

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

HEARING #19-11798 SEPTEMBER 19, 2019 10:00 A.M.

ND-2019-20-E:

SOUTH CAROLINA DEPARTMENT OF COMMERCE— *Allowable Ex Parte Communication Briefing Regarding Commerce Overview, Current Economic Development Activity, and Role Energy Plays in Recruiting and Growing Business*

**ALLOWABLE EX PARTE
BRIEFING**

COMMISSION MEMBERS PRESENT: Comer H. ‘Randy’ RANDALL, *Chairman*; Justin T. WILLIAMS, *Vice Chairman*; and COMMISSIONERS John E. ‘Butch’ HOWARD, Florence P. BELSER, Thomas J. ‘Tom’ ERVIN, Swain E. WHITFIELD, and G. O’Neal HAMILTON

ADVISOR TO COMMISSION: Joseph Melchers, Esq.
GENERAL COUNSEL

STAFF: Jocelyn Boyd, Chief Clerk/Executive Director; Douglas K. Pratt, John Powers, and William O. Richardson, Technical Advisory Staff; Jackie Thomas, Information Technology Staff; Melissa Purvis, Livestream Technician; Jo Elizabeth M. Wheat, CVR-CM/M-GNSC, Court Reporter; and Hope Adams, Hearing Assistant

APPEARANCES:

KAREN BLAIR MANNING, ESQUIRE, representing SOUTH CAROLINA DEPARTMENT OF COMMERCE, together with *ROBERT M. HITT III [Secretary / SC Department of Commerce]*, presenter

JEFFREY M. NELSON, ESQUIRE, Designee of the Executive Director of THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

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Please note the following inclusions/attachments to the record:

- Presentation Slides (PDF)

P R O C E E D I N G S

1
2 **CHAIRMAN RANDALL:** Please be seated. Good
3 morning, everyone. Good morning, Mr. Hitt.
4 Welcome to this morning's allowable ex parte. I'll
5 ask Mr. Melchers to please read the docket.

6 **MR. MELCHERS:** Thank you, Mr. Chairman.

7 Commissioners, we're here pursuant to a Notice
8 of Request for Allowable Ex Parte Briefing. The
9 party requesting the briefing is Secretary of
10 Commerce Robert M. Hitt III.

11 We are here today in the Commission's hearing
12 room. We were scheduled for September 19th, at 10
13 a.m. And our subject matter to be discussed today
14 is: Commerce overview, current economic development
15 activity, and role energy plays in recruiting and
16 growing business.

17 Thank you, Mr. Chairman.

18 **CHAIRMAN RANDALL:** Thank you.

19 We'll take appearances from the parties, now.

20 **MS. MANNING:** Mr. Chairman, members of the
21 Commission, my name is Karen Manning. I'm the
22 Chief Legal Counsel for the Department of Commerce.

23 I think Mr. Melchers has already told you why
24 we're here today. With me today are members of our
25 executive team: Our Agency head, Secretary Bobby

1 Hitt; Deputy Secretary Jennifer Fletcher; Director
2 of Global Business Development Nelson Lindsay;
3 Michael McInerney, who is our Director of External
4 Affairs; and Alex Clark, who is Director of
5 Marketing and Communications.

6 Secretary Hitt will give the briefing on
7 behalf of the Department, and the members of the
8 rest of our team, along with Secretary Hitt, will
9 be available for any questions. Thank you.

10 Secretary Hitt?

11 **CHAIRMAN RANDALL:** Thank you, ma'am. Welcome.

12 Mr. Nelson, I think you probably have a few
13 instructions for us?

14 **MR. NELSON:** I do, Mr. Chairman. Thank you.

15 Good morning, everyone. My name is Jeff
16 Nelson. I'm Chief Counsel for the State Office of
17 Regulatory Staff, and I'm here in the capacity as
18 the designee for the Executive Director of ORS for
19 the allowable ex parte to be presented by the
20 Department of Commerce.

21 As the ORS representative, it's my duty to
22 certify the records of this proceeding are sent to
23 the Chief Clerk of the Public Service Commission
24 within 72 hours of this hearing. I also need to
25 confirm to the Chief Clerk that this hearing was

1 conducted in compliance with provisions of South
2 Carolina Code Annotated Section 58-3-260(C), which
3 is the allowable ex parte statute.

4 It is my sole responsibility and statutory
5 duty in these proceedings to attend the briefing
6 and file a written certification that such briefing
7 was conducted in compliance with the provisions of
8 this section, that being 58-3-260(C)(6)(a)(i). I'm
9 not here to act as a referee, a judge, or a hearing
10 officer. I do not and cannot represent the
11 Commission, Commission Staff, or the presenters.
12 It is the purpose – it needs to be incumbent upon
13 the people participating in the hearing today to
14 ensure they are acting in compliance with 58-3-260.

15 The main provision of that is that the
16 allowable ex parte needs to be limited to the issue
17 which was noticed. And in this case, that is – as
18 Mr. Melchers already indicated – “Commerce
19 overview, current economic development activity,
20 and role energy plays in recruiting and growing
21 business.” So, it's a pretty broad subject; I
22 think you can go pretty much where you want to,
23 there.

24 We would, therefore, ask that everyone please
25 refrain from addressing anything that is not

1 covered by that noticed subject.

2 Additionally, the allowable ex parte statute
3 prohibits any participants, Commissioners, or
4 Commission Staff from requesting or giving any,
5 quote, “commitment, predetermination, or prediction
6 regarding any action by any commissioner as to any
7 ultimate or penultimate issue which either is
8 currently pending before or may come before the
9 Commission.”

10 Finally, I would ask the participants,
11 Commissioners, and Staff attempt to refrain from
12 referencing any reports, articles, statutes, or
13 documents that aren’t included in the materials
14 already. If so, then we need to track those down
15 because those have to become a part of the record
16 that is certified to the Clerk.

