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PUBLIC SERVICE COMMISSION

PUBLIC HEARINGS

Tuesday, February 12, 2013

9:00 a.m.

1105 Pendleton Street
Gressette Building, Room 207
Columbia, South Carolina

REPORTED BY: KATY MCCORMICK
Stenographic Court Reporter

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1 MEMBERS IN ATTENDANCE:

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4 REPRESENTATIVE MIKE FORRESTER

5 REPRESENTATIVE WILLIAM E. SANDIFER

6 SENATOR C. BRAD HUTTO, CHAIRMAN

7 HOUSE STAFF ANDY FIFFICK, ESQUIRE

8 SENATE STAFF HEATHER ANDERSON, ESQUIRE

9 REPRESENTATIVE ERIC EBERSOLE

10 REPRESENTATIVE JOHN STEVEN SIMMONS

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24 (INDEX REAR OF TRANSCRIPT)

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1 Thereupon the following proceedings were held at 9:44 a.m.)

2

3 SENATOR HUTTO: Good morning,
4 everybody. Let's get started. This is a public
5 hearing on candidates for the Public Service
6 Commission District 7 public screening. We're
7 following the same format we did yesterday.
8 We'll have the staff asking preliminary questions
9 and member questions then we'll go into a brief
10 executive session and then we'll come back in.

11 (O'Neal Hamilton enters hearing room at 9:45 a.m.)

12 SENATOR HUTTO: Good morning.

13 MR. HAMILTON: Good morning.

14 SENATOR HUTTO: We're going to get you
15 sworn in and then we'll start with some staff
16 questions and then some questions from members.

17 MR. HAMILTON: All right, sir.

18 (O'Neal Hamilton, was duly sworn, after which testimony
19 began at 9:45 a.m.)

20 MR. FIFFICK: Good morning, Mr.
21 Hamilton. I'm going to briefly summarize your
22 educational background and experience and some
23 other relevant information just so we have that
24 on the record.

25 MR. HAMILTON: Okay.

1 MR. FIFFICK: Mr. Hamilton obtained an
2 associates degree from North Greenville Junior
3 College in 1953. Mr. Hamilton has attended
4 numerous continuing education courses during the
5 past five years. Some of these include in-house
6 programs administered by the South Carolina
7 Public Service Commission, neighborhood annual
8 summer and winter meetings as well as conferences
9 focusing on emerging issues facing the State's
10 Public Service Commissioners.

11 From 1953 to 1957 Mr. Hamilton was the
12 agency manager for the Life Insurance Company of
13 Georgia.

14 From 1957 to 2003 he served as the
15 agency manger of Farm Bureau Insurance.

16 Mr. Hamilton was elected to the
17 Bennetsville City Council from 1978 to 1980 where
18 he was chairman of the utility committee for
19 oversight of city electric, gas, water and waste
20 water departments.

21 In 1990 he was elected to the South
22 Carolina Highway Commission and served there
23 until 1992.

24 Form 1992 to 2004 Mr. Hamilton was
25 elected to the Marlboro County council.

1 Mr. Hamilton was elected to the Public
2 Service Commission in 2004 and he has served
3 continuously until the present.

4 Mr. Hamilton, other than changes that
5 you have already submitted do you have any other
6 changes that you would like to make to your
7 Personal Data Questionnaire that you submitted
8 with your application?

9 MR. HAMILTON: No, sir.

10 MR. FIFFICK: Thank you. I would
11 request that Mr. Hamilton's Personal Data
12 Questionnaire be entered into the record with any
13 confidential information being redacted.

14 (EXH. 1, O'Neal Hamilton's Personal
15 Data Questionnaire, marked for identification.)

16 MR. FIFFICK: As part of our background
17 investigation of the candidate we obtained a
18 credit check, driver's license check and SLED
19 check. And for the record I would like to state
20 that the credit check, driver's license check and
21 SLED check revealed no negative results for Mr.
22 Hamilton which should be brought to the attention
23 of the subcommittee.

24 Before we begin questioning would you
25 like to give a brief opening statement?

1 MR. HAMILTON: Yes, I would. First off
2 I would certainly be remiss if I didn't thank
3 each of you for your service and the part that
4 you play with the Public Service Commission. You
5 have been a great support for us and I think you
6 should take pride in the fact that you have set
7 forth and built a model commission for the entire
8 nation. I know many of you get requests about
9 how we do business and we do too, and the credit
10 certainly goes to the committee and I thank you
11 for that. If I have time for a short opening
12 statement, I would like to review if I could a
13 few of the things if it hadn't been already done
14 by some other commissioners the things that are
15 facing the commission at this time, the things
16 that we are working on if that would be in order,
17 Mr. Chairman.

18 SENATOR HUTTO: That's fine.

19 MR. HAMILTON: I think the first thing
20 that I need to discuss with you is that trying to
21 build things to get from this committee to the
22 next step, and I think my experience and work
23 with the Base Load Review Act and VC Summer 2 and
24 3 are very important things and could be an
25 experienced commissioner over the next few years

1 in this endeavor are going to be very important
2 because the greatest expense of the nuclear
3 facilities are coming up in the next two or three
4 years. We have had public hearings as all of you
5 know under the Base Load Review Act, SC&G
6 followed the combined application which gave them
7 the signing and the construction. The commission
8 unanimously decided that this would be used and
9 useful and in the public interest, so where we
10 are now is we followed the prudence of the cost
11 of the costs that occur that are allowed under
12 the construction. And this is done on an annual
13 basis.

14 The ORS has kept us well informed
15 because they have hands on and they follow what
16 happens daily on the construction at the nuclear
17 plants. We receive quarterly reports. When we
18 go to NERU (ph) and our commissioners sit around
19 the table I think we're better informed on
20 nuclear construction than any other commissioners
21 in the nation. And this is because of ORS and
22 SCANA's reports that they give us. The reason I
23 point this out, the need for the experience is
24 when we first started the nuclear project we had
25 a few people that had environmental concerns and

1 these were mostly with the waste. And this still
2 is a problem that exists that we hope will soon
3 be solved. We had some folks that were just
4 anti-nuke and this was not a big thing. And we
5 reached a settlement with most all the parties as
6 we went forward with the construction.

7 At our last prudency test we started
8 hearing voices from public systems of abandonment
9 which the project is moving forward, it's needed
10 and useful and has been proven. So I think the
11 next few years when the costs are the highest
12 we're going to have more concerns from members of
13 the public about nuclear construction because of
14 the costs, and I think you need experienced
15 commissioners that have embraced the Base Load
16 Review Act.

17 We also, as you are aware, have the
18 joint dispatch that's been agreed upon between
19 Progress and Duke. We have a one year look back.
20 We have got over \$125 million that are part of
21 the settlement that ORS worked with Duke that our
22 ratepayers should receive. If I'm there I
23 understand what they are and can help protect and
24 see that ratepayers get justly what they should
25 get over the next period of time.

1 Cyber security is a big issue. It's
2 something that we discuss daily in our weekly
3 briefings with the commission. This is something
4 that has to be done. At a neighborhood meeting
5 in Baltimore these young and bright people that
6 have all the ability with the cyber security tell
7 us that any unit that we have can be hacked. And
8 this is discouraging and so this is an important
9 thing that your commission is going to be working
10 on.

11 We already have been informed that both
12 Duke and Progress will have a rate increase
13 within this year or early next year. This is
14 something else that's important for the company
15 and ratepayers' experience. As you all know we
16 have an aging infrastructure that is being
17 changed daily. The former generation has been
18 moving fast from coal to gas. These are things
19 that in the base rate that we have to be
20 concerned and note that we handle the right way.
21 All the experts that I know and follow say that
22 nuclear should be a part of the mix and must be a
23 part of the mix. And I believe the expenses that
24 we are incurring now are going to be a great
25 benefit for the next 50 years to ensure that

1 South Carolina has reliable and clean energy and
2 nuclear is going to be a part of that.

3 Mr. Chairman, I appreciate the time you
4 have given me.

5 MR. FIFFICK: Thank you, sir. Could
6 you please state your name and home address for
7 the record.

8 MR. HAMILTON: Gordon O'Neal Hamilton,
9 706 Lake Shore Drive, Bennetsville, South
10 Carolina 29512.

11 MR. FIFFICK: Are you a registered
12 voter?

13 MR. HAMILTON: Yes, sir.

14 MR. FIFFICK: In which congressional
15 district are you registered to vote?

16 MR. HAMILTON: Seventh.

17 MR. FIFFICK: Could you describe an
18 ordinary work day for you both at the commission
19 offices and otherwise.

20 MR. HAMILTON: I haven't changed my
21 work schedule since I became a commissioner. I
22 purchased a condo in Columbia so I could be here.
23 I normally come in on Monday. It gives me time
24 to meet with staff members on problems and things
25 that are of importance to both of us. Normally

1 on Tuesday we have briefing sessions and some
2 meetings in the afternoons. On Wednesday morning
3 we normally have transportation meetings. On
4 Wednesday afternoon we have the commission
5 meeting. And normally on Thursday we have
6 hearings and workshops. And normally Friday is
7 free and I return home to do work from there and
8 answer telephone calls, etcetera.

