

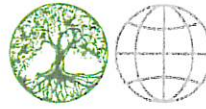
NO

LONGER

AN

ASSET

*How Santee Cooper Is **FAILING** South Carolina*



Gullah Geechee Leadership Institute

November 23, 2020

Dear South Carolina leader,

I've devoted my life to effecting positive change and am committed to continuing the journey. I agree with Marilyn Hemingway and Frank Knapp that Santee Cooper is no longer an asset for our communities. We need an energy company that can power a brighter future for South Carolina. I urge you to read this information and join me in supporting the sale of Santee Cooper.

Sincerely,

James Felder

Lead Advocate,
Gullah Geechee Leadership Institute



James Felder

*Lead Advocate, Gullah
Geechee Leadership
Institute*



Marilyn Hemingway

*President and CEO, Gullah
Geechee Chamber of
Commerce*



Frank Knapp

*President and CEO, South
Carolina Small Business
Chamber of Commerce*

The South Carolina Legislature will once again address the future of Santee Cooper in the coming months.

Santee Cooper once had an important purpose, to bring electricity to rural areas of our state, but that purpose is no longer relevant. Today it is a state agency that is not needed. This, combined with Santee Cooper's recent abuses of family budgets, our political system and our environment, makes it clear that Santee Cooper's customers and our state deserve better.

Santee Cooper is a utility beset by poor decisions and arrogance. As legislators begin yet again to focus on the issue of selling or reforming the troubled utility, it would be inconceivable for any to remember all the documented problems with the state agency, past and present.

This document provides a footnoted record of the many problems that have led us and others to conclude that the state-run utility should be sold to an investor-owned utility and properly regulated for the benefit of consumers and taxpayers.

In the following pages you will find:

SANTEE COOPER IS UNCOOPERATIVE, MANIPULATIVE AND DECEITFUL – EVEN UNDER NEW MANAGEMENT

Santee Cooper failed to be upfront with the lawmakers and people of South Carolina about the V.C. Summer project, was accused of being uncooperative in the legislature's bid review process and attempted to shut down negotiations during the General Assembly's coronavirus-response deliberations to scuttle a potential sale.

SANTEE COOPER HAS NO TRACK RECORD OF NEEDED REFORM

The South Carolina Department of Administration noted that Santee Cooper's ability to achieve the benefits outlined in its reform plan are "unclear" given the utility's poor track record.

SANTEE COOPER LACKS RACIAL AND GENDER DIVERSITY

New leadership added its first Black executive in May of 2020 after scrutiny by the Gullah Geechee Chamber of Commerce and others. No member of Santee Cooper's ten-member board of directors is Black or a person of color.

SANTEE COOPER'S RECORD ON THE FAILED NUCLEAR PROJECT IS ONE OF BAD DECISIONS, DECEIT AND MASSIVE DEBT

Santee Cooper racked up billions in debt for the project, leaving residential customers on the hook for more than \$6,000 each, and the utility is being sued for making deceptive and false statements to investors.

SANTEE COOPER HAS A HISTORY OF BAD BUSINESS DECISIONS BEYOND THE V.C. SUMMER NUCLEAR DEBACLE, RESULTING IN FAILED PROJECTS AND DEBT

Santee Cooper's customers are still footing the bill for an abandoned coal-fired plant and a 60-year gypsum contract that costs the utility approximately \$10 million each year.

SANTEE COOPER CLINGS TO COSTLY, DIRTY COAL; BREAKING ENVIRONMENTAL PROMISES

For years investor-owned utilities have been moving rapidly to retire coal plants, the most expensive way to generate electricity, and now only have coal at 20% of their generation on average. But not Santee Cooper, which has only achieved 7.5% of its 2010 pledge on renewables and is still relying on coal for most of its energy generation.

SANTEE COOPER IS A POOR STEWARD OF ITS CUSTOMERS' HARD-EARNED MONEY..