17 For everybody that is in the audience, as well
18 as all the Commissioners and Staff, you should have
19 picked up – you should have signed in, when you
20 came in this morning, and you should have picked up
21 a form. Please make sure that you review – that
22 you read that form and that you sign it and turn it
23 back in before you leave. Occasionally, people
24 forget to turn those in, and then we’ve got to
25 track you down. So if you would just do that, we

1 would appreciate it.

2 That's all I have, Mr. Chairman. Thank you.

3 **CHAIRMAN RANDALL:** Thank you, sir.

4 All right. Mr. Hitt, the floor is yours. And
5 let's make sure we get you cut on, there, on that
6 microphone. Punch that little button – oop, once
7 again. It's not on yet.

8 **SECRETARY BOBBY HITT [SC Dept/Commerce]:**

9 [Indicating.]

10 **CHAIRMAN RANDALL:** There you are.

11 **SECRETARY BOBBY HITT [SC Dept/Commerce]:**

12 Okay. You can hear me? Generally don't have that
13 much difficulty being heard, so I appreciate –

14 **CHAIRMAN RANDALL:** I'm glad you said that –

15 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** –

16 some instruction.

17 **CHAIRMAN RANDALL:** – and not me, so...

18 [Laughter]

19 **SECRETARY BOBBY HITT [SC Dept/Commerce]:**

20 Anyway, Mr. Chairman and Commissioners, good
21 morning and thank you for the opportunity to be
22 here. Our team recently provided background
23 information to serve as an introduction to the
24 South Carolina Department of Commerce.

25 [Reference: Presentation Slides]

1 In short, Commerce is the State's economic
2 development agency. Our job is to recruit and
3 retain business, which equates to creating
4 opportunities and choices for all South
5 Carolinians.

6 Over the last eight and a half years, we've
7 built pretty incredible momentum. The reality is,
8 over the last 25 years – that's how long the agency
9 has been in existence – a lot of momentum here in
10 South Carolina. Since 2011, when I was approved
11 for this job, we've recruited more than 1200
12 economic development projects, about 135,000 new
13 jobs, and \$37.9 billion – with a "B" – in capital
14 investment. Building on that momentum, just last
15 year in 2018 alone we recruited more than \$4.1
16 billion in new investment and an estimated 14,000
17 jobs.

18 Business is changing constantly, and we have
19 to be ready. Energy is a very big factor in
20 corporate location decisions. Some key
21 considerations are cost of service to the site,
22 starting up and ongoing; reliability; and rate.

23 Recent changes to Act 258 removed the
24 consideration of economic development from the
25 Office of Regulatory Staff. That is why I am here

1 today. We believe economic development is a
2 critical consideration in evaluating rate cases and
3 it's important to the future of South Carolina.
4 Consistent, reliable, flexible energy plays a huge
5 part in a company's decision for location and
6 future development.

7 BMW is a great example. I can speak about it,
8 having – wait a minute; I jumped. It's a great
9 example. We began as a \$600 million investment,
10 creating 500 jobs. That was almost 30 years ago.
11 It has grown exponentially. To date, BMW has
12 invested more than \$10 billion in South Carolina,
13 employs approximately 11,000 people in the upstate.
14 For 25 years, BMW's presence has driven the
15 dramatic growth of the automotive sector. Four
16 hundred automotive-related businesses, 40 tier-one
17 suppliers operating in South Carolina. The BMW of
18 North America supply network has grown from 22
19 companies in 1992 to more than 300 companies today.
20 Close to zero automotive workers in 1992, and there
21 are 72,000 people working in the automobile
22 industry in South Carolina today. The multiplier
23 effect: other international powerhouses – Mercedes-
24 Benz, Volvo cars – could look to BMW's success and
25 see the potential for similar growth.

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When BMW established its South Carolina facility, they had special needs for startup and ongoing electricity. South Carolina was able to be flexible in working with them. BMW is a proven case study of how one company saying yes can be so impactful and transformative.

Energy is also increasingly important to existing and prospect companies, such as advanced composite companies, such as Toray, Century, and Nucor. Reliability of the energy network is almost as important as the rate. Flickers in electricity, rubber melts, hardens in machines, shuts a plant down. In some cases, can render a plant useless. Utility companies are key partners in product development with the State and help identify makeready sites for prospects. So they're all part of the economic development team. Timelines get condensed very quickly, companies expect to have utilities in place and shovel-ready sites within a few months. For Team South Carolina to be competitive, there is more work to be done to raw dirt than ever before.

At present, there isn't a process for addressing prospects with special electric needs. One of the things you may see coming from Commerce

1 in the near future will be a letter requesting a
2 process to think through how special rates could be
3 considered so that we meet company timelines and
4 confidentiality. I cannot overstate the importance
5 of energy in a corporate location and expansion
6 decisions. We believe economic development is a
7 critical consideration when evaluating rate cases.

8 And I appreciate your time and attention to
9 this matter. And I'd be happy to answer any
10 questions you might have if I or any member of my
11 staff can to add to that statement.

12 **CHAIRMAN RANDALL:** Thank you, Mr. Hitt.

13 Commissioners, any questions?

14 [No response]

15 One question: I thought we had economic
16 development rates in, I mean, with every utility.

17 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** What
18 we have – and I have some people here that are
19 probably smarter than me about this. We have what
20 we call a rider system with most of the utilities –
21 with all the utilities, I believe – wherein there
22 will be sort of a discount for a period of time, as
23 an entry price, that sits on top of the posted
24 rate. All of that is, to my understanding, all in
25 place.

1 What happens is, from time to time, we'll get
2 a special request. Let me give you an example of
3 one. I remember a Friday afternoon about a year
4 and a half ago, I got a call from a site consultant
5 who told me they were pulling out of another state
6 where they were negotiating, and he gave me a
7 specific rate. "If you can get me a rate of like
8 4.1 cents per kilowatt-hour for 300 megawatts," or
9 some enormous amount of power, "I can give you 3000
10 jobs and a \$2 billion company.