9 MR. FIFFICK: Thank you, sir. Please
10 describe your experience and any expertise you
11 have in any of the following areas and include
12 the time you've been engaged in these issues.
13 Energy issues, telecommunications issues,
14 consumer protection and advocacy issues, water
15 and waste water issues, finance, economics and
16 statistics, accounting, engineering or law.

17 MR. HAMILTON: If we start with law I
18 have none of that. I am not an attorney, but we
19 do have some excellent attorneys on our staff
20 that give us legal advice that we need. On the
21 other subject matters that you talked about I
22 have been involved with those for a number of
23 years through the fact that on the municipal
24 association I was the chairman of the water and
25 waste water committee, public utilities which

1 also include the electric. Bennetsville is an
2 electric city.

3 I took accounting in school and in the
4 insurance business, in running a business, an
5 agency you certainly have to watch the money and
6 see that it's got to the right place. I think I
7 have the expertise, some expertise in this that
8 matter. I'm certainly not an accountant and I
9 would not get in one's way.

10 I'll be happy to answer any other
11 questions that you might have about this.

12 MR. FIFFICK: Mr. Hamilton, how do you
13 generally prepare for a hearing and how long does
14 it take to prepare for a typical electric,
15 telecommunications, natural gas, water or sewer
16 case?

17 MR. HAMILTON: Well, at any docket
18 that's open for a rate case of these lines we
19 have six months from start to finish to issue an
20 order. And this I think is the fastest time
21 scale in the nation. But testimony, as you well
22 know, is given and then you have rebuttal
23 testimony and re-rebuttal. As this testimony is
24 made available to the commissions we have time to
25 study the testimony prior to the case to be ready

1 on the day that the case starts. We then -- a
2 typical viewing depends on what hearing it might
3 be, but it could last a week or two weeks and
4 then the commission has to make a decision, and
5 that's done in a way that we don't violate any
6 laws or anything else, that we work together and
7 then we meet with -- if it's not a majority three
8 commissioners can get together and discuss the
9 issues. And we keep splitting around and we end
10 up with a consensus that we feel is in the best
11 evidence for the company and the ratepayer.

12 MR. FIFFICK: Thank you, sir. What
13 type of contact do you have with commission
14 staff?

15 MR. HAMILTON: It's an excellent
16 contract. We have an open-door policy within our
17 commission and they call on me and I call on them
18 when I have a question. I can't say enough about
19 the quality of the staff that we have and the
20 leadership that we have under our chief clerk,
21 Joshua Boyd. And it's like a family.

22 MR. FIFFICK: Thank you, sir. If you
23 were approached by someone wanting to discuss a
24 matter that is or may become an issue before the
25 commission in a proceeding, how would you handle

1 that situation?

2 MR. HAMILTON: I would refuse to do it.
3 If that conversation continued one or two people
4 would be in trouble. And thank God I haven't had
5 that happen to me.

6 MR. FIFFICK: Thank you. Are you
7 familiar with the 2006 advisory opinion issued by
8 the review committee dealing with attendance of
9 legislative receptions?

10 MR. HAMILTON: Yes, I am.

11 MR. FIFFICK: And are you familiar with
12 the first decision at its meeting of January 15
13 of this year in which they clarified the 2006
14 advisory opinion.

15 MR. HAMILTON: Yes, sir.

16 MR. FIFFICK: Have you attended any
17 legislative receptions since receiving the
18 advisory opinion?

19 MR. HAMILTON: No, sir.

20 MR. FIFFICK: What's the appropriate
21 demeanor for a commission?

22 MR. HAMILTON: Well, I think a
23 commissioner should -- I think perception is
24 important and I think that we should act in a
25 manner that would bring credit to the commission

1 at any time. I am not sure exactly where you
2 want me to go with this but my feeling is that we
3 should be unbiased and we should reflect credit
4 on the commission and on this committee.

5 MR. FIFFICK: And do you feel that's
6 just while you're on the bench or is that an
7 all-the-time 24/7 thing?

8 MR. HAMILTON: No, sir. This is the
9 way you walk.

10 MR. FIFFICK: Is there ever a role for
11 sternness or anger on the part of a commissioner?

12 MR. HAMILTON: Well, I think if you
13 have witnesses that would totally get out of
14 order I think sternness. But I think anger,
15 there's no place for it.

16 MR. FIFFICK: And Mr. Hamilton, has the
17 job as commissioner been as you expected it would
18 be?

19 MR. HAMILTON: It's been a learning
20 experience since the first day and it will be one
21 today when I get back to the briefing at 11:00.

22 MR. FIFFICK: And how would you rate
23 your performance since being elected
24 commissioner?

25 MR. HAMILTON: I have tried to act in a

1 way that would bring credit to the committee and
2 I have tried to be up on each issue, and I think
3 I've been able to accomplish this. I believe if
4 you look at the reports that you would see staff.
5 And from the people that have appeared before the
6 committee will bear this out.

7 MR. FIFFICK: Thank you. You touched
8 on this previously. Please explain the general
9 rule regarding ex-parte communications.

10 MR. HAMILTON: If you are involved in
11 an ex-parte communication there's certain rules
12 and guidelines that have to be followed at once.
13 You would have to report the matter at once, once
14 this has happened. You would have to put it --
15 post it so all parties would be aware and what
16 was discussed and regardless of how the matter
17 was received, telephone communications or
18 electronic e-mail or whatever, it has to be
19 disclosed. All parties have to be aware of it.
20 The parties have 10 days after they receive it to
21 find whether or not action should be taken. It
22 could mean that you would be disqualified from
23 the hearing. If it's resolved -- if it cannot be
24 resolved it will go to an ALJ that will bring
25 resolution to the matter.

1 MR. FIFFICK: Thank you. You touched
2 on this before but please describe the
3 statutorily stated purpose and operation of the
4 Base Load Review Act of 2007 to include a
5 discussion of contingent and capital costs.

6 MR. HAMILTON: The Base Load Review Act
7 was a blessing that was passed and many of you in
8 here had a great deal to do with that and we
9 appreciate that, but gave us a roadmap to
10 continue the large generation of primary nuclear
11 -- or if clean coal is renewed it will be a part
12 of it. But under the Base Load Review Act it's
13 two parts that you can have a sign-in act or you
14 can have a combined act. Duke has elected a
15 sign-in act, SCANA took the combined act and they
16 are moving forward with it. Under the Base Load
17 Review Act capital costs that can't be recovered
18 it would be prudent with the signed preparation,
19 licensing fees and preparation costs, costs of
20 construction, these are the ones that come to
21 mind.

22 MR. FIFFICK: And would you care to
23 comment further on the difference or the
24 relationship between contingent and capital
25 costs?

1 MR. HAMILTON: Contingent costs has
2 been a matter that has been I think resolved by
3 the General Assembly is that those contingent
4 costs are set aside and handled at a later date.
5 The capital costs are the ones that we deal with.
6 They put a contingency in the budget but until
7 it's spent it's not a part of the project.

8 MR. FIFFICK: I have got some
9 housekeeping questions for you now.

10 Have you sought or received the pledge
11 of any legislator prior to this date?

12 MR. HAMILTON: No, sir.

13 MR. FIFFICK: Have you sought or have
14 you been offered a conditional pledge of support
15 of any legislator pending the outcome of your
16 screening?

17 MR. HAMILTON: No, sir.

18 MS. BENSON: Have you been asked by any
19 third parties to contact members of the General
20 Assembly on your behalf before the final and
21 formal screening report has been released?

22 MR. HAMILTON: No, sir.

23 MR. FIFFICK: Are you aware of any
24 friends or colleagues contacting members of the
25 General Assembly on your behalf?

1 MR. HAMILTON: No, sir.

2 MR. FIFFICK: Are you familiar with the
3 48-hour rule that prohibits a candidate from
4 seeking pledges for 48 hours after the report has
5 been submitted to the General Assembly?

6 MR. HAMILTON: I am.

7 MR. FIFFICK: And finally do you plan
8 to serve your full term if reelected?

9 MR. HAMILTON: Yes, sir.

10 MR. FIFFICK: Thank you, sir. Mr.
11 Chairman, I have no further questions.

12 SENATOR HUTTO: Any members have any
13 questions? Representative Sandifer.

14 REPRESENTATIVE SANDIFER: Thank you,
15 Mr. Chairman. Commissioner, good to see you
16 again.

17 MR. HAMILTON: Good to see you.

18 REPRESENTATIVE SANDIFER: Let me go
19 back to some of your PDQ information as well as
20 some of the things that you've answered. When
21 you were on the bench for city council you
22 indicated that you were the chairman of the
23 electric, gas, water and waste water. When you
24 were in that position from whom were you securing
25 electrical service?