Santee Cooper is littered with bloated executive salaries, golden parachutes, hush money payments, ballooning lawyers' fees, exorbitant vehicle stipends, executive entertainment at Wampee Conference Center and many other cash grabs and fallout from poor decisions.

...WHILE CUSTOMERS' COSTS KEEP GOING UP

Santee Cooper residential rates increased by 15.2% between 2012 and 2017, with no oversight. After the court-imposed, four-year rate freeze ends, Santee Cooper can continue to raise rates at will to pay off its \$6.8 billion debt if the state-owned utility is not sold.

This document is intended to be all inclusive of the publicly recorded problems with Santee Cooper, but some might offer points that have been missed. We invite feedback to continue adding to this compendium of information. Please contact either of our organizations if you have additional information we should incorporate here.

Furthermore, there are many good reasons, beyond the utility's failures mentioned above, that a sale of Santee Cooper would benefit customers and our state. There are also strong counter arguments against those who oppose a sale of Santee Cooper. The South Carolina Small Business Chamber of Commerce and the Gullah Geechee Chamber of Commerce will continue our mission to provide information on this important issue.

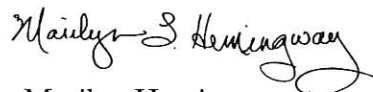
Keep your eyes open for our next document that will address not only the benefits of a sale but will also expose the weakness of specific arguments used by status quo proponents of keeping the "rogue agency" a government-owned and operated entity.



Frank Knapp
PRESIDENT

South Carolina Small Business Chamber of Commerce is a statewide non-profit advocacy organization with over 5,000 small business and entrepreneur supporters working to make state government more small business friendly.

www.SCSBC.org
fknapp@scsbc.org



Marilyn Hemingway
PRESIDENT

The Gullah Geechee Chamber of Commerce










The mission of the Gullah Geechee Chamber of Commerce is to raise global awareness, profitability and sustainability of African American businesses and other entities that support the Gullah Geechee community.

www.GullahGeecheeChamber.org
marilyn@gullahgeecheechamber.org



Gullah Geechee Chamber of Commerce
Makii' Somet'n from Not'n

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FROM THOSE WHO KNOW SANTEE COOPER BEST

“There appears to be no tactic or action too deceitful or reckless for the leaders of Santee Cooper to employ. This includes exploiting the pandemic to maintain the status quo with today’s five-hour Senate filibuster. I commend and thank every member of the House of Representatives for doing their jobs and placing the safety and health of our state’s residents above politics.”ⁱ



Governor Henry McMaster | April 8, 2020

“If state law gave me or the House of Representatives the authority, I would seek the immediate and unqualified removal of each member of the Santee Cooper board and the dismissal, for cause, of their entire senior management... [it is a] rogue entity, seeking to satisfy its own priorities rather than those of ratepayers, taxpayers and the state of South Carolina.”ⁱⁱ



*South Carolina House of Representative Speaker Jay Lucas
April 8, 2020*



“We cannot let one agency in the state of South Carolina not only dictate – but thwart – what is good and meaningful for every South Carolinian.”ⁱⁱⁱ

*House Majority Leader Representative
Gary Simrill | April 8, 2020*

“The [Santee Cooper] leadership is arrogant and deceitful, and that’s why we’re in this mess. Their willingness to bend the rules on the sale process is redundant evidence of the broken culture. Their lobbying and public relations have nothing to do with helping ratepayers – and everything to do with helping themselves at ratepayers’ expense.”



