

# **Annual Accountability Report**

**FY 2005-2006**



*South Carolina Office  
Of  
Regulatory Staff*

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# Section I -- Executive Summary

## 1. Mission 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.

Fundamental to the success of the agency are these basic **values**: Integrity, Impartiality, Responsiveness, Respect, Professionalism, Innovation, and Excellence.

## 2. Highlights of Major Achievements from the Past Year

### Adjudicative:

- ◆ **Approximately 80 cases settled** which resulted in major savings to citizens and utilities.
- ◆ As an example of the benefits derived from settlements, **almost \$95,000,000 was saved by consumers in 6 major electric and gas settlements:**
  - SCE&G 2005 gas rate case – \$5.6 million
  - SCE&G 2005 Purchased Gas Adjustment review -- \$23 million
  - SCE&G 2006 annual base rates for fuel costs review -- \$19 million
  - Duke-Cinergy merger agreement -- \$40 million
  - Piedmont Natural Gas rate stabilization (RSA) -- \$3.2 million
  - Progress Energy 2006 annual base rates for fuel costs review -- \$4.0 million

### Regulatory and Safety:

- ◆ **Natural Gas Prices.** In light of rising natural gas prices, the ORS communicated with the Federal Energy Regulatory Commission (FERC), the Commodity Futures Trading Commission (CFTC), and the S.C. Congressional delegation to request proceedings to examine the matter of market prices for natural gas. Developments subsequent to this request by the ORS include:
  - FERC's issuance of new rules in January of '06 pursuant to the Energy Policy Act of 2005 that address preventing market manipulation and that impose hefty penalties for violations.
  - Findings that excessive market speculation or manipulation has existed for some time and may have contributed to the post-Katrina spike in gas prices. The ORS was one of 10 state regulatory agencies selected nationwide to participate in U.S. General Accounting Office surveys as part of a U.S. Senate subcommittee investigation into energy price market manipulation. Findings from the investigation call for increased market oversight of over-the-counter electronic markets through proposed legislation.
- ◆ **Lower natural gas rates.** Successfully negotiated with SCANA to lower its natural gas rates to customers during the '05-'06 winter – by about 3.6% in January and 4% in February.

- ◆ **Upstate Power Outage.** Initiated a review of Duke Power's response to the December '05 ice storm in which over 500,000 Upstate customers lost power. A report is scheduled to be completed this fall.
- ◆ **Pipeline Safety Advisory.** As a result of a January '05 fire at a residence, issued an official advisory notice to gas operators that identified a certain meter set configuration and recommended changes to them to increase safety. All investor-owned gas utilities, gas authorities, and gas municipalities completed a plan for remediation.
- ◆ **Receivership of Piney Grove water/wastewater system.** Facilitated receivership of the entire Piney Grove system – secured funding to assist the City of Cayce in tying Lloydwood's subdivision to their system and secured funding for Richland County to take over Franklin and Allbene Park subdivisions.
- ◆ **Transportation.** Inspected 5,579 vehicles, issued 126 citations, assisted 770 carriers, and performed 182 compliance audits.
- ◆ **Railroad Safety.** Issued 33 citations, inspected 3,350 pieces of equipment and 2,031 miles of track.
- ◆ **Regulation Changes.** Provided recommendations for changes to existing regulations for electric and gas, water/wastewater, transportation, and telecommunications.

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

- ◆ **Consumer complaints and inquiries.** From July 1, 2005 through June 30, 2006, resolved approximately 4,199 consumer complaints and inquiries and saved consumers approximately \$214,362 via the investigation of complaints.
- ◆ **Consumer education.** In addition to press releases sent regularly to media outlets statewide and posted on the ORS web site, distributed over 39,000 pieces of consumer education and outreach material (brochures, booklets, etc.) to consumers on a variety of topics including winter heating costs and safety tips, services offered to consumers by the ORS, pipeline safety, the Lifeline program, and tree trimming near power lines.
- ◆ **Education for regulated motor carriers.** Published four issues of the *News on Wheels* newsletter – distributed quarterly to over 800 regulated motor carriers
- ◆ **Education for utilities.** Hosted workshops for water/wastewater companies (95 attendees) and household goods movers (70 attendees); co-hosted workshops for gas operators and fire response personnel (110 attendees) and local telecommunications exchange companies (40 attendees).
- ◆ **Safety Net initiative.** Devised a proposed safety net program with electric and gas utilities for at-risk customers.
- ◆ **\$3 million to assist natural gas customers.** Successfully filed a joint petition with SCE&G for the company to use \$3 million in federal synthetic fuel tax credits to assist financially challenged natural gas customers.
- ◆ **Hurricane Katrina victims.** Provided assistance to Hurricane Katrina victims through 1) expanding Lifeline and Link-up credits and 2) successfully petitioning, along with three electric utilities, to suspend customer deposit requirements (through 12/31/05) for evacuees in S.C.
- ◆ **Lifeline and Link-up.** Expanded the reach of the Lifeline and Link-up programs to provide benefits to customers up to 125% of the federal poverty level. During the inaugural year as an ORS-administered program, enrolled 2,728 households -- thus generating a monetary benefit to the program recipients of \$441,936.

### **Economic Development:**

- ◆ Facilitated the approval of three contracts, two for electric service and one for natural gas, under state economic development programs – resulting in **\$960 million in new industry investment** and the creation of approximately **840 new jobs** for the state.
- ◆ Worked with the City of Columbia to provide clarification of track authority which enabled the Railroad Museum track to be utilized by Norfolk Southern to serve Guardian Building Products, Inc. (that purchased the Mack Truck facility in Winnsboro) – resulting in a **\$39 million investment in new industry** and approximately **135 new jobs**.

### **Administrative:**

- ◆ **Gross receipts reporting.** Achieved significant improvements in gross receipts reporting during FY 2005-2006 due to a focused effort involving a comprehensive mailing of gross receipts forms and the issuance of reminder letters and phone calls. Resulted in a 37% increase in the number of companies reporting gross receipts in FY 2005-2006 as compared to FY 2004-2005.
- ◆ **USF Fund.** After assuming management of the \$53 million fund in January '05, contracted for a third-party compilation of financial records and then for an independent audit of the fund. Resized the fund factor and successfully petitioned for a declaratory ruling to clarify differences in USF reporting and administrative guidelines.
- ◆ **Interim LEC Fund.** Resized the \$33 million fund and reallocated it to bring down access charges.
- ◆ **Efficiency through technology.** Initiated several steps to increase value to stakeholders through technology – created a joint data base with the PSC, automated gross receipts form distribution, compiled a Transportation carrier data base, automated the Transportation decal process, revised and automated annual report forms, and made improvements to the ORS web site.

### **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. Opportunities and Barriers That May Affect the Agency's Success in Fulfilling Its Mission and Achieving Its Strategic Goals**

#### **Opportunities:**

- ◆ Continue to balance all aspects of the public interest in utility regulation – consumers, public utilities, and the economic development of the state.
- ◆ Continue to develop and maintain mutually beneficial alliances with other governmental agencies and organizations for both policy and administrative matters.
- ◆ Continue the creation and maintenance of consumer outreach efforts to include new and existing programs as well as new promotional/educational materials.
- ◆ Increase online accessibility to customers and stakeholders for needed services.

- ◆ Monitor federal and state laws and regulations, make policy recommendations, and advocate for changes where necessary.
- ◆ Increase staff expertise in regulatory and technical matters through training and sharing of best practices.
- ◆ Manage agency staffing to maximize employee retention and development and to optimize opportunities for transfer of knowledge and succession planning.
- ◆ Maximize intra-office efficiency through leadership opportunities and cross-functional, inter-departmental communication and collaboration.

**Barriers:**

- ◆ Meet the challenge of monitoring federal and state statutory and regulatory developments in the various utility industries and advocating for changes where necessary.
- ◆ Meet the challenge of monitoring external market factors as related to their effect on fuel prices, transport prices, and other factors that may ultimately affect rates charged and service provided by regulated utilities.
- ◆ Meet the staffing challenge of retaining and recruiting qualified employees by offering compensation, working conditions, and benefits that are comparable to industry standards.
- ◆ Meet the staffing challenge of allocating the necessary time and developing the necessary expertise for changes in the utility industry and for cyclical, seasonal, or evolving changes in workload.
- ◆ Meet the staffing challenge of providing appropriate career management to include knowledge transfer, career pathing, 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.

# **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 Segments and Their Key Requirements/Expectations.** The creation of the ORS by Act 175 provided a revised structure for addressing the public interest that clearly separates the adjudicative function (which remains with the PSC) from the investigative, legal, prosecutorial, and educational roles necessary to utility regulation that are now within the purview of the ORS.

Specifically, 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.

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.

## **Key Customer Segments:**

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, which serve as the key customer segments of the ORS:

- 1) **concerns of the using and consuming public**
- 2) **financial integrity of public utilities and**
- 3) **economic development of South Carolina**

## Key Requirements/Expectations:

The ORS fulfills the requirements/expectations of these key customer segments by providing the following:

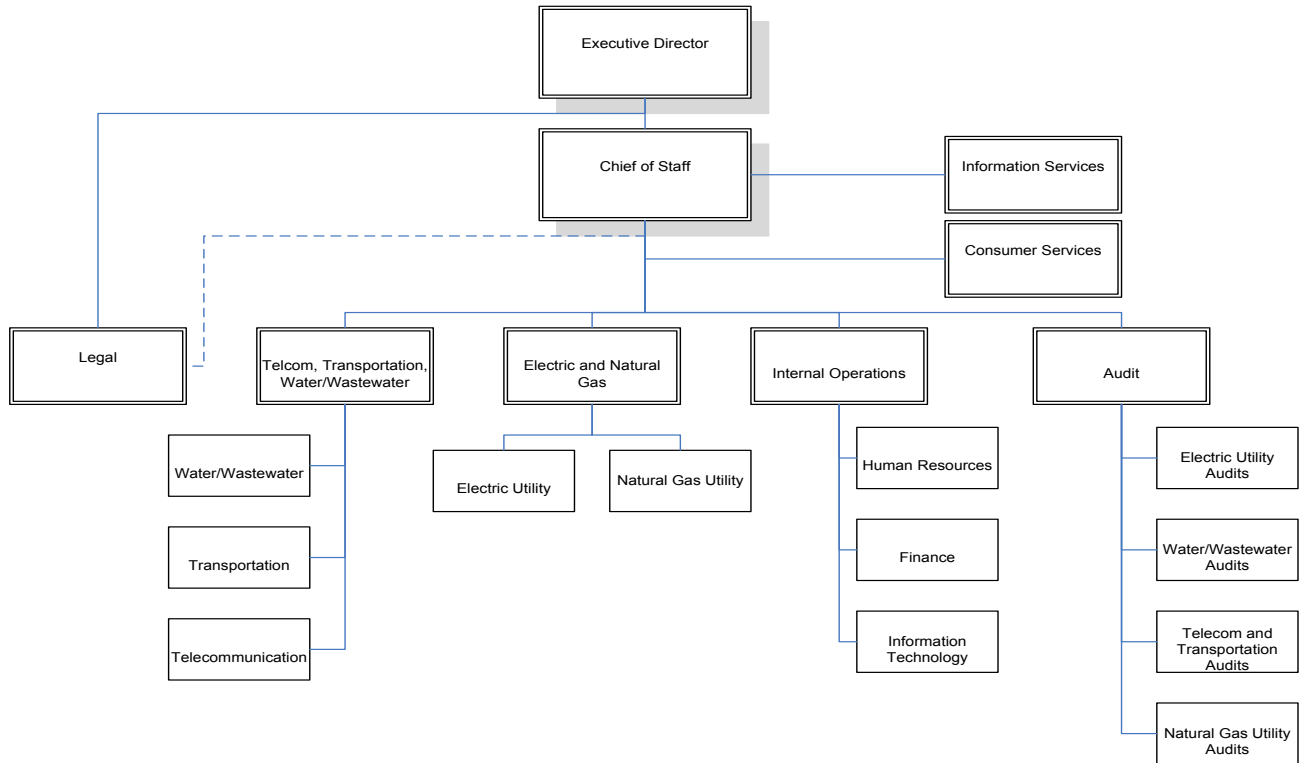
- ◆ In legal matters ~
  - Filing testimony
  - Providing staff witnesses
  - Securing expert witnesses, as necessary
  - Conducting formal mediations/arbitrations
  - Initiating/mediating settlement agreements
  - Conducting audits -- On-site audits, business audits, management audits, and prudence 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 certain territorial matters involving utilities
  - Reviewing and making recommendations regarding utility-filed industrial economic rate incentives

3. **Key Stakeholders.** Taxpayers and the general public; S.C. General Assembly; S.C. Public Service Commission; investor-owned utilities; 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 1441 Main Street in Columbia, South Carolina, in the former First Union building. The agency occupies the third floor and a portion of the fourth floor.
6. **Number of Employees.** At the end of FY 05-06, 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; 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/Treasurer accounting requirements; and the S.C. Human Affairs Commission.
8. **Key Strategic Challenges.**
  - a. Meet the challenge of monitoring federal and state statutory and regulatory developments in the various utility industries and advocating for changes where necessary.
  - b. Meet the challenge of monitoring external market factors as related to their effect on fuel prices, transport prices, and other factors that may ultimately affect rates charged by utilities.
  - c. Meet the staffing challenge of retaining and recruiting qualified employees by offering compensation, working conditions, and benefits that are comparable to industry standards.
  - d. Continue to balance all aspects of the public interest in utility regulation – consumers, public utilities, and the economic development of the state.
  - e. Meet the staffing challenge of allocating the necessary time and developing the necessary expertise for changes in the utility industry and for cyclical, seasonal, or evolving changes in workload.
  - f. Meet the staffing challenge of providing appropriate career management to include knowledge transfer, career pathing, and leadership development.
9. **Performance Improvement System.** The agency has in place a continuous improvement process that is managed by the leadership management team. The foundation of this process is the agency's strategic plan and its performance measures. In addition to the yearly compilation of performance measures for the Accountability Report, the leadership management team meets quarterly to assess progress toward meeting elements of the strategic plan and to gauge progress on meeting the criteria set forth in the performance measures. The team members communicate the results of these quarterly meetings to their respective departments and guide the implementation of any changes to be made.