11 So at that point, the key issue was could we
12 get a special rate. This happened to be a company
13 that would make things like solar panels. These
14 large companies, large employers, would look for a
15 special rate. In the past, we've had the
16 opportunity, through ORS and others, to have those
17 communications. And now, with the change in the
18 Act, we're not quite sure how we would respond to a
19 request like that.

20 **CHAIRMAN RANDALL:** I understand. Thank you.
21 I was having a flashback from a previous life.

22 [Laughter]

23 Okay. All of a sudden.

24 Commissioner Williams.

25 **VICE CHAIRMAN WILLIAMS:** Thank you, Mr.

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Chairman.

Good afternoons, sir – or morning, I should say. How are you today?

SECRETARY BOBBY HITT [SC Dept/Commerce]: I'm terrific.

VICE CHAIRMAN WILLIAMS: Just a couple of questions. Thanks for being here today. How many times have you testified before the Public Service Commission?

SECRETARY BOBBY HITT [SC Dept/Commerce]: First time I've ever been here.

VICE CHAIRMAN WILLIAMS: Okay. And I don't want to put words in your mouth, but the change in Act 258 is what has caused you to come before us today?

SECRETARY BOBBY HITT [SC Dept/Commerce]: That's correct.

VICE CHAIRMAN WILLIAMS: Okay. Regarding the special rates from potential businesses that want to come South Carolina, what's your understanding of how that reduced rate or special rate would be paid for?

SECRETARY BOBBY HITT [SC Dept/Commerce]: I don't really have a – this – your business is not something that I have a great deal of understanding

1 about. What I know is it's a process. And in the
2 past, under the previous Act, as it was written, we
3 would engage the ORS to say we have a request, and
4 they would guide us. Now, that no longer exists.

5 **VICE CHAIRMAN WILLIAMS:** Would it be
6 surprising to you if ratepayers would have to bear
7 some of the burden of that special rate?

8 **SECRETARY BOBBY HITT [SC Dept/Commerce]:**
9 Again, I would expect that that would be the case.
10 I mean, if you are looking at a change in rates,
11 that's going to be displaced somewhere. One of the
12 things that we operate on is a belief that as we
13 look at things like taxes, part of what business
14 does is bring about an equalization in a county,
15 for instance. The general principle is that on tax
16 basis, residents only pay about 70 percent of the
17 cost of the operation of government; the rest is
18 made up by business, which doesn't necessarily take
19 as many services. In other words, if there's not a
20 balance between business and residential, the rates
21 are going to go up on taxes. I would assume the
22 same thing would be true in the electrical area,
23 but I don't have any specific knowledge of that.

24 **VICE CHAIRMAN WILLIAMS:** I understand. And
25 so, would it be your opinion that, to bring a new

1 business into South Carolina that wanted a special
2 rate to bring jobs and all the other benefits that
3 comes along with new business, that it's worth
4 ratepayers paying a little bit more on their
5 electric costs?

6 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** I
7 would say that it has to be balanced, and I believe
8 that that's a role for this Commission to do, is to
9 make that balance.

10 I'm an advocate for business, so my advocacy
11 is going to be that adding another 3000 jobs at a
12 particular payroll rate and the tax base that it
13 adds to South Carolina – that's my advocacy.
14 Someone has to help me balance out what those other
15 issues are, and that would be, in my opinion, this
16 Commission or the ORS. Now the statute leaves me
17 without the ORS to be an advocate for the position
18 that I take, so I'm here to say to you: I'm not
19 quite sure how to proceed, when I have one of those
20 special type cases. They don't happen all the
21 time. They happen every so often, every couple of
22 years.

23 **VICE CHAIRMAN WILLIAMS:** Do you have any
24 experience where plants, such as BMW or others,
25 experience flickers or reliability issues with

1 their electricity?

2 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** Yes,
3 sir. Some – you know, if we think back just a
4 moment, in our recent past, like 30 years ago, we
5 did not have as many advanced manufacturing type
6 facilities as we have today. The type of equipment
7 that is in our modern plant needs clean energy – a
8 term that I didn't know until several years ago, at
9 BMW, where some of the equipment at BMW, when I was
10 there, could be adversely affected by a flicker,
11 much less a loss. So companies such as BMW were
12 dual-fed and had some kind of equipment that
13 modulated the equipment so as to maintain a
14 consistent flow, because there was an awful lot of
15 infrared sensors and other things that could be
16 adversely affected by even a modest change in the
17 level of the rate – what they call “clean energy,”
18 as it was described to me. As a layman, I'm not
19 quite sure exactly what that means, but I
20 understood that there was some – “flicker” maybe is
21 a fairly imprecise term – but some kind of
22 modulation in there that could adversely affect
23 equipment, require it to be rebooted, for things to
24 stop, and for that to occur. I know that there was
25 discussion that went on between our facility

1 engineering group and our providers to make sure
2 that they had clean energy. And there were always
3 instances that can occur – of course, act of God,
4 rodents in the substation, such things as that –
5 that can cause disruption, and when it does, it can
6 have a disruption that's fairly long in terms of
7 resetting a plant.

8 So clean energy is something that we get asked
9 about and the reliability of energy is something
10 that we get asked about.

11 **VICE CHAIRMAN WILLIAMS:** Sir, did you or any
12 member of your staff have any form of communication
13 or contact with Duke Energy Carolinas, Duke Energy
14 Progress, or Dominion Energy before coming to meet
15 with us this morning?

16 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** On
17 this topic?

18 **VICE CHAIRMAN WILLIAMS:** Any topic.

19 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** I
20 have – we have conversations with our utilities
21 routinely about matters. We are engaged with them
22 in inventory development; in other words, the
23 utilities are engaged in helping us develop sites,
24 together with counties and municipalities. And so
25 we have an ongoing relationship with them, yes.