Senator Wes Climer of Rock Hill | September 2, 2019



“...[Santee Cooper] doesn’t pay its share as a corporate citizen. They do not, for example, pay income taxes. Nor do Santee Cooper bond holders pay taxes on interest they receive from bonds. Yet Santee Cooper relies on the same public services — roads, police and fire protection, technical education, etc. — private sector companies need. Santee Cooper gets a free ride, figuratively and literally. The rationale for this is that the agency provides public benefits that would not otherwise be available. But it doesn’t.”^{iv} *October 21, 2017*

*Dana Beach,
South Carolina
Conservationist*

“... it would be a mistake to assume anything short of a sale to the private sector would correct the history of abuses, arrogance, mismanagement and waste.”^v *August 25, 2019*

SANTEE COOPER IS IN TROUBLE... AND TAKING THE LOW ROAD



This year, it has become increasingly clear that the Legislature and lawmakers from around the state are fed up with Santee Cooper. Now, the utility is getting desperate and taking the low road.

SANTEE COOPER NOT COOPERATIVE IN BID PROCESS

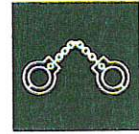
The South Carolina Department of Administration, charged by the Legislature with evaluating three proposals for Santee Cooper's future, said that it did so, "...in spite of the countless issues we encountered with Santee Cooper to include the funding of the project, their delays in signing confidentiality agreements, their attempt to cancel management presentations...their delay in populating the data room..." ⁱⁱⁱ

OBSTRUCTION TACTICS DURING COVID-19 EMERGENCY

On April 8, 2020, Santee Cooper promoted a filibuster during the coronavirus emergency by refusing to work with lawmakers. Santee Cooper and their Senate allies were accused of shutting down negotiations in order to save the utility's ability to enter long-term contracts and prevent a sale. ^{iv}

- Santee Cooper has since been accused of communicating with lawmakers before the session, which is illegal in accordance with Act 95. ^v South Carolina House leaders are demanding the utility submit all communication with lawmakers in writing due to the history of lobbying and corruption. ^{vi}
- House Ways and Means Chairman, Murrell Smith (R-Sumter County), criticized Santee Cooper and its defenders in the Senate saying, "We cannot allow people to take advantage of a crisis." ^{vii}

SANTEE COOPER HAS PROVEN IT CAN'T REFORM



The old saying is, “Don’t tell me what you are going to do, show me what you have done.” Santee Cooper’s record is about talking and not doing.

NO HISTORY OF EFFECTIVE REFORM

A DOA report from February 11, 2020 stated, “Santee Cooper does not have a history of affecting the kinds of changes contemplated by the Reform Plan, so its ability to achieve the benefits of the Reform Plan remain unclear.” ^{xvii}

- Santee Cooper executives were asked why the utility had not started the accountability reforms in its plans immediately, and utility executives blamed the bid process. ^{xviii}
- However, Santee Cooper went around the bid process when it suited them, negotiating an energy sharing option with Southern Company behind lawmakers’ backs. They dropped the idea when pressured by lawmakers. ^{xix}

NO TRUST FROM ENVIRONMENTALISTS

South Carolina Conservationist Dana Beach described Santee Cooper’s behavior over time as having, “...failed to deliver more public benefits than its private sector, investor-owned companions, and it has resisted almost every initiative that would provide even modest protection for the environment and public health, or that would help customers reduce power bills. It has even resisted complying with state and federal laws.” ^{xx}

- Santee Cooper was sued by the Southern Environmental Law Center for abusing regulations for coal ash ponds. ^{xxi}

DIRTY COAL PLANTS

Santee Cooper’s Winyah and Cross coal-fired plants have not met federal coal plant standards for over a decade, regulations which “monitor and limit industrial discharge into waterways.” ^{xxii}

- The Sierra Club is currently suing the South Carolina Department of Environmental Health Control for this reason. ^{xxiii}

SANTEE COOPER'S LACK OF DIVERSITY & INCLUSION



Santee Cooper's long-term lack of diversity in its Board of Directors and top management is reminiscent of the 'whites only' policies of the past. There is no real commitment to diversity or inclusion from the utility.