## 10. Organizational Structure



**11. Expenditures/Appropriations Chart.**

**Base Budget Expenditures and Appropriations**

Major Budget Categories	04-05 Actual Expenditures		05-06 Actual Expenditures		06-07 Appropriations Act	
	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund
Personal Service	\$2,017,843	\$0	\$3,680,459	\$0	\$4,142,764	\$0
Other Operating	\$1,173,564	\$0	\$1,138,117	\$0	\$1,037,525	\$0
Special Items	\$1,806,430	\$0	\$3,475,278	\$0	\$2,500,000	\$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	\$533,478	\$0	\$905,935	\$0	\$1,165,125	\$0
Non-recurring	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$5,531,315</b>	<b>\$0</b>	<b>\$9,199,789</b>	<b>\$0</b>	<b>\$8,845,414</b>	<b>\$0</b>

**Other Expenditures**

Sources of Funds	04-05 Actual Expenditures	05-06 Actual Expenditures
Supplemental Bills	\$0	\$0
Capital Reserve Funds	\$0	\$0
Bonds	\$0	\$0

## 12. Major Program Areas Chart

Program Number and Title	Major Program Area Purpose (Brief)	FY 04-05 Budget Expenditures	FY 05-06 Budget Expenditures	Key Cross References for Financial Results*
I. Legal	-To represent ORS and the public in legal proceedings before the Public Service Commission -To provide legal services to ORS	State: Federal: Other: 484,609.00 Total: 484,609.00 % of Total Budget: 9%	State: Federal: Other: 744,142.00 Total: 744,142.00 % of Total Budget: 8%	7.2-4, 7.2-5
II. Support Services	-To provide customer service to consumers of transportation companies and regulated utilities -To perform audits of regulated utilities	State: Federal: Other: 986,109.00 Total: 986,109.00 % of Total Budget: 18%	State: Federal: Other: 1,373,083.00 Total: 1,373,083.00 % of Total Budget: 15%	7.1-1, 7.1-2, 7.2-1 7.1-3 7.2-5
III. Telecommunications, Transportation, Water/Wastewater	-To ensure safety of State railways -To monitor regulated telecommunications, water and wastewater utilities and transportation carriers	State: Federal: Other: 1,079,749.00 Total: 1,079,749.00 % of Total Budget: 19%	State: Federal: Other: 1,473,808.00 Total: 1,473,808.00 % of Total Budget: 16%	7.2-2, 7.2-3, 7.2-4, 7.2-5, 7.2-7, 7.2-8 7.2-9, 7.2-10, 7.2-12 7.2-13, 7.2-14
IV. Utilities, Electric and Gas	-To ensure safety of gas pipelines -To monitor regulated electric and gas utilities	State: Federal: Other: 504,641.00 Total: 504,641.00 % of Total Budget: 9%	State: Federal: Other: 930,813.00 Total: 930,813.00 % of Total Budget: 10%	7.2-4, 7.2-5, 7.2-6 7.2-9, 7.2-10, 7.2-11 7.2-15
I. Dual Party	-To regulate a statewide program to provide access to basic phone service for the hearing and speech impaired	State: Federal: Other: 1,806,430.00 Total: 1,806,430.00 % of Total Budget: 33%	State: Federal: Other: 3,475,278.00 Total: 3,475,278.00 % of Total Budget: 38%	

**Below: List any programs not included above and show the remainder of expenditures by source of funds.**

Executive Director and Administration

<b>Remainder of Expenditures:</b>	State: Federal: Other: 669,777.00 Total: 669,777.00 % of Total Budget: 12%	State: Federal: Other: 1,202,665.00 Total: 1,202,665.00 % of Total Budget: 13%
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\* 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 Malcolm Baldrige Award Criteria

## 1.0 Leadership

The leadership team of the Office of Regulatory Staff consists of the Executive Director, the Chief of Staff, and a management team that reports directly to the Chief of Staff.

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

- A. Short- and Long-term Direction and Organizational Priorities.** The ORS works closely with the State Regulation of Public Utilities Review Committee to establish the agency's long-term goals, objectives, and performance measures. As these parameters are set, senior management communicates expectations with staff via weekly departmental staff meetings, topic-specific meetings, day-to-day communications, the EPMS process, and the office policy manual.

With regard to organizational priorities, the agency's strategic planning process is the mechanism by which most of the organization's key priorities for improvement are set, gauged, and adjusted as necessary. In addition to the strategic planning process, senior management also employs the use of meetings with stakeholder groups, observations of programs and facilities, program reviews, staff reviews, formal and informal communication with staff, EPMS reviews, and other two-way feedback mechanisms.

- B. Performance Expectations.** Agency performance measures were established in tandem with the ORS strategic plan and are reviewed annually by the State Regulation of Public Utilities Review Committee. Management is responsible for providing quarterly updates to senior management regarding their respective areas' accomplishments in relation to the performance measures. This quarterly review provides a means of gauging progress toward fulfilling the agency's performance standards.

In addition, performance measures are set as part of individual staff members' EPMS planning stages. Supervisors are responsible for monitoring and evaluating these measures through a review process for actual performance.

- C. Organizational Values.** The foundation of values identified by senior management during the agency's first few months of existence is the basis for its strategic planning process. These values (listed earlier in this document) are the touchstones by which the ORS measures its conduct and its success.

- D. Empowerment and Innovation.** Senior management employs an open door policy for all ORS employees. To foster open communication, ORS employees at all levels are encouraged to identify any opportunities or barriers they encounter with regard to achieving individual and agency objectives.

**E. Organizational and Employee Learning.** The ORS strongly encourages its employees to participate in training for professional and personal development. The agency has implemented an e-Training system that provides employees with a means of electronically logging their training hours. Continuously improving the collective industry knowledge and technical expertise of the staff is an ongoing priority. Over the course of this year, ORS staff members have attended a wide array of seminars such as regulatory workshops and schools, utility industry-specific seminars, regulatory law seminars, human resource training, managerial and computer skills training, etc.

Weekly staff meetings provide forums for communicating legal and policy updates, key agency or governmental decisions, program enhancements, and other information critical to the operation of the agency.

**F. Ethical Behavior.** As stated in the agency values, “We uphold the law in every action and interaction necessary to the regulation of public utilities.” Integrity is the watchword for all ORS operations. Senior management communicates this high standard through positive examples of agency leadership and by adhering to and modeling agency policies and procedures. State OHR core policies are incorporated into the agency policy manual and are carried out via standard operating practices at all levels of the agency. In addition, all ORS staff members participated in 6 hours of ethics training.

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

By virtue of the ORS mission, the *public interest* is always the focus of the agency’s intentions, decisions, and actions. The ORS has a Consumer Services Division whose purpose is to provide a mechanism by which consumers can voice questions, complaints, or inquiries regarding their utilities. In addition, the ORS has created several customer-oriented communication and feedback mechanisms and will continue to create more. A few examples are as follows: an agency web site dedicated to informing and communicating with customers and stakeholders – this web site includes a comprehensive section dedicated to consumer issues as well as an online consumer complaint/inquiry form; a monthly newsletter sent to the State Regulation of Public Utilities Review Committee; a quarterly newsletter sent to regulated motor carriers; customer service compliance reviews with utilities’ business offices; accessibility and prompt responsiveness to members of the media; and 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?**

The activities of the ORS are driven by a concern to balance the three aspects of public interest that the agency is charged to represent in utility regulation – the using and consuming public, the financial integrity of public utilities, and the economic development of South Carolina. Current information on relevant rules, regulations, and laws is disseminated to appropriate staff members throughout the agency. The ORS seeks professional assistance of other state agencies, federal agencies, or consultants in areas that require expertise beyond the agency staff. Key agency staff members conduct on-site audits, business audits, management audits, rate impact analyses, customer service compliance

reviews, and other fact-finding endeavors. 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, 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?**

Categories of key performance measures are utility compliance data, cost effectiveness of programs and services, case management review and evaluation, audit and compliance reviews, tracking of utilities' financial health, strategic plan review and evaluation, EPMS data, budgetary and financial data, and personnel management data.

#### **1.6 How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness and the effectiveness of management throughout the organization? How do their personal actions reflect a commitment to the organizational values?**

The ORS senior management team has set in place a continuous review process with performance findings that is designed to evaluate effectiveness and efficiency in all programmatic and operational aspects of the agency. This continuous review process involves an open exchange of communication between the senior leadership and all levels of agency staff.

As noted under Section 1.1B, senior management is responsible for providing quarterly updates regarding their respective areas' accomplishments in relation to the agency's performance measures. This quarterly review provides a means of gauging progress toward fulfilling the agency's performance standards. Performance measures at the division/department level are designed to incorporate significant data that pertain specifically to the program(s) housed there. Agency-wide data is incorporated into the overall agency's performance measures.

Senior management communicates the values of the ORS through providing positive examples of leadership, encouraging open communication and collaboration among all staff and departments, implementing goal-oriented planning, and adhering to and modeling agency policies and procedures.

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

Senior leaders promote the development of future organizational leaders by fostering a work environment that encourages professional and personal development and the sharing of knowledge and best practices among individual staff members and among departments. Periodic reviews by Human Resources of staff profiles (knowledge inventory, number of years to retirement, etc.) enable senior management to gain a collective picture of staffing strengths and weaknesses and to plan accordingly.

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

Senior management encourages employees to take initiative and to solve problems. They support the strategic planning process, the performance review process, and the efforts of staff to try new approaches.

**1.9 How does senior leadership actively support and strengthen the communities in which your organization operates? Include how senior leaders and employees contribute to improving these communities.**

The ORS is involved in charitable activities to help those in need. These efforts have included participation in food drives for Harvest Hope Food Bank, adopting needy families during the holidays through the Families Helping Families program, and providing needed items and monetary donations to the Ronald McDonald House. A committee of ORS employees, *ORS Cares*, was established this year. One of its main functions is to select a charity each quarter for the agency to assist. As individuals, ORS staff members are involved in a wide array of civic activities and professional organizations that benefit the communities in which they live and work.



## **2.0 Strategic Planning**

<b>Program Number and Title</b>	<b>Supported Agency Strategic Planning Goal/Objective</b>	<b>Related FY 04-05 Key Agency Action Plan/Initiative(s)</b>	<b>Key Cross References for Performance Measures*</b>
Agency Wide	Represent the public interest with integrity and impartiality by balancing the concerns of all stakeholders.	1. Ensure quality service at fair pricing 2. Represent the public interest	7.1-2, 7.2-4, 7.2-5, 7.2-9, 7.2-15, 7.5
Agency Wide	Monitor utility compliance with rules, regulations and statutes.	1. Audit utility activity 2. Inspect facilities 3. Monitor compliance	7.2-1, 7.2-2, 7.2-3, 7.2-6, 7.2-7, 7.2-8, 7.2-11, 7.2-12
Agency Wide	Operate the ORS with professional excellence.	1. Operate in compliance with state guidelines 2. Operate efficiently	7.1-3, 7.2-10, 7.2-14, 7.3, 7.4, 7.5
Agency Wide	Develop and maintain productive and trusting relationships through communication with all stakeholders	1. Reduce the average response time to respond to customers	7.1-1, 7.2-13

\*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:**

The ORS senior management team comprises the key participants in the strategic planning process. Senior management considers the strategic plan to be a dynamic blueprint of the agency's future direction and utilizes departmental staff meetings to gain input from all employees. Using this perspective, senior leaders actively engage in managing the plan so that it is always reflective of the current and future needs of the agency and those it serves. The process flows annually as follows:

- a. Quarterly reviews of the strategic plan by senior management in which needs of the agency's customer base are discussed
  - b. Annual planning session to realign the plan
  - c. 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 ORS management team participated in a SWOT analysis to identify currently perceived strengths, weaknesses, opportunities, and threats to the agency. Using that information, senior leaders will update the strategic plan to ensure that it encompasses all factors identified in the SWOT analysis.
- B. Financial, Regulatory, Societal, and Other Potential Risks.** Through the SWOT analysis described above, perceived risks and threats (both internal and external) are identified and addressed through strategic objectives in the plan.
- C. Shifts in Technology or the Regulatory Environment.** The ORS strategic planning process has built-in components to ensure that the plan remains relevant in light of changing external factors – technological, regulatory, economic, etc. Quarterly reviews of the plan by senior management as well as the annual planning session allow the leadership team to assess the efficacy of the plan in the context of any changes in the environment and to adjust it accordingly. A long-term collaborative technology plan is a major component of the agency's strategic planning process.
- D. Human Resource Capabilities and Needs.** In the strategic planning process, staffing patterns are analyzed to ensure that staff receives appropriate training and that knowledge transfer and succession planning are accomplished.
- E. Opportunities and Barriers (as described in exec. summary).** The opportunities and barriers outlined in the executive summary are, in large part, products of the SWOT analysis mentioned in 2.1.A. They provide a framework of desired accomplishments for which the objectives of the strategic plan are designed, monitored, and updated.
- F. Business Continuity in Emergencies.** ORS systems such as GAFRS and various data bases, including those that outline ORS processes for conducting work, are housed electronically with the Chief Information Officer (CIO) of the S.C. Budget and Control Board. The CIO has backup systems in the case of power loss or other emergencies. In addition, the CIO has a disaster

recovery and business continuity plan designed to protect the systems and information entrusted to that organization.

