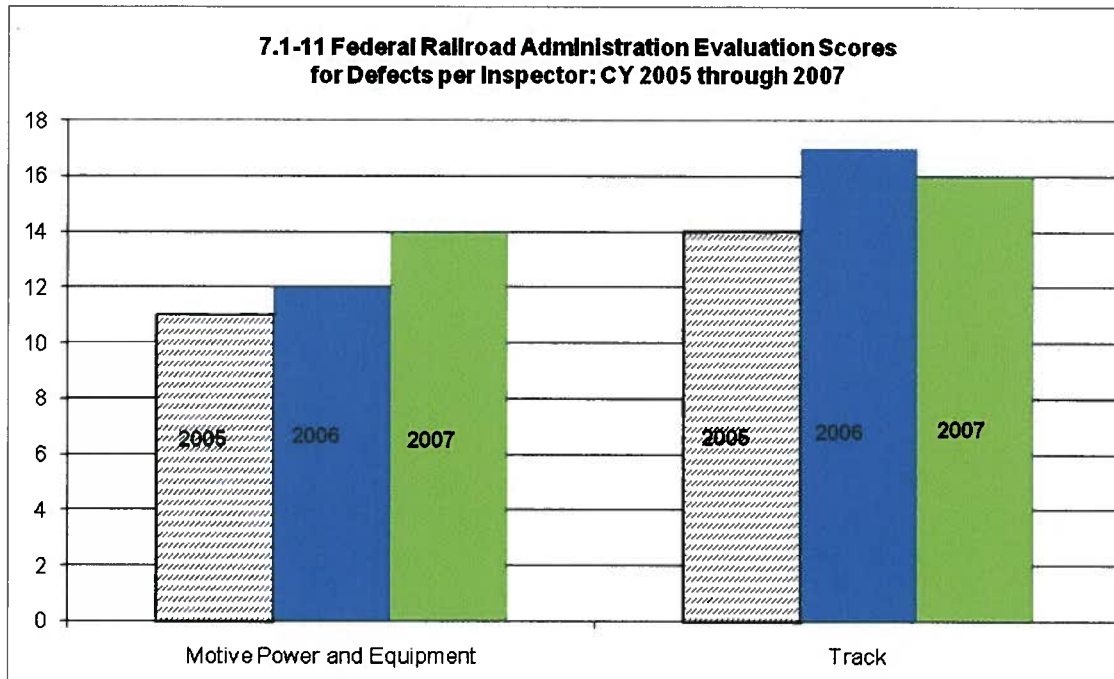


**Railroad Safety.** The ORS shares responsibility with the Federal Railroad Administration (FRA) for inspecting track and motive power and equipment on the state’s railways. In FY 2007-2008, the ORS participated in an FRA claims collection proceeding against a major railroad company. As noted in the *Executive Summary* section of this report, this effort resulted in 200 violations submitted and accepted from Region 3 (eight southeastern states), with a collective value of about \$1.5 million.

**Chart 7.1-10.** The FRA rates all inspectors, both state and federal. Among states with a comparable number of inspectors and of supported FRA disciplines, ORS inspectors received the highest total program score in Calendar Year (CY) 2007.



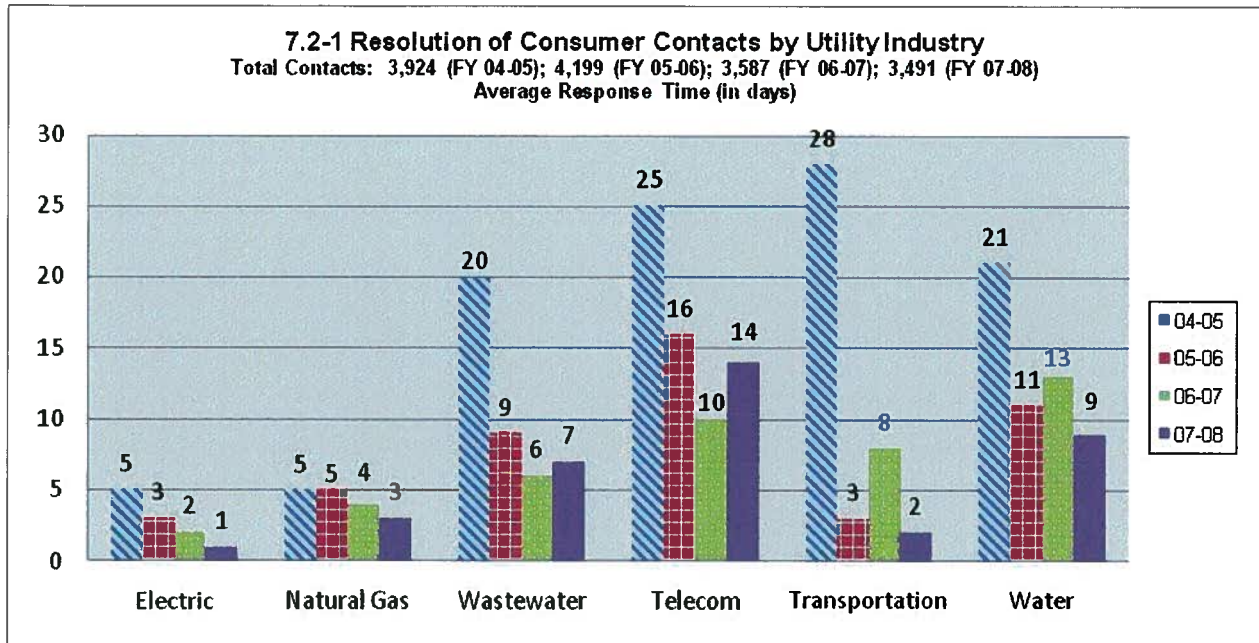
**Chart 7.1-11.** When evaluating the two disciplines that are within the jurisdiction of ORS inspectors – Motive Power & Equipment and Track – progress continues to be made over time. Chart 7.1-11 shows that FRA evaluation scores for defects per inspector in the Motive Power & Equipment discipline continued the steady increase from 11 (CY 2005), to 12 (CY 2006), to 14 in CY 2007. With regard to the slight one-point decline in Track, the FRA initiated in CY 2007 the Roadway Worker Protection Program which requires the ORS Track inspector to devote a portion of his time to on-track roadway worker safety. This added responsibility slightly reduced the miles of track inspected, thus resulting in the slight decline in the Track score. Taken collectively, however, the two disciplines achieved an overall gain in CY 2007.