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VICE CHAIRMAN WILLIAMS: Did they raise any concerns with the Commission's new role with Act 258 and other changes to –

SECRETARY BOBBY HITT [SC Dept/Commerce]: No.

VICE CHAIRMAN WILLIAMS: – the law? Thank you for being here today, sir. That's all my questions.

SECRETARY BOBBY HITT [SC Dept/Commerce]: My pleasure.

CHAIRMAN RANDALL: Thank you.

Commissioner Whitfield.

COMMISSIONER WHITFIELD: Thank you, Mr. Chairman.

Thank you for being here, Secretary Hitt. We certainly appreciate you coming and updating us. Even though we're a judicial body, a quasi-judicial body, we are still economic regulators, and you're in the business of economic development, so it's very appropriate that you be here, and we certainly appreciate you being here.

I want to mention a couple of things with you, kind of going down a little bit of the path Commissioner Williams was going down. As I've always understood it, you all – some of the utilities have an industrial rep. that will go out

1 and work with you in economic development and work
2 with the new industry, or existing industry, to
3 work with them on their rates. And this Commission
4 routinely approves natural gas agreements and
5 contractual matters, on a regular basis up here,
6 quite frequently. But to get a little more
7 specifically into the rates – and I’m going to do
8 this as best I can, Mr. Nelson, without referencing
9 anything, just talking general terms. But the
10 Commission is aware that our industrial rates in
11 the Southeast are among the lowest, if not the –
12 well, one other state beats us in one area, in the
13 Southeast, but they’re the most competitive, if not
14 the lowest in the Southeast. And all but one of
15 our investor-owned utilities are below the national
16 average, or – and that one is right at it. So
17 would you characterize us, South Carolina, as
18 having competitive industrial rates already?

19 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** Yes,
20 sir.

21 **COMMISSIONER WHITFIELD:** And so when you when
22 you go out – when you and your Department go out to
23 sell South Carolina, you’re able to say we have
24 affordable, competitive energy rates here in South
25 Carolina. You don’t – you’re not met with that as

1 being an issue for somebody not coming here on a
2 regular basis, are you?

3 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** On a
4 regular basis, no.

5 **COMMISSIONER WHITFIELD:** Do you know of any
6 jobs or any opportunities South Carolinians may
7 have lost because of it? And can you share that
8 with us? I know some things you can't share
9 publicly, and certainly we're in a public forum,
10 and I respect that. But maybe in general terms,
11 could you share – we want to know, because this is
12 the only way – the only forum we have to hear from
13 you.

14 **SECRETARY BOBBY HITT [SC Dept/Commerce]:**
15 Well, as a – within the State of South Carolina,
16 there are some areas in which certain aspects of
17 utility rates might be more competitive than in
18 other parts of the State. Certainly, that's true,
19 for instance, with natural gas because of how it
20 comes into the State, and the further away from the
21 source it is, the more expensive it might be. So
22 some areas we may be looking at for a plant and
23 because of the cost of gas it's not competitive,
24 say, with one of our neighboring states that might
25 be closer to the wholesale source of the gas, that

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type of thing.

Utility rates are impactful on projects. So, in many instances, we have occasions where, because we have quite a few utilities in the State – some that are regulated and some that are not – companies will be looking at the utility rates pretty intensely as part of their decision-making. And they may favor one utility company over another, and basically say, “We only want to look in this part of the State,” or, “in that part of the State,” due to utility rates that are published. We are competitive with our neighboring states, in general, but some areas of the State are more favored than others, based on rates – based on the companies involved.

COMMISSIONER WHITFIELD: And you are correct, our investor-owned utilities do differ a little bit –

SECRETARY BOBBY HITT [SC Dept/Commerce]:
Right.

COMMISSIONER WHITFIELD: – but are competitive.

SECRETARY BOBBY HITT [SC Dept/Commerce]:
Correct.

COMMISSIONER WHITFIELD: If I could, we’ve

1 had – and Commissioner Williams had this discussion
2 with you about the change with ORS’s mission as it
3 relates to Act 258 – Mr. Nelson, I’m just going to
4 read it from the statute – but I think the change
5 reads: “Public interest” means the concerns of the
6 using-and-consuming public with respect to public
7 utility services, regardless of the class of
8 customer, and the preservation of continued
9 investment in and maintenance of utility facilities
10 so as to provide reliable and high-quality utility
11 services.

12 So, the consideration for them, for ORS, as
13 they bring a case to us, is still there that the
14 investment level remain where that company can
15 maintain and provide reliable and high-quality – is
16 the word it uses – utility services. So there’s
17 still some of that language in there, I would offer
18 you. That’s straight from the statute. And I
19 think, as Mr. Nelson cited, that’s part of the
20 topic or within the topic of what you called this
21 allowable ex parte for. So I would certainly share
22 that will you. That’s straight out of Act 258, in
23 2018.

24 Lastly, Secretary Hitt, if you could share
25 with us maybe a little bit what your Department is

1 doing – I know we hear and talk often about rural
2 areas, and you and I both being from a rural area,
3 one of the most sparsely populated counties in the
4 State. Can you share with us what the Department
5 is doing in rural areas of the State, currently?

6 **SECRETARY BOBBY HITT [SC Dept/Commerce]:**

7 Well, we have targets for our rural areas, as you
8 know. Elsewhere in our statutes, we have our
9 counties rated from tier one, two, three, and four.
10 That's a rating system that's done on the affluence
11 of our counties by the Department of Revenue. And
12 as a result, it drives certain aspects of our
13 incentive program, so as to have some favor for
14 less affluent counties over affluent counties.

15 That being said, out of our 46 counties, we
16 have some that trail others, and have consistently
17 and historically, for a variety of reasons. I
18 don't know that I see utility rates as necessarily
19 being one of them. I hadn't thought about it quite
20 that way. But, typically, in our State, the
21 counties that lie along the interstate system do
22 very well. They have the most activity, have good
23 transportation systems, and the like, and many of
24 the counties that are adjacent to interstate
25 counties do very, very well in terms of density and

1 opportunity for jobs. As we move further away into
2 some of our rural counties, transportation system
3 and other things are not quite as substantial and
4 it's more difficult to attract companies to those
5 areas.