1 MR. HAMILTON: At that time Progress
2 Energy.

3 REPRESENTATIVE SANDIFER: Is it a
4 contractual agreement that goes out for bid?

5 MR. HAMILTON: Yes, sir. These are
6 long-term contracts but they go out for bid.

7 REPRESENTATIVE SANDIFER: When you say
8 long-term give me an idea of what we're talking
9 about.

10 MR. HAMILTON: Ten years.

11 REPRESENTATIVE SANDIFER: Some of them
12 are five or 10.

13 One of the things that you indicated
14 with regard to the VC Summer plant is that you're
15 now starting to hear voices from the public about
16 abandonment. Talk to us a moment about what
17 they're saying and give us some rationale if you
18 can for it.

19 MR. HAMILTON: Well, in a series of
20 public hearings we had at the last prudency
21 hearing we had public hearings. And people were
22 talking -- these were mostly industrial people
23 that said that the Shell gas revolution has made
24 in their opinion we should be using that and not
25 building nuclear, that you can build a combined

1 gas plant much cheaper. And it was just a call
2 for at that time for relief. They were
3 contending some that it would be -- the rates
4 would be too high for them to continue. But I
5 think the company in the hearing answered the
6 questions very well and the fact that there are
7 many things other than one cost involved in
8 industrial development and in retention of
9 industry.

10 REPRESENTATIVE SANDIFER: In that vein
11 in the Base Load Review Act is abandonment
12 covered in there in any way?

13 MR. HAMILTON: No, sir, it was not
14 addressed. Once when this commission made a
15 unanimous vote to approve the Base Load Review
16 Act the train left the station.

17 REPRESENTATIVE SANDIFER: And in the
18 Base Load Review Act you said a few minutes ago
19 that it was for the higher production facilities.
20 And if I am not mistaken you said both nuclear
21 and coal?

22 MR. HAMILTON: Yes, sir.

23 REPRESENTATIVE SANDIFER: Did you know
24 that it does not cover coal?

25 MR. HAMILTON: I was under the feeling

1 that -- and I might have been wrong but I thought
2 it was for large coal too.

3 REPRESENTATIVE SANDIFER: It's just
4 nuclear.

5 MR. HAMILTON: I apologize.

6 REPRESENTATIVE SANDIFER: Cyber
7 security, something that we're all concerned
8 about, every one of us. Give us some idea if you
9 will about what you're doing -- and I don't want
10 you to give away trade secrets or anything like
11 that, I just want to know whether you're staffing
12 up and giving staff sufficient authority to
13 really take care of cyber security.

14 MR. HAMILTON: We're doing everything
15 possible within the commission to follow our
16 personal cyber security and to encourage the
17 companies that we regulate to continue to work on
18 cyber security. This is a big issue from line
19 safety to the facility itself to the water plant,
20 and it encompasses everything that we regulate.

21 REPRESENTATIVE SANDIFER: Do you have
22 experts on staff dealing with nothing but cyber
23 security?

24 MR. HAMILTON: We have one attorney
25 that works on this constantly and we don't have a

1 staff advisor for cyber security. It's a general
2 thing that is worked on by all of us. We do have
3 an IT man that is very proficient that works with
4 this.

5 REPRESENTATIVE SANDIFER: Let me go
6 back to your earlier discussion about your work
7 week, and I congratulate you on having a condo
8 hear in Columbia. I wish I had done that a long
9 time ago but I didn't.

10 MR. HAMILTON: It was a good
11 investment.

12 REPRESENTATIVE SANDIFER: If I had had
13 the money I probably would have.

14 When you are here in your condo in
15 Columbia are you charging daily travel from
16 Bennetsville?

17 MR. HAMILTON: No, sir.

18 REPRESENTATIVE SANDIFER: So you get
19 just the mileage from your home to Columbia one
20 time or whatever?

21 MR. HAMILTON: Yes, sir. Under the
22 commissions set up that we have now, Mr.
23 Chairman, we don't receive any per diem or
24 mileage other than away from Columbia.

25 REPRESENTATIVE SANDIFER: Okay. When

1 you were describing your Fridays at home one of
2 the things that you said was that you answer
3 calls. What types of calls are we talking about?

4 MR. HAMILTON: Well, in the commission
5 we are always under -- I guess you could say
6 we're on duty 24 hours a day because we have the
7 state phone and the I-Pad that we constantly
8 contact. If anything comes up with the
9 commission that they need you to be a part of,
10 they need your attention on, we know immediately
11 and we keep in contact.

12 REPRESENTATIVE SANDIFER: But it's
13 business calls that would emanate within the
14 commission network?

15 MR. HAMILTON: Yes, sir. I have no
16 other employment.

17 REPRESENTATIVE SANDIFER: Okay. On
18 consensus on cases will you describe how you
19 arrive at that consensus.

20 MR. HAMILTON: Okay, again, each
21 commissioner speaks for himself or herself. And
22 we attempt to have unity in our rulings, and we
23 have basically in most instances been able to do
24 that. We normally meet in small groups that
25 would not violate any foyer. And we discuss the

1 matter. We all have our own opinion. We study
2 the pros and the cons of it and we attempt to
3 come up with a resolution that is best for all
4 parties concerned.

5 REPRESENTATIVE SANDIFER: In doing that
6 are you really attempting to get a unanimous
7 opinion or a majority opinion?

8 MR. HAMILTON: Well, we attempt to get
9 a majority. We know four votes on the commission
10 walk. And I was on the Base Load. I have got
11 one attorney telling me one thing and one showing
12 me something different. At one point we did take
13 coal out and we put it back in, so I correct
14 myself.

15 REPRESENTATIVE SANDIFER: Talk to me
16 just a second about the Base Load Review Act and
17 what can be charged during the time of
18 construction.

19 MR. HAMILTON: In the time of the
20 construction, of course the construction costs,
21 the environmental costs, the licensing fees.

22 REPRESENTATIVE SANDIFER: So you're
23 saying that you can recover the cost of the
24 bricks and mortar?

25 MR. HAMILTON: Yes.

1 REPRESENTATIVE SANDIFER: And that part
2 I do know that you have got wrong because you can
3 only recover the cost of the capital, not the
4 capital costs.

5 MR. HAMILTON: Okay, I am saying it
6 backwards.

7 REPRESENTATIVE SANDIFER: The cost of
8 the capital in the normal parlance would be
9 categorized as interest on the money.

10 MR. HAMILTON: Right. I understand
11 that.

12 REPRESENTATIVE SANDIFER: And do you
13 know how the amount of that is calculated so that
14 you're sure that what you're getting is an
15 accurate figure?

16 MR. HAMILTON: Well, I know that we
17 depend on ORS.

18 REPRESENTATIVE SANDIFER: How do they
19 get it?

20 MR. HAMILTON: ORS is contingent, is a
21 part of the plan as it goes forward and they have
22 audits.

23 REPRESENTATIVE SANDIFER: Who does the
24 audits?

25 MR. HAMILTON: The ORS.

1 REPRESENTATIVE SANDIFER: Is there an
2 auditor assigned to that specific plan?

3 MR. HAMILTON: I am sure there is.

4 REPRESENTATIVE SANDIFER: Who pays for
5 that?

6 MR. HAMILTON: The company. It's part
7 of the costs.

8 REPRESENTATIVE SANDIFER: Thank you,
9 that's what I was searching for. The company
10 provides the auditor through the ORS.

11 MR. HAMILTON: Right. It's part of the
12 act.

13 REPRESENTATIVE SANDIFER: Thank you
14 very much, Mr. Commissioner.

15 SENATOR HUTTO: Representative
16 Forrester?

17 REPRESENTATIVE FORRESTER: Mr.
18 Hamilton, could you explain the process of the
19 Rate Stabilization Act that was approved a few
20 years ago for the natural gas industry.

21 MR. HAMILTON: Yes, sir. The Rate
22 Stabilization Act was another positive act that
23 happened that was put in force to help stabilize,
24 and have not the great change in rates that we
25 saw in the past. And in this the cost of the

1 company's doing business is included, the
2 infrastructure and the rate of return.

3 REPRESENTATIVE FORRESTER: So does that
4 preempt a rate case?

5 MR. HAMILTON: Yes, sir, it's an annual
6 review.

7 REPRESENTATIVE FORRESTER: And how is
8 the rate of return adjusted?

9 MR. HAMILTON: The rate of return is
10 something that is decided on an annual basis by
11 the parties, by the ORS audit and the company's
12 presentation to the commission as to what the
13 rate of return should be.

14 REPRESENTATIVE FORRESTER: Does it have
15 a swing?

16 MR. HAMILTON: I believe it's five
17 points one way or the other. I don't remember
18 but I wouldn't hold myself to it.

19 REPRESENTATIVE FORRESTER: What do you
20 see are the major challenges facing us in the
21 future from your standpoint as a commissioner?