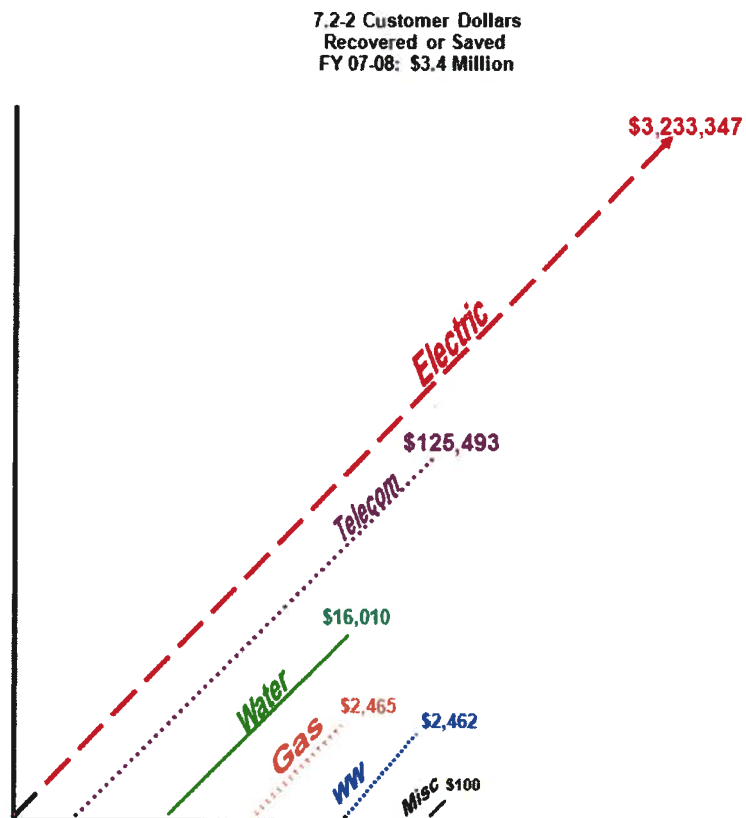
## **7.2 What are your performance levels and trends for the key measures of customer satisfaction?**

**Key Measure-Customer Satisfaction.** As noted earlier in this report, the Review Committee conducts an annual survey of individuals who have had contact with the ORS concerning matters filed with the Public Service Commission. This includes matters negotiated by the ORS as well as matters heard by the PSC in which the ORS participated. The Review Committee also conducts an annual survey of ORS employees. The Committee does not share the specific results of these surveys with the agency but provides guidance based on the results. Therefore, this data is not available for graphing in this report. However, the ORS does have quantitative information on some of its key services provided to customers.

**Chart 7.2-1** depicts the average length of time (in days) that the agency took to resolve customer contacts, which are categorized by utility industry. During FY 2007-2008, the ORS processed a total of 3,491 customer contacts. Compared to the prior fiscal year (2006-2007), the average response time decreased for electric, natural gas, transportation, and water. Since FY 2004-2005, average response time has decreased across all utility industries. This overall improvement is due to a continued effort by ORS Consumer Services to work with the regulated utilities on improving the utilities' response time to the ORS with regard to providing requested information.

