

State Regulation of Public Utilities Review Committee

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Heather Anderson
Committee Counsel
Jamey Goldin
Committee Counsel

Post Office Box 142
Columbia, South Carolina 29202
(803) 212-6208

MEMORANDUM

TO: The Honorable Jeff Gossett, South Carolina Senate

FROM: Senator Thomas C. Alexander, Chairman

DATE: May 1, 2015

RE: Screening of Candidates for Appointment to the Santee Cooper Board of Directors

On or around January 27, 2015, the Governor submitted the names of the candidates shown below for the Senate's consideration for appointment to the Board of Directors of the South Carolina Public Service Authority (Santee Cooper). The appointments were referred to the Senate Judiciary Committee.

Second Congressional District Seat:	Jack F. Wolfe, Jr.
Fourth Congressional District Seat:	Barry D. Wynn
Fifth Congressional District Seat:	Alfred L. Reid, Jr.
Georgetown County Seat:	Danny "Dan" J. Ray

Pursuant to Section 58-3-530(14), the State Regulation of Public Utilities Review Committee (Review Committee) is charged with the duty "to review candidates for appointment to the South Carolina Public Service Authority Board of Directors as submitted by the Governor to determine whether the candidates meet the qualifications set forth in Section 58-31-20."

Section 58-31-20(C) provides that Santee Cooper directors “must possess abilities and experience that are generally found among directors of energy utilities serving this State and that allow him to make valuable contributions to the conduct of the authority’s business.” These abilities include:

- (1) general knowledge of the history, purpose, and operations of the Public Service Authority and the responsibilities of being a director of the authority;
- (2) the ability to interpret legal and financial documents and information so as to further the activities and affairs of the Public Service Authority;
- (3) with the assistance of counsel, the ability to understand and apply federal and state laws, rules, and regulations including, but not limited to, Chapter 4 of Title 30 as they relate to the activities and affairs of the Public Service Authority; and
- (4) with the assistance of counsel, the ability to understand and apply judicial decisions as they relate to the activities and affairs of the Public Service Authority.

Additionally, pursuant to Section 58-31-20, directors representing the counties of Berkeley, Georgetown, and Horry must reside in those counties and be customers of Santee Cooper.

Section 58-31-55 requires that a Santee Cooper director must discharge his duties in good faith, with the care of an ordinarily prudent person and in a manner he reasonably believes to be in the best interests of Santee Cooper (“best interests” are determined by balancing three factors: customer interest, economic development of service area, and preservation of financial integrity of Santee Cooper). Directors are subject to personal liability for violating Section 58-31-55, and wholesale and retail customers of Santee Cooper (including indirect customers of Santee Cooper through electric cooperatives) are authorized to bring suit against any director alleging a breach of fiduciary duties.

A Board of Directors has a general duty to act in the best interests of a corporation. Such fiduciary duties include the duty of loyalty and the duty of care.¹ The duty of loyalty provides that directors and officers must remain loyal to the corporation, acting at all times in the best interests of the corporation and its shareholders whose interests must take precedence over any self-interest of the director, officer, or controlling shareholder that is not shared by the stockholders generally. The duty of loyalty includes the duty to avoid conflicts of interest and prohibit faithlessness and self-dealing. The duty of care requires a director to act in good faith and with the level of care of an ordinarily prudent person in similar circumstances.

The Santee Cooper Screening Subcommittee of the Review Committee sent Mr. Reid a set of questions to elicit information with respect to his knowledge as an initial appointee of the operations of Santee Cooper, his knowledge of best practices for boards of directors, and his

¹ In the typical corporate setting, these duties extend to the shareholders, as owners of the corporation. Santee Cooper, as a public utility, is a quasi-state agency; thus, the board owes duties not to shareholders, but to its customers and bondholders, as well as to the people of South Carolina by way of the people’s elected representatives in the General Assembly and the Governor.

knowledge of the Freedom of Information Act (FOIA). The Subcommittee sent Mr. Wolfe, Mr. Wynn, and Mr. Ray, candidates for reappointment, a set of questions tailored to a candidate who is a sitting director. The candidates appeared before the Subcommittee on March 25, 2015 and answered further questions from the Subcommittee on those issues and others. The transcript of the hearing is appended to this report by reference. The candidates' responses to the Subcommittee's written questions are included in the Subcommittee hearing transcript. The transcript is posted online at:

www.scstatehouse.gov/committeefinfo/PublicUtilitiesReviewComm/2015SanteeCooperScreening.php.