**G. Ability to Execute the Strategic Plan.** The strategic planning process for the ORS is designed to receive input from all levels of the organization. Senior leaders 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 What are your key strategic objectives?** See Section 2.0 Strategic Planning Chart.

**2.3 What are your key action plans/initiatives?** See Section 2.0 Strategic Planning Chart.

**2.4 How do you develop and track action plans that address your key strategic objectives?**

As initiatives are implemented, those responsible for each initiative collect both quantitative and qualitative information (as applicable) regarding the efficacy of the initiative, its continued relevance to the agency mission, and so forth. These variables are reviewed during quarterly strategic planning meetings and, based on these quarterly assessments, the strategic plan is realigned during the annual planning process.

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

Implementation of strategic objectives, actions plans, and related performance measures are discussed at weekly senior management meetings, weekly departmental staff meetings, quarterly strategic plan meetings, and the annual strategic planning meeting. In addition, efforts are being made to include achievement of strategic objectives, action plans, and performance measures in the annual EPMS performance appraisals of staff at all levels of the agency.

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

The collection of both quantitative and qualitative information (as applicable) is an ongoing process for all initiatives and action plans. This information is reviewed on a regular basis and provides a means by which to gauge the progress being made.

**2.7 How do your strategic objectives address the strategic challenges you identified in your organizational profile?**

The strategic challenges in the organizational profile are closely related to the organizational barriers described in the executive summary. As such, they provide a set of desired accomplishments for which the objectives of the strategic plan are designed, monitored, and updated.

## **3.0 Customer 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. 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 consumer trends nationwide and regionally. In addition, the ORS encourages its employees to participate in training to keep abreast of industry issues.

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 and makes full use of its web site as an interactive tool with customers and stakeholders. The site provides email links to staff, and an online consumer complaint/inquiry form is accessible throughout the site. The ORS has conducted focus groups, attended community meetings, distributed newsletters, and engaged in other efforts that allow for a two-way sharing of information between the ORS and its customer base.

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

The ORS is collecting, analyzing, and reviewing data 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. Updates on ongoing initiatives and development of techniques to respond to changing customer needs are components of staff meetings at all levels.

The ORS Consumer Services Division records all consumer contacts in its tracking system by type of utility industry and by category of complaint/inquiry. Review and analysis of this data allows the ORS to identify patterns in consumer issues that may need to be addressed with regulated utility companies.

The ORS also 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.

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

The ORS already has in place qualitative and quantitative means of measuring customer/stakeholder satisfaction, and the agency has plans to develop more for the future. Current means include analyzing patterns in consumer complaints via the Consumer Services tracking system; conducting focus groups with stakeholders; and having meetings and discussions with key stakeholder and customer groups such as consumer groups, regulated utilities, and legislators.

### **3.5 How do you build positive relationships with customers and stakeholders? Indicate any key distinctions between different customer 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. Examples include:

- ◆ A fully staffed 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
- ◆ 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 for **media and public access**
- ◆ Quarterly newsletter to **transportation motor carriers**
- ◆ Accessibility to the **media**
- ◆ Periodic newsletters sent to **State Regulation of Public Utilities Review Committee**
- ◆ 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**
- ◆ Focus groups with **stakeholder groups** as needed
- ◆ Frequent attendance of **community/neighborhood association** meetings
- ◆ Attendance at public night hearings to gain **consumer** input on proposed utility rate increases and service issues

## **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' operational and fiscal performance.

In addition, the ORS tracks 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 actions as necessary.

### **4.2 How do you use data/information analysis to provide effective support for decision making throughout your organization?**

Programmatic data is continuously used in making decisions within the various utility-industry departments. Federal and state accounting, personnel, and procurement standards and guidelines are used in conjunction with agency data 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 business needs and direction?**

Regulatory compliance	Regulatory fiscal oversight
Safety and health	Customer satisfaction
Consumer education and outreach	Public information
Finance	Human Resources

These measures are reviewed systematically through a variety of means including the strategic planning process, senior-leadership meetings on agency performance measures, departmental meetings on programmatic initiatives or action plans, the EPMS process, and internal tracking of agency finances and human resource data, among others. In all tracking 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.

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

For some regulatory compliance measures, the ORS can refer to longitudinal data collected by its predecessor in regulatory oversight, the Public Service Commission. Otherwise, the ORS can draw comparisons based on regional measures, such as those generated by other states' regulatory bodies. Professional-standard measures, such as those generated by the National Association of Regulatory Utility Commissioners (NARUC) and its regional subset group, the Southeastern Association of Regulatory Utility Commissioners (SEARUC), provide another means of comparison. The ORS can also compare its data to national norms and standards generated in areas such as natural gas pipeline safety and railroad safety. Viewed collectively, the ORS can use these sources to gauge its progress, to determine its comparative standing among utility regulatory bodies, and to support operational strategic decision making and innovation.

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

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.

From a programmatic standpoint, the ORS has and will continue to develop reliable data sources which will be used to track and monitor performance. The establishment of a joint database shared with the Public Service Commission as well as related strategic Information Technology (IT) efforts help to ensure that data being used for decision making is timely, accurate, and accessible.

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

The ORS tracks its performance measures for the agency in tandem with the strategic planning cycle. As program performance, service delivery, stakeholder satisfaction, and internal operational data are reviewed, adjustments are made as needed. These tracking-and-review mechanisms allow for an environment of continuous improvement throughout all areas of the agency.

The ORS is also subject to an external review of accomplishments associated with its performance measures by the State Regulation of Public Utilities Review Committee. Findings from its first review by the Committee will be received during FY 06-07, and these findings will be incorporated into the agency's priorities and plans for continuous improvement.

#### **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 Human Resource Focus**

### **5.1 How do you organize and manage work: to enable employees to develop and utilize their full potential, aligned with the organization's objectives, strategies, and action plans; and to promote cooperation, initiative, empowerment, innovation and your desired 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. This flexibility optimizes the use of staff expertise and also provides an opportunity for the sharing of knowledge and best practices.

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.

### **5.2 How do you evaluate and improve your organization's human resource related processes?**

Human Resource-related processes are evaluated via feedback and communication from employees and managers. ORS Human Resources gathers information from attending departmental staff meetings quarterly, having representation at management meetings, and conducting employee exit interviews.

Various processes were evaluated and improved during FY 2005-2006. These include the recruitment and selection process, internal budget forms, reporting of training, benefits education, strategic planning, internal employee communication, and the development of a wellness committee.

### **5.3 How do you identify and address key developmental and training needs, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation and safety training? How do you evaluate the effectiveness of this education and training? How do you encourage on-the-job use of the new knowledge and skills?**

Weekly managers' meetings and weekly departmental staff meetings provide forums for communicating legal and policy updates, key agency or governmental decisions, program enhancements, and other information critical to the operation of the agency. In these meetings, discussions of issues and agency needs help to identify training needs.

An employee newsletter, distributed monthly, is another means of conveying information to staff. ORS employees are encouraged to participate in training opportunities for professional and personal development. The agency's newly implemented e-Training system allows employees to track their training. Employees are expected and encouraged to apply newly gained knowledge or skills to the fulfillment of their job duties.



**5.4 How does your employee performance management system, including feedback to and from employees, support high performance and contribute to the achievement of your action plans?**

The ORS recognizes that the degree of success the agency achieves in fulfilling its mission is dependent upon the degree of success each employee achieves in reaching individual and collective goals and objectives. Therefore, the agency concentrates its performance evaluation efforts on linking job responsibilities and expectations with the agency mission, its strategic priorities, and its action plans.

Supervisors understand the need to have position descriptions that include duties tied 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.

**5.5 How do you motivate your employees 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. In addition, 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. In addition, the agency has established an employee recognition program that allows employees to recognize each other for a job well done. Employer-sponsored events, such as a picnic hosted by senior management, provide an opportunity for building team spirit.

**5.6 What formal and/or informal assessment methods and measures do you use to determine employee well being, satisfaction, and motivation? How do you use other measures such as employee retention and grievances? How do you determine priorities for improvement?**

Managers have regularly scheduled staff meetings as well as individual meetings with employees to openly discuss issues, ensure open communication, and identify any human resource-related problems.

The agency tracks the attrition rate, employment longevity, training and development, trends in EPMS evaluations, and other information that may be useful in assessing employee well being. Thus far, there have been no instances of grievances. ORS Human Resources conducts exit interviews with employees who leave the agency and uses this feedback, along with the aforementioned information that is tracked, to determine priorities for improvement in the human resources area. An employee wellness committee meets quarterly to offer input on employee issues and to plan events and special programs.

**5.7 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 some other emergency. Staff has been notified of appropriate paths of egress from the building and of a meeting place outside. Rechargeable flashlights are prominently installed in

outlets around the office headquarters, and regular fire drills are conducted by the building's management company. Also, the ORS has taken measures to increase workplace security by installing code-lock doors at points of entry.

The ORS offers periodic health screenings for its employees. In addition, the agency has established a team of employees, known as *First Responders*, who are certified in first aid and cardiopulmonary resuscitation (CPR). The agency also has a first aid kit. In addition, when employees identify potential safety hazards, management moves quickly to find a solution and thereby eliminate the hazard.

## **6.0 Process Management**

### **6.1 What are your key processes that produce, create, or add value for your customers and your organization. How do you ensure that these processes are used?**

Key processes of the ORS, as derived from its statutory mission to represent the public interest in utility regulation, are categorized as follows:

- ◆ Serving as a party of record in all filings, applications, or proceedings before the 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 for the using and consuming public, the regulated utilities, and the economic development of South Carolina.

### **6.2 How do you incorporate organizational knowledge, new technology, changing customer and mission-related requirements, cost controls, and other efficiency and effectiveness factors such as cycle time into process design and delivery?**

Since its creation in 2004, the ORS has taken advantage of the rare opportunity to build processes "from scratch." In doing so, the agency has made a conscious effort to examine its key processes and, where possible, to focus on structuring those processes in ways that optimize the delivery of services to customers. In some cases, this effort has involved collaboration with other agencies, such as the Public Service Commission or DHEC. 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 include:

- During FY 2004-2005, the ORS streamlined and improved procedures for calculating gross receipts assessments and for the regulated utilities' filing of gross receipts

reports. This process improvement resulted in an increase in filings and collections in FY 2005-2006.

- Through close communication with the regulated utilities, the Consumer Services Division decreased the average number of days that it takes to resolve consumers' complaints with electric, telecommunications, water, and wastewater utilities and with transportation companies.
- The Transportation Department collaborated with the Public Service Commission to associate rule-to-show-cause proceedings with the original docket for a given carrier. This process improvement resulted in better tracking of all regulatory activity associated with each carrier.
- The Transportation Department is tracking the average cycle time between notices of revocation of insurance and notices of adequate insurance for motor carriers. This data is being used to determine the optimal amount of time to wait to initiate a rule-to-show-cause proceeding to revoke a carrier's certificate.
- The Water/Wastewater Department created a manual of standard operating procedures. The documenting of these processes helps to ensure uniformity in the procedures used when conducting water/wastewater utility site investigations.

### **6.3 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, and strategic plan. All functions of the ORS are established, operated, and monitored so that they comply with relevant laws and regulations, meet budgetary requirements, and occur within appropriate time frames.

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

The ORS documents processes and tracks data as a means of evaluating and improving key product and service related processes. As an example, the Division of Telecommunications, Transportation, Water/wastewater documented all processes and contracted with the Budget and Control Board's Chief Information Officer to analyze the processes and accompanying forms. This analysis helped to determine what data was duplicative and, as a result, enabled the ORS to revamp and streamline certain processes. These improvements have been especially helpful in preparing for the implementation of online forms processing. Furthermore, the ORS has issued a Request for Proposals (RFP) for a new data base that will be called the Regulatory Utility Management System.

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

Human Resources, Finance and Accounting, Legislative Relations, and External Communications serve as support processes within the ORS. Continuous maintenance and improvement of these processes involves a range of efforts including inter-departmental meetings to share information, frequent budgetary and HR reporting and projections, and the formation of inter-departmental committees to spearhead agency-wide initiatives.

## **7.0 Business Results**

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

The ORS is in the process of collecting, analyzing, and reviewing data in order to identify and track key measures of customer satisfaction. Thus far, qualitative and quantitative means of measuring customer/stakeholder satisfaction are in place, with plans for more in the future.

From a qualitative standpoint, focus groups, meetings, and discussions with customer and stakeholder groups – such as consumer groups, regulated utilities, and legislators – provide the agency with a sense of issues most important to its constituencies.

Most of the agency's quantitative information on customer satisfaction is being generated by the Consumer Services Division. Consumer Services records all consumer contacts in its tracking system by type of utility industry and by category of complaint/inquiry. Review and analysis of this data allows the ORS to identify patterns in consumer issues that may need to be addressed with regulated utility companies.

The Consumer Services Division serves as a facilitator for mediation between customers and investor-owned utilities in South Carolina. The role of Consumer Services is to resolve disputes or settle inquiries on an informal basis. Consumer Services also provides consumer education to help utility customers make educated choices and understand their rights and obligations as consumers of public utility services.