6 And in many of those areas, because of the low
7 density, they may have electrical rates that are
8 not as competitive as they would be in other areas
9 because of capital formation and others. We work
10 with our co-ops, and the like, to try to do the
11 best we can in those areas, but there are sometimes
12 some challenges where, across the line, they can go
13 to a stock-owned utility and maybe get a better
14 rate, in which case we can't lure it into one of
15 those counties. That's sometimes what we face.

16 It's gotten better. We work pretty hard at
17 it. But no state in the country has conquered the
18 issue of economic development in the rural areas.
19 We constantly look.

20 Last year, we raised this issue with the
21 Governor and the General Assembly, and they have
22 funded us to go and take another approach to some
23 of our rural areas, and we're in the beginning
24 stages of that right now. Should there be an issue
25 involving utilities – regulated utilities – that

1 would be helpful to us, you may assume I will come
2 back and want to discuss that with you, as well.

3 **COMMISSIONER WHITFIELD:** Well, we certainly
4 appreciate that update. As we all know, when many
5 of our rural areas were hit after the recession –
6 as everyone was – some of our rural areas took
7 longer to bounce back, and some of them still
8 haven't bounced back, as you well know. So we
9 certainly appreciate your efforts in recruiting
10 industry and jobs for all areas of South Carolina,
11 and we certainly appreciate you being here. And
12 please come back anytime you would like to, in an
13 allowable ex parte format like this. And thank you
14 for being here.

15 That's all I have, Mr. Chairman.

16 **CHAIRMAN RANDALL:** Thank you.

17 Commissioner Hamilton.

18 **COMMISSIONER HAMILTON:** Thank you, Mr.
19 Chairman.

20 How you doing, Mr. Secretary?

21 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** I'm
22 doing fine, sir.

23 **COMMISSIONER HAMILTON:** Good. I think it
24 might help you a little bit if you know something
25 of the make-up of this Commission. The majority of

1 the Commission came here from local government or
2 State government, and we have been involved in
3 economic development in our particular areas for
4 many, many years, and support everything that you
5 do and have done, and thank you for it. I'm
6 especially, in my district, thankful for the inland
7 port in Dillon, and we hope that in Marion and
8 Marlboro County we'll receive some benefits from
9 that. As we understand it, it's possible and very
10 probable that we will.

11 But I'd like to thank you for the – I think
12 you've done a great job. I've followed you since
13 you've been there. And I think the people of South
14 Carolina have been very proud of your work.

15 **SECRETARY BOBBY HITT [SC Dept/Commerce]:**

16 Thank you, sir.

17 **COMMISSIONER HAMILTON:** Thank you.

18 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** I
19 have a great team.

20 **COMMISSIONER HAMILTON:** Thank you, Mr.
21 Chairman.

22 **CHAIRMAN RANDALL:** Thank you, Commissioner.
23 Commissioner Ervin.

24 **COMMISSIONER ERVIN:** Thank you, Mr. Chairman.
25 Mr. Hitt, it's good to have you with us.

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SECRETARY BOBBY HITT [SC Dept/Commerce]:

Thank you, sir.

COMMISSIONER ERVIN: I represent the Greenville/Spartanburg area, and I can't tell you how much we appreciate your efforts in years past to get BMW in the upstate. It's been a real blessing for thousands of people, and it's impacted, as you know, hundreds of thousands of people. It's improved our economy and stimulated other growth and development.

So having said that, one concern that I have, and I'd just like to hear you address it – we've got 72,000 workers in South Carolina that are affiliated directly or indirectly with the auto industry; is that correct?

SECRETARY BOBBY HITT [SC Dept/Commerce]:

That's correct.

COMMISSIONER ERVIN: Are you concerned about the trade war with China and the tariffs that have been imposed, in terms of how that might ultimately affect – if it goes on, and escalates – how that could affect manufacturing in South Carolina, specifically auto manufacturing?

SECRETARY BOBBY HITT [SC Dept/Commerce]: Long before I took this job, the State of South Carolina

1 made a conscious decision to be what we would all
2 generally refer to as a free-trade state. We have
3 developed and invested a great deal of money in our
4 port and our inland ports, now that we have two,
5 and in our State rail system and other activity in
6 order to be very good at bringing materials in and
7 moving materials out. We have led the United
8 States – all 50 states – in foreign direct
9 investment, three out of the last seven years. We
10 have always spent a lot of time recruiting
11 companies from outside the United States. It's
12 been very successful for us. In addition to
13 automotive, as you know, we are the leading tire
14 manufacturing state in the United States, and all
15 of our tire companies come from another continent
16 besides North America.

17 The point here is that, as we have a lot of
18 in-and-out commerce and we are training our
19 companies in South Carolina to be able to export
20 more and we've had export growth every year for the
21 last eight years, we are part of a world economy
22 here in South Carolina. That's how we have
23 positioned ourselves. The Governor, who has good
24 relations in Washington, has taken me along with
25 him and we have had face time with the trade

1 officials of the Trump administration and explained
2 to them what we think the adverse effects of these
3 tactics are. They are very committed to these
4 tactics. We have had these conversations with
5 them. Our companies understand the tactic. They
6 don't necessarily agree with the tactic, our
7 companies don't, but they buy the fact that this is
8 the situation that we're in and we, as a State, are
9 doing everything we can to support them.