LACK OF LEADERSHIP DIVERSITY TODAY

No member of Santee Cooper's ten-member board of directors is African American and only one is female. ^{vi}

LACK OF HIRING FROM HBCUs

In information discovered by a Gullah Geechee Chamber of Commerce Freedom of Information Act (FOIA) request, we discovered that Santee Cooper has only 30 graduates from the state's eight Historically Black Colleges and Universities (HBCU) currently working for the company. ^{vii}

DOES THIS LOOK LIKE SOUTH CAROLINA?

According to the 2019 Equal Opportunity Report filed for South Carolina state agencies, including Santee Cooper, Black males comprised an average of 9.8% of Santee Cooper's workforce, and Black women 6.74% (average of all EEO categories). Currently, 27% of South Carolinians are African American. ^{viii}

SANTEE COOPER EMPLOYEE RACISM

Recently, multiple Santee Cooper employees shared racist social media posts, which is historically an issue for the utility. ^{ix}

SANTEE COOPER'S LACK OF DIVERSITY & INCLUSION



SANTEE COOPER PROMOTED ITS FIRST AFRICAN AMERICAN EXECUTIVE IN MAY OF 2020 AFTER POLITICAL PRESSURE.

DELAYING DIVERSITY DATA

Santee Cooper failed to provide information on its diversity and inclusion practices at the February 27th House Ways and Means Ad Hoc Committee meeting. They promised to provide the data. ^{xviii} It took them a week to comply.

- Local African American leaders have repeatedly called on Santee Cooper to create a more proactive diversity, inclusion and sensitivity system at the utility. Santee Cooper still has not shared any changes to its diversity and inclusion policies. ^{xvii}
- Santee Cooper promoted its first African American executive in May of 2020 after political pressure.

SANTEE COOPER BUSINESS FAILURES, DEBT & V.C. SUMMER



Santee Cooper's V.C. Summer nuclear power plant disaster is the largest business failure in the history of South Carolina – by a long shot. Our families and state are going to be paying for Santee Cooper's carelessness for years to come.

\$6,200

**NEW BILLS
PER FAMILY**

The typical Santee Cooper residential customer will have to pay roughly \$6,200 for the failed nuclear plant project over the next four decades. Additionally, customers of the 20 electric cooperatives, who buy 60% of Santee Cooper's power, must pay about \$4,200 over that same time period. ^{xv}

**\$6.9
Billion**

IN DEBT

Due to the V.C. Summer nuclear debacle and other past management practices, Santee Cooper is nearly \$7 billion in debt with \$4 billion attributable to V.C. Summer. ^{xvii}

**\$1
Million**

**A DAY
IN INTEREST CHARGES**

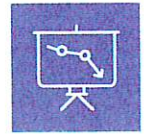
Interest on that debt had been estimated to be accruing at nearly \$1 million a day and Santee Cooper's only source of income is its ratepayers. ^{xviii}

MISLEADING INVESTORS

Santee Cooper mini-bond investors are suing the utility for fraud.

- A blog reported recently that, "...the judge ruled that the bond investors could proceed in the case because of, 'sufficiently alleged misstatements or material omissions' ... and a 'strong inference' that Santee Cooper 'acted recklessly in that the danger of misleading mini-bond purchasers was so obvious that they must have been aware of it.'" ^{xxiii}

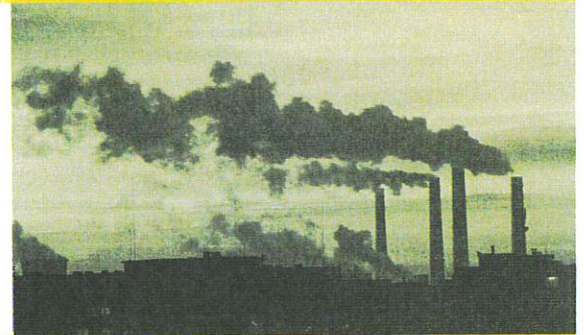
MANY OTHER SANTEE COOPER BUSINESS FAILURES



Santee Cooper's lengthy record of business failures didn't start with the V.C. Summer nuclear disaster – they have been going on for years.