22 MR. HAMILTON: Well, I think we have
23 discussed the things earlier as I see it. I
24 think probably the major thing is cyber security
25 that we have got to get it right. There's no way

1 that you don't get that right. And I think the
2 aging infrastructure that we see now that we're
3 seeing coal plants close because of the
4 environmental issues. We're seeing the natural
5 gas coming, and as you well know from your past
6 experience we're going to soon be at capacity and
7 pipelines are going to have to be built to be
8 able to make use of these. So these are the
9 things that I see that we have got to meet head
10 on and be prepared for. We're charged with
11 seeing that we have adequate and reliable utility
12 service.

13 REPRESENTATIVE FORRESTER: You've
14 recognized that cyber is an issue. Who is going
15 to check in that cause to make sure we're
16 protected?

17 MR. HAMILTON: I would think the Public
18 Service Commission is going to have to take a
19 re-vote. I think the legislature as you already
20 have will have to see that it's something that is
21 done throughout the state.

22 REPRESENTATIVE FORRESTER: Thank you.

23 MR. HAMILTON: Any agency without the
24 support of the legislature is kind of lost.

25 SENATOR HUTTO: Is there a future for

1 green energy in South Carolina?

2 MR. HAMILTON: I think we see green
3 energy in a number of ways and I think it's being
4 done to a great extent on individual efforts
5 instead of a unified effort. I think every
6 commissioner that we have is positive about green
7 energy but we don't have the ability to just set
8 our sights in one thing when the costs sometimes
9 are prohibited to be able to go that way. In our
10 hearings we've seen plants that have gone heavy
11 with solar and some of these have said that the
12 payback was going to be something like seven
13 years, which is good if it's working. States
14 that have put a renewable standard a lot of them
15 are backing away from it because of being able to
16 meet the fact. Hydro-electric is probably the
17 biggest renewable that we see and we don't have
18 it in South Carolina, it's not here for us.
19 We've got nuclear. I have had an opportunity
20 from my position as advisor now to the gas
21 committee, the international petroleum council to
22 meet on two occasions with Secretary Chu. And on
23 both occasions I discussed with him the
24 opportunity for solar to be given credit for
25 omission, and he agreed with me. But he also

1 pointed out that you know who I work for. So I
2 reckon that the one at the top makes the call.

3 SENATOR HUTTO: You mentioned solar
4 being pursued on an individual basis and you also
5 raised the cost. What about somebody financing
6 solar for an individual or for a company? Does
7 that put that person in the position of becoming
8 a utility if they do that?

9 MR. HAMILTON: The interpretation that
10 we have Senator is that it does and in my opinion
11 if we're shown a new interpretation of the law or
12 a new change in the law we'll certainly follow
13 that lead.

14 REPRESENTATIVE FORRESTER: So if we
15 pass something you all will carry it out?

16 MR. HAMILTON: Yes, sir, that's what we
17 do. That's what you send us there for.

18 REPRESENTATIVE FORRESTER: Let me ask
19 you, switch subjects to the Universal Service
20 Fund. Has it outlived its usefulness?

21 MR. HAMILTON: No, sir. We still have
22 rural telephone companies that say this is
23 extremely important. We still have people of
24 last resort that still need the service that's
25 there. I think the state Universal Service Fund

1 along with the national Universal Service Fund
2 has played a great role. And I notice some
3 tinkering with it and I hope it doesn't hurt
4 South Carolina.

5 REPRESENTATIVE FORRESTER: As it
6 relates to those that pay into the Universal
7 Service Fund we have got a dwindling number of
8 people that have landlines and a lot of people
9 are substituting their cell phone for their
10 landlines. Should those folks pay for the
11 Universal Service Fund?

12 MR. HAMILTON: I think it would be
13 the proper thing.

14 REPRESENTATIVE FORRESTER: Describe the
15 discussions of the commission after they've heard
16 testimony, that they get together in small groups
17 so as not to violate foyer and then maybe regroup
18 in other small groups. Do you see that as
19 actually just a better procedure than meeting in
20 an open session where the public can see all
21 seven of you and converse and come to a decision,
22 because it sounds to me like you almost have
23 invented a way to get around foyer?

24 MR. HAMILTON: No, sir. We would be
25 happy to meet in a group and with the public. We

1 don't hide in transparency at all, but under the
2 structure that we live we haven't seen that as an
3 available way to do it.

4 REPRESENTATIVE FORRESTER: Anything
5 else? All right. We're going to ask the public
6 to leave and we'll ask you to stay for just a
7 minute.

8 (The Public Service Commission went
9 into executive session from 10:25 to 10:30 a.m.)

10 SENATOR HUTTO: The veil is lifted.
11 (Carolyn Schretzmann-Jebaily enters the hearing room.)

12 SENATOR HUTTO: Good morning. We're
13 going to have you sworn and then get started.

14 MS. SCHRETZMANN-JEBAILY: Yes, sir.

15 (Carolyn Schretzmann-Jebaily, was duly
16 sworn, after which testimony began at 10:31 a.m.)

17 MS. ANDERSON: Good morning, Ms.
18 Schretzmann-Jebaily. I'm going to start with a
19 brief review of your educational and experience
20 background.

21 MS. SCHRETZMANN-JEBAILY: Yes, ma'am.

22 MS. ANDERSON: Ms. Schretzmann-Jebaily
23 attended the University of South Carolina and
24 then transferred to MUSC where she received a
25 bachelor of science degree in nursing. She

1 received a bachelor of arts degree in ceramics
2 from Francis Marian University and she's also
3 taken graduate courses in art at Cocoa College
4 and she has taken a number of continuing
5 education courses during the past five years.

6 Since 2009 she's worked as a volunteer
7 research assistant on the MAF minimum allowable
8 flow project at Clemson University.

9 From 2008 to 2009 she worked with the
10 conservation voters of South Carolina as the
11 director of climate change sustainability.

12 From 2003 to 2008 she worked with the
13 organized responsible economic development.

14 She is involved in the Pee Dee land
15 trust, South Carolina ETV, responsible economic
16 development, wildlife action, Sierra Club,
17 National Home and Gardening Club and the National
18 Sustainable Agricultural Coalition.

19 Ms. Schretzmann-Jebaily, do you have
20 any changes you would like to make to your
21 Personal Data Questionnaire you submitted with
22 your application?

23 MS. SCHRETZMANN-JEBAILY: In terms of
24 like employment or things that I have done?

25 MS ANDERSON: In general, yes, ma'am.

1 MS. SCHRETZMANN-JEBAILY: Well,
2 currently for example I am working with the City
3 of Florence and we are re-writing the unified
4 development ordinance for all of Florence County.
5 It has to do with storm water and zoning and land
6 use.

7 MS. ANDERSON: When did you begin that?

8 MS. SCHRETZMANN-JEBAILY: It's been
9 about a three-year project. It's volunteer.

10 MS. ANDERSON: Now at this time I would
11 request that Ms. Schretzmann-Jebaily's Personal
12 Data Questionnaire be entered into the record
13 with any confidential information being redacted.

14 (EXH. 2, Ms. Schretzmann-Jebaily's
15 Personal Data Questionnaire marked for
16 identification.)

17 MS. ANDERSON: As part of our
18 background investigation we obtained a credit
19 check, driver's license check and SLED check and
20 we have some questions of a personal nature and
21 will request that they would be taken up in
22 executive session at the appropriate time.

23 Before we begin questioning do you have
24 a brief opening statement you'd like to make?

25 MS. SCHRETZMANN-JEBAILY: In relation

1 to?

2 MS. ANDERSON: This screening, this
3 position?

4 MS. SCHRETZMANN-JEBAILY: Only why I
5 applied, I guess. In terms of what I have to
6 offer I have a varied background I think in a
7 variety of different areas including world public
8 health, community policy making, storm water, a
9 variety of different community issues that I
10 think give me a very different perspective and
11 broader perspective and allow me to bring a lot
12 to the table in terms of what I think I can offer
13 to the Public Service Commission.

14 MS. ANDERSON: Can you please state
15 your full name and home address for the record.

16 MS. SCHRETZMANN-JEBAILY: Carolyn
17 Schretzmann-Jebaily, 1290 Renfield Road,
18 Darlington, South Carolina, 29532.

19 MS. ANDERSON: Are you a registered
20 voter?

21 MS. SCHRETZMANN-JEBAILY: Yes, I am.

22 MS. ANDERSON: And which congressional
23 district are you registered in.

24 MS. SCHRETZMANN-JEBAILY: Seven.

25 MS. ANDERSON: Aside from some of the

1 issues that you just touched upon are there other
2 reasons why you're interested in serving on the
3 Public Service Commission?

4 MS. SCHRETZMANN-JEBAILY: Only that I
5 see for example energy as probably the most
6 important and certainly the most important
7 resource and commodity on the planet and so
8 therefor I think of it as we have to be greatly
9 responsible and accountable to the way we think
10 about it and the way we use it, so -- and then
11 what I said earlier, so I think I have a lot to
12 bring to the table in terms of perspective.