From July 1, 2005 through June 30, 2006, Consumer Services processed a total of 4,199 consumer contacts (complaints and inquiries), which represents a 7% increase over the prior fiscal year. Chart 7.1-1 depicts the average length of time (in days) that Consumer Services took to resolve customer contacts. These are categorized by utility industry. Despite the overall increase in volume of complaints and inquiries over the prior fiscal year, the average response time decreased across almost all utility industries (it remained the same for natural gas). This improvement is attributed to a focused effort by ORS Consumer Services to work with the regulated utilities on improving their response time.

**7.1-1 Resolution of Consumer Contacts by Utility Industry**  
**Total Contacts: 3,924 (FY 04-05); 4,199 (FY 05-06)**

**Average Response Time (in days)**

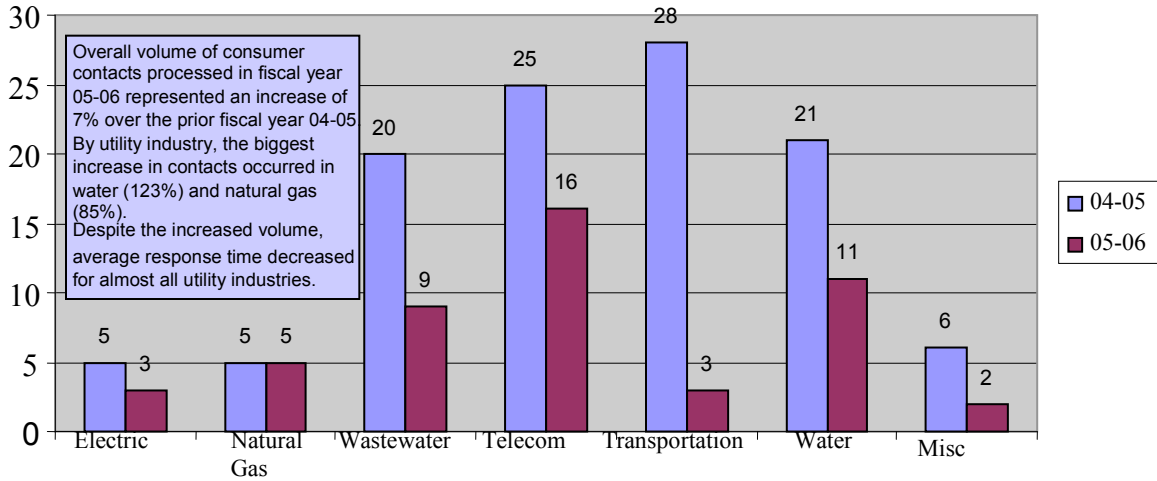
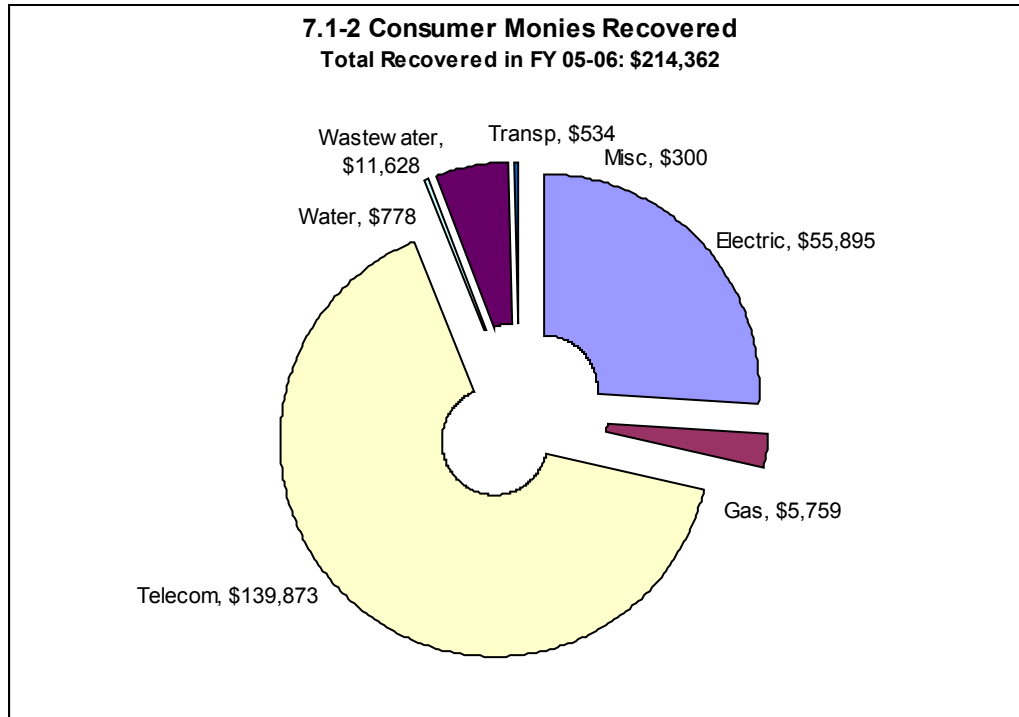
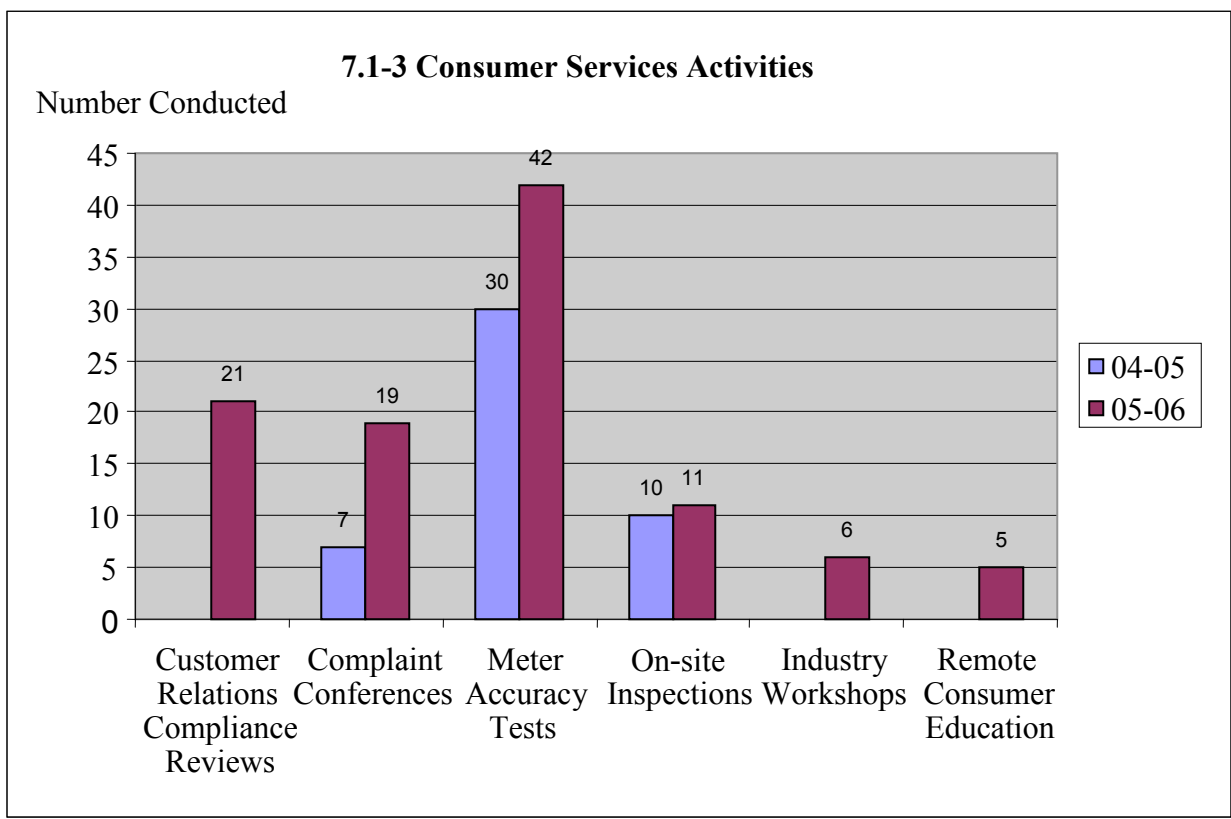


Chart 7.1-2 illustrates, by utility industry, the total dollars recovered in FY 2005-2006 -- \$214,362 -- on behalf of consumers through the intervention of the Consumer Services Division.



The Consumer Services Division is in various stages of implementing and planning additional initiatives in the areas of consumer education and consumer relations. In FY 2005-2006, a comprehensive booklet on ORS Consumer Services entitled “*At Work for the Public Interest*” was published, along with several other brochures on specific topics. Additional publications are planned for the coming year. In addition, the ORS is partnering with the S.C. Department of Consumer Affairs to visit designated locations in primarily rural areas to offer in-person consumer education and assistance. As an internal improvement, an automated phone system was installed which provides consumers with 24/7 access to the ORS. Via the automated system, consumers have the option either to leave a message (which is returned the next business day) or to visit the ORS web site where they can file a complaint or inquiry online, get contact information for utilities, or access consumer education information.

The ORS is tracking its initiatives and activities as the agency continues to develop key measures for customer satisfaction; several activities are depicted in Chart 7.1-3. For example, Consumer Services conducted 21 customer relations compliance reviews in FY 2005-2006 with the business offices of regulated utilities. These reviews help to ensure that the utilities are offering customer service which meets required standards as mandated by governing rules and regulations. The reviews resulted in the identification (and subsequent refund to customers) of overheld deposits and updates to companies’ customer information on how to contact the ORS for assistance. Also, as depicted in the chart, the number of meter accuracy tests conducted increased by 40% over the prior year, and the number of complaint conferences held increased by more than 100%.



## **7.2 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 2005-2006 was the agency's second fiscal year in operation. Therefore, most measures provided in this section are workload measures. As the agency matures, we will be able to include more longitudinal data that tracks our record of performance over time.

### **Monitoring Federal and State Regulatory and Marketplace Developments**

Central to its effectiveness in representing the public interest is the need for the ORS to actively monitor federal and state statutory and regulatory developments as well as external market factors that could ultimately affect the rates charged and service provided by regulated utilities. Highlights of ORS actions for FY 2005-2006 in this area include:

- ◆ **Natural Gas Prices.** In light of rising natural gas prices, the ORS communicated with the Federal Energy Regulatory Commission (FERC), the Commodity Futures Trading Commission (CFTC), and the S.C. Congressional delegation to request proceedings to examine the matter of market prices for natural gas. A major development subsequent to this request by the ORS was FERC's issuance of new rules in January of '06 pursuant to the Energy Policy Act of 2005 that address preventing market manipulation and that impose hefty penalties for violations.

An additional development was the disclosure of findings that excessive market speculation or manipulation has existed for some time and may have contributed to the post-Katrina spike in gas prices. The ORS was one of 10 state regulatory agencies selected nationwide to participate in U.S. General Accounting Office surveys as part of a Senate subcommittee investigation into energy price market manipulation. Findings from the investigation call for increased market oversight of over-the-counter electronic markets through proposed legislation.

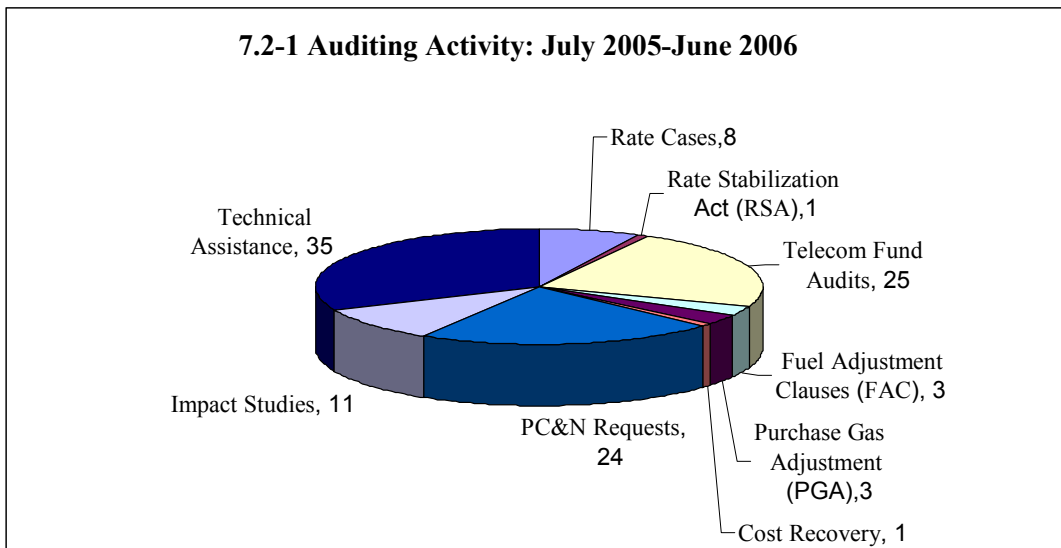
- ◆ **Surface Transportation Board (STB).** The ORS filed a petition with the STB concerning railroad rates for transporting coal to power plants. This filing was in response to a Notice of Proposed Rulemaking change issued by the STB.
- ◆ **SCANA Application to FERC to Merge its Pipeline Subsidiaries.** The ORS intervened in SCANA Corporation's application to FERC to merge its intrastate and interstate natural gas pipeline subsidiaries into one company. The agency's main objective in participating as an intervenor in this process was to ensure that the best interest of natural gas customers in this state was protected. Based upon the information provided to the ORS, the agency supported the merger whose benefits include the removal of opportunities for affiliate abuses; enhanced potential for economic growth; more diversity of natural gas supply; and improved asset management.

