Preliminary Questions
Responses of Jack F. Wolfe, Jr.

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Preliminary Questions

Jack Wolfe
(Candidate for Santee Cooper Trustee)

A. Candidate Background

1. List and describe any professional experience or education you have in the following areas: accounting, finance, leadership, business operations, risk management, corporate governance, energy, engineering, or the sciences.

   I was the CEO of Mid Carolina Electric Cooperative for 38 years, which gave me a broad experience and knowledge of accounting, finance, leadership, business operations, risk management, corporate governance and energy.

2. Are you currently a customer of Santee Cooper?

   No.

3. To what do you attribute your success in your career? What qualities do you possess that enabled you to be successful? How are those qualities going to make you an effective member of the Board of Directors at Santee Cooper?

   I believe that my leadership skills, personality and ability to understand problems, find solutions and resolve conflict lead to my success.

   My experience and ability to understand issues and resolve problems will make me successful.

   I have 48 years experience in the electric utility industry. This experience gives me a unique knowledge of how Boards and Management should work together to be successful.

4. Please describe any experience you have had on other boards. Based on those experiences, what is your impression of how a board should operate (in regards to interaction with the management, involvement with daily operations, contact with companies doing business with Santee Cooper, etc.)?

   The Board should hire a well-qualified CEO to manage the day-to-day operations of the corporation. The Board should not interfere or be involved with the day-to-day operation of the corporation. All companies doing business with Santee Cooper must work with management and the Board should not be involved except consultants working directly for the Board.

Board Experience

The Electric Cooperatives of South Carolina (ECSC) August 1975 – January 2013

ECSC is the state association of the electric cooperatives in South Carolina. (More than 1.5 million South Carolinians use power from electric cooperatives.) ECSC is charged with monitoring and representing cooperatives' interests before state and federal legislative and regulatory bodies, publication of a magazine delivered monthly to more 500,000 South Carolina homes, safety programs and employee training, and legal services for member cooperatives.

Board of Trustees Member **March 1975 – January 2013**

Board Committee Service:

- Communications
- Government Relations (Chair of Committee)
- Legal

Central Electric Power Cooperative, Inc.

Central Electric Power Cooperative, Inc. is a generation and transmission electric cooperative owned by the 20 independent, locally-owned electric distribution cooperatives in South Carolina. Central aggregates the power needs of the distribution cooperatives and purchases the required power under a wholesale power contract. Central delivers the purchased power to the distribution cooperatives over an owned and contracted transmission system. The 20 distribution cooperatives deliver power to more than 1.5 million people in all 46 counties. Central's 2010 revenue exceeded $1.1 billion with energy sales exceeding 16.8 million megawatt-hours. Central is overseen by a board of trustees made up of representatives from its member-cooperatives. Central owns $165 million in transmission assets and has long-term debt obligations in excess of $130 million. Central recently entered into a long-term contract with Duke Energy Carolinas to purchase a portion of the load presently served by Santee Cooper.

Central and Santee Cooper have a long-term power contract (the Coordination Agreement) under which Santee Cooper provides generation and transmission services to Central. Much of Central's budget of more than $1.1 billion is directed to the payment of costs under the Coordination Agreement. Central is by far Santee Cooper's largest customer, constituting approximately 70 percent of the demand on the Santee Cooper system and providing more than 60 percent of Santee Cooper' revenue. The Coordination Agreement calls for regular meetings of an Executive Committee, which is made up of board members and management from each organization.

Board of Trustees Member **May 1977 – January 2013**

Board Committee Service:

- Audit
- Bylaw Review

- Executive Committee

National Rural Electric Cooperative Association (NRECA)

NRECA is the 1,200-employee national service organization for more than 900 not-for-profit electric cooperatives that employ 70,000 people in 47 states. NRECA manages the Group Benefits Trust Programs for all cooperatives and employees across the nation. This Trust has assets in excess of $10 billion. NRECA is governed by a 47 member board.

NRECA provides many services to its members, including:

- Legislative and regulatory representation in Washington, D.C. for its member-cooperatives
- Energy and environmental research and information
- Consulting services for the cooperatives to promote Best Business Practices for management and boards.
- Employee benefits for all cooperatives across the country including insurance, retirement and mutual funds administration.
- Communication services for the cooperatives' brand (Touchstone Energy®), Cooperative Research Network (CRN), Rural Electric Magazine and many other publications.

