

SENATE FINANCE COMMITTEE

REPORT OF THE DEPARTMENT OF ADMINISTRATION
PURSUANT TO ACT 95 OF 2019 REGARDING THE
SOUTH CAROLINA PUBLIC SERVICE AUTHORITY
(SANTEE COOPER)

H E A R I N G

OF PUBLIC TESTIMONY BY
THE ELECTRIC COOPERATIVES OF SOUTH CAROLINA
CENTRAL ELECTRIC POWER COOPERATIVE

DATE TAKEN: Thursday, March 5, 2020

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TIME END: 2:27 p.m.

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Room 105
Columbia, South Carolina

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I N D E X

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PUBLIC TESTIMONY OF
THE ELECTRIC COOPERATIVES OF SOUTH CAROLINA

GIVEN BY: MICHAEL COUICK
President and Chief Executive Officer

JOHN FRICK
Vice President

CENTRAL ELECTRIC POWER COOPERATIVE

GIVEN BY: ROBERT HOCHSTETLER
President & Chief Executive Officer

JOHN H. TIENCKEN, JR., ESQUIRE
General Counsel

MARK SVRCEK
Senior Vice President of Member
Solutions and Operations Support

Certificate of Reporter 174

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E X H I B I T S

(None were proffered.)

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1 CHAIRMAN LEATHERMAN: Looks like we've got
2 a quorum today, so we'll get started.

3 First up, I think, is Central. They asked
4 to be heard by their people, and the committee
5 sure wants to hear from you, so who is going to
6 present?

7 MR. COUICK: Mr. Chairman, Mike Couick
8 with the Electric Cooperatives of South
9 Carolina.

10 MR. SHEALY: Mr. Chairman, before we
11 receive any testimony, we will need to swear in
12 those who will be speaking today.

13 So everyone who will be coming to the
14 podium today, would you raise your right hand.
15 Do you swear that the testimony you give shall
16 be the truth, the whole truth, and nothing but
17 the truth, so help you God?

18 (Witnesses so sworn.)

19 MR. COUICK: Thank you, Mr. Shealy.
20 Mr. Chairman, thank you for the opportunity to
21 appear before you.

22 I'm accompanied by Rob Hochstetler, who is
23 the CEO of Central Electric Power Cooperative;
24 Mark Svrcek, who is the Senior Vice President
25 of Member Solutions at Central; and John

1 Tiencken, who is their general counsel.

2 Central is here today to answer questions
3 that we've heard asked by this committee about
4 six different matters, and any other matter.

5 The first matter is Central's current
6 relationship with Santee Cooper; Santee
7 Cooper's resource plan; Central's opt-out
8 rights; the gypsum contract; Central's interest
9 in a regional transmission organization, or an
10 RTO; and the State's opportunity to improve
11 offers.

12 We've heard over the last several days a
13 number of you ask questions on those matters,
14 but any other matter, we really want to answer
15 those questions.

16 Mr. Chairman, I asked for the opportunity
17 to go first because I'm here in the capacity
18 different than Central. I'm here as the CEO of
19 the statewide association of our member
20 cooperatives.

21 I have 18 other CEOs here with me today in
22 the audience. There are 20 cooperatives; 18 of
23 those were able to make it today. Over the
24 last two to three years, they've shared with me
25 their frustrations. And I hope you'll let me

1 share those with you today, not from this
2 vantage point of Central, but of these local
3 cooperatives in their relationship through
4 Central with Santee Cooper. Because Central is
5 really nothing more than a reflection of the
6 democratic vote of these 20 member cooperatives
7 of Central. Your local cooperative, your home
8 cooperative, your neighbor, is really a
9 component of Central. And I hope that you will
10 give me 15 minutes, maybe, to go through a list
11 of things they've shared with me recently about
12 that relationship.

13 Mr. Chairman, nothing would give me more
14 pleasure -- I mean this -- than to stand up
15 here today and tell you about the restored
16 trust between the cooperatives and Santee
17 Cooper that has unfolded over the last eight
18 months. Nothing would make me happier than to
19 say, with the new leadership at Santee Cooper,
20 things have gotten better. That is not the
21 case.

22 Mr. Chairman, unfortunately, my role today
23 is to give voice to longstanding -- not just
24 the last eight months, but also recent and
25 continuing frustrations of these local

1 cooperatives with Santee Cooper, its board and
2 management, and to plead with you for help in
3 resolving these issues.

4 Mr. Chairman, you're the owners of Santee
5 Cooper. In 2005, one of the last things I
6 worked on as a staffer for you was Santee
7 Cooper reform. And you made it clear in that
8 legislation that you passed that year that
9 nobody could sell Santee Cooper without the
10 permission of the General Assembly.

11 You stepped in the position of being the
12 owner of a great asset. You appointed stewards
13 of that asset, and you called them the board of
14 Santee Cooper. They in turn hired management
15 to be a steward over your asset -- not their
16 asset: Yours.

17 Mr. Chairman, they've wasted your asset.
18 It's just that plain, that what you had,
19 they've wasted.

20 Mr. Chairman, over the past decade, our
21 cooperative -- local cooperative leadership has
22 come to believe that Santee Cooper's board and
23 management either, one, doesn't care as when we
24 share things with them, ideas, suggestions; or,
25 number two, they just don't care.

1 And I want to give you about seven or
2 eight examples of where, over time, we've
3 shared thoughts, concerns, suggestions, and
4 either they don't hear us or they just don't
5 care.