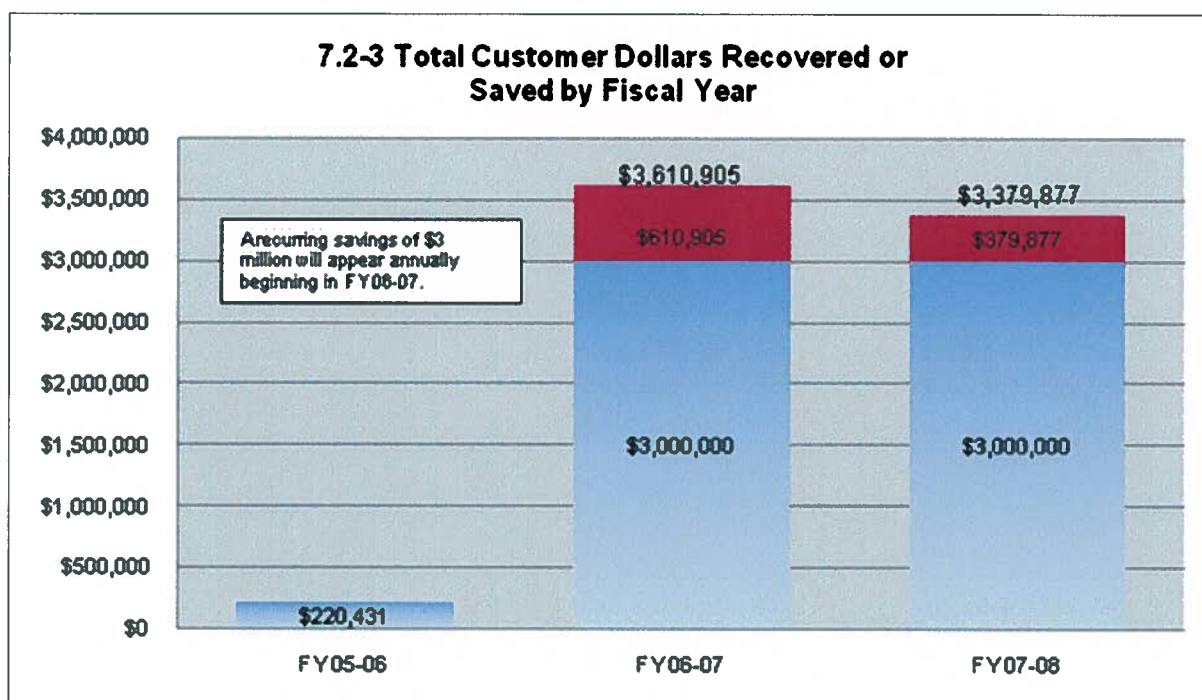


**Chart 7.2-2** illustrates the dollars recovered or saved for customers during FY 2007-2008 by utility industry.



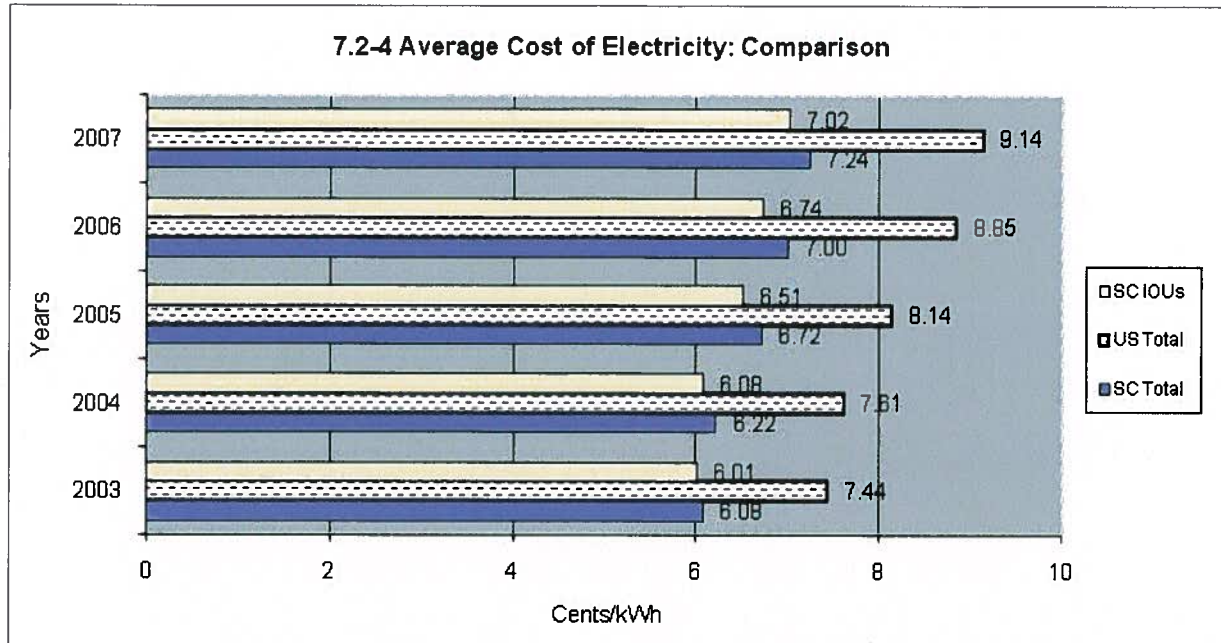
**Chart 7.2-3** shows a comparison of total dollars recovered by fiscal year. The recurring \$3 million that began in FY 2006-2007 is due to an agreement that the ORS facilitated between an electric investor-owned utility and certain industrial customers to better utilize their energy consumption by taking advantage of cost savings through the offering of real-time price signals. This agreement provides an annual savings to customers of approximately **\$3 million**.