13 MS. ANDERSON: Have you attended any
14 hearings at the commission?

15 MS. SCHRETZMANN-JEBAILY: Recently, no.

16 MS. ANDERSON: Have you read any of the
17 commission's decisions?

18 MS. SCHRETZMANN-JEBAILY: I have.

19 MS. ANDERSON: How would you expect to
20 get up to speed on issues confronting the
21 commission?

22 MS. SCHRETZMANN-JEBAILY: Enormous
23 amount of reading and studying. Lots of
24 diligence in terms of learning.

25 MS. ANDERSON: Please describe your

1 experience or expertise in any of the following
2 areas and include the time you've been engaged in
3 the issues. Energy, telecommunications, consumer
4 protection and advocacy, water and waste water,
5 finance, economics and statistics, accounting,
6 engineering or law.

7 MS. SCHRETMANN-JEBAILY: With energy I
8 worked approximately two years with conservation
9 voters. That was primarily an educational
10 position where I was educating the public on
11 current energy policies, especially federal and
12 state policies and how federal regulations were
13 about to impact us. With water and storm water I
14 have worked approximately five or six years on
15 that starting with a local problem with storm
16 water in Florence County. And also as well as
17 land use. Those are two integrated things that
18 we advocated for in the community as part of a
19 responsible economic development non-profit that
20 I ran, so I would say that lasted about eight
21 years. As well as the work I have done with the
22 allowable flow work with Clemson, which is
23 currently still ongoing. I've been doing that
24 for three years. That's also a volunteer project
25 as far as I am an assistant to that project.

1 Also you mentioned?

2 MS. ANDERSON: Telecommunications,
3 consumer protection and advocacy, water and waste
4 water, finance, economics and statistics,
5 accounting, engineering or law.

6 MS. SCHRETZMANN-JEBAILY: Consumer
7 protection I worked with some of the community
8 projects as well as the work I did before I got
9 into community advocacy, I wrote grants for world
10 health clinics in South Carolina all over the Pee
11 Dee.

12 MS. ANDERSON: Are you familiar with
13 the 2006 advisory opinion issued by the review
14 committee dealing with attendance at legislative
15 receptions?

16 MS. SCHRETZMANN-JEBAILY: Yes.

17 MS. ANDERSON: Have you attended any
18 legislative receptions since receiving the
19 advisory opinion?

20 MS. SCHRETZMANN-JEBAILY: No.

21 MS. ANDERSON: Are you familiar with
22 the PURC's decision at its meeting on January 15
23 of this year which clarified the 2006 decision?

24 MS. SCHRETZMANN-JEBAILY: Yes, ma'am, I
25 attended the meeting.

1 MS. ANDERSON: Have you attended any
2 legislative receptions or any legislative caucus
3 meetings other than delegation meetings on or
4 after January 15?

5 MS. SCHRETZMANN-JEBAILY: No, ma'am.

6 MS. ANDERSON: Assume you were serving
7 on the commission and you were approached by
8 someone wanting to discuss a matter that is or
9 may become an issue in a proceeding. How would
10 you handle the situation?

11 MS. SCHRETZMANN-JEBAILY: I think that
12 falls under ex parte communication and you are
13 not allowed to discuss anything that is or may
14 become an issue without all and any of the
15 parties involved being given due notice and
16 opportunity to participate in the hearing about
17 it, so you would not be allowed to discuss it.

18 MS. ANDERSON: Are you aware that
19 commissioners are subject to the judicial code of
20 conduct as well as state ethics laws?

21 MS. SCHRETZMANN-JEBAILY: Yes, ma'am.

22 MS. ANDERSON: Are you affiliated with
23 any political parties, boards or commissions that
24 would need to be reevaluated if you are nominated
25 and elected?

1 MS. SCHRETZMANN-JEBAILY: Not that I
2 know of.

3 MS. ANDERSON: Do you belong to any
4 organizations that discriminate based on race,
5 religion or gender?

6 MS. SCHRETZMANN-JEBAILY: No, ma'am.

7 MS. ANDERSON: What is the appropriate
8 demeanor for a commissioner?

9 MS. SCHRETZMANN-JEBAILY: Are we
10 talking about the code of laws 501?

11 MS. ANDERSON: Just how you would be --
12 how you present yourself, your overall demeanor.

13 MS. SCHRETZMANN-JEBAILY: I know for
14 example you have to avoid any improperious (sic)
15 behavior including the appearance of impropriety.
16 You certainly have to act with diligence and
17 impartiality throughout all of your behaviors.
18 You have to avoid conflict in your outside
19 activities, conflicts of interest in your outside
20 activities as well as avoid what I would call
21 inappropriate political activities. And you have
22 basically to always have integrity and honesty
23 with the way you deal with all of the public.

24 MS. ANDERSON: Would that apply just
25 when you're on the bench?

1 MS. SCHRETMANN-JEBAILY: I think it
2 would be outside of the bench too.

3 MS. ANDERSON: Is there ever a role for
4 sternness or anger as a commissioner?

5 MS. SCHRETMANN-JEBAILY: Sternness, do
6 you mean firmness? I would think not anger
7 because that -- I think anger shuts people down
8 and shuts people off but I think you could be
9 firm about certainly your opinion or the way --
10 if you have to weigh the evidence and you have a
11 firm belief of exactly what the decision might be
12 and you have weighed all the evidence, then I
13 think you can be firm in your opinion. But anger
14 is a different part of that equation, I think.

15 MS. ANDERSON: What is the purpose of
16 the Base Load Review Act?

17 MS. SCHRETMANN-JEBAILY: It basically
18 was two-fold. It was to protect a consumer,
19 protect the ratepayer in that he had some
20 confidence in the investment and infrastructure
21 for a new base load and it was also to give the
22 utility to provide the utility a way to recover
23 the capital costs during and throughout
24 construction of the base load plant.

25 MS. ANDERSON: And what are capital and

1 contingent costs?

2 MS. SCHRETZMANN-JEBAILY: Capital costs
3 would be everything from development, site
4 design, construction. I would think even the
5 things throughout the project, the utility work
6 incurred as far as expenses including things like
7 environmental impacts and those kind of things.
8 But contingency costs would be things like
9 unforeseen overruns and cost delays, things that
10 would not be recoverable.

11 MS. ANDERSON: What's the purpose of
12 utility regulation?

13 MS. SCHRETZMANN-JEBAILY: The purpose
14 of utility regulation would be to protect -- I
15 would think there would be several things. You
16 balance out the whole idea of protecting the
17 fair, firm and equitable regulation of utilities
18 so that it's fair and impartial. But also with
19 this thinking in mind -- and I know this part of
20 it -- there's an adjudicative and investigative
21 part from both sides, one is ORS and one is the
22 Public Service Commission. But I would think
23 with the help of ORS it's also to protect and to
24 balance out the financial integrity of the
25 utility companies themselves as well as the

1 economic development of the State of South
2 Carolina.

3 MS. ANDERSON: I have a few
4 housekeeping questions for you. Did you make any
5 contributions to members of the General Assembly
6 within six months of filing your application?

7 MS. SCHRETZMANN-JEBAILY: I have not.

8 MS. ANDERSON: Have you made any
9 contributions to members of the General Assembly
10 since filing your application?

11 MS. SCHRETZMANN-JEBAILY: I have not.

12 MS. ANDERSON: Have you sought or
13 received the pledge of any legislator prior to
14 this date?

15 MS. SCHRETZMANN-JEBAILY: I have not.

16 MS. ANDERSON: Have you sought or been
17 offered a conditional pledge of support by any
18 legislator pending the outcome of your screening?

19 MS. SCHRETZMANN-JEBAILY: I have not.

20 MS. ANDERSON: Have you asked any third
21 parties to contact members of the General
22 Assembly on your behalf before the final and
23 formal screening report has been released?

24 MS. SCHRETZMANN-JEBAILY: I have not.

25 MS. ANDERSON: Are you aware of any

1 friends or colleagues contacting members of the
2 General Assembly on your behalf?

3 MS. SCHRETMANN-JEBAILY: Not that I
4 know of.

5 MS. ANDERSON: Are you familiar with
6 the 48-hour rule which prohibits candidates from
7 seeking pledges for 48 hours after the report has
8 been submitted to the General Assembly?

9 MS. SCHRETMANN-JEBAILY: Yes, ma'am.

10 MS. ANDERSON: And would you plan on
11 serving a full term if elected?

12 MS. SCHRETMANN-JEBAILY: Oh, yes.

13 MS. ANDERSON: Thank you, I have no
14 further questions, Mr. Chair.

15 SENATOR HUTTO: Anyone have any
16 questions?

17 REPRESENTATIVE SANDIFER: Let me go
18 back to the Base Load Review Act for a moment.
19 In your opinion does it allow for the utility
20 building a plant to recover the costs of bricks
21 and mortar throughout the duration of the
22 construction project?