10 We have many companies in this State that have
11 supply chains that reach outside the United States.
12 We have quite a few. And they are affected in one
13 way or another. That doesn't mean they're going to
14 go out of business; it means that they are having
15 impact to their margins. It's been my experience
16 in the private sector, where I come from, that
17 business people do not like adverse impacts to
18 their margins, so you generally hear from them.
19 And so we hear from them routinely and we try to
20 work with those companies – we don't try; we do
21 work with those companies, to try to put their case
22 before the US Trade Representative's office to try
23 to get waivers and other such things, and we have
24 been successful in many instances and will continue
25 to try to be successful on behalf of South Carolina

1 companies.

2 The business sector would generally prefer not
3 to have this, what they would see as an
4 interference to their balance sheet by this tactic,
5 but they appreciate the fact that we're an advocate
6 for them, and we are one of 50 states that are all
7 dealing with these tactics and the impacts that
8 they're having.

9 I don't know if that answers your question,
10 and that's –

11 **COMMISSIONER ERVIN:** Well, it does.

12 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** –
13 what I'm trying to –

14 **COMMISSIONER ERVIN:** Yes, sir.

15 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** So
16 we are trying to help our companies manage within a
17 changing environment, which we do.

18 **COMMISSIONER ERVIN:** Right.

19 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** We
20 not only are engaged in recruiting companies; we're
21 engaged in their retention. So we have a program
22 where we go out and visit many of our companies.
23 Our target on an annual basis of about 600 of our
24 companies. Last year we visited about 580 of them,
25 to talk about their business and what could we do

1 to aid them in any way.

2 So this is an ongoing process. It's dynamic.
3 And so we get a lot of feedback.

4 **COMMISSIONER ERVIN:** Well, the other point is
5 that agriculture is such an important part of South
6 Carolina economy. I don't suppose you really
7 work – or do you work with any big ag. companies?

8 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** Yes,
9 sir, we do. And we – I think it was the first week
10 I was in the job, Commissioner Weathers came to see
11 me and asked me how we could work together. We've
12 had a memorandum of understanding ever since that
13 time. We have a dedicated project staff for
14 agribusiness, and we have a lot of attention on
15 processors, and others, whether they be in forestry
16 or whether they be in row crops. And I think we've
17 done pretty well there. We routinely announce new
18 agribusiness.

19 Some parts of our State, as you know,
20 Commissioner, really lend themselves to
21 agriculture. It's the strongest economy they may
22 have. And so, yes, we do work very hard to support
23 our agriculture and forestry groups.

24 **COMMISSIONER ERVIN:** And my point is, of
25 course, that they are severely impacted by tariffs,

1 as well, because many of them had established
2 supply chains and sales overseas, and that has an
3 adverse impact, too. So I'm hoping that this will
4 turn around. I think it would make your job a lot
5 easier, if it did. So I encourage you to continue
6 the pressure and the dialogue, because, you know,
7 the World Trade Organization, while the
8 administration has not really been kind to it, is a
9 good way to resolve a lot of these trade disputes.
10 In fact, China, when they've been ruled against,
11 they've always abided by the ruling of the World
12 Trade Organization.

13 So that's another angle that, you know, that –
14 I'm not sure why the administration hasn't actively
15 pursued that, but it's there for a reason, and to
16 resolve trade disputes. And that's something I
17 would encourage you to ask them to look into.

18 **SECRETARY BOBBY HITT [SC Dept/Commerce]:**

19 We're familiar with the World Trade Organization.
20 We have appeared before elements of the World Trade
21 Organization, as it relates to certain of our
22 international clients where there have been issues.

23 I should remind the Commission: There's been a
24 lot of talk about tariffs, obviously, in the last
25 few years. We have always had tariffs. We've had

1 tariffs pretty much since Alexander Hamilton
2 recommended them to George Washington. So, most
3 people are not aware. We do tariffs on other
4 countries and they do tariffs on us. This is part
5 of the business atmosphere. It has been more
6 impactful in some of the business sectors than in
7 others over the last few years. And, yes, sir, we
8 jawbone a lot. We don't call press conferences,
9 but we talk with the US Trade Representative about
10 this on a routine basis.

11 **COMMISSIONER ERVIN:** Well, I'm glad to hear
12 that, and I'm pleased that you're taking an active
13 role to protect our large businesses and
14 industries.

15 Do you have any role in promoting or helping
16 small businesses in South Carolina?

17 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** Yes,
18 sir, we have a Business Services Division, and
19 we're very engaged in small business. We work
20 through a variety of partners in doing that. But
21 the answer is, yes, we did probably about 800 small
22 business projects last year. We also have
23 resources available to them. We have tried to
24 simplify the system, so that people who are looking
25 for an agency that may support them under the

1 various programs under SBA, for instance, we have a
2 program that allows them to put in certain
3 information and it sort of funnels them down to the
4 programs that are useful. We also work with the
5 Small Business Development Centers, which is a
6 different program, but we have relationships with
7 them and help fund them, so we have ability to move
8 our startup businesses and others.

9 There are a lot of different kinds of small
10 businesses. Our focus is mostly on nonretail.
11 We're not oriented toward retail as much as we are
12 other types of businesses, including what people
13 refer to as the new digital economy. So we're
14 engaged in a whole variety of innovations,
15 startups, incubators, and the like, and we deal
16 with traditional small business, as well. We get a
17 lot of calls and we try to advise those folks and
18 get them to the right resources. We spend a lot of
19 time on that.

20 **COMMISSIONER ERVIN:** You refer them to the
21 Small Business Administration, or that type thing?

22 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** And
23 help sort it out for them.

24 **COMMISSIONER ERVIN:** Right.

25 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** I

1 sometimes think there are people who sit at home,
2 at night, on a computer, trying to figure out how
3 to make money or start up a business, and there are
4 a lot of programs out there, but we try to be a
5 little bit of a guide dog for these companies, to
6 get them matched up with programs that would be
7 fitting for what they're trying to do.