The fact that this agreement benefits all parties makes it conducive to **economic development**. For the utility, the agreement provides a means for lowering the overall cost of generation by utilizing facilities in a more efficient way. It also helps preserve the utility's customer base by enhancing the viability of the industrial customers involved in this agreement. These industrial customers reap savings by better controlling their costs, thus helping to preserve jobs.



**Chart 7.2-4** relates to the regulation of electric energy costs, which has a direct impact on consumers' pocketbooks. Chart 7.2-4 shows a comparison of the average cost of electricity in cents per kilowatt hour among the United States as a whole, South Carolina as a whole, and the investor-owned utilities (IOUs) in South Carolina, who are within the regulatory purview of the ORS. The graph covers calendar years 2003 through 2007. This time span includes 2005, which was the initial year of full participation by the ORS in electric rate matters for South Carolina's IOUs.

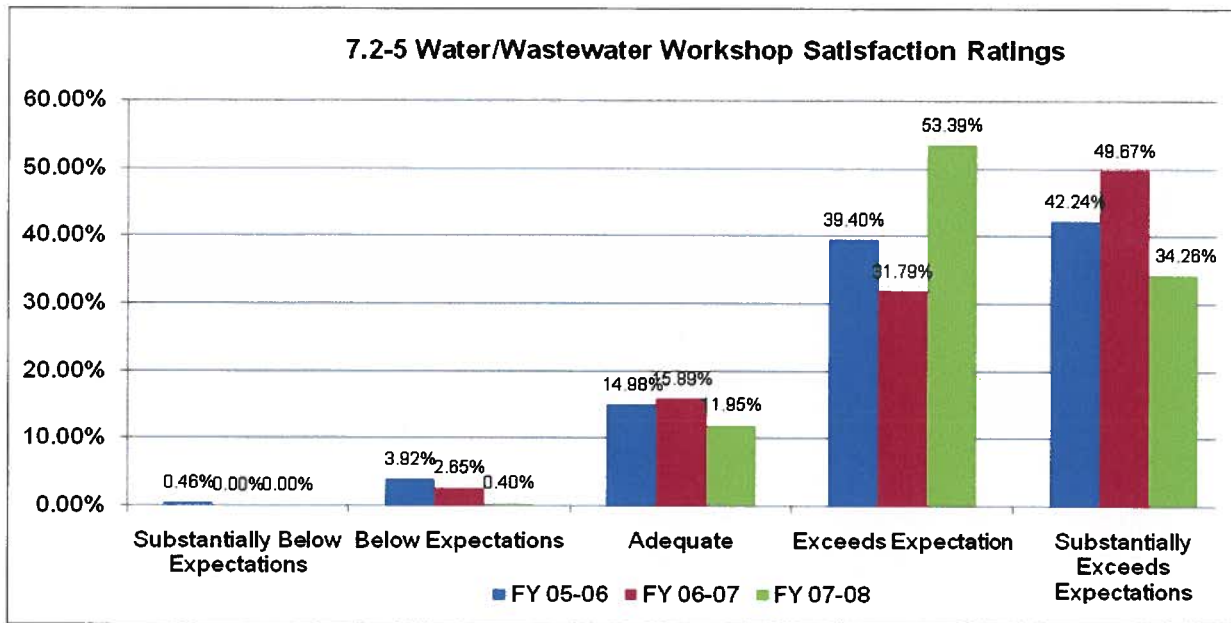
South Carolina's average cost continues to be well below the national average. Over the period from 2003 to 2007, the differential between South Carolina IOUs and the U.S. total has increased from approximately 24% (2003) to 30% (2007). During these five years, costs were particularly adversely affected by increasing fuel and transportation costs used in the generation of electricity. The average cost for S.C. IOUs increased 1.01 cents during this period while the cost for the U.S. increased by 1.70 cents or approximately 68% more than for S.C. IOUs.