23 MS. SCHRETMANN-JEBAILY: From what I
24 understand it allows for the recovery of all of
25 the equity costs and a percentage return on that

1 equity as well as an average -- they are actually
2 able to recover the cost of the unspent equity.

3 REPRESENTATIVE SANDIFER: Okay. Do the
4 terms cost of capital and capital cost have a
5 different meaning to you?

6 MS. SCHRETMANN-JEBAILY: Yes.

7 REPRESENTATIVE SANDIFER: Tell me what
8 they are, please.

9 MS. SCHRETMANN-JEBAILY: Capital costs
10 would be all of those things that I mentioned
11 earlier, site design, planning, all of the
12 various evaluations that would need to be done
13 before the plant is built. Construction, adding
14 it to the grid, setting it up. Everything
15 related to getting there. That's capital costs
16 from what I understand.

17 REPRESENTATIVE SANDIFER: What is cost
18 of capital?

19 MS. SCHRETMANN-JEBAILY: Cost of
20 capital is -- which a company is able to recover
21 -- is the investment they have made, whether it
22 be spent or unspent, the upfront investment that
23 the company has made in the project.

24 REPRESENTATIVE SANDIFER: Thank you.

25 SENATOR HUTTO: Okay, no others? All

1 right, thank you very much.

2 I believe we have one more.

3 (Dale Surrett enters the hearing room at 11:02 a.m.)

4 SENATOR HUTTO: Good morning, come on
5 in. We're going to ask that you be sworn in,
6 then we'll have some staff questions and then we
7 will follow it up with questions from the
8 committee.

9 MR. SURRETT: Yes, sir.

10 REPRESENTATIVE SANDIFER: I simply want
11 to state for the record that I know Mr. Surrett.
12 He served for a very short period of time in
13 Oconee County. That relationship was a passing
14 acquaintance but I do want it to show on the
15 record.

16 (Dale Surrett, was duly sworn, after
17 which testimony began at 11:02 a.m.)

18 MR. FIFFICK: Good morning, Mr.
19 Surrett.

20 MR. SURRETT: Good morning.

21 MR. FIFFICK: I am going to briefly
22 summarize your education and experience and some
23 other relevant information just for the purpose
24 of getting it on the record.

25 Mr. Surrett obtained a bachelors of

1 arts degree in political science and an
2 associates of science degree in criminal justice
3 from the University of South Carolina Aiken in
4 1985. Mr. Surrett is a graduate of the South
5 Carolina Criminal Justice Academy and he also
6 earned his masters in public administration from
7 the University of South Carolina in 1993.

8 From 1985 to 1986 Mr. Surrett was
9 employed by the City of Aiken Department of
10 Safety and was a public safety officer charged
11 with routine law enforcement and uniform patrol
12 duties.

13 From 1986 to 1988 he served as a
14 security inspector with Wackenhut Services, Inc.,
15 responsible for protecting the nuclear facility
16 at the Savannah River Site. This position
17 required the Department of Energy Security
18 clearance.

19 From 1988 to 1990 Mr. Surrett was a
20 deputy sheriff assigned as a field training
21 officer who evaluated and trained deputies with
22 the Richland County Sheriff's Office. He
23 continued his employment as a criminal
24 investigator from 1990 to 1993.

25 From 1993 to 1999 Mr. Surrett was an

1 emergency preparedness coordinator with the
2 County of Greenville.

3 From 1999 to 2004 Mr. Surrett served as
4 the county administrator for McCormick County.

5 From 2004 to 2007 he was employed by
6 the town of Moncks Corner as the county
7 administrator.

8 From 2007 to 2009 Mr. Surrett was
9 employed by Oconee County as a county
10 administrator.

11 From 2011 to present Mr. Surrett has
12 served as a county administrator for Darlington
13 County.

14 Mr. Surrett, other than changes you
15 have already submitted do you have any changes
16 that you would like to make to your Personal Data
17 Questionnaire?

18 MR. SURRETT: No, sir.

19 MR. FIFFICK: I would request that Mr.
20 Surrett's Personal Data Questionnaire be entered
21 into the record with any confidential information
22 being redacted.

23 (EXH. 3, Dale Surrett's Personal Data
24 Questionnaire was marked for identification.)

25 MR. FIFFICK: As part of our background

1 investigation of the candidate we obtained a
2 credit check, driver's license and SLED check.
3 Staff has questions of a confidential nature or
4 personal nature and we would request they be
5 taken up in executive session at the appropriate
6 time.

7 Before we begin questioning do you have
8 a brief opening statement you'd like to make?

9 MR. SURRETT: Thank you. I would like
10 to thank the committee for the consideration of
11 my candidacy. I look forward to answering your
12 questions today. I see the possibility of my
13 serving in this role as an extension of my
14 continued public service which is demonstrated
15 with my service to South Carolina, and again I
16 look forward to your questions.

17 MR. FIFFICK: Could you please state
18 your full name and address for the record.

19 MR. SURRETT: My full name is Dale
20 Kelly Surrett. I reside at 323 Thoroughbred
21 Trail in Hartsville, South Carolina.

22 MR. FIFFICK: Are you a registered
23 voter?

24 MR. SURRETT: I am.

25 MR. FIFFICK: In which congressional

1 district are you registered?

2 MR. SURRETT: Seven.

3 MR. FIFFICK: Mr. Surrett, why are you
4 interested in serving on the Public Service
5 Commission?

6 MR. SURRETT: I see the role of the
7 Public Service Commission as important to ensure
8 that the ratepayers in South Carolina are
9 afforded the best utility service as possible and
10 to make sure that all of the service issues are
11 addressed properly for those pursuant to the
12 regulations and laws set up by the legislature.
13 I also see this as an important role for economic
14 development in South Carolina to ensure that we
15 have available and affordable utilities so that
16 we are competitive as we continue to grow as a
17 state and maintain our businesses that are here.
18 And lastly with my background in emergency
19 management I can assure you that when events
20 occur in a community the availability of reliable
21 utilities and having those restored in a timely
22 fashion is most important to ensure that
23 communities are able to overcome disasters and
24 other events that occur.

25 MR. FIFFICK: Thank you, sir. Have you

1 attended any hearings of the commission?

2 MR. SURRETT: I have not attended any
3 hearings of the commission's.

4 MR. FIFFICK: Have you read any
5 commission decisions?

6 MR. SURRETT: I have read decisions and
7 I have kept up with several issues with the
8 commission over the years.

9 MR. FIFFICK: And how would you expect
10 to get up to speed on the issues confronting the
11 commission?

12 MR. SURRETT: Well, I would read all
13 submitted briefs for the issues that come before
14 the commission. I would also ask for specific
15 staff briefings from the staff that's available
16 to the Public Service Commission.

17 MR. FIFFICK: Could you please now
18 describe your experience or expertise of any of
19 the following areas and include the time in which
20 you were engaged in those issues. Energy issues,
21 telecommunication issues, consumer protection and
22 advocacy issues, water and waste water issues,
23 finance, economics and statistics, engineering or
24 law.

25 MR. SURRETT: First I'd like to make

1 the committee aware of the fact that I hold a
2 commercial driver's license and also I hold an
3 FCC radio technician's license. Both of those
4 are applicable to the telecommunications area.
5 I've also been involved in numerous
6 telecommunications 911 projects and other
7 economic development projects involving
8 telecommunications.

9 In my position in McCormick County I
10 was responsible for managing the system, the
11 water and sewer system in which we have 3800
12 water customers, 400 miles of service line, 1000
13 sewer customers, 200 miles of sewer line. And
14 some of you will not believe this but we have 40
15 lift stations. So if you're familiar with
16 McCormick we serviced Hickory Knob, John de la
17 Howe facilities and also the Savannah Lakes
18 community, so I'm quite familiar with operating
19 water and sewer systems.

20 In my positions as municipal and county
21 managers I've managed annual budgets in the
22 amount of \$5 million to \$45 million. In those
23 positions I was responsible for implementing and
24 recommending local and state laws related to the
25 administration of the local government. I was

1 also currently and in the past required to ensure
2 that the records of the county and municipal
3 governments are kept in a fashion that meet the
4 government accounting standards.

5 MR. FIFFICK: Thank you, sir. Are you
6 familiar with the 2006 advisory opinion issued by
7 the review committee dealing with attendance at
8 legislative receptions?

9 MR. SURRETT: I am.

10 MR. FIFFICK: And are you familiar with
11 the PURC's decision at its meeting on January 15
12 of this year which clarified the 2006 advisory
13 opinion?

14 MR. SURRETT: I am.

15 MR. FIFFICK: Have you attended any
16 legislative receptions since receiving the
17 advisory opinion?

18 MR. SURRETT: I have not.

19 MR. FIFFICK: Assume you were serving
20 on the commission and you were approached by
21 someone wanting to discuss a matter that is or
22 may become an issue before the commission in a
23 proceeding. How would you handle that situation?

