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## Sanford weighed utility privatization

## Wall Street firm was asked to assess value of Santee Cooper

Published on 04/15/05

BY KYLE STOCK  
Of The Post and Courier Staff

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Gov. Mark Sanford's office orchestrated the hiring of an investment bank to determine how much Santee Cooper would fetch in a sale that would privatize the state-owned utility, according to newly obtained documents and a former board chairman.

Sanford has denied for months that he is interested in privatizing the Moncks Corner-based power business, and has said the study was undertaken to see how Santee Cooper stacks up against other utilities.

But Graham Edwards, former chairman of Santee Cooper, said Thursday that the governor proposed selling the utility in a November 2003 meeting held to discuss the utility's contributions to the state's General Fund.

Edwards said the bank's valuation study was pursued at Sanford's behest to address whether privatization was a good idea.

In mid-November, Santee Cooper signed a contract with Credit Suisse First Boston LLC to analyze the utility. The contract, obtained under the Freedom of Information Act, said the bank would provide "strategies to maximize the company's value under its existing structure or any viable alternatives."

Santee Cooper Chairman Guerry Green said Thursday that he was joined by director Keith Munson, the governor's wife, Jenny Sanford, and Marshall Evans, an adviser in Sanford's office, in interviewing investment banks that bid on the project. Jenny Sanford is a former investment banker.

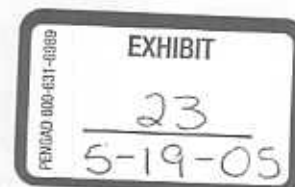
Other documents obtained from Santee Cooper also show that Evans helped hammer out details of the contract.

Sanford's office has said the idea to examine the utility was proposed by Edwards. Asked March 24 whether the governor's office helped solicit bids for the study, Will Folks, a spokesman for the governor, said, "We didn't initiate it, we didn't conduct it and we didn't take part in any of it. ... Our only involvement in the process was to say, 'Yes, Mr. Edwards, we think that is a good idea.'"

Folks backtracked Thursday, saying he had misunderstood the question. "I was not correct," he said. "There was involvement, but I don't know the precise extent." Edwards said Thursday that the idea for a valuation exam was first proposed by John Rainey, one of Sanford's economic advisers.

Edwards was in favor of the study, but not of privatization.

"Our position was that if you privatize Santee Cooper, then the rates are going to go up," Edwards said. "(Rainey) told the governor he needed to do his own study, for him to have confidence in the results."



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Edwards said his only part in the process was asking the board to approve funding for it.

Rainey confirmed Thursday that the study was his idea. "I have thought for some time that all this was general knowledge," he said. "It's time to move on."

Regardless of its intent, the Credit Suisse report has prompted questions from Santee Cooper customers and board members. Many suspect that Sanford — who has consistently preached the virtues of small government — wants to privatize the utility.

"What they intend to do with the study, I don't know and can only guess," Pat Allen, a Santee Cooper director, said Thursday. "The fact is you don't pick a Wall Street firm that specializes in IPOs (public offerings of stock) to look at the efficiencies of an electric utility."

Along with helping take businesses public, Credit Suisse regularly assists companies in mergers and acquisitions.

Previous studies by the utility have shown that if Santee Cooper was sold to a private-sector company, its rates would rise to the level of those at private utilities, which are about 30 or 40 percent higher.

Some of the state's biggest industrial plants have said they would relocate to other states if their power prices were to increase substantially.

Credit Suisse officials did not return phone calls or e-mails. The aim of the bank's examination is not clear based on the institution's correspondence with Santee Cooper officials.

According to the documents, the bank sought wide-ranging information about the utility's financial reports and operations.

It also asked Santee Cooper executives to highlight any power transmission constraints between Santee Cooper and surrounding markets.

And it asked how customers have reacted to rate changes and how likely South Carolina electric cooperatives were to cancel contracts.

Sanford was grilled about the study last week at a public hearing in Moncks Corner to discuss pending legislation. The governor denied any intention to sell the utility to the private sector.

"You've heard me talk about a lot of things, but one thing you haven't heard me talk about is the privatization of Santee Cooper," Sanford told about 160 people at the meeting. "If I propose the sale of Santee Cooper, you'll be the first to hear it."

Sanford has burned some political capital in his oversight of the state utility.

A Wall Street bond-rating firm cited board changes made by Sanford when it lowered its outlook on Santee Cooper credit in December. A group of lawmakers, including Republican Senate power broker Glenn McConnell, have filed bills that would greatly reduce the governor's control of Santee Cooper.

And Sanford was booed at last week's hearing when he told the crowd that he hasn't given specific instructions to any of the board members he appointed.

At the same meeting, Ken Ford, a former Santee Cooper chief executive officer, said he had "deep concerns" about the board's current make-up, citing members' lack of experience in the utility industry.

He also accused the directors of "slapping around" the utility's executives. Ford told the assembly that he voted for Sanford and would not do so again. His comment was met with applause.

"I thought he was smarter," Ford said of the governor.

I thought he was smarter, Ford said of the governor.