\$250 MILLION WASTED ON FLORENCE PEE DEE COAL PLANT

For several years Santee Cooper refused to abandon a planned Florence County coal plant until it did so in 2009, but only after spending \$250 million a year more to warehouse unused equipment. Santee Cooper's ratepayers are footing this bill. ^{xxv}



EXPENSIVE GYPSUM CONTRACT

Santee Cooper signed a contract to supply gypsum to a private company that it now can't fulfill, costing the utility \$10 million annually through the year 2069. The ratepayers are footing this bill as well. ^{xxvi}



FLOODING LOCAL COMMUNITIES

Santee Cooper often floods surrounding communities from its dams regardless of the damage caused. In 2020, Santee Cooper flooded streets making travel impossible for many Georgetown residents. ^{xxvii}



- A local resident successfully sued Santee Cooper in the 1980s for unnecessarily flooding 60 local homes. ^{xxvii}

SANTEE COOPER TOP EXECUTIVES' HUGE CASH GRABS



Santee Cooper executives, who are state employees, have looted the company treasury to enrich themselves at customers' expense.

CEO RAISES AND BONUSES DURING V.C. SUMMER

Former CEO Lonnie Carter's salary jumped **34% (\$404,756 to \$540,929)**, from 2009-2016, the same time V.C. Summer and the Pee Dee Plant were under construction. Neither plant was completed. ^{xxviii} This made Carter the highest paid executive of any public power company in the United States at the time.

- Santee Cooper paid \$5.6 million in executive bonuses from 2009-2016, throughout the Great Recession and V.C. Summer scandal. ^{xxvii}

MEET THE NEW BOSS, SAME AS THE OLD BOSS

After Lonnie Carter resigned in disgrace, Mark Bonsall was named CEO. Bonsall got a contract for \$1.1 million per year, **149.5% more** than previous Santee Cooper CEO, Lonnie Carter.

- To add insult to injury, the utility's board brought on consultants to hire Bonsall and dictate his salary. ^{xxix}
- The Santee Cooper Board of Directors voted unanimously to pay a \$165,000 bonus to their number-two employee, Charlie Duckworth, in July of 2020 during the height of the COVID-19 pandemic in South Carolina. ^{xxx} This is on top of his salary of \$560,000, plus other benefits.

GOLDEN PARACHUTES FOR EXECUTIVES

Santee Cooper and the state of South Carolina will pay out millions to former executives through retirement payments and executive retirement plans.

- "Carter also received a golden parachute with his retirement in 2017: In addition to receiving \$344,572 for life from the state retirement system, he will be paid up to \$455,192 annually for 20 years through a separate executive retirement plan." ^{xxxi}

SANTEE COOPER TOP EXECUTIVES' HUGE CASH GRABS



(continued)

'HUSH MONEY' PAYMENTS

In August of 2020, Santee Cooper agreed to pay its former attorney, Mike Baxley, **\$495,000** after he was fired earlier in 2020. The settlement includes a non-disparagement agreement that bars Baxley from **saying anything negative** about Santee Cooper: de-facto hush money. [xxxvii](#)

CITIZENS PAY FOR EXECUTIVE LEGAL FEES

Santee Cooper paid **\$9 million to lawyers in 2018**, a 350% increase. Santee Cooper financed the defense of its former executives accused of fraud by ratepayers, investigators and federal regulators. [xxxix](#)

HIGHEST-PAID PUBLIC UTILITY EXECUTIVES IN THE INDUSTRY

Santee Cooper is the 19th-largest public utility in the United States by direct customer base, but **pays** its executives **more** than any of the 18 larger utilities before it. [xli](#)

- Santee Cooper has about 195,000 direct-serve customers. The largest public utility, by direct-serve customer base, has 1.46 million customers, and the second largest has 1.43 million customers. Santee Cooper's CEO makes four times and three times more money than those utility CEOs, respectively. [xli](#)

SENIOR SANTEE COOPER EXECUTIVES' OTHER ABUSES



It's not just the top executives who have been looting the company treasury.