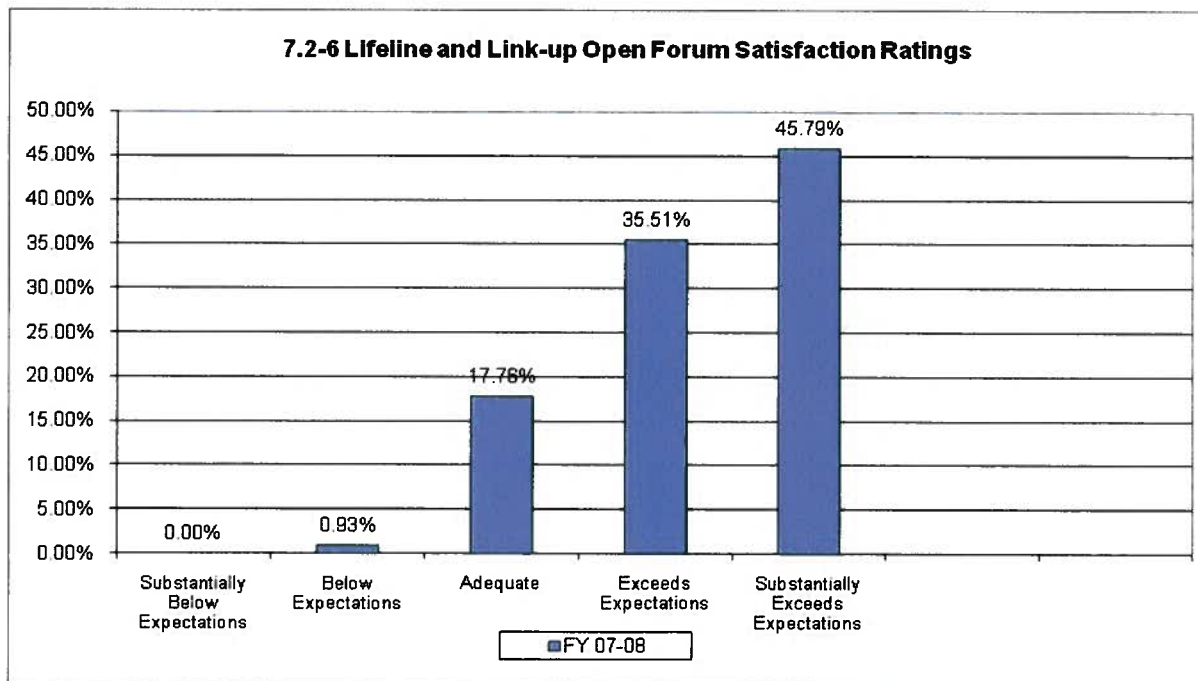
**Key Measure—Education and Outreach.** The ORS provides consumer education to help utility customers make educated choices and understand their rights and obligations as consumers of public utilities. In addition to press releases sent regularly to media outlets statewide and posted on the ORS web site and on the SC.Gov news center page, the agency distributed over 95,000 pieces of consumer education and outreach materials (brochures, booklets, applications, etc.) to consumers in FY 2007-2008 on the Lifeline program and various consumer issues. The agency also provides education efforts for regulated utilities to help them maintain compliance and provide the best possible service to their customers. Highlights of some of these efforts are presented below.

**Education – Charts 7.2-5 and 7.2-6** provide examples of the very high satisfaction rating given by representatives of regulated utilities who participate in workshops hosted by the ORS. Workshops held this year included a water/wastewater workshop and a workshop for Eligible Telecommunications Carriers (ETCs) with regard to the Lifeline program.

In **Chart 7.2-5** approximately 88% of water/wastewater participants said that the ORS Water/Wastewater Workshop exceeded their expectations, thus continuing the trend of high satisfaction for this annual workshop.