The Review Committee met on April 21, 2015, to consider the Subcommittee's report and to make a determination regarding the candidates' qualifications.

JACK F. WOLFE, JR.
SANTEE COOPER BOARD OF DIRECTORS
SEAT: SECOND CONGRESSIONAL DISTRICT
TERM: MAY 19, 2015 THROUGH MAY 19, 2022

Review Committee's Findings: Qualified

1) Constitutional and Statutory Qualifications

Mr. Wolfe meets the general qualifications prescribed by law for service as a Director for Santee Cooper. Mr. Wolfe is a resident of Chapin, South Carolina. He has been a resident of South Carolina for at least the immediate past five years and is a qualified elector of this State. Mr. Wolfe also has substantial experience on an electric cooperative board, as well as substantial experience on the board of a transmission cooperative.

2) Educational Background

Mr. Wolfe attended Clemson University from 1961 to 1963. While attending Clemson, he was offered a "very good job" and decided to further his education by taking night classes.

3) Ethical Fitness, Character, and Reputation

The Review Committee's investigation did not reveal any evidence of unethical conduct by Mr. Wolfe and did not reveal evidence of any convictions or criminal allegations made against him. Mr. Wolfe has good standing in his community as well as a personal history of sound business affairs.

4) Professional Experience and Training

Mr. Wolfe retired in 2013 as President and CEO of Mid-Carolina Electric Cooperative, Inc, a position in which he had served in since 1975. He served as Manager of Office Services with Mid-Carolina Electric Cooperative from 1972-1975. From 1964-1972, he was the Manager of Office Services with the Gaffney Board of Public Works.

Mr. Wolfe served on the board of trustees for The Electric Cooperatives of South Carolina (1975-2013) and Central Electric Power Cooperative (1977-2013). He also served on the National Rural Electric Cooperative Association from 2002-2010 as a board member and in the positions of secretary-treasurer (2005), vice-president (2006), and president (2007). Additionally, he served as board member on the Cooperative Finance Corporation from 2007-2010.

Mr. Wolfe has served as a director on the Santee Cooper Board of Directors since June, 2014.

5) Statutory Requirements

Pursuant to Section 58-31-20(C), the Review Committee is required to determine if Mr. Wolfe has:

- a) working knowledge of the activities and affairs of Santee Cooper;
- b) the ability to interpret legal and financial documents and information;
- c) with the assistance of counsel, the ability to understand and apply federal and state laws, rules, and regulations as they relate to Santee Cooper, including the Freedom of Information Act; and
- d) with the assistance of counsel, the ability to understand and apply judicial decisions as they relate to the activities and affairs of Santee Cooper.

Mr. Wolfe's responses to written and oral questions reflect he has working knowledge of the operations and activities of Santee Cooper. His service with Santee Cooper and his service with Mid-Carolina Electric Cooperative, as well as his participation on various boards for electric cooperatives, indicate that he not only meets the statutory qualifications to serve, but also his commitment to serve on the board.

6) Knowledge of Current Energy Issues

Mr. Wolfe understands and appreciates the challenges faced by Santee Cooper. He discussed the issues facing Santee Cooper, including the difficulties in planning for future electric generation with possible federal mandates while keeping costs as low as possible for customers. *See Generally Tr. pgs. 25-32*

As to Santee Cooper's attempts to be proactive in addressing possible Environmental Protection Agency rule changes, he stated:

It [the EPA rule] will be significant depending on what the final rule is...
We have submitted testimony, we have submitted answers, we've met with EPA, and hopefully they're going to take that into consideration to be entering the final rule. *Tr. pg. 30, lines 2-3, 10-14.*

7) Knowledge of Santee Cooper's Other Roles

Mr. Wolfe is knowledgeable about Santee Cooper's various roles, including economic development. He states that Santee Cooper should be involved in economic development "and has been very active and is very active in that." *Tr. p. 30, See also pg. 31.*

8) Independence

Mr. Wolfe stated that as a director, “I owe the duty of loyalty and care to the organization...” *Tr. pg. 33, lines 1-3*

Findings as to Overall Qualification

Mr. Wolfe has been nominated to be reappointed as a director representing the Second Congressional District on the Board of Directors of Santee Cooper. The Review Committee believes Mr. Wolfe possesses the depth of experience to enable him to be a successful member of the Santee Cooper Board of Directors and finds him qualified.

