Preliminary Questions
Responses of Merrell W. Floyd

PENGAD 800-631-6989
EXHIBIT
4
3/25/14

Preliminary Questions – Merrell Floyd

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.

During my twenty-five years at Horry Electric Cooperative as the Staff Coordinator, I worked with developing and implementing budgets and I was responsible for writing and maintaining board policies and by-laws.

In the year 2000, the Cooperative began a building project to replace the main office, warehouse, apparatus shop and crew quarters. In addition to my other duties, I was put in charge of the entire project which amounted to more than $10 million.

I worked with the engineers and architects in developing the plans and controlling costs and was responsible for seeing to it that the building conformed to the plans and ensuring that costs were within the budget.

The new facility on Cultra Road, Conway, South Carolina, consisted of (1) a main office building, (2) crew quarters with covered parking for most of the Cooperative trucks, (3) apparatus shop, (4) warehouse buildings, and (5) two generators to support all buildings when necessary.

Once the project was complete, I was responsible for the maintenance and upkeep of the entire site.

In addition to the maintenance responsibilities, I was the Safety and Loss Control Director, the Coordinator of Human Resources, and the Benefits Administrator.

I was the Loan Officer at the Cooperative for the First Cooperative Federal Credit Union. I served two terms on the Board of Directors of the Credit Union. During this time, I was also the Supervisor over the meter readers.

2. Are you currently a customer of Santee Cooper?

Yes. Residence: 513 Merrywood Road, Conway, South Carolina 29526.

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 attribute my success primarily to preparation, planning, organization, and perserverance. I am a believer in things being done right and I am a person concerned about details. I work well with other people and strive to build unity among the people I work with.

I think board unity is critical. It's all about treating people with dignity and respect and realizing that everyone is not always going to agree on everything.

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.)?

Board of Directors of the First Cooperative Federal Credit Union: The two terms, four years, I served impressed upon me the value of directors properly exercising their duty of loyalty and care in dealing with the money held for fellow cooperative employees. Based on this experience with the credit union board and with the experience I gained working with the Horry Electric Cooperative Board, I learned that directors will not always agree but must agree to disagree and accept that the majority rules.

Board members should set policy and leave the day-to-day operations up to management. Companies doing business with Santee Cooper should deal with management subject to direction provided by the full board or an appropriate committee.

5. 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?

Two to three days per month; one day to review materials provided prior to meetings and one day for attending the meeting. Additional time will be necessary for committee meetings and educational opportunities.

I will be able to dedicate whatever time is necessary as a Director of Santee Cooper.

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?

No.

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.

No. No.

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?

No, because it would be a conflict of interest since 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?

Production and generation of low cost electricity and water.

Electricity is distributed to retail customers in Berkeley, Georgetown, and Horry Counties to 20 electric cooperatives serving their members in all 46 counties in the State and also to 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?

a. Approximately 168,000 retail customers in Berkeley, Georgetown, and Horry Counties.

b. Central Electric Power Cooperative that is made up of 20 electric cooperatives serving their members in all 46 counties in the State.

c. 29 large industrial customers and the Charleston Air Force Base.

Santee Cooper water customers consist of approximately 175,000 customers in Summerville, Santee, Goose Creek, Moncks Corner, and Berkeley Counties.

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?

Employees
Generating facilities
Lake Marion
Lake 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?

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, I think Santee Cooper should continue to exists 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 legislation approval would be required.

No, not without legislative approval. In fact, prior approval from the General Assembly by act is required prior to the Authority even inquiring into the feasibility of such a sale or lease. Only the sale or transfer of property considered surplus would 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 a public power utility and is the State's largest electricity producer and seller. It is the third largest in sales of all public power companies in the country.

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

Santee Cooper's current bond rating is AA-, which is considered "High Grade." This 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 bonds.

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

Santee Cooper contributes 1% of its annual budgeted operating revenue earnings to South Carolina's budget each year. In 2012 that amounted to $19,615,000.00.

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?

The dominant fuel source is coal and a breakdown of fuel sources is as follows:

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 feel that Santee Cooper should continue its efforts in developing renewables.

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 that impact generation.

The major financial challenges will likely come from the costs of building new generation to meet the demand for electricity due to the population increase that is sure to come in our state once the existing economic recession subsides. The contract extension recently signed between Santee Cooper and Central Electric Power Cooperative goes through the year 2058. One immediate benefit is it will provide the credit agencies the stability that they need as they evaluate Santee Cooper bonds. This should translate into lower interest rates on their debt, which will keep power costs low for all of Santee Cooper's customers.

The major personnel challenges may be educating its employees on the ever increasing costs of energy and replacing seasoned veteran employees as they retire out of the system. Additionally, on the legal side, possible EPA regulation could largely impact the system financially.

C. Best Practices for Board of Directors

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

If management is operating within the confines of existing policies, the board should not interfere with its activities unless or until such policies are amended by an appropriate board vote. Directors should observe the chain of command regarding the day-to-day operations of Santee Cooper.

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?

I would fully disclose my relationship to all directors and management since it could be perceived as a conflict of interest. Negotiations with a company should take place with management, not directors. I would also excuse myself from any vote regarding this type of transaction if it came before the board.

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, should use the care of a prudent person in a like position and use good business practices.

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.

I would fully disclose any actual or perceived conflict to all directors and excuse myself from any vote.

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 establishing board policies and objectives, monitor the performance of the CEO, approve annual budgets, etc. The directors of Santee Cooper should establish policies and objectives that are in the best interest of the customers, bond holders and the people of South Carolina. Directors should always honor the chain-of-command and leave the day-to-day operations to management.

Management is charged with carrying out the policies established by the board and managing the day-to-day operations in order to achieve the goals in the mission statement.

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?

A board should generally follow the advice of general counsel but there could be a situation where the board, in good faith and thinking its acting in the best interest of Santee Cooper, request a second legal opinion and possibly bring in outside expertise in order to verify the board's thinking against general counsel's original 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?

With the support of the staff and outside experts, the board should aggressively pursue economic development. This 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. Also, how will the environment 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. It's all about treating each other with respect and dignity. Everyone must be willing to agree to disagree and move on to the next task at hand.

A board member acting on his own without the knowledge and approval of the board must be stopped and the situation addressed by the full board as soon as the act becomes known about.

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

First would be to get to know the other members of the board. Second would be to get to know the key members of the staff. Third would be to learn as much about Santee Cooper's operations as needed and as soon as possible so as to become an effective member of the board.

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 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 individual citizens to obtain such information without administrative burdens.

A director can ensure that the Board complies with FOIA by confirming with management and general counsel that all requirements of FOIA are being adhered to. All directors should avoid meetings or discussions that involve a quorum of directors, both in person or electronically, where matters are discussed which Santee cooper has supervision, control, jurisdiction or advisory power unless such meeting or communication has met the requirements of FOIA.

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 are comprise of 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?

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.

Executive sessions should only be used to discuss those matters that are allowable under FOIA.