Board Member representing South Carolina **1999 – 2010**

Service as NRECA Board Officer:

- Secretary-Treasurer
  2005
- Vice President
  2005-2006
- President
  2007-2008
- Immediate Past President 2009-2010

Board Committee Service:

- Strategic Planning Committee 1999-2001,2009
- Executive Committee 2002, 2004, 2005-2008
- Building Committee
  2005-2008
- CEO Evaluation
  2006
- Service Awards
  2005-2008
- Insurance & Financial Services (Chair - 2004) 2002- 2004

  The I&FS Committee acts as named fiduciaries for the NRECA Group Benefits Trust Programs, the Retirement Security Program and the 401(k) Pension Plan and fulfills, and discharges the duties

and responsibilities reserved to it in each plan document. The Committee has a fiduciary responsibility to ensure that all funds and programs are managed in accordance with the Best Business Practices including compliance with federal requirements under ERISA. The assets of the Trust exceed $10 billion.

Significant NRECA accomplishments during tenure as officer:

- NRECA urged Congress to pass a sustainable energy policy, one that would not pick winners or losers nor harm regions of the United States such as the Southeast.
- NRECA worked to extend the Clean Renewable Energy Bonds (CREBs) program, so that electric cooperatives might invest in cost-effective renewable energy initiatives.
- Approved making the Cooperative Research Network (CRN), a research and development program available to all member systems as a benefit of NRECA membership.
- Formation efforts of National Renewable Cooperative Organization

Cooperative Finance Corporation (CFC)

CFC is a member-owned, nonprofit cooperative that provides financial services for the nation's electric cooperatives. The loans provided help its members acquire, construct and operate the utility infrastructure for electric cooperatives across the country.

CFC and its affiliates, the National Cooperative Services Corporation ()NCSC and the Rural Telephone Finance Cooperative ()RTFC, provide financing to 1,520 member organizations and affiliates in 49 states, the District of Columbia and two territories. In 2010, the total gross loans and guarantees outstanding were $20.5 billion. CFC's policies meet the highest standards of today's corporate governance practices and reflect compliance with all applicable requirements set forth by the U.S. Securities and Exchange Commission rules, the New York Stock Exchange and the Sarbanes-Oxley Act.

Board Member **2007-2010**

ECONOMIC AND REGIONAL DEVELOPMENT:

Member, Irmo Chapin Recreation District 1977-1981
- Chairman, 1980-1981

Member, Regional Economic Development Commission 1982-1994
- Chairman, 1992-1994

5. <u>What is your estimate of the time required to serve as a member of the Board of Directors for Santee Cooper? Are you able to give that time to the position?</u>

I estimate three to four days per month. One day to review materials prior to the meeting, and two or three days for the meetings. I will be able to dedicate whatever time is necessary.

6. Do you have a relationship with any of the charities that Santee Cooper has supported in the last five years? If so, please provide the name of the charity and describe the relationship.

No.

7. Have you made any political contributions in the past five years? If so, how much and to whom were the contributions made?

	2009	2010	2011	2012	2013
ACRE (federal PAC)	$500	$500	$500	$500	$100
ECHO (state PAC)	$24	$150	$150	$75	$25
Barrett					
Clyburn	$500				
DeMint	$200	$200			
Graham	$200	$200	$200	$200	$200
Wilson		$200		$200	

8. Do you or any of your immediate family members (as defined in S.C. Code Ann. § 8-13-100) have a business, financial, or other relationship with Duke Energy or any of its subsidiaries, SCE&G, or an electric cooperative? Do you or any of your immediate family members have a business, financial or other relationship with any other investor-owned utility or electric cooperative that operates outside of South Carolina? Please include any stock that you or an immediate family member own in these companies and/or any mutual funds that you or an immediate family member own that invests in these companies.

My son, William Edward Wolfe, currently works for Prysmian Cable. Prysmian Cable may furnish cable to Santee Cooper and other electric utilities.

9. As a director of Santee Cooper would it be ethical for you, your family, or businesses or charities with which you or they have a business, financial, or other relationship to benefit from any Santee Cooper business opportunity or contract? Why or why not?

Absolutely not, it would be a conflict of interest. A conflict would exist because the director would have either a direct or indirect interest in such an opportunity or contract.

B. Operations of Santee Cooper

1. What services does Santee Cooper perform, and where are those services performed?

Santee Cooper provides the production, generation and transmission of low cost electricity and water.

Santee Cooper distributes electricity to retail customers in Berkeley, Georgetown, and Horry Counties. Santee Cooper also distributes electricity to 20 electric cooperatives serving their members in all 46 counties in the State. Santee Cooper also serves 29 large industrial customers and the Charleston Air Force Base.

Water is sold to Summerville, Santee, Goose Creek, Moncks Corner, and Berkeley County.