- ◆ **Energy Policy Act (EPAct) of 2005.** The ORS filed three petitions to implement the requirements of EPAct 2005 for net metering and additional standards, smart metering, and interconnections. To date, three dockets have been opened on the petitions filed by the ORS. The agency has met with representatives of the regulated utilities and, after reaching a consensus, has filed joint comments in the docket regarding interconnection.
- ◆ **Filing with Federal Communications Commission (FCC).** The ORS filed comments with the Federal Communications Commission (FCC) on Time Warner’s petition to preempt a state regulatory order denying the company an amended certificate of Public Convenience and Necessity to allow entry into certain rural areas of the state. This case has received a significant amount of attention as both Time Warner and the rural local exchange companies have presented their petitions to the FCC. Senior representatives of the ORS traveled to Washington, D.C. to make presentations to the FCC regarding the agency’s position on the matter.

**Inspecting, Auditing, and Examining Public Utilities**

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.

From July 1, 2005 through June 30, 2006, the ORS conducted eight audits for rate adjustment cases; one Rate Stabilization Act (RSA) audit; twenty-five telecommunication funds audits; three audits for annual review of fuel cost adjustment cases; three audits for annual review of purchased gas adjustment (PGA) cases; one special audit for a cost recovery case (Chem Nuclear); financial reviews of twenty-four applications for certification of public convenience and necessity (PC&N); eleven impact studies related to transportation companies’ requests for tariff increases; and thirty-five on-site assistance visits at Water/Wastewater and Transportation companies to assist with utility accounting issues and rate application filings. These numbers are presented graphically in Chart 7.2-1.





Similarly, the ORS has conducted an impressive number of inspections, contract reviews, and business reviews of water/wastewater utilities. These evaluations fulfill a variety of purposes, including assessing applications for rate adjustment or for expansion of facilities, addressing consumer complaints, and conducting general inspections. Chart 7.2-2 compares the water/wastewater inspection and review activity of FY 2004-2005 with FY 2005-2006. Note that FY 2004-2005 reflects only the 6 months from January 1, 2005 (when ORS received its regulatory authority) through June 30, 2005.

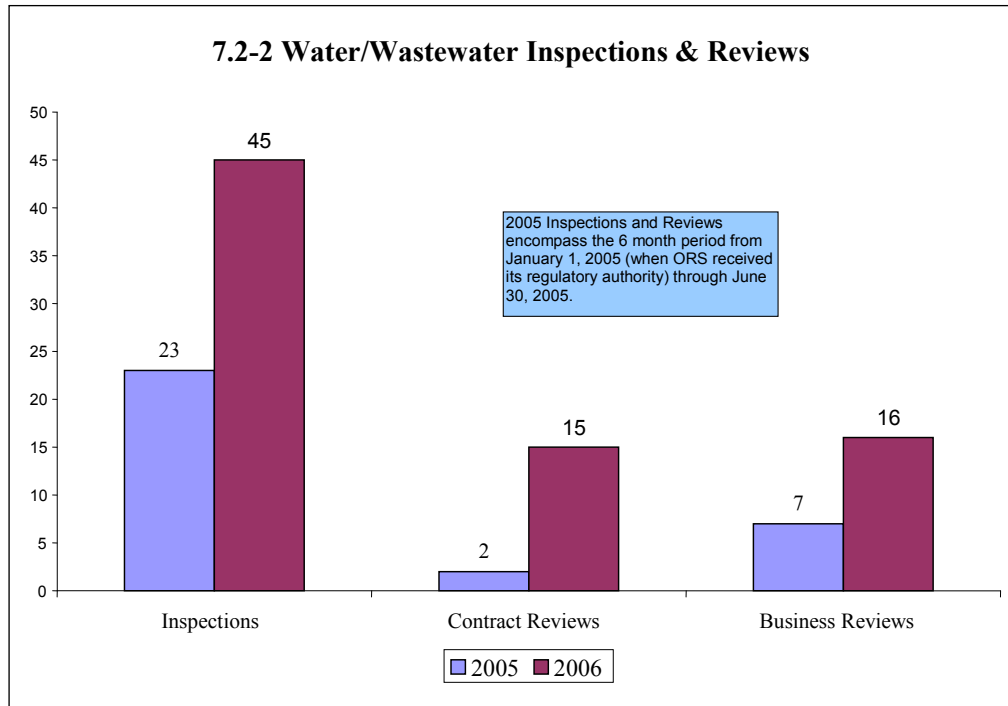
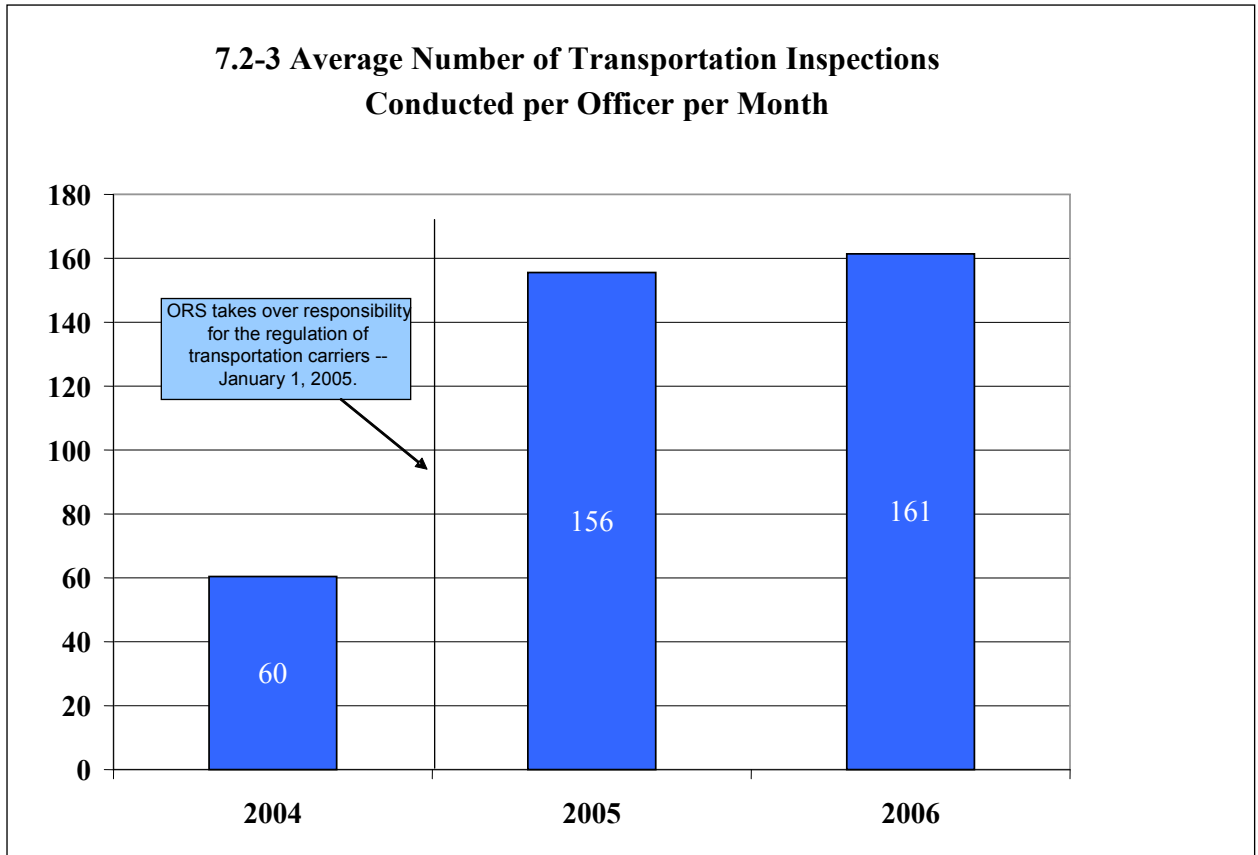


Chart 7.2-3 provides a snapshot-view of efficiency gains in the inspection activity of the Transportation Department. This chart illustrates comparisons among inspections conducted in FY 2003-2004 (prior to the creation of ORS) with inspections in fiscal years 2004-2005 and 2005-2006 when these duties were the responsibility of the ORS. For each of the latter two fiscal years (under ORS management), the number of inspections per officer is approximately double that achieved during FY 2003-2004 (pre-ORS). Furthermore, during FY 2005-2006, the ORS Transportation Department conducted 86 business compliance audits of motor carriers; nonetheless, officers were able to achieve a slight increase in the average number of inspections conducted monthly.



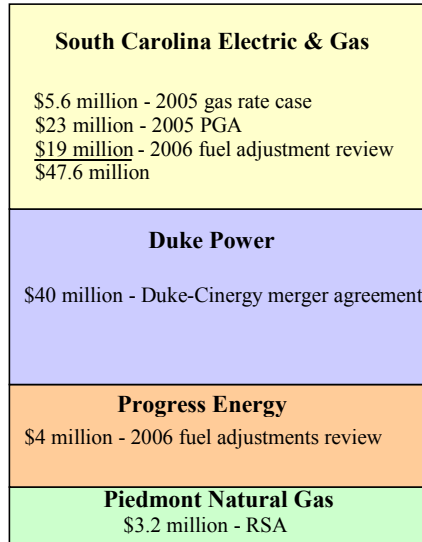
### Representing Public Interest in the Adjudicative Process

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.

During FY 2005-2006, **the ORS settled approximately 80 cases which resulted in major savings to citizens and utilities.** The ORS participated in numerous informal meetings to assist in narrowing the focus of issues to be decided upon at formal proceedings. Research and testimony by staff proved instrumental in facilitating pre-hearing settlements.

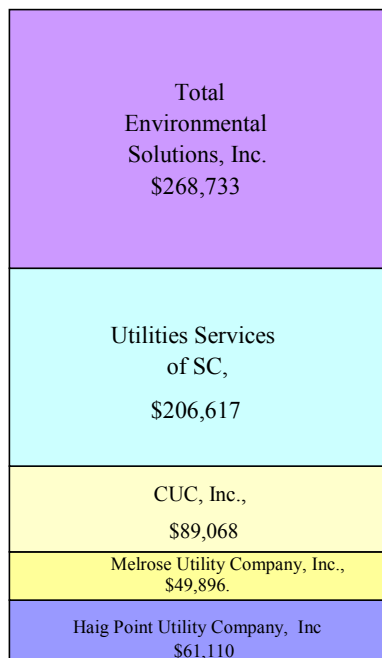
As an example of benefits derived, six electric and gas case settlements resulted in **almost \$95,000,000 in savings to customers** over a 12-month period (see Chart 7.2-4 (a)).

**7.2-4(a) Projected Combined Savings to Consumers Resulting  
from Settlement of Electric and Gas Cases  
Almost \$95,000,000**

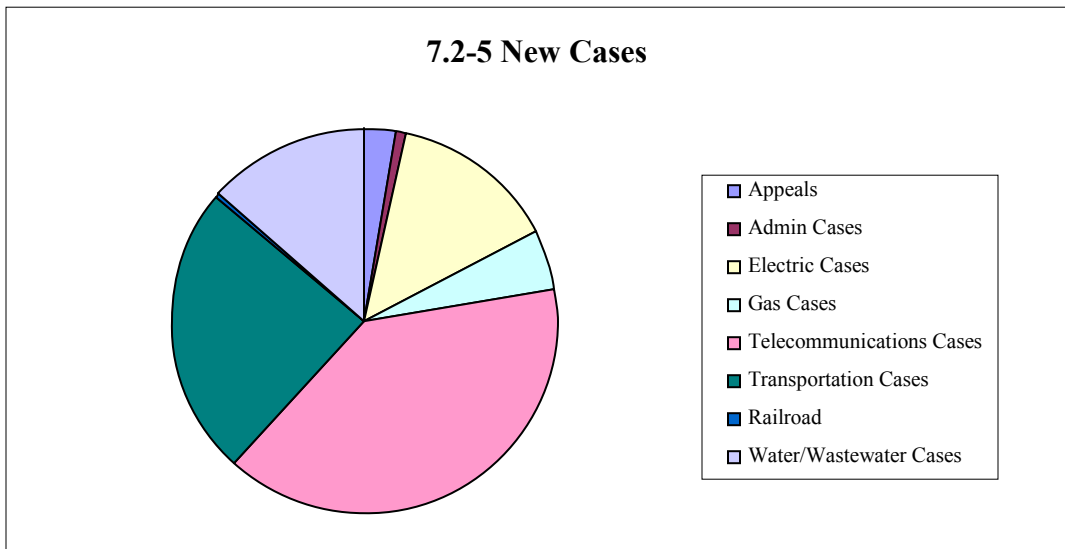


Similarly, as shown in Chart 7.2-4 (b), five water/wastewater settlements yielded almost \$700,000 in customer savings over a 12-month period.