BARRY D. WYNN
SANTEE COOPER BOARD OF DIRECTORS
SEAT: FOURTH CONGRESSIONAL DISTRICT
TERM: MAY 19, 2014 THROUGH MAY 19, 2021

Review Committee's Findings: Qualified

1) Constitutional and Statutory Qualifications

Mr. Wynn meets the general qualifications prescribed by law for service as a Director for Santee Cooper. Mr. Clark is a resident of Spartanburg, South Carolina. He has been a resident of South Carolina for at least the immediate past five years and is a qualified elector of this State.

2) Educational Background

Mr. Wynn received a Bachelor of Science degree from the Citadel in 1967. He completed courses in Securities Regulation at the N.Y. Institute of Finance in 1969.

3) Ethical Fitness, Character, and Reputation

The Review Committee's investigation did not reveal any evidence of unethical conduct by Mr. Wynn and did not reveal evidence of any convictions or criminal allegations made against him. Mr. Wynn has good standing in his community as well as a personal history of sound business affairs.

4) Professional Experience and Training

Mr. Wynn has served as the president of Colonial Trust Company since 1991. He was an account executive with the Robinson-Humphrey Company from 1968-1970 and 1980-91, Frost-Johnson, Inc., from 1975-80, and Hornblower-Weeks, Inc., from 1970-75. Mr. Wynn served in the South Carolina Army National Guard from 1967 to 1973.

Mr. Wynn has served on the Santee Cooper Board of Directors since 2007.

5) Statutory Requirements

Pursuant to Section 58-31-20(C), the Subcommittee is required to determine if Mr. Wynn has:

- a) working knowledge of the activities and affairs of Santee Cooper;
- b) the ability to interpret legal and financial documents and information;

- c) with the assistance of counsel, the ability to understand and apply federal and state laws, rules, and regulations as they relate to Santee Cooper, including the Freedom of Information Act; and
- d) with the assistance of counsel, the ability to understand and apply judicial decisions as they relate to the activities and affairs of Santee Cooper.

Mr. Wynn's responses to written and oral questions reflect he has working knowledge of the operations and activities of Santee Cooper. In addition, his participation on the Board indicates that he not only meets the statutory qualifications to serve, but also his commitment to serve on the board.

6) Knowledge of Current Energy Issues

Mr. Wynn understands and appreciates the challenges faced by Santee Cooper that result from the effects of the economy and its impact on generation costs, demand for electricity, the need to diversify its energy portfolio, and possible rule changes by the Environmental Protection Agency. *See Generally Tr. pg. 40-52*

Mr. Wynn stated that the top two challenges facing Santee Cooper are the completion of the nuclear power plant and dealing with new environmental regulations. *Tr. pg. 51-52*
He discussed how Santee Cooper addresses long-term planning in the midst of a changing regulatory environment while keeping customer rates low despite facing increased costs. On this subject, he stated, "The [N]umber 1 responsibility of Santee Cooper is to provide low cost reliable safe energy, so it's [raising customer rates] is the absolute last thing we want to do." *Tr. pg. 48, lines 12-14*

7) Knowledge of Santee Cooper's Other Roles

Mr. Wynn is knowledgeable about Santee Cooper's various roles, including economic development. He stated that four of the economic development loan programs established in 2013 have produced projects, either in the form of an announcement or on-site. *Tr pg. 49 and Generally See Tr. pg. 48-51*

8) Independence

In his response to preliminary question #4, Mr. Wynn stated, "The most important duty of all board members is to focus on the strategic priorities of Santee Cooper and to provide objective advice and careful deliberation. There should be no consideration given to personal priorities and no personal conflicts of interest."