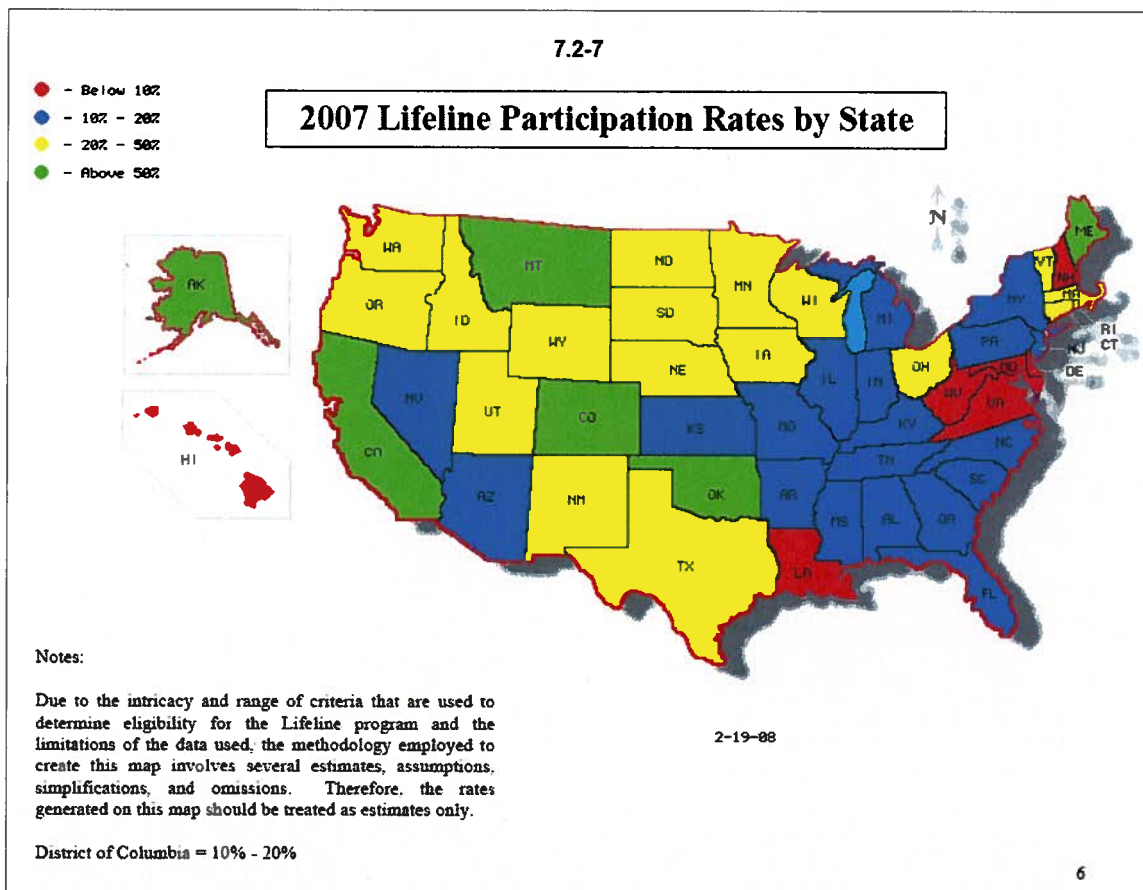
**Chart 7.2-6** shows high satisfaction rates among attendees of the first ORS Lifeline workshop for Eligible Telecommunications Carriers, with approximately 81% indicating that their expectations were exceeded. More than half of this highly satisfied group felt that their expectations were *substantially* exceeded by the information presented during the workshop.



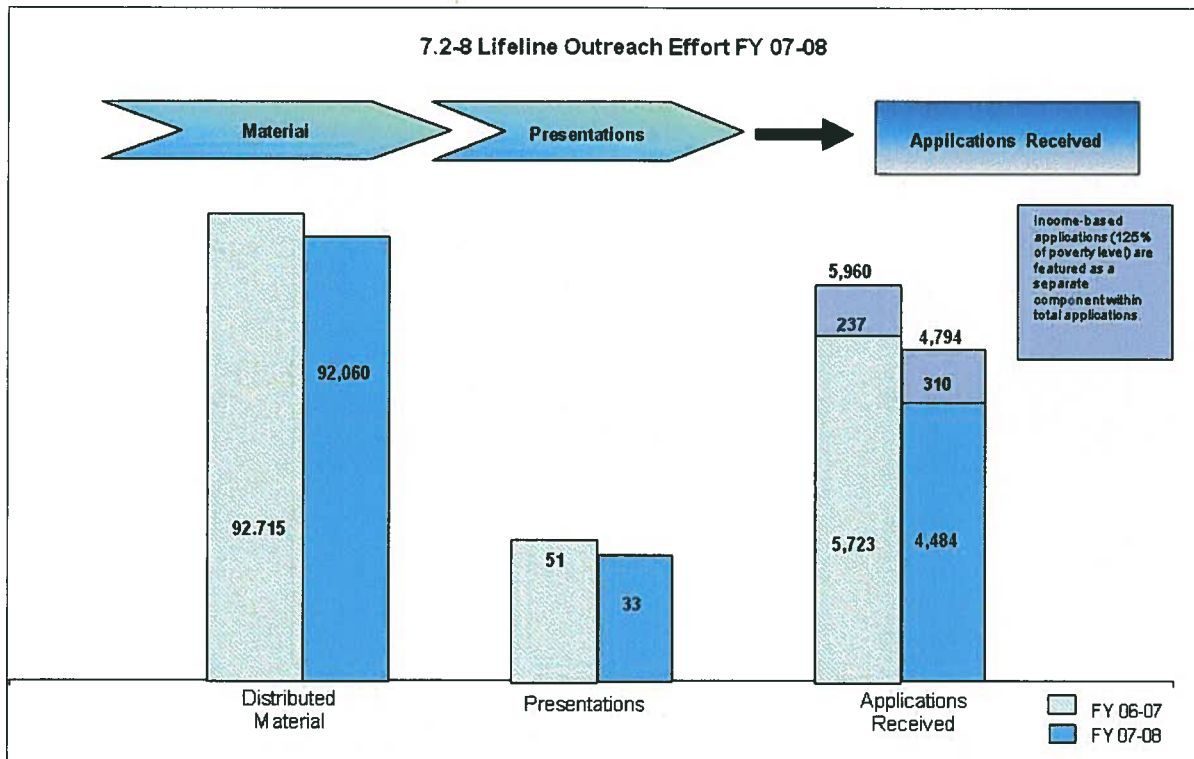
**Outreach – Charts 7.2-7 through 7.2-9.** The Lifeline and Link-up programs are a strong example of consumer outreach. The programs provide monetary assistance to low-income households for the installation and monthly usage fees of their landline telephone bills. The ORS administers the state’s