8 **COMMISSIONER ERVIN:** Well, finally, let me ask
9 you about the skills gap that we hear so much about
10 in South Carolina. Would you briefly address this?
11 Because, you know, it seems like, with the many
12 companies that are highly involved in artificial
13 intelligence or robotics, they want highly trained
14 workers with special skills, and math and science,
15 and so forth. Are we making any progress in South
16 Carolina, in terms of closing the skills gap?

17 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** Yes,
18 sir. I think, in the last couple of decades, we've
19 made enormous progress. I would say that, you know,
20 we make – the men and women in South Carolina make
21 the most complex consumer product in the world: It's
22 called a BMW. The largest-selling premium brand in
23 the world, and they build the most advanced models
24 of it. Everything from the – we don't build the
25 engines here, but the transmissions are built here

1 by a company. And of course, as everyone knows, we
2 build jets, as well. Very complex composite jets,
3 and later this year we'll start building military
4 jets in the upstate, in Greenville County, where
5 you're from.

6 I think that these things have demonstrated to
7 the world a complexity that our workforce can
8 attain. Our technical education system and our
9 four-year education system, and beyond, have done a
10 good job of preparing us. We always work on it.

11 The General Assembly, a few years ago, decided
12 we needed to coordinate that activity between what
13 goes on on the commerce side and what goes on
14 between the education side. As a result, they
15 wrote a statute that created the Council on
16 Workforce Development, which is made up of the
17 three education agencies – K-12, the traditional
18 Department of Education; higher education; and
19 technical education. It also included the
20 Department of – DEW, what's the E stand for?
21 Employment – Department of Employment and
22 Workforce, and the Commerce Department. And the
23 Commerce Department chairs and staffs that. Our
24 goal is to try to make sure that what we're
25 training for and what we're recruiting for are a

1 match. Not a one-to-one, but to do a better job,
2 and to be able to give our educators an
3 understanding of what jobs are coming next year and
4 the year after, and what the skill levels are.

5 I would tell you that 30 years ago we were a
6 low-skilled manufacturing State. And I would tell
7 you today that we're a highly advanced
8 manufacturing State, and we're seen that way around
9 the world. That's the reason that we've been
10 successful. I don't just say it because I worked
11 at BMW, but I think BMW was an imprimatur for us.
12 It showed a change point in South Carolina. As you
13 will recall, since you and I have similar hair
14 color –

15 [Laughter]

16 – 30 years ago we were losing the textile
17 industry in tens of thousands of jobs. The
18 significance to me, the number of 72,000 automotive
19 jobs, is that's roughly the number of textile jobs
20 we lost in the late '80s and early '90s, when BMW
21 came in.

22 So what we have been able to do is, through
23 the men and women of South Carolina, demonstrate
24 that we have a highly educated workforce, highly
25 trainable workforce, that we have the ability to

1 have skill development, and we need to be able to
2 do it and we have been able to do it and
3 demonstrated it in short periods of time.

4 Again, I would say things like Boeing – we
5 have a training program for Boeing. It takes you
6 43 weeks from the time you enter the training
7 program at Boeing before you can go on the plant
8 floor, and we have a dedicated staff that trains.
9 Last year, I think I was advised just yesterday on
10 a collateral matter that we trained about 4200
11 people at Boeing last year, in different types of
12 quality curriculum, in order to improve what they
13 do, as part of a contracting system. So, same
14 thing goes on at BMW. These companies are very
15 complex, and it's not what you learned five years
16 ago that matters; it's what you learned last week
17 that keeps them ahead of the curve.

18 So, I think our workforce has moved ahead
19 greatly. We compete on the international stage.
20 And as I said, we have led the country in
21 development, in economic development, on an
22 international level, and I think that's because of
23 the men and women of South Carolina.

24 **COMMISSIONER ERVIN:** Thank you, sir. I
25 appreciate you being with us today.

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CHAIRMAN RANDALL: Thank you.

With that segue from advanced manufacturing to
advanced hair color –

[Laughter]

– Commissioner Howard?

SECRETARY BOBBY HITT [SC Dept/Commerce]: I
don't know that it's advanced, Mr. Chairman.

COMMISSIONER HOWARD: Don't hurt my feelings.

[Laughter]

Mr. Hitt, I too appreciate you being here.
And I will leave here and I will go by Volvo Car
Drive. It makes me proud of the job you're doing
when I go by there. And further on down the road,
I'll go by Boeing. So, thank you very much for the
job y'all are doing, and you make us proud.

Are you familiar with the acronym SEG?

SECRETARY BOBBY HITT [SC Dept/Commerce]: Did
you say "F" as in Frank?

COMMISSIONER HOWARD: No, "S" as in Sam.

SECRETARY BOBBY HITT [SC Dept/Commerce]: "S"
as in Sam? I don't know that I know, sir. There's
a lot of alphabet in my business, but I'm not sure
I know that one.

COMMISSIONER HOWARD: Well, it's a concept
that's being advanced particularly in the

1 investment community. And the “S” is for “social,”
2 the “E” is for “environmental,” and the “G” is for
3 “governance.”

4 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** Yes,
5 sir, I’m now familiar with it.

6 **COMMISSIONER HOWARD:** Okay. It seems this is
7 becoming more of an issue for investors to assure
8 that their companies, you know, meet this template
9 on these three things. You want to comment on it?

10 **SECRETARY BOBBY HITT [SC Dept/Commerce]:**
11 Again, I would see that as a preference that
12 certain investors would choose, and they would
13 choose to want to invest in companies that meet
14 those three criteria underlying those three
15 letters. And that’s an option that people have.
16 It’s a great country; you can invest in whatever
17 you would like.

18 **CHAIRMAN RANDALL:** It seems like it’s a pretty
19 big issue on Wall Street.