**7.2-4 (b) Water/Wastewater Customer Savings  
Over \$675,000**



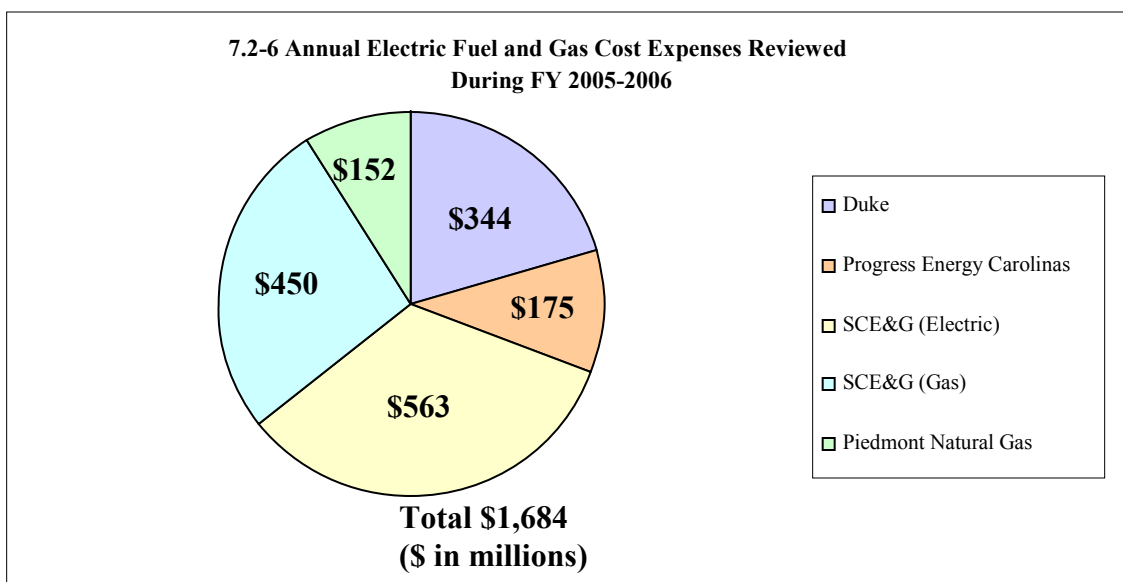
The ORS participated in a total of 222 cases in FY 2005-2006. Chart 7.2-5 illustrates the composition of the caseload.



**Ensuring Utilities’ Regulatory Compliance**

As part of its oversight duties, the ORS is charged with ensuring utilities’ compliance with established regulations and statutes.

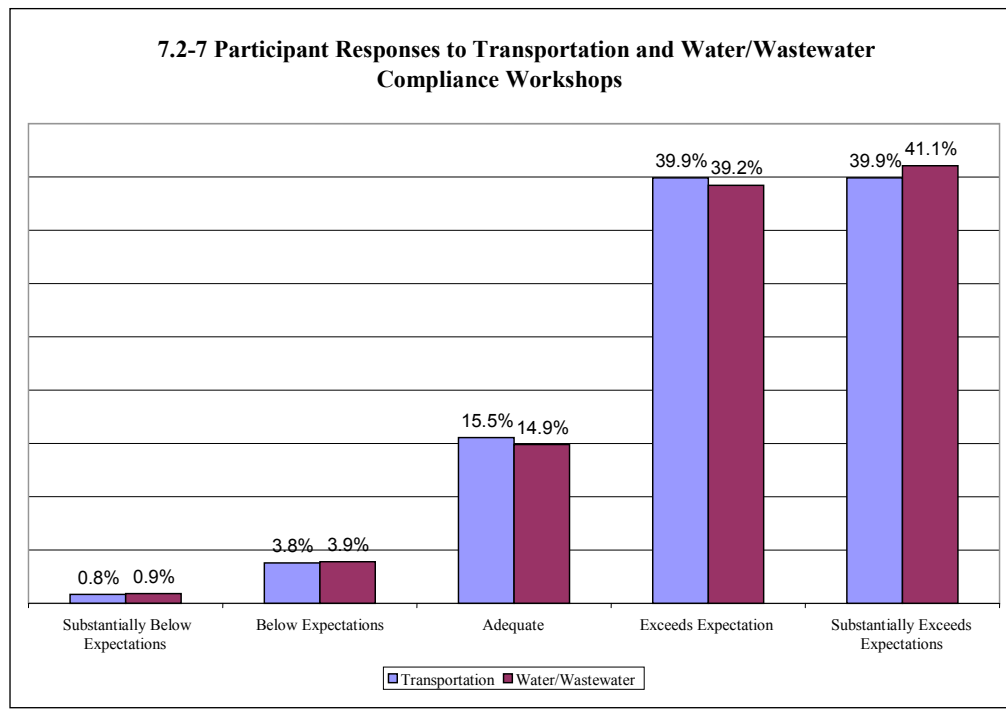
**Electric and Gas.** The ORS has oversight responsibility including prudence and audit review of investor-owned electric and gas utilities in South Carolina. The total annual dollars reviewed in examinations of the fuel costs for power generation and natural gas supply during FY 2005-2006 is approximately \$1.7 billion. See Chart 7.2-6.



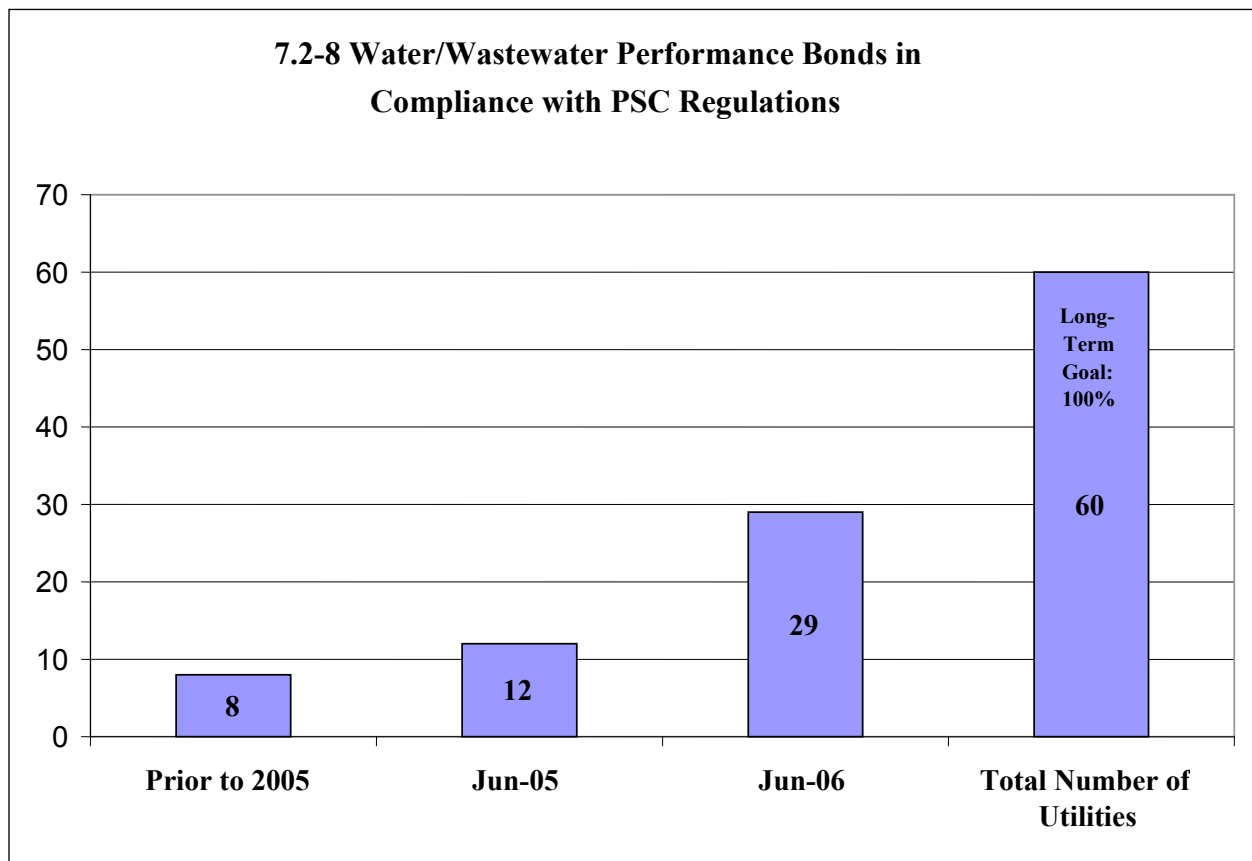
In ensuring electric and gas utilities' regulatory compliance, the ORS also conducts various studies, many of which stem from legal proceedings such as annual reviews of base rates for fuel costs.

- Stemming from 2005 fuel proceedings, the ORS Electric Department conducted studies of the fuel procurement practices and policies of each of the three major investor-owned electric utilities. Completed in 2006, these studies identified areas of concern and provided recommendations for enhancements to the utilities' processes.
- The 2006 fuel review proceeding for Progress Energy Carolinas resulted in a settlement agreement. A component of the agreement requires an investigation and study of whether a seasonal fuel factor may be in the public interest. As of this writing, the Electric Department is conducting this analysis.
- During December 2005, Duke Energy Carolinas' service territory in the Upstate of South Carolina suffered extensive damage to its electric system due to an ice storm. As a result, over 500,000 Upstate customers lost power. The ORS is currently analyzing the utility's power restoration procedures and activities during the ice storm and will be finalizing this study during the fall of 2006.

**Water/Wastewater and Transportation.** To maximize regulatory compliance for transportation and water/wastewater company owners, the ORS hosted educational workshops. As depicted in Chart 7.2-7, of the approximately 95 attendees of the water/wastewater workshop, 80% felt that the workshop exceeded their expectations in providing relevant information. Similarly, of the approximately 70 attendees of the transportation (household goods movers) workshop, 80% said their expectations were exceeded.



Over the long term, the ORS hopes to bring all water/wastewater utilities into compliance with the PSC’s bonding regulations that require a minimum of \$100,000 posted for each utility. As shown in Chart 7.2-8, eight water/wastewater utilities were in compliance with bonding regulations prior to calendar year 2005. During the first six months of ORS’ regulatory authority (January through June of 2005), this number had increased by 50% to 12 companies. Even greater strides have been made since that time, with a more than 100% increase in compliance from June 2005 to June 2006. Currently, the ORS is about halfway toward its long-term goal of 100% compliance.

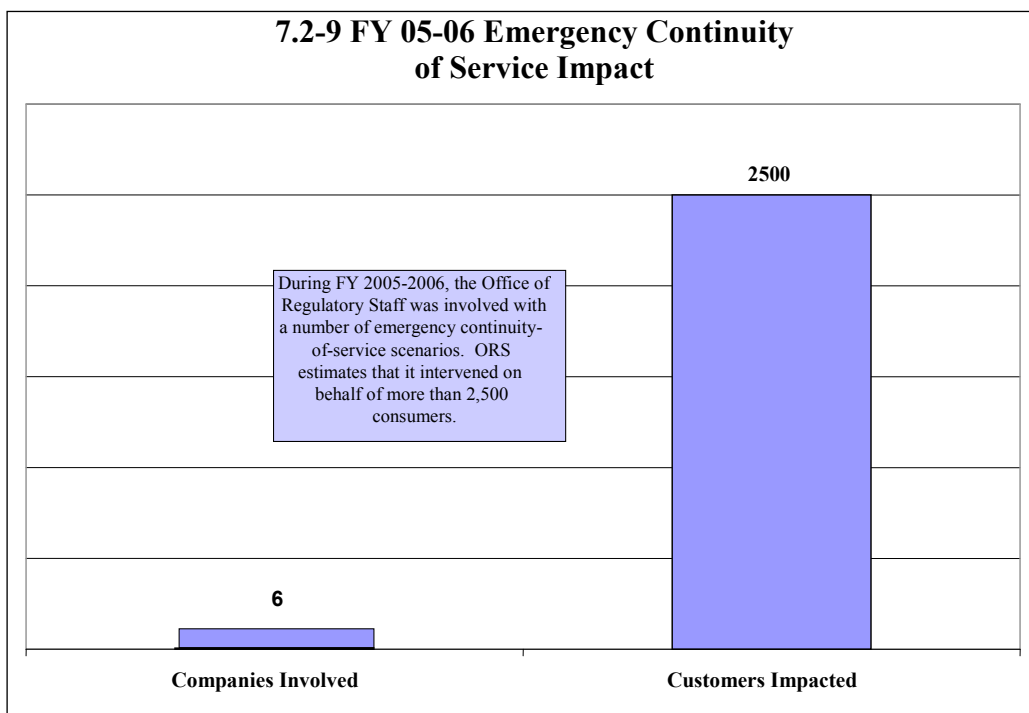


**Telecommunications.** Over the last several years, the telecommunications industry has become increasingly volatile with Competitive Local Exchange Carriers (CLECs) entering and exiting the market on a very frequent basis. On occasion CLECs, which provide local service to consumers on a prepaid basis, fail to pay for service leased from the underlying incumbent local exchange carriers. This creates a situation in which the underlying carrier may disconnect the services of the CLEC for non-payment. This action results in the end-user losing telephone service and/or the ability to “port” or move that number to another carrier. To lessen the impact, the customer must be notified of 1) a pending loss of service due to disconnection of service by the local carrier for non-payment by the CLEC and 2) the removal of preferred carrier freezes. This notification must occur in time to give the consumer an opportunity to change its local service provider prior to disconnection of service.