Universal Service Fund (USF) that provides monies for these programs. As part of the ORS mission to represent all facets of the public interest, the agency sought and obtained authorization to use state USF funding to increase participation in and awareness of Lifeline and Link-up. In FY 2005-2006, the ORS began to implement a two-pronged approach of 1) increasing outreach efforts to enroll citizens who qualify for assistance by virtue of receiving Temporary Assistance to Needy Families (TANF), Food Stamps (FS), or Medicaid (MED), yet do not currently receive Lifeline benefits and 2) qualifying additional applicants who meet expanded eligibility requirements (125% of the federal poverty level) in the former BellSouth territory.

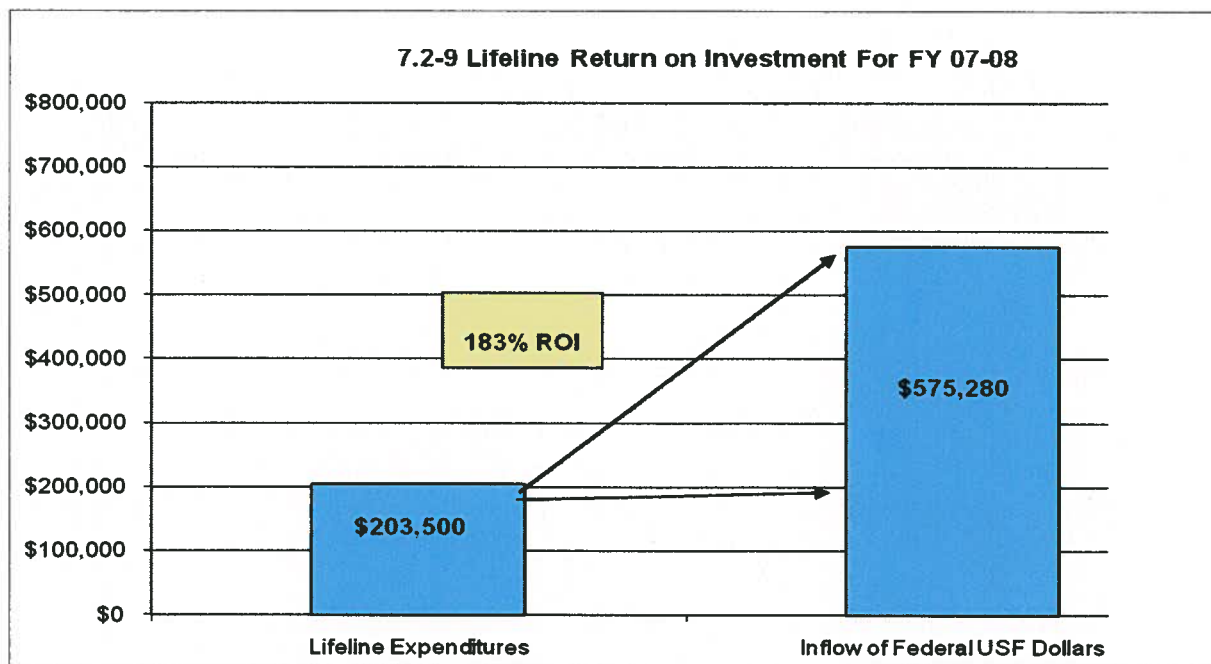
**Chart 7.2-7** shows Lifeline participation rates by state in 2007. South Carolina falls within the 10-20% participation range.



**Chart 7.2-8** illustrates the impressive progress made in the three years that the program has been managed by the ORS. The agency concentrated its efforts on getting the word out to potential program participants through a targeted information plan that – in the past two fiscal years combined-- included the distribution of approximately 185,000 pieces of printed material. These efforts culminated in 5,960 applications submitted by households in FY 2006-2007 and 4,794 submitted in FY 2007-2008.



**Chart 7.2-9** illustrates the economic benefit to South Carolina of the Lifeline and Link-up programs. The per-year cost of the program is \$203,500. Each enrolled household generates to the state an inflow of \$120 federal USF dollars per 12-month period. Therefore, the per-year cost of the program in relation to the current-year enrollees represents a Return on Investment (ROI) for FY 2007-2008 of 183%.