It's unclear when the Credit Suisse study will be completed. The governor's office, Santee Cooper executives and board members who dealt with Credit Suisse all said they had no idea when the New York bank might deliver.

On March 22, Santee Cooper asked the consultants via e-mail when the study would be presented. The query has not been answered.

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## Market Classifieds

## Sanford criticized on utility

## Santee Cooper privatization study spurs complaints

Published on 04/20/05

BY KYLE STOCK  
Of The Post and Courier Staff

COLUMBIA—Democratic lawmakers criticized Gov. Mark Sanford on Tuesday, accusing him of secretly trying to lay the groundwork for a sale of Santee Cooper.

"We expect our governor to act in an honest and aboveboard manner," state Democratic Party Chairman Joe Erwin said at a news conference.

Erwin's remarks were spurred by disclosures last week that Sanford expressed interest in selling the Moncks Corner-based utility in late 2003 and hired an investment bank last fall to look into the practicality of privatization.

Erwin said Tuesday that selling the state-owned utility would hurt South Carolina residents who are Santee Cooper customers. About 40 percent of the state's residents use Santee Cooper power. The utility's rates are about 30 percent less than those of investor-owned utilities such as SCE&G.

"This is a serious issue that will affect thousands of lives," Erwin said. "The fact that this was learned about through The Charleston Post and Courier and a (Freedom of Information) request is particularly troubling."

Sanford attended the press conference and was handed a Freedom of Information request from Erwin. "It's convenient you are here," Erwin said to the governor.

Afterward, Sanford denied having a "secret plan" to sell Santee Cooper, a New Deal-era utility that for years has provided cheap electricity to some of South Carolina's poorest, rural areas. Rather, Sanford said he commissioned the bank's examination as part of his campaign to get the utility to give more back to state coffers and to taxpayers who don't benefit from its relatively cheap rates. Santee Cooper is exempt from state property taxes, but 1 percent of its revenues go to the state's General Fund.

"We haven't talked about privatizing Santee Cooper," Sanford told a group of reporters. "People are trying to create fear in people to gain political gain. We've been very, very consistent in asking every (public) board out there to look under the hood."

The governor has pursued efforts to sell the state's fleet of cars and surplus property, including property at Port Royal, as well as privatizing a state-owned golf course and a bait-and-tackle operation in state parks.

Selling Santee Cooper would require the Legislature's consent.

Despite Sanford's denials regarding Santee Cooper, additional documents obtained this week under the Freedom of Information Act show that Sanford's office requested proposals in September to "examine the feasibility of privatizing" Santee Cooper.

According to those documents, Marshall Evans, a policy adviser in Sanford's office, contacted at least four investment banks in the fall, asking them to submit bids for a

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confidential study on the sale of Santee Cooper.

Evans asked the banks to propose a start-to-finish strategy for selling the state-owned utility, including approaches to "mitigate or manage" the impacts of a sale on power customers.

Lazard Freres & Co., one of the firms asked to bid, used to employ Jenny Sanford, the governor's wife. Jenny Sanford was part of a group that interviewed bidders. The governor said she was involved because his office is short on financial experience.

Lazard Freres Managing Director Joseph Maybank submitted a proposal and wrote that he felt confident doing so "without the appearance (or reality) of potential conflict."

Credit Suisse First Boston, however, was the firm eventually chosen to do the study.

At least four companies bid on the work. Most said they would look into a variety of possible Santee Cooper deals, including an initial public offering, an arranged sale, partial sale or the leasing of Santee Cooper to a separate entity. The companies also listed potential buyers and detailed how privatization would progress from an initial evaluation to a "road show," in which investment bankers gauge investor interest and set pricing.

Credit Suisse billed itself to Sanford's office as the No. 1 adviser in utility mergers and acquisitions. It suggested that proceeds of a sale could fund tax cuts or establish a pot of money for venture capital or small-business loans.

Over the years, there have been a variety of studies examining the practicality of selling Santee Cooper. Most were commissioned by the utility and show that power rates for Santee Cooper customers would rise to the level of investor-owned power companies.

Some big industrial companies that use Santee Cooper power have said they will move their operations to other states if their power rates go up appreciably.

Sanford said Tuesday that he didn't know when Credit Suisse's examination, which cost \$100,000, would be completed. He said it would be sent to Santee Cooper when it was finished. Santee Cooper has said it expected the study to go to the governor's office.

Credit Suisse has not returned phone calls or e-mails.

Meanwhile, the Senate approved legislation Tuesday that would bar the governor from removing Santee Cooper board members without cause. The bill, sponsored by Senate President Pro Tem Glenn McConnell, also would allow Santee Cooper customers to sue board members for mismanagement and require at least four directors to have work experience with one of the cooperatives that Santee Cooper sells about half of its power to. A similar proposal was still up for debate in a House committee Tuesday.

Santee Cooper executives and directors have said the legislation is unnecessary and could harm the utility and hamstring board decisions. Guerry Green, chairman of the utility board, said Wall Street bond-rating firms also have expressed concerns about the bill.