Findings as to Overall Qualification

Mr. Wynn has been nominated to be reappointed as a director representing the Fourth Congressional District on the Board of Directors of Santee Cooper. The Review Committee believes Mr. Wynn possesses the depth of experience to enable him to be a successful member of the Santee Cooper Board of Directors and finds him qualified.

ALFRED L. REID, JR.
SANTEE COOPER BOARD OF DIRECTORS
SEAT: FIFTH CONGRESSIONAL DISTRICT
TERM: MAY 19, 2009 THROUGH MAY 19, 2016

Review Committee's Findings: Qualified

1) Constitutional and Statutory Qualifications

Mr. Reid meets the general qualifications prescribed by law for service as a Director for Santee Cooper. Mr. Reid is a resident of Rock Hill, South Carolina. He has been a resident of South Carolina for at least the immediate past five years and is a qualified elector of this State.

2) Educational Background

Mr. Reid attended North Carolina State University, and obtained a Bachelor of Science degree in Industrial Engineering in 1990.

3) Ethical Fitness, Character, and Reputation

The Review Committee's investigation did not reveal any evidence of unethical conduct by Mr. Reid and did not reveal evidence of any convictions or criminal allegations made against him. Mr. Reid has good standing in his community as well as a personal history of sound business affairs.

4) Professional Experience and Training

Mr. Reid has been employed as production manager at Laurel Stone since March of this year. He was a plant manager at PPG Fiber Glass from 2006 through the end of February, 2015. He had been employed with PPG Fiber Glass since 1994 and has served in the following positions: operations manager, hot end superintendent, production engineer and engineer supervisor, and project engineer. From 1991-1994, he was employed as an industrial engineer with Alcoa.

5) Statutory Requirements

Pursuant to Section 58-31-20(C), the Review Committee is required to determine if Mr. Reid has:

- a) working knowledge of the activities and affairs of Santee Cooper;
- b) the ability to interpret legal and financial documents and information;

- c) with the assistance of counsel, the ability to understand and apply federal and state laws, rules, and regulations as they relate to Santee Cooper, including the Freedom of Information Act; and
- d) with the assistance of counsel, the ability to understand and apply judicial decisions as they relate to the activities and affairs of Santee Cooper.

Mr. Reid's responses to written and oral questions reflect he has working knowledge of the operations and activities of Santee Cooper.

6) Knowledge of Current Energy Issues

Mr. Reid understands and appreciates the challenges faced by Santee Cooper resulting from the need to shift reliance from traditional energy generation and implement a more diverse energy portfolio while considering the customers' needs. *See Generally Tr. pages 60-64*

Mr. Reid stated that some of the considerations for the best interests of Santee Cooper are "to provide low cost, reliable energy for the customers and to make sure that financial decisions are made, continue to allow Santee Cooper to operate in a way that's satisfactory to the shareholders as well." *Tr. pg. 65, lines 11-15*

7) Knowledge of Santee Cooper's Other Roles

Mr. Reid is aware that Santee Cooper has responsibilities in addition to electricity, including economic development. *See responses to Preliminary Questions and Tr. pg. 64*

8) Independence

Mr. Reid indicated that a director's ideological or political beliefs should not play a role in making a decision for Santee Cooper. *See response to Preliminary Question (C)(10)*

Findings as to Overall Qualification

Mr. Reid has been nominated to be appointed as a director representing the Fifth Congressional District on the Board of Directors of Santee Cooper. The Review Committee believes Mr. Reid possesses the depth of experience to enable him to be a successful member of the Santee Cooper Board of Directors and finds him qualified.

DANNY "DAN" JOE RAY
SANTEE COOPER BOARD OF DIRECTORS
SEAT: GEORGETOWN COUNTY
TERM: MAY 19, 2015 THROUGH MAY 19, 2022

Review Committee's Findings: Qualified

1) Constitutional and Statutory Qualifications

Mr. Ray meets the general qualifications prescribed by law for service as a Director for Santee Cooper. Mr. Ray is a resident of Pawley's Island, South Carolina. He has been a resident of South Carolina for at least the immediate past five years and is a qualified elector of this State.

2) Educational Background

Mr. Ray obtained his Bachelor of Sciences degree in 1984 in Business Administration from Winthrop University. In 1993, he received his Masters in Economics from Colorado School of Mines.