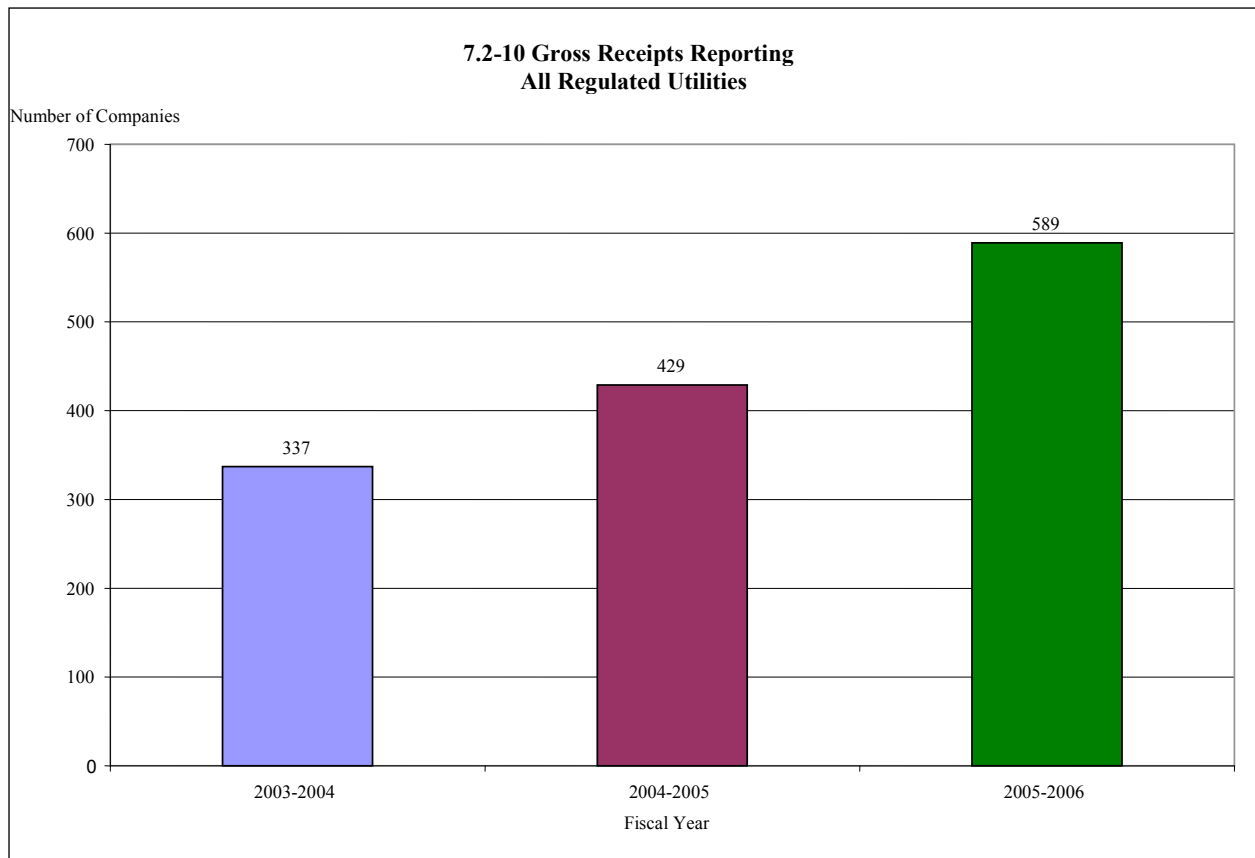
During FY 2005-2006 the ORS, by working with the telecommunications industry, established general guidelines to ensure the continuity of service for consumers in such an emergency. General guidelines

were approved, and it was agreed that the ORS could work with companies to develop company-specific plans to accommodate a given company’s internal processes and procedures.

An important part of an emergency continuity-of-service plan is the timely notification of any pending discontinuance of service. The ORS is required to be notified by the incumbent local exchange carrier of the imminent disconnection of service to a CLEC. Upon receipt of such a notification, the ORS contacts the CLEC to determine the company’s intent with regard to payment of the underlying carrier. Additionally, the ORS discusses with the CLEC the need for customer notification and for removal of all preferred carrier freezes prior to the actual discontinuance of service. During FY 2005-2006, the Office of Regulatory Staff was involved with a number of emergency continuity-of-service scenarios. As depicted in Chart 7.2-9, the ORS estimates that it intervened on behalf of more than 2,500 consumers.



**Administration - Gross Receipts.** ORS Internal Operations, in collaboration with other departments, was able to achieve significant improvements in gross receipts reporting during FY 2005-2006. These efforts involved a comprehensive mailing of gross receipts forms and a focused effort, including letters and phone calls, to remind companies to comply. As depicted in Chart 7.2-10, this initiative resulted in a 37% increase in the number of companies reporting gross receipts in FY 2005-2006 as compared to FY 2004-2005.



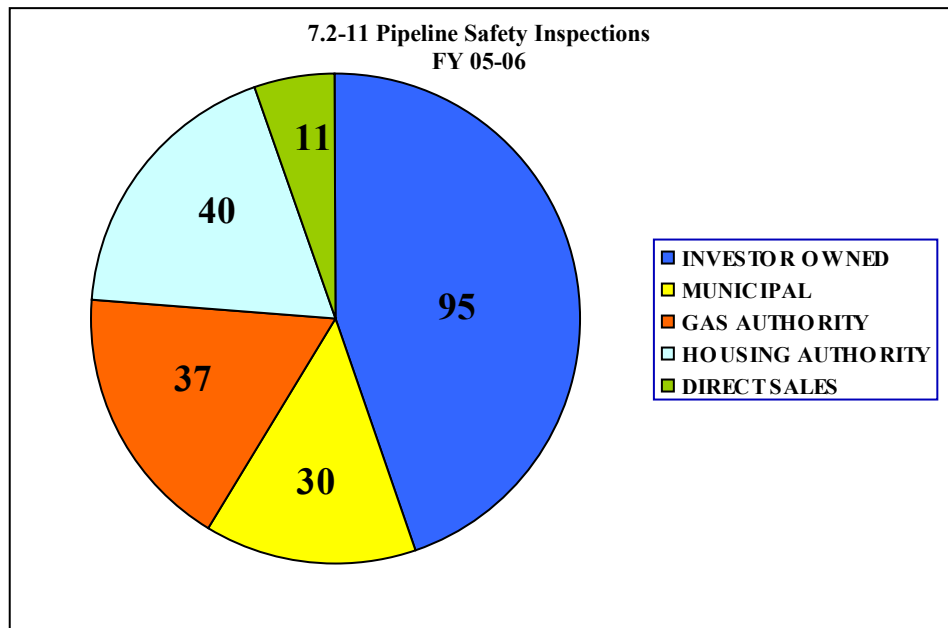
**Monitoring Safety Issues**

In addition to its regulatory oversight functions, the ORS has oversight responsibility for natural gas pipeline safety and railroad safety in South Carolina.

**Natural Gas Pipeline Safety.** The ORS has pipeline safety responsibility over the 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. The Pipeline Safety Department received a High Annual Score from the U.S. Department of Transportation, Pipeline, and Hazardous Materials Safety Administration. This score was based on a site evaluation and review conducted in July of 2005 as well as a year-end validation of certification information for the annual compliance and monitoring report.

From July 1, 2005 through June 30, 2006, the ORS conducted 213 pipeline safety inspections (see Chart 7.2-11). The types of inspections conducted included emergency plan reviews, operations and maintenance procedures reviews, facility evaluations, and new construction.





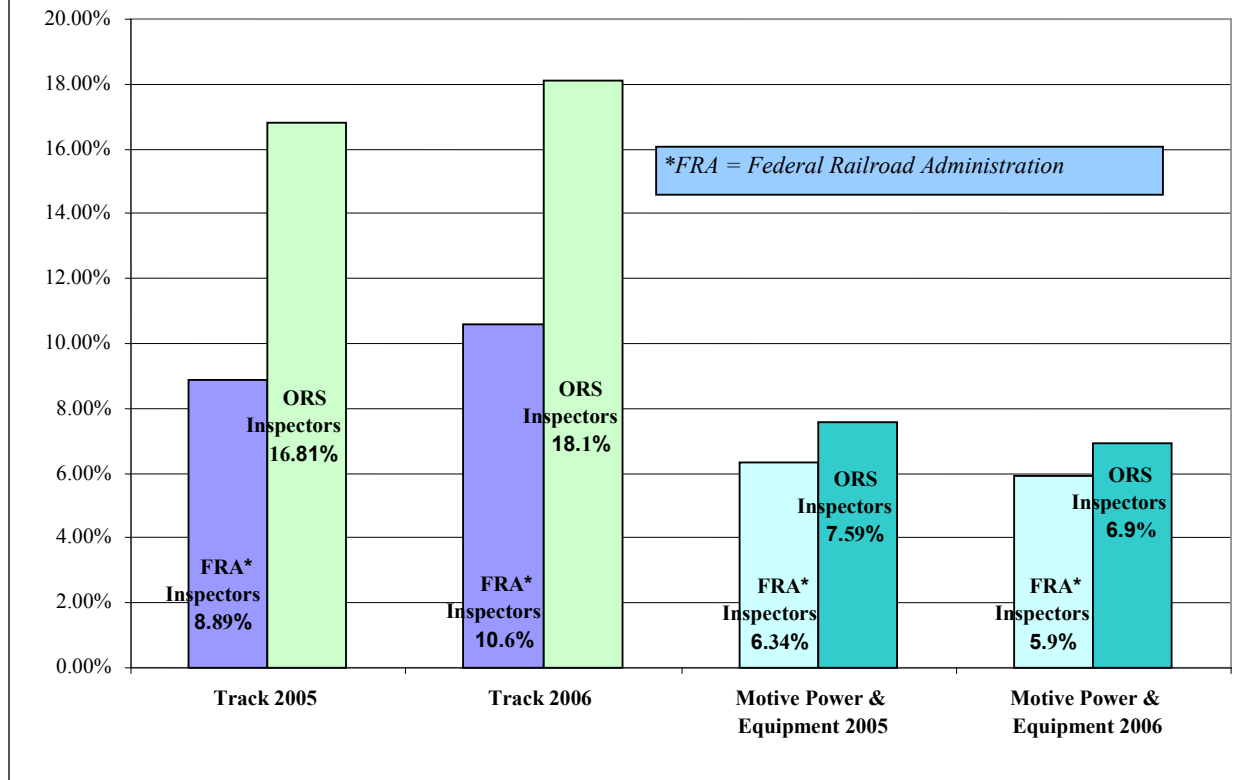
As a result of a January '05 fire at a residence, the ORS conducted an investigation and determined that a potential safety hazard existed with a certain residential meter set configuration. Based on the findings of the investigation, the ORS issued an official advisory notice during FY 2005-2006 to gas operators that identified this meter set configuration and recommended changes to increase safety. All investor-owned gas utilities, gas authorities, and gas municipalities completed a plan for remediation.

**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. ORS track inspectors were invited to FRA claims collection proceedings against Norfolk Southern and CSX Railroad. For the latter proceeding, this invitation represented the first time that a state track inspector from South Carolina was invited to attend and defend violations. In addition, South Carolina was one of two states chosen to give a presentation on its state rail safety program for the Association of State Rail Safety Program Managers annual conference.

As illustrated by Chart 7.2-12, ORS inspectors are consistently thorough in their inspections of South Carolina's railway system – discovering a higher percentage of defects per inspection for both track and motive power and equipment than their federal counterparts in FY 2005 and FY 2006.

## 7.2-12 Percentage of Defects Found Per Inspection

FY 2005 and FY 2006



### Advocacy, Education, Outreach, and Assistance

In representing the public interest, the ORS actively engages in activities and initiatives encompassing consumer advocacy, education for consumers and regulated utilities, and assistance and outreach efforts to those in need. Highlights for FY 2005-2006 include:

- ◆ **Consumer complaints and inquiries.** As noted in Section 7.1, the ORS resolved approximately 4,199 consumer complaints and inquiries and saved consumers approximately \$214,362 via the investigation of complaints.
- ◆ **Consumer education.** In addition to press releases sent regularly to media outlets statewide and posted on the ORS web site, the ORS distributed over 39,000 pieces of consumer education and outreach material (brochures, booklets, applications) to consumers on a variety of topics including winter heating costs and safety tips, services offered to consumers by the ORS, pipeline safety, the Lifeline program, and tree trimming near power lines.
- ◆ **Responsiveness to Stakeholders.** The ORS received and addressed more than 60 requests from state legislators and more than 100 contacts from members of the media.
- ◆ **Education for regulated motor carriers.** The ORS published four issues of the *News on Wheels* newsletter – distributed quarterly to over 800 regulated motor carriers.