### **7.3 What are your performance levels for the key measures of financial performance?**

**Key Measure – Budget and Finance.** The ORS monitors financial performance by measuring the following: participation in the gross-receipt process by the regulated utilities; payments to the Universal Service Fund, the Interim LEC Fund, and the Dual Party Fund; collection of decal revenue; the budget-to-expense balance; and the accounts receivable activity.

The main source of funding for the ORS is through the gross-receipt process. Utilities report their gross-revenue receipts to the ORS, and they are subsequently assessed a portion of the cost of the ORS. The Department of Revenue handles the assessment and collection process, and the ORS handles the collection of data and the development of the assessment. Compliance with the reporting process is measured.

Compliance with the requirements of the Universal Service Fund and the Interim LEC Fund filings and payments is also monitored. Late fees are assessed on delinquent Universal Service Fund and Interim LEC Fund payments. Follow-up and collection of accounts receivable is done on a monthly basis.

The ORS maintains fiscal solvency through continual review of expenses and revenues and monthly reconciliation of its cash accounts. Additionally, careful attention is given to the budget process to ensure adequate funds are available for necessary resources. Since the inception of the ORS, there have been no requests for budget increases and, therefore, no resulting increased costs to utilities and consumers.

### **7.4 What are your performance levels and trends for the key measures of Human Resource results?**

**Key Measure – Workforce Focus.** ORS Human Resources measurements include Equal Employment Opportunity (EEO) goal attainment, turnover rates, exit interviews, employee training hours, and EPMS scores.

This past year the ORS achieved approximately 90% of its equal opportunity goal. This was the second reporting period for ORS with Human Affairs.

Human Resources utilizes internal training as an effective tool for communicating with employees. The ORS is monitoring, through the E-Leave system, the number of hours of training per employee as well as the kind of training being taken. This information -- along with the employees' and the agency's needs -- is reviewed, monitored, and adjusted to ensure employees are continually provided training and that the agency has staff trained in the areas the agency utilizes. Last year ORS employees completed 3,075 hours of training. This year ORS employees completed 3,275 hours.

The ORS monitors the turnover rate and EPMS scores for any trends of concern. The ORS turnover rate of 5% for FY 2007-2008 is less than the ORS turnover rate for the prior fiscal year (8%) and is also less than the average S.C. state government turnover rate of 14% for FY 2007-2008.

Attention is paid to exit interviews and to the suggestion box in order to identify areas that may need to be addressed.

The ORS is continuing to identify measurements that will effectively assist management in the human resources area.

**7.5 What are your performance levels and trends for the key measures of regulatory/legal compliance and community support?**

The ORS monitors utility compliance with Section 58 of the Code of Laws of South Carolina 1976. Key measures include the level of compliance with the collection of data (gross receipts, annual reports, access lines), the receipt of assessments, financial audits, and decal revenue. (See *Section 7.1 Key Measure: Regulatory Compliance* for additional performance data.) The utilities' compliance with filing gross receipt forms was 98.2% this year.

As mandated by the agency's enabling legislation, Act 175 of 2004, all ORS employees participated in six hours of ethics training this year.

In addition, the ORS has established processes and procedures to ensure compliance with the state's financial guidelines such as the GAAP Accounting Standards as well as the requirements of the Comptroller General and the Treasurer's Office.

The GAFRS system is utilized for receivables, payables, and financial reporting. The ORS participated in the planning for the implementation of SCEIS (S.C. Enterprise Information System) and expects to implement that system when it becomes available.

In addition, the ORS has processes in place to ensure compliance with the procurement code. A requisition system has been established as well as procurement procedures. The GAFRS system is used to handle ORS accounting.

The agency established key policies under the guidelines of the S.C. Budget and Control Board's Office of Human Resources to become compliant with state human resource regulations. The ORS has implemented the EPMS program and made necessary corrections to the process as dictated by the agency's needs.

A number of initiatives are being developed to assist the community in using the services of the ORS. Initiatives include planning outreach efforts to various segments of the community; enhancing the reporting and technology systems used to retrieve, record, and analyze complaints and inquiries; and developing programs for special needs within the community.

The ORS supports communities throughout the state by its participation in the Operation Lifesaver program, which promotes safety awareness near railroads and railroad equipment. During FY 2007-2008, the agency made presentations at six elementary schools.

The ORS continues to play a major role in ongoing statewide emergency preparedness efforts. Ten staff members serve on emergency support function (ESF) teams – namely, Energy, Transportation, Public Works and Engineering -- and on the State Emergency Assessment Team. The ORS is the lead agency for the Energy team (ESF-12).

The ORS is involved in civic and charitable activities to help those in need. These efforts have included participation in or support of the following: a blood drive, the Cinderella Project that collects

gently used prom wear, the United Way of the Midlands fund drive, and the Muscular Dystrophy Association's annual Jail-a-thon. As individuals, ORS managers and staff members are involved in a wide array of civic activities and professional organizations that benefit the communities in which they live and work.