EXPENSIVE WORKFORCE

35.8% of Santee Cooper's workforce makes over \$100,000 per year despite being a public agency. The median household income for a South Carolinian in 2018 was \$50,015. ^{viii}

RATEPAYERS PAY FOR EXECUTIVE VACATIONS

Santee Cooper directors used the Wampee Conference Center at their leisure, getting free access to the resort for one weekend each year.

- "The utility's directors took **18 weekend trips** over the course of three years, ordering more than 2,000 catered meals for themselves and their guests, according to documents obtained by *The Post and Courier* through a FOIA request." ^{ix}
- Additionally, the directors **failed to fill out state ethics forms**, and thus have no idea how much state money they wasted on their vacations.

RATEPAYERS PAY FOR EXECUTIVE CARS

A FOIA request revealed Santee Cooper pays executives **thousands of dollars per month for their vehicles**. Twenty-one Santee Cooper executives receive at least \$635 a month. ^x The utility spent over \$190,000 on vehicle stipends in 2018. ^{xi}

SENIOR SANTEE COOPER EXECUTIVES' OTHER ABUSES



ILLEGAL HEALTH INSURANCE FOR BOARD MEMBERS

The Santee Cooper Board of Directors has awarded themselves health insurance as part of the South Carolina Public Employees Benefit Authority (PEBA) for years. In August, Santee Cooper disclosed that, “After its investigation, PEBA determined Santee Cooper’s board members are not eligible to participate in the state health plan and coverage will be discontinued effective December 31, 2020.” ^{xvii}

HISTORY OF NEPOTISM

Santee Cooper has a culture of nepotism that includes hiring family members and protecting corrupt employees.

- This excerpt from 2012 says it best: “For much of this year, Santee Cooper had eight people on its senior management team. Of those eight, five had other relatives working at the agency, including Lonnie Carter, the utility’s chief executive officer. His brother, Mark, is manager of construction and transportation services.” ^{xviii}
- Notably, Santee Cooper’s corporate nepotism policy does not apply to contractors. Therefore, a contractor can report directly to their family member at the utility. ^{xix}

SANTEE COOPER RATES KEEP GOING UP AND UP



While Santee Cooper executives were helping themselves to customer money, rates kept increasing.

38 YEARS OF RATE INCREASES AHEAD

While Santee Cooper has agreed not to raise rates for the next four years, it will have to raise rates for at least **38 years** in order to pay off debt. ^{vi}

RATE INCREASES ALREADY HAPPENED

Santee Cooper's residential rates increased by 15.2% between 2012 and 2017. ^l

HIGH COSTS FOR LIGHT POLES

The Plantation Lakes HOA is **unable to buy** their community's light poles from Santee Cooper due to state law. Currently, the town pays Santee Cooper over \$8,500 a month to lease and operate the poles.

- Community leaders calculated that the poles could have been paid for, "multiple times over." ⁱⁱ
- Pawleys Island politicians, encouraged by Plantation Lakes, asked Attorney General Alan Wilson if it was legal for Santee Cooper to keep charging the towns these exorbitant rates. ⁱⁱⁱ