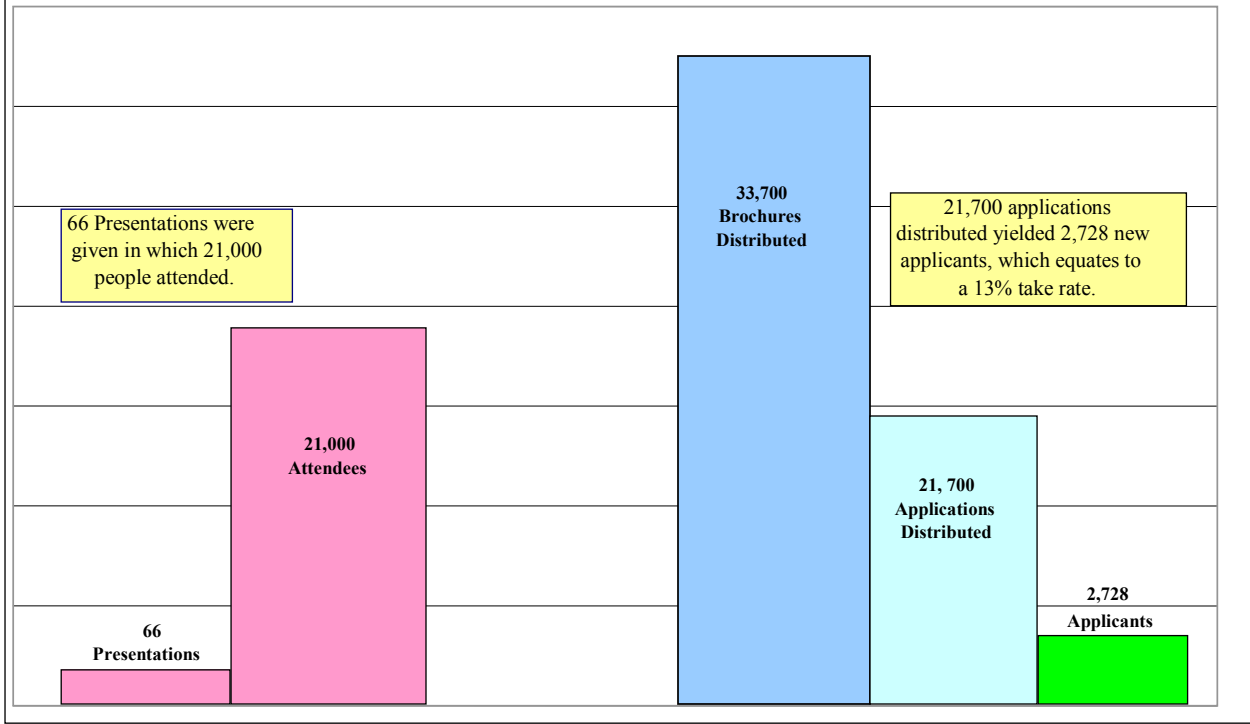
- ◆ **Education for utilities.** The ORS hosted workshops for water/wastewater companies (95 attendees) and household goods movers (70 attendees); co-hosted workshops for gas operators and fire response personnel (110 attendees) and local telecommunications exchange companies (40 attendees).
- ◆ **Safety Net initiative.** The ORS devised a proposed safety net program for at-risk electric and gas consumers.
- ◆ **\$3 million to assist natural gas customers.** The ORS successfully filed a joint petition with SCE&G for the company to use \$3 million in federal synthetic fuel tax credits to assist financially challenged natural gas customers.
- ◆ **Hurricane Katrina victims.** The ORS provided assistance to Hurricane Katrina victims through 1) expanding Lifeline and Link-up credits and 2) successfully petitioning, along with three electric utilities, to suspend customer deposit requirements (through 12/31/05) for evacuees in S.C.
- ◆ **Lifeline and Link-up Expansion Initiative (see below)**

**Lifeline and Link-up Expansion Initiative.** The Lifeline and Link-up programs provide monetary assistance to low-income households for the installation and monthly usage fees of their landline telephone bills. Since receiving regulatory authority on January 1, 2005, the ORS has been the administrator of several funds formerly under the auspices of the PSC. One of these funds – the Universal Service Fund (USF) – provides monies for Lifeline and Link-up. As part of the ORS mission to represent all facets of the public interest, the agency sought and obtained authorization to use USF funding to increase participation in and awareness of Lifeline and Link-up.

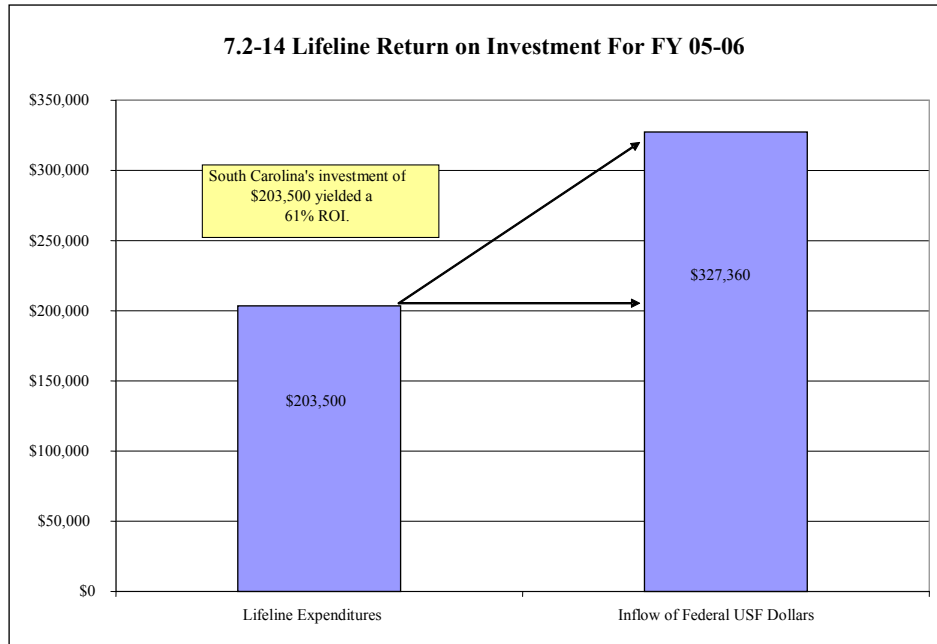
In FY 2005-2006 the ORS began to implement a two-pronged approach of 1) increasing outreach efforts to enroll citizens who qualify for assistance by virtue of receiving Temporary Assistance to Needy Families (formerly AFDC), Food Stamps, or Medicaid, yet do not currently receive Lifeline benefits and 2) qualifying additional applicants who meet expanded eligibility requirements (125% of the federal poverty level) as outlined in the BellSouth 125% agreement.

Great progress has been made in this initiative (see Chart 7.2-13). Since the program became operational in October of 2005, ORS Lifeline staff has made 66 presentations statewide to about 21,000 people. These grass-roots meetings, in addition to collaboration with the S.C. Department of Social Services and other social service organizations, have resulted in the distribution of 21,700 applications and an additional 33,700 pieces of informational material. A total of 2,728 households signed up to participate in Lifeline and Link-up as of June 30, 2006. This level of participation, as a proportion of applications distributed, represents a “take rate” of 13%.

**7.2-13 Lifeline Outreach Effort  
October 2005 - June 2006**



The cost of the program during FY 2005-2006 was approximately \$203,500. Each household participating in Lifeline and Link-up generates to the state an inflow of \$120 in federal USF dollars per 12-month period. Therefore, the cost of the program in relation to the federal funds it brings into the state represents a Return on Investment (ROI) of 61%. See Chart 7.2-14.

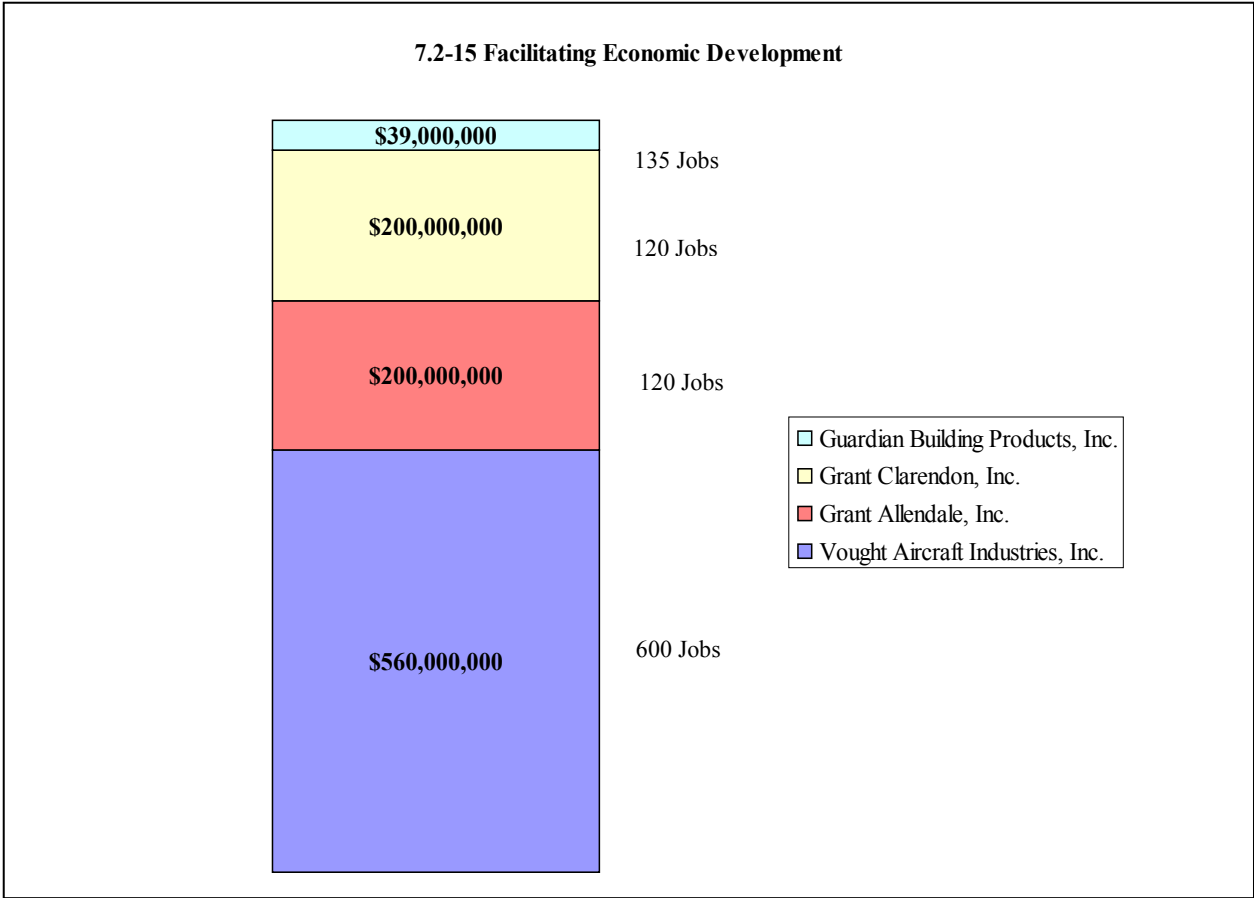


**Economic Development**

In balancing all aspects of the public interest, the ORS is committed to facilitating economic development through cooperation and collaboration with industry, regulated utilities, and governmental and regulatory bodies.

The ORS facilitated the approval of three contracts, two for electric service and one for natural gas, under state economic development programs – resulting in **\$960 million in new industry investment** and the creation of approximately **840 new jobs** for the state. Also, the ORS worked with the City of Columbia to provide clarification of track authority which enabled the Railroad Museum track to be utilized by Norfolk Southern to serve Guardian Building Products, Inc – resulting in a **\$39 million investment in new industry** and approximately **135 new jobs**.

Overall, in FY 2005-2006, **participation by the ORS in discussions and negotiations regarding new industry resulted in the creation of almost 1,000 new jobs for South Carolinians and capital investment of almost \$100 million. See Chart 7.2-15.**



**Green Power.** The ORS, through the efforts of its Electric Department, has been pursuing opportunities to develop and implement a comprehensive Green Power program for South Carolina. Green Power programs allow customers to purchase energy derived from renewable resources such as solar, wind, or bio-mass. (Currently, customers of Santee Cooper and the electric distribution cooperatives are the only South Carolinians who have the opportunity to participate in a Green Power program.) The ORS has been coordinating efforts among the S.C. Energy Office, the North Carolina Green Power program, SCE&G, Progress Energy Carolinas, Duke Energy Carolinas, and Santee Cooper. Implementation of such a renewable resources program could potentially spur investments in related projects throughout the state. In addition to this potential economic benefit, direct environmental benefits would be gained from a green power program. Discussions are ongoing, and progress continues to be made toward making this concept a reality.

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

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. Also, it is imperative to maintain adequate staffing levels to fulfill the fiduciary responsibilities of the ORS. Since the inception of the ORS, there have been no requests for budget increases and, therefore, no resulting increased costs to utilities and consumers.

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, and decal revenue.

Compliance with the requirements of the Universal Service Fund and the Interim LEC Fund filings and payments is 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.

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

The human resources infrastructure has been established, and the agency has implemented several programs. The ORS has an employee recognition program, an internal employee newsletter (*The Reg Staff Review*) published monthly, a wellness committee that has included community service as part of its mission, a database for tracking employee training, a benefits education program, and an improved employee orientation and recruitment/selection process. An agency leave pool was established, and a policy was created to define its use and the rules governing the program. Executive management and Human Resources reviewed employee compensation quarterly and began evaluation of the agency's retention goals. Human resource processes have been implemented to insure proper delivery to ORS employees.

ORS measurements include equal employment opportunity goal attainment, turnover rates, exit interviews, tracking employee training, EPMS scores, and time-to-fill for vacant positions.

Human Resources utilizes internal training as an effective tool for communicating with employees. Employees have multiple opportunities to become educated about the benefits offered with state employment. The agency also utilizes cross-functional and interdepartmental teams whenever possible to optimize the use of staff time and expertise in carrying out the agency's mission and to promote the sharing of knowledge and best practices.

The agency established formal policies and procedures and continues to update the manual quarterly.

Technological improvements were made resulting in increased productivity and employee satisfaction. Some examples include an auto attendant system, new or upgraded computers, improved databases, web-based training, and software training.

The ORS will continue to develop employee programs and establish measurements. The agency will also continue to evaluate the human resource infrastructure and needs and will monitor its performance in attaining the strategic goals of the agency.

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

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 and payables. The ORS will be one of the first four state agencies to install the new SC Enterprise Information System (SCEIS). SCEIS will help streamline business practices in state government and will focus on finance and materials management, budget preparation, and human resources/payroll.

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 process purchase orders.

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. In addition, the ORS successfully completed two EPMS rating periods which were in compliance with state human resource regulations. Human Resources also established record retention.

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

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.