2. Generally, who are Santee Cooper's customers? Who is Santee Cooper's largest customer?

Santee Cooper, in conjunction with the Electric Cooperatives in South Carolina, produce and/or distribute electric services to approximately 2,000,000 people in all 46 counties of South Carolina. They also provide water to over 75,000 customers through the Santee Cooper Regional Water System and Lake Marion Regional Water System. They also provide economic assistance to the 22 economic development alliances in South Carolina.

As of 2013, Santee Cooper's largest customer is Central Electric Power Cooperative and Central is responsible for about 60% of Santee Cooper's sales.

3. What are Santee Cooper's most valuable assets?

The customers it serves, its employees and the generation and transmissions facilities it owns and Lakes Marion and Moultrie.

4. Why was Santee Cooper created, and what are its goals? Do you believe Santee Cooper has fulfilled these goals? Should Santee Cooper continue to exist as a quasi-state entity?

Santee Cooper was created to improved navigation on and provided hydroelectric power from the Santee and Cooper rivers in South Carolina. With the creation of Lake Marion and Lake Moultrie, the project was intended to improve the health, recreation, and economy of the area.

Its goals are to improve the quality of life for all of the citizens of South Carolina by
-Providing and distributing low-cost, reliable energy, water, and other essential services;
-Providing excellent customer service;
-Maintaining a quality work force;
-Operating according to the highest ethical standards;
-Being a steward of the environment; and
-Being a leader in economic development.

Yes, I believe Santee Cooper has fulfilled these goals. It has a satisfaction rating of 89%, which indicates high customer satisfaction and excellent customer service. It also has a system reliability rating of 99.9% for distribution and transmission which demonstrates the high quality of the work force.

Yes, while it has been an issue debated in the past, Santee Cooper is an asset to the State of South Carolina. As such, it should continue to exist as quasi-state entity.

5. Do you believe legislative approval is required before Santee Cooper may sell or lease, real or personal property that is used in the generation, transmission, or distribution of electricity if the sale or transfer would not materially impair the authority's ability to meet generation, transmission, and distribution needs of its ongoing operation including an adequate reserve capacity and reasonable growth in needs? If the sale or lease would materially impair Santee Cooper's ability to meet generation, transmission, and distribution needs of its ongoing operation including an adequate reserve capacity and reasonable growth in needs, could Santee Cooper sell or lease, real or personal property that is used in the generation, transmission, or distribution of electricity without legislative approval?

Yes, I believe legislative approval would be required before Santee Cooper may sell or lease, real or personal property that is used in the generation, transmission, or distribution of electricity.

No, not without legislative approval. Only the sale or transfer of property considered surplus may be permissible without legislative approval.

6. How does Santee Cooper compare to government-owned power companies in terms of generation of electricity and sales of electricity?

Santee Cooper is the State's largest electricity producer and seller. On a national level, it is the third largest government-owned power company in sales of all public power companies in the country.

7. What is Santee Cooper's current bond rating, and why is that important?

As of 2013, Santee Cooper's current bond rating is AA-, which is considered "High Grade." Santee Cooper's bond rating is important because a bond rating indicates credit quality, the issuer's financial strength and ability to pay a bond's principal and interest in a timely fashion and affects the marketability and value of the bonds.

8. How much money does Santee Cooper contribute to South Carolina's budget per year?

In 2012 Santee Cooper contributed $19,615,000.00 to the State's budget. That number represents 1% of its annual budgeted operating revenue earnings to South Carolina's budget each year.

9. What is the dominant fuel source for Santee Cooper? What other sources of fuel are utilized? Do you envision any changes in sources or mix of generation?

Santee Cooper's dominant fuel source is coal. The following sources are also utilized:

58% Coal
10% Nuclear
30% Natural Gas
2% Renewables

I envision that the use of coal will continue to decrease due to existing and future legislation requiring clean energy and that there will continue to be an increase in nuclear and natural gas. I also envision that Santee Cooper will continue its efforts in developing renewables such as solar.

10. What are the major legal, financial, and personnel challenges facing Santee Cooper today?

The major legal challenges are likely to come from new regulations from Washington DC that impact generation.

The major financial challenges will likely come from the costs of building new generation to meet the demand side in a state with a growing population. Another major cost may come from compliance with new energy regulations.

The major personnel challenges will likely be dealing with personnel planning and attrition due to seasoned experienced employees retiring.