3) Ethical Fitness, Character, and Reputation

The Review Committee's investigation did not reveal any evidence of unethical conduct by Mr. Ray and did not reveal evidence of any convictions or criminal allegations made against him. Mr. Ray has good standing in his community as well as a personal history of sound business affairs.

4) Professional Experience and Training

Mr. Ray is currently a Managing Director and the Global Head of Project Finance for Jefferies LLC, a position he has held since 2009. He and his wife are also the owners of Annandale Plantation, LCD, LLC (owns real property assets of Lowcountry Preparatory School), and SC Landings (apartments units). From 2006 to 2009 he served as a Managing Director and Head of Global Project Finance for Capmark Finance. From 1999 to 2006, he worked for GMAC Commercial Mortgage as a Managing Director and as the Head of Global Project Finance. He was an investment banker with Piper Jaffray from 1993-1996.

Mr. Ray holds securities licenses for General Securities Representative, Uniformed Securities Agent State Law, and General Securities Principal. He is registered in two states and with 15 self-regulatory organizations.

Mr. Ray served in the South Carolina Army National Guard from 1980 to 1984 and achieved the rank of Second Lieutenant. From 1984 to 1993, he served in the Army

achieving the rank of Captain. From 1993 to 1998, he served as a Major in the United States Army Reserve. He was honorably discharged in 1998 with the rank of Major.

Mr. Ray has served on the Santee Cooper Board of Directors since June, 2014.

5) Statutory Requirements

Pursuant to Section 58-31-20(C), the Review Committee is required to determine if Mr. Ray has:

- a) working knowledge of the activities and affairs of Santee Cooper;
- b) the ability to interpret legal and financial documents and information;
- c) with the assistance of counsel, the ability to understand and apply federal and state laws, rules, and regulations as they relate to Santee Cooper, including the Freedom of Information Act; and
- d) with the assistance of counsel, the ability to understand and apply judicial decisions as they relate to the activities and affairs of Santee Cooper.

Mr. Ray's responses to written and oral questions reflect he has working knowledge of the operations and activities of Santee Cooper. In addition, his participation on the Board indicates that he not only meets the statutory qualifications to serve, but also his commitment to serve on the board.

6) Knowledge of Current Energy Issues

Mr. Ray understands and appreciates the challenges faced by Santee Cooper resulting from increased generation costs, the demand for electricity, the shift from traditional coal powered generation to more efficient resources, and the difficulties these issues present for long-term planning. He discussed the issues facing Santee Cooper in regards to its coal plants, construction of the nuclear units at V.C. Summer, possible changes as a result of the Environmental Protection Agency's proposed Rule 111(d), and the impact these changes could have on customer rates. He mentioned that the proposed Rule 111(d) would "force Santee Cooper to dramatically change its mix of generating assets." *Tr. pg. 5, lines 17-18.* In regards to the impact on customer rates, he stated "...that's what we are supposed to do every day is to deliver safe, reliable and affordable power. And so we have to be focused on making sure that we manage our costs at every level..." *Tr. pg. 7, lines 10-13.* Also, see generally *Tr. pgs. 4-10*

7) Knowledge of Santee Cooper's Other Roles

Mr. Ray is knowledgeable about Santee Cooper's various roles, including economic development. He stated that economic development is:

[A]n important part of Santee Cooper's mission and I think the Board and the senior leadership at Santee Cooper have been very focused on economic development. I think if you look at the number of transactions that have been announced over the last 12 months, it's a clear indication that Santee Cooper's trying to be aggressive with economic development supporting the State of South Carolina and I expect that will continue.

Tr., p. 10, lines 16-15

8) Independence

Mr. Ray stated that a board members' role is "to focus on the strategic direction of the organization." *Tr. pg. 11, lines 6-7*. He also stated that decisions should be made "on behalf of the constituents of Santee Cooper." *Tr. pg. 12, lines 13-14*.

Findings as to Overall Qualification

Mr. Ray has been nominated to be reappointed as a director representing the Georgetown County Seat on the Board of Directors of Santee Cooper. The Review Committee believes Mr. Ray possesses the depth of experience to enable him to be a successful member of the Santee Cooper Board of Directors and finds him qualified.