24 MR. SURRETT: I would politely stop the
25 conversation and advise them that in order for me

1 to be able to hear the matter in an impartial
2 fashion that I had to not receive their
3 information and direct them to an appropriate
4 source within the PSC or our offices where they
5 could relay that information and get further
6 information.

7 MR. FIFFICK: Are you aware that
8 commissioners are subject to the judicial code of
9 conduct as well as state ethics laws?

10 MR. SURRETT: I am.

11 MR. FIFFICK: Are you affiliated with
12 any political parties, boards or commissions that
13 would need to be reevaluated if you're nominated
14 and elected?

15 MR. SURRETT: I am not.

16 MR. FIFFICK: Do you belong to any
17 organizations that discriminate on race, religion
18 or gender?

19 MR. SURRETT: No.

20 MR. FIFFICK: Mr. Surrett, what is the
21 appropriate demeanor for a commissioner?

22 MR. SURRETT: The appropriate demeanor
23 is to ensure that there's fairness to all
24 parties, there's respect and decorum for the
25 commission meetings.

1 MR. FIFFICK: Does that apply just
2 while you're on the bench or is that a 24/7?

3 MR. SURRETT: That occurs at all times.

4 MR. FIFFICK: Is there ever a role for
5 sternness or anger on the part of a commissioner?

6 MR. SURRETT: No, sir.

7 MR. FIFFICK: Could you please describe
8 the statutorily stated purpose and operation of
9 the Base Load Review Act of 2007 to include the
10 discussion of contingent and capital costs.

11 MR. SURRETT: The Base Load law sited
12 as I understand it essentially determines how to
13 reimburse the utilities so that they can maintain
14 the base load capacity needed to meet and
15 preserve margins.

16 MR. FIFFICK: Would you like to include
17 any discussion of the difference or the relation
18 between contingent and capital costs?

19 MR. SURRETT: Well, the capital costs
20 serve or are related to the debt service for
21 their infrastructure. The contingency costs are
22 reserve funds necessary to account for natural
23 disasters, other interruptions to business and
24 also any other regulatory issues that may come up
25 without foresight so that they have the ability

1 to respond to change and still maintain the
2 integrity of their system.

3 MR. FIFFICK: You touched on this
4 earlier but could you please explain more
5 specifically the general rule regarding ex-parte
6 communication.

7 MR. SURRETT: Well, the general rule is
8 that in matters that would be heard before the
9 commission is that all parties have the ability
10 to hear all information and that no commissioner
11 or party involved with it has communications
12 outside of the hearings.

13 MR. FIFFICK: Thank you, sir. I have
14 got some housekeeping questions now for you.

15 Have you sought or received a pledge of
16 any legislator prior to this date?

17 MR. SURRETT: I have not.

18 MR. FIFFICK: Have you sought or been
19 offered a conditional pledge of support by any
20 legislator pending the outcome of your screening?

21 MR. SURRETT: I have not.

22 MR. FIFFICK: Have you asked any third
23 parties to contact members of the General
24 Assembly on your behalf before the final and
25 formal screening report has been released?

1 MR. SURRETT: I have not.

2 MR. FIFFICK: Are you aware of any
3 friends or colleagues contacting members of the
4 general Assembly on your behalf?

5 MR. SURRETT: I am not.

6 MR. FIFFICK: Are you familiar with the
7 48 hour rule which prohibits a candidate from
8 seeking pledges for 48 hours after the report has
9 been submitted to the General Assembly?

10 MR. SURRETT: I am.

11 MR. FIFFICK: And finally do you plan
12 to serve a full term if elected?

13 MR. SURRETT: I do.

14 MR. FIFFICK: Mr. Chairman, I have no
15 further questions.

16 SENATOR HUTTO: Any questions by any
17 members?

18 REPRESENTATIVE SANDIFER: Thank you,
19 Mr. Chairman. Mr. Surret, good to see you
20 again.

21 MR. SURRETT: Good to see you, Mr.
22 Sandifer.

23 REPRESENTATIVE SANDIFER: Let's go back
24 to your earlier statement. One of the things
25 that you said that your reason for wanting to

1 serve was really an extension of your previous
2 public service. Will you elaborate a little bit?
3 And what I'm looking for is the differentiation
4 in the type of service you would be able to
5 perform on the commission versus what you have
6 done in the past.

7 MR. SURRETT: Yes. In my role as a
8 municipal and county administrator I have worked
9 very hard to ensure that services are provided to
10 a community in the most efficient manner as
11 possible, and in that same fashion to do
12 everything that we can do ensure that existing
13 businesses are provided the support that they
14 need and that they can only receive in many cases
15 from local government. In that fashion as many
16 of you understand our growth comes from our
17 existing businesses, 80 percent of our investment
18 and jobs, new jobs come from those existing
19 businesses, and obviously when new businesses
20 come in they are going to ask those businesses
21 how the environment is before they make an
22 investment. In the role of the Public Service
23 Commission I see the predictability and stability
24 for residents that are looking to move to the
25 state. For the residents that have been here all

1 their lives, we are getting ready to enter into a
2 period of time in which we are going to have four
3 times the number of those who are senior citizens
4 then we've had in the past because of the baby
5 boomer generation. So it's very important that
6 we have a stable rate base for those folks so as
7 they move into retirement they don't have a lot
8 of surprises, because many of those folks have
9 worked all their lives but don't have a lot of
10 resources to be able to live. And then we are
11 competing with businesses where many times the
12 utility rates become the deciding factor as to
13 whether or not we're going to get an investment
14 or not. So I see this as a role of being able to
15 bring all my past experience in and help focus
16 and craft that.

17 I also would like to say that in my
18 role as a county administrator in Moncks Corner
19 that I was able to establish a lot of
20 relationships with the Santee Cooper organization
21 and the cooperatives and I feel like that I can
22 bring that understanding on how the
23 investor-owned utilities and the state-owned and
24 cooperative utilities can all work together to
25 make this the best situation.

1 REPRESENTATIVE SANDIFER: I appreciate
2 what you're saying and the fact that you do
3 understand the difference between the regulated
4 and non-regulated types of utilities that we have
5 in the state. However, I am concerned that I'm
6 not sure that you are recognizing the role that a
7 commissioner plays and that is adjudicatory only;
8 you would not be going out and advocating for a
9 position, and I want to be sure that you
10 understand that.

11 MR. SURRETT: Yes, sir. What I would
12 bring to the role is the fact that I would look
13 at the law, I would look at the regulation, I
14 would look at the facts provided and assure that
15 the decisions that were handed down or at least
16 my vote was based on that and that only.
17 However, outside of matters that would be pending
18 to the commission I would certainly always be
19 available if the members of the legislature were
20 interested as to how I felt like we can all work
21 together to make the environment as best as
22 possible.

23 REPRESENTATIVE SANDIFER: And in that
24 regard would you consider a discussion with me as
25 a legislator to be an ex-parte communication?

1 MR. SURRETT: Not unless it was -- if
2 there was a particular matter pending before the
3 PSC I wouldn't see it as ex-parte. If it's just
4 policy and direction as to how --

5 REPRESENTATIVE SANDIFER: What if it is
6 an issue that may be as in a future date
7 considered, at some future date considered at the
8 commission?

9 MR. SURRETT: Then I would not enter
10 into that discussion. I would only enter those
11 discussions in which I felt like it was general
12 structure and not anything that could be seen as
13 me bringing any preconceived notions to a
14 hearing.

15 REPRESENTATIVE SANDIFER: And one of
16 the things you said earlier on was emergency
17 services and your expertise and experience, and I
18 applaud that, but one of the things that you said
19 that peeked my attention was the fact that you
20 would see that utilities were restored to a
21 community in a timely manner. How would you do
22 that?

23 MR. SURRETT: Well, part of that is to
24 ensure that they have the resources day in and
25 day out in order to be able to respond to those

1 emergencies and they have to have adequate
2 reserves, their infrastructure has to be kept up
3 to date, and they have to have the ability to
4 recover those costs.

5 REPRESENTATIVE SANDIFER: Is that
6 applicable, that restoration, is that applicable
7 state wide?

8 MR. SURRETT: Yes.

9 REPRESENTATIVE SANDIFER: So it's
10 applicable in the co-op territory, the Santee
11 territory, all those munies?

12 MR. SURRETT: Yes, sir, and when those
13 events occur those resources are shared across
14 all boundaries --

15 REPRESENTATIVE SANDIFER: What I'm
16 trying to get at, Mr. Surrett, is your role as a
17 commissioner in assuring those things are done.
18 And I think you're assuring us there are some
19 things that you would not be able to do.

20 MR. SURRETT: Well, again as the
21 commission we would be focused on investor-owned
22 utilities but certainly encouraging that
23 cooperation and ensuring that wide review on all
24 parties, whether they be municipalities that
25 provide power or the co-ops that that is

1 understood.