20 **SECRETARY BOBBY HITT [SC Dept/Commerce]:**
21 Well, let me say that a lot of the companies that
22 we are recruiting now are very interested and have
23 a leading edge on environmental and, you know,
24 electric use, water use, using recycled water or
25 gray water, and the like. My old company at BMW

1 measured cars by water per car, electricity per
2 car. And this is an important issue that is worth
3 having a moment to talk about. So when we are
4 competing, we are dealing with international
5 companies that take our criteria and measure it
6 against other places in the world where they have
7 plants, and want to know, for instance, why are we
8 using more water or why is our electricity costing
9 more, or so forth, because they haven't – they're
10 not just looking at South Carolina or even the
11 United States; they're looking at the world, and
12 are able to make comparison on a per-unit basis,
13 which, as you know, businesses love to measure.

14 **COMMISSIONER HOWARD:** Well, one of the issues
15 that I've read about in Berkeley County, in
16 particular, is Google and their water supply.
17 Could you comment on the water usage of Google and
18 what is all that about?

19 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** I
20 can't talk specifically, nor is any of my senior
21 staff probably knowledgeable enough to talk
22 specifically about Google. The general area is
23 they use water for cooling. It is a data
24 processing center, and data processing creates
25 heat, and they need to maintain a constant

1 temperature level and they use water to cool. And
2 to my understanding, they made application to be
3 able to draw more water, through DHEC. That's not
4 anything that came through our office, so I am not
5 aware of the specifics of how much water or what
6 the issues are in that, but I'm aware that there
7 are some people that take a different position than
8 Google does on the use of that water.

9 **COMMISSIONER HOWARD:** Thank you again for your
10 presentation. I enjoyed it.

11 **CHAIRMAN RANDALL:** Thank you.

12 Commissioners, any other questions?

13 **COMMISSIONER WHITFIELD:** Mr. Chairman.

14 **CHAIRMAN RANDALL:** Commissioner Whitfield.

15 **COMMISSIONER WHITFIELD:** Just one quick
16 follow-up, Secretary Hitt. I kind of failed to
17 mention earlier, speaking of the highly advanced
18 workforce that you cited we are now, we realize how
19 competitive this is. I was giving a speech at
20 NARUC not too long ago – that's our national
21 organization of all 50 states' commissioners – and
22 I talked about South Carolina facts, and I talked
23 about South Carolina being the leading tire
24 producer now. And to much chagrin of my friends
25 from the Ohio Commission, I got some dirty looks,

1 because we had just passed Ohio to be that number
2 one. So I understand the competitive nature of
3 that and got a dose of it firsthand that day, and I
4 just thought I would share that with you.

5 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** We
6 get the same warm reception in North Carolina and
7 Georgia, Commissioner. And let me say, while I
8 appreciate any plaudits anyone wants to give me, I
9 have a remarkable team of about 100 people that are
10 engaged in this, and in each of the 46 counties we
11 have economic development staff that are county
12 employees. They're integrated into our team. And
13 we consider everybody, including you, part of Team
14 South Carolina. One of the things is we're a nice
15 small state, and people come here to do business
16 and they like us because we know each other. And
17 the Governor likes to say that we're all probably
18 related. I'm from Charleston and we think
19 everybody below the fall line is related, but above
20 the fall line we're not quite so sure.

21 [Laughter]

22 The point here is –

23 **CHAIRMAN RANDALL:** Somebody here feels that
24 way, too.

25 [Laughter]

SECRETARY BOBBY HITT [SC Dept/Commerce]:

1 Well, the point is that we are a size state that
2 has the ability to look at and identify problems
3 and solve them in a fairly quick time. We're a
4 pro-business State. We've been able to grow our
5 State in the last 25 years. When you consider what
6 I call – sometimes when I'm making speeches, I
7 refer to that past of 30 years ago as we were the
8 3T State. We were driven by textiles, tobacco, and
9 tourism. And if you reflect on that for a minute,
10 you can realize how much we have changed. We still
11 have tobacco, a little bit, and we still have some
12 real healthy textile functions in the State, and
13 tourism, of course, continues to grow, to the
14 resentment of some of my kin in Charleston who wish
15 it would slow down.
16

17 But we are a functionally different state than
18 we were 30 years ago, and I put that at the success
19 of all of us, not any one of us or, either, small
20 team. It's who we are as South Carolina. We've
21 changed who we are. And I think we've now created
22 choices and opportunity to people in South Carolina
23 they didn't imagine.

24 We now have two generations of people that
25 have been born and educated that never knew a time

1 that we didn't build cars or jets here. And that's
2 a remarkable thing, I believe. And I hope it stays
3 as remarkable for the future, and that's what we're
4 trying to make sure we do. And our only goal today
5 was to simply create awareness for this Commission
6 of the importance of electricity to our efforts on
7 the economic development side. and I appreciate
8 your time.

9 **CHAIRMAN RANDALL:** Thank you.

10 Commissioners, any other questions?

11 [No response]

12 I'd like to thank everyone for coming today.
13 Mr. Hitt, appreciate you being here.

14 **SECRETARY BOBBY HITT [SC Dept/Commerce]:** My
15 pleasure.

16 **CHAIRMAN RANDALL:** And we enjoyed your
17 presentation.

18 If there's nothing else, we are adjourned.

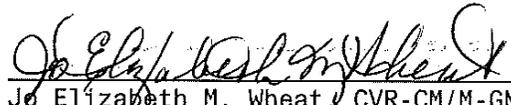
19 [WHEREUPON, at 10:57 a.m., the
20 proceedings in the above-entitled matter
21 were adjourned.]

22 _____

C E R T I F I C A T E

I, Jo Elizabeth M. Wheat, CVR-CM-GNSC, Notary Public in and for the State of South Carolina, do hereby certify that the foregoing is, to the best of my skill and ability, a true and correct transcript of all the proceedings had regarding a requested allowable ex parte briefing in the above-captioned matter before the PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA;

IN WITNESS WHEREOF, I have hereunto set my hand and seal, on this the 22nd day of September, 2019.


 Jo Elizabeth M. Wheat, CVR-CM/M-GNSC
 Hearings Reporter, PSC/SC
 My Commission Expires: January 27, 2021.