SANTEE COOPER'S ENVIRONMENTAL FAILURES

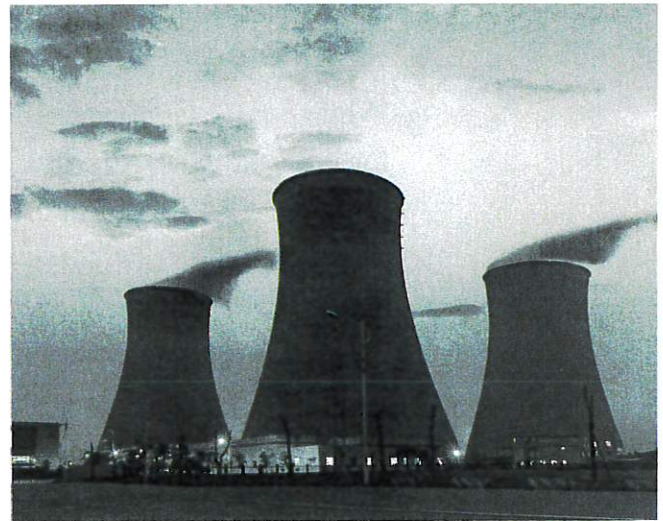


To add insult to injury, Santee Cooper has also been an environmental failure.

FAILURE TO MEET GREEN GOAL

In 2010, Santee Cooper's CEO promised the utility would have over 200 MW of renewable generation by the end of 2020. In 2020, Santee Cooper's largest solar or wind facility, contracted or owned, is only 3 MW.

- Total green energy generation, excluding hydropower, which has been in place since the 1950s, and biomass, a coal substitute, is no more than 15 MW of Santee Cooper's energy sources. ¹³¹



SANTEE COOPER'S REPORTS

According to Santee Cooper's own reports, coal is currently 52% of their total energy mix, and energy from sustainable resources is only 5%. The utility's new generation plan is to reduce coal to 33% of its energy mix and increase renewable energy to 17%.

- With coal plants supplying less than 20% of the country's electricity, and renewable energy supplying roughly 20%, even if Santee Cooper delivers on its current plan, it will be years behind the rest of the country. ¹³²

SUN BLOCKER

The Southern Alliance for Clean Energy classified Santee Cooper as a "sun blocker," until their most recent resource plan. ¹³³ However, Santee Cooper has not yet implemented the proposed solar changes from that plan.



SANTEE COOPER'S GENERAL INCOMPETENCE



It's bad enough that Santee Cooper executives have enriched themselves and their cronies, but they are also incompetent managers.

HIDDEN POTENTIAL LIABILITY

Santee Cooper officials said they omitted \$1 billion in potential liability from lawsuits in a legislative hearing, while failing to mention that liability in their 2019 Business Forecast or their Reform Plan, which includes outstanding lawsuits and pension obligations. ^{lvii}

CONTINUED LAWSUITS

Santee Cooper is the subject of numerous lawsuits, which strains the utility's financial position:

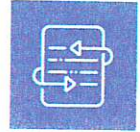
- **A class action lawsuit against Santee Cooper mandated the utility to freeze rates in 2020.** The utility is touting the freeze as a generous service to ratepayers, despite their original plan to delay this relief. ^{lviii}
- **Goose Creek is suing Santee Cooper** in order to create a municipal utility to serve Century Aluminum. Century Aluminum says it would need to close its facility in Goose Creek if its utility rates are not lowered. ^{lviii}
- Santee Cooper mini-bond investors are also suing Santee Cooper for fraud. ^{lix}
- Santee Cooper is being sued in a ratepayer class action lawsuit, pending in state court, arising out of the utility's decisions to construct, and then cancel, the Pee Dee coal-fired generation plant. ^{lx}
- Santee Cooper is suing the South Carolina Insurance Reserve Fund, attempting to get millions in funds for V.C. Summer. That is another cost that will be put on all South Carolinians. ^{lxi}

UNWILLING OR UNABLE TO PROVIDE THE TRUTH ABOUT FINANCES?

Only when the legislature forced Santee Cooper to come up with a reform plan did they work with Department of Administration's utility experts to find \$2 billion of savings for consumers. As a state agency with no oversight, Santee Cooper has no incentive to find cost saving measures. ^{lxii}

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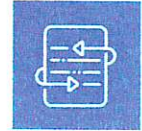
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