2 REPRESENTATIVE SANDIFER: When you talk
3 about the ex-parte communications you said that
4 you would refer that individual to the
5 appropriate person. Who might that appropriate
6 person be and/or agency?

7 MR. SURRETT: In most cases it would be
8 the office of regulatory staff.

9 REPRESENTATIVE SANDIFER: Okay. The
10 base Load Review Act, the term prudently incurred
11 and the meaning in that?

12 MR. SURRETT: As I read the act the act
13 is to balance the need for utilities to provide
14 that base load, provide that infrastructure and
15 yet when they take risks, all the risk is not all
16 put on the ratepayer. The risk is shared equally
17 by the investors as well as the ratepayers.

18 REPRESENTATIVE SANDIFER: During the
19 time of construction of a nuclear facility what
20 charges might be added to the rate that the
21 customer pays?

22 MR. SURRETT: The cost of the
23 development of the nuclear facilities as in the
24 situation that's currently going on with the two
25 units at VS Summer.

1 REPRESENTATIVE SANDIFER: So those
2 ratepayers would be paying for bricks and mortar
3 as they go in and all the infrastructure and all
4 of that?

5 MR. SURRETT: As it's currently set up
6 as I understand it they share that cost from the
7 very beginning. And again, as I understand it,
8 and I was observing the discussion that was going
9 on is that is so that the cost of this
10 infrastructure is spread across the generations
11 of folks that will use an asset. I live in
12 Hartsville and we have a HB Robinson plant there
13 and that plant's operated for 40 years, it's been
14 re-licensed for another 20 years. It would be
15 very unfair to cause a group of ratepayers for a
16 10 year period of time to bear that entire cost.
17 So it's spreading that cost and sharing it so
18 that it is borne on those as they pay the rates.

19 REPRESENTATIVE SANDIFER: You might
20 want to go back and reread the Base Load Act
21 because it only allows for the recovery of the
22 cost of capital. Huge difference between capital
23 costs and cost of capital.

24 One last question. You've talked
25 primarily about utilities. Are there other

1 things that the commission is responsible for?

2 MR. SURRETT: Yes, sir, the interstate
3 motor carriers, natural gas, wire-line
4 telecommunications and also some other
5 transportation such as the limousine stretcher
6 services.

7 REPRESENTATIVE SANDIFER: Taxi cabs?

8 MR. SURRETT: Yes.

9 REPRESENTATIVE SANDIFER: Pipeline
10 safety?

11 MR. SURRETT: Yes, railroads.

12 REPRESENTATIVE SANDIFER: Thank you
13 very much.

14 SENATOR HUTTO: Are you familiar with
15 the Rate Stabilization Act, the natural gas
16 industry?

17 MR. SURRETT: I am familiar with the
18 actions of the commission in terms of being able
19 to adjust the rates according to the cost of
20 natural gas, yes.

21 SENATOR HUTTO: That sounds like the
22 cost of natural gas, but this particular one has
23 to do with extending out a rate case.

24 MR. SURRETT: I am sorry, I didn't hear
25 that.

1 SENATOR HUTTO: This particular one has
2 to do with you don't have to do a rate case.

3 MR. SURRETT: I am not familiar with
4 those details.

5 SENATOR HUTTO: What do you see as are
6 the major challenges facing us in the utilities
7 industry in the future?

8 MR. SURRETT: Power utilities or in all
9 utilities?

10 SENATOR HUTTO: All utilities.

11 MR. SURRETT: Aging infrastructure, the
12 quick turnaround now with technology of -- a lot
13 of the technology in the past you would invest in
14 and you would get a long return on. Now a lot of
15 this there is shorter time frames that equipment
16 becomes obsolete. A lot of it has to do with
17 computer controls and software-driven. Certainly
18 in terms of the companies themselves they are all
19 struggling with the fact that they have an aging
20 baby boomer utility base and they are currently
21 trying to find the talent to come in to replace
22 those folks and have continuing staff and
23 expertise there. So it's kind of a generational
24 change.

25 In terms of the customers themselves

1 there is likely to be probably another million
2 people that will move into South Carolina in the
3 next 20 to 30 years if you believe what some of
4 the demographers have there. And so trying to
5 have that infrastructure in place to meet that
6 service demand is going to be challenging on the
7 power end, not only in generation but also in
8 transmission and in some cases how services are
9 delivered in terms of the wire-line telephone
10 business with so many of the folks moving over to
11 wireless yet still trying to maintain a wired
12 infrastructure because a lot of people don't
13 realize that a wireless phone has to eventually
14 get to a wired telephone in order to actually
15 make a phone call. So those are some of the
16 issues that I see in the next few years.

17 SENATOR HUTTO: Can you tell us what
18 the Universal Service Fund is?

19 MR. SURRETT: Yes, sir, it's a fund.
20 There's a fee on everyone who has
21 telecommunication service and that fund is used
22 to help provide basic telephone service to folks
23 that may not have the ability to pay for
24 telephone service.

25 SENATOR HUTTO: And do you believe that

1 the Universal Service Fund is still needed?

2 MR. SURRETT: I do. I've served in
3 some communities that have some folks with
4 influence but there are still very many poor
5 folks in this state and they need that ability to
6 communicate. In some cases they need it to be
7 able to call for assistance, and in some cases
8 they need it to be able to try to find
9 employment. So yes, I believe it's very
10 important.

11 SENATOR HUTTO: Do you see a future for
12 green energy in South Carolina?

13 MR. SURRETT: I do. Currently in
14 Hartsville I have been working very closely with
15 Sunoco, they're investing \$70 million in a bio
16 mass boiler system that will replace two almost
17 50 year-old coal firing boilers. And that's
18 going to be used on the material that we all see
19 on the side of the road where there's been
20 cutting of timber, and after that's done the
21 waste is pushed up in piles. And the traditional
22 practice has been to push it up in piles and let
23 it dry out, and then on a good rainy day you
24 light it off and you scatter it and then
25 re-plant. And they're actually going to go in

1 and re-claim that and chip it and burn it. So I
2 see a win-win there where we are reducing
3 emissions and capturing that energy there.

4 There is certainly as time goes on the
5 solar panels are becoming more affordable.
6 There's some opportunities there. A lot of the
7 renewables are restricted by battery technology
8 so that's something for us all to be watching.
9 And certainly looking at any means to be able to
10 capture what could be harmful situations.

11 I have served on the boards that were
12 over on landfills and instead of flaring methane
13 to the atmosphere having opportunities to burn
14 that. So all of those opportunities out there.
15 Because I think very much like our homes we have
16 some big uses in our homes with air conditioning,
17 the hot water, those big users in the homes. But
18 you have those little uses out there too. I have
19 four cell phones in my home and an iPad and all
20 these computers and everything is hooked up to
21 something, and so the power bill is a mix of
22 these big uses but a lot of these are little
23 ones. And I see the older generation the
24 opportunity to collect that from other places.
25 Anything we can do to help cut down on that big

1 demand and find ways to take advantage of that I
2 think is certainly great.

3 And in the case like Sunoco not only
4 will they be able to create electricity from that
5 but they'll also be able to create steam that
6 they'll use in the mill itself, so it's a good
7 situation.

8 SENATOR HUTTO: We are going to ask you
9 to stay and ask everyone else to leave for a
10 moment.

11 (The Public Service Commission went
12 into executive session from 11:18 to 11:34 a.m.)

13 SENATOR HUTTO: The veil is lifted and
14 we are adjourned.

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17 (Thereupon the proceedings were concluded at 11:42 a.m.)

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I N D E X

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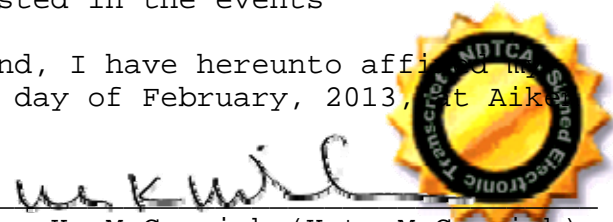
CERTIFICATE OF REPORTER

I, Mary K. McCormick, Court Reporter and Notary Public for the State of South Carolina, do hereby certify:

That the foregoing proceeding was taken before me at the date and time and location as stated on page 1 of this transcript; that the witnesses were duly sworn to testify to the truth, the whole truth and nothing but the truth; that the testimony of the witnesses made at the time of the examination were recorded stenographically by me and were thereafter transcribed; that the foregoing proceeding as typed is a true, accurate and complete record of the proceedings to the best of my ability.

I further certify that I am not of counsel or kin to any of the parties to this cause pending or interested in the events thereof.

Witness my hand, I have hereunto affixed my official seal this 25th day of February, 2013, at Aiken County, South Carolina.



Mary K. McCormick (Katy McCormick)
Notary Public
State of South Carolina at Large
My Commission Expires:
June 30, 2015