C. Best Practices for Board of Directors

1. When the board and the management disagree, how do you believe the disagreements should be resolved?

The board is tasked with the global vision of the company while the management is tasked with the day to day operations. Directors should observe the chain of command regarding the day-to-day operations of Santee Cooper. When the board and management disagree they should first determine if it is a management or board issue that is at the heart of the disagreement and where appropriate rely on General Counsel's advice or an outside expert where appropriate.

2. If a company is doing business with Santee Cooper and you are personally acquainted with the company's management or familiar with their line of work, how would you handle the situation? Do you think this is a benefit or a conflict of interest? Would you participate in the negotiations between Santee Cooper and this company?

Because the issue could be a potential conflict of interest, before any activity takes place, I would fully disclose my relationship to all directors and management. I would not participate in the negotiations as that is a management function.

3. Describe the duty of loyalty and the duty of care you would owe to Santee Cooper.

A board member owes a duty of loyalty to Santee Cooper, its customers, bond holders and people of South Carolina. A director should act in good faith and in the best interest of Santee Cooper.

4. To whom do you as a Santee Board member owe duties? What would you do in the case of conflicting interest?

A board member owes a duty of loyalty, care and confidentiality to Santee Cooper, its customers, bond holders, and the people of South Carolina.

Before any board action takes place, I would fully disclose any actual or perceived conflict to all directors and excuse myself from any board action concerning that matter.

5. What are the differences between directors and managers? Specifically, what are the roles of each in the business operations of Santee Cooper?

Directors are charged with the global vision for the company. That includes establishing board policies and objectives, monitoring the performance of the Executive, and approving financial materials.

Management is charged with carrying out the day to day activities of the company. That would include policies established by the board and running the day to day activities of the company to achieve the global goals of the company.

6. Is it proper for the board of directors not to heed or follow the advice of general counsel? If so, in what instances is it proper?

It depends on the situation. A board should generally follow the advice of general counsel. However, where an issue exists with such advice the board should request a second legal opinion to review the advice.

7. What is the proper role for the board in regards to Santee Cooper's pursuit of economic development for the area and South Carolina?

The board in conjunction with management should be on the lookout for proper economic development opportunities. Economic development was one of the primary purposes for Santee Cooper being established. Before any final decision is made, costs should be considered, how costs will be recovered, how will the rates be affected.

8. How important is board unity? How would you handle a board member who acts on his own without the knowledge and approval of the board?

Board unity is critical. I am a firm believer that you treat one another the way you would like to be treated. If unity on an issue is not possible, each board member should state their position but also be open to changing their position where appropriate

A board member acting on his own without the knowledge and approval of the board is a bad situation. General Counsel should be informed and the situation should be addressed by the entire board pursuant to any applicable bylaws or board policies.

9. What would be your first three immediate goals to achieve as a member of the board?

Meet and get acquainted with the Board and senior staff.
Review and understand Santee Cooper's strategic plan.
Review and understand Santee Cooper's Board policies and financial reports.

10. What role should a director's political or ideological beliefs play in making a decision? Should a director base his decision solely on what is in the best interest of Santee Cooper?

They should not play a role in making a decision. A director should make a decision based upon what is in the best interest of not only Santee Cooper, but its stake holders: its customers, bond holders, and the people of South Carolina.

D. Freedom of Information Act

1. What is the purpose of the Freedom of Information Act (FOIA)? How can you ensure that the Santee Cooper Board complies with the FOIA?

The purpose of the Freedom of Information Act (FOIA) is to encourage public access to government information and to enable the general public to access the information.

A director can ensure that the Board complies with FOIA by ensuring that the company has adopted a FOIA policy and confirming with management and general counsel that all requirements of FOIA are being adhered to. Board actions should not be taken in Executive session.

2. What types of interactions sufficiently constitute a "meeting" in order to fall within the terms of FOIA? Are e-mail communications and chance social meetings subject to FOIA?

A "meeting" is a gathering of a quorum of the directors in person or electronically where the discussion or action regarding anything over which Santee Cooper has supervision, control, jurisdiction or advisory power takes place.

E-mails and chance social meetings are subject to FOIA if they comprise a quorum and discussion or action regarding anything over which Santee Cooper has supervision, control, jurisdiction or advisory power takes place.

3. Are there any practices and/or safeguards that could be put in place in order to avoid violations of FOIA?

The first safe guard should be an up to date FOIA policy. Directors should not participate in any discussions with other directors (in person or through electronic means) regarding any matter over which Santee Cooper has supervision, control, jurisdiction or advisory power unless such discussions are pursuant to a properly called meeting of the full board or a duly authorized committee and the meeting is in full compliance with the FOIA. No board action should be taken in executive session.