6 In 2010, then-CEO of Central, Ron
7 Calcaterra, at the direction of Gary
8 Stooksbury, who is the CEO of Aiken Electric
9 Co-op -- I think Gary is in the crowd today --
10 was then the chairman also of Central. He told
11 Ron to send a letter to Santee Cooper's board,
12 not to Lonnie Carter, but the board. He was
13 concerned that the board hear how we felt about
14 the nuclear units at Jenkinsville.

15 Again, Mr. Chairman, this goes back to
16 2010. I'm going to read you a paragraph out of
17 it. This was to L.L. Thompson:

18 "In the October 8 meeting, Central
19 confirmed its belief that the nuclear expansion
20 should continue, but the current 45 percent
21 share to which Santee Cooper is committed must
22 be changed, preferably to 10 percent or less.
23 The balance of the Santee Cooper share should
24 be made available to regional utilities.
25 Central made it clear they would not support

1 the nuclear going forward if the 45 percent
2 remains unchanged. This is in spite of the
3 fact that Santee Cooper has already spent in
4 excess of \$600 million, spending approximately
5 a million dollars a day."

6 And listen to this foresight,
7 Mr. Chairman, on the part of the co-ops:

8 "It is better to take the loss of the
9 current investment rather than accept in excess
10 of \$5 billion at that time in debt for units
11 which are not needed at the time they are
12 currently scheduled."

13 It's not that these units were just not
14 finished; we didn't need all this capacity.

15 Mr. Chairman, he goes on to say:

16 "To this point, we have been assured by
17 Santee Cooper management" -- again, they told
18 us: We've got it sold. You've either got it
19 sold in Florida, Alabama -- you don't need to
20 worry about this. We've got it. You don't
21 need to worry about helping us sell it to Duke
22 Energy Carolinas or anybody. We've got it sold
23 in other states.

24 To this point, we've been assured by
25 Santee Cooper management that everything that

1 can be done to sell the excess capacity is
2 being done.

3 So, Mr. Chairman, that was on October 18,
4 2010, to the board chairman of Santee Cooper.
5 What did we hear back? Crickets. Crickets.

6 So on June 8th, 2011, Gary, as is his
7 style, takes things in his own hand and writes
8 his own letter to L.L. Thompson and says:

9 "We would like an update on the status of
10 efforts to reduce Santee Cooper's ownership
11 share of the nuclear units in Jenkinsville and
12 an update on the construction and permitting of
13 the same in its place."

14 Mr. Chairman, what did we hear? Crickets.
15 They had it handled.

16 Mr. Chairman, Gary sent that letter to the
17 chairman because, again, there was a concern
18 that the board may not know how the co-ops felt
19 about this important decision that Santee
20 Cooper was making; that perhaps there was a
21 gatekeeper that was keeping information away
22 from the board.

23 In this case, we went straight to the
24 chairman and said, "These are our concerns."

25 Mr. Chairman, we didn't know the units

1 were going to fail. We didn't know they were
2 not going to be completed, but what we did
3 know, that 45 percent was too big of a bet for
4 a small utility.

5 Mr. Chairman, we know how it played out
6 now. Many of those 2010-2011 board members
7 still serve on the Santee Cooper board. Those
8 board members that were with you over the last
9 several weeks, they're still there. Either
10 they knew or they should have known, based on
11 this letter.

12 Mr. Chairman, I want to tell you
13 personally, since 2010-11, I've met with --
14 along with Central and local co-ops, I've met
15 with every gubernatorial appointee to the
16 Santee Cooper board in advance of their
17 screening by PERC and shared with every one of
18 those same concerns. So even current board
19 members that come after 2010-2011 are well
20 aware of the co-ops' lack of appetite for that
21 kind of risk there, even before this thing
22 started disaggregating in terms of not being
23 constructed.

24 Mr. Chairman, that arrogance is what led
25 the co-ops in 2013, when Santee Cooper came to

1 the co-ops and said, "We've got to extend your
2 contract." And the reason they wanted to
3 extend it from 2030 to 2058 was they had to get
4 financing for the nuclear units, and they
5 needed a long period of time so as to make it
6 affordable.

7 And what the co-ops asked for in return --
8 and, again, this is local co-ops, through
9 Central, not Central -- was, "We want an
10 opt-out. We don't want to be locked in to your
11 bad decision-making in the future as it relates
12 to generation transmission."

13 So that opt-out provision that you hear so
14 much about was bargained for for that
15 extension. And that's both for transmission
16 and building new generation.

17 This was not the first failure, at
18 Jenkinsville, Units 2 and 3. If you'll
19 remember, the Pee Dee coal plant, which was
20 going to be the last major coal unit built in
21 the United States -- in the face of what was
22 going to be a carbon tariff, in the face of
23 fracked natural gas, in the face of reduced
24 load because of the economic turnback -- we had
25 to battle, along with the environmental

1 community and others, to get Santee Cooper to
2 relent and not build a coal plant. By the time
3 they stopped, they had put hundreds of millions
4 of dollars into an investment that we continue
5 to pay for.

6 Mr. Chairman, they didn't have all the
7 necessary permits. They should have seen the
8 writing on the wall that it wasn't a good
9 decision. But, again, that arrogance of they
10 just either didn't hear us or they didn't care.
11 And that's the theme, Mr. Chairman, for the
12 last 10 or 11 years.

13 Mr. Chairman, we wrote you a letter. And
14 I think we've handed up the letter. It's dated
15 March 3rd, 2016. And some of you on this
16 committee were on a joint committee to consider
17 the oversight of Santee Cooper.

18 With apologies to Jonathan Swift, we
19 brought you a modest proposal. And that modest
20 proposal was, give us annual oversight of the
21 Santee Cooper board.

22 The frustration was, the only time we got
23 to comment on Santee Cooper board performance
24 was when a board member was appointed and PERC
25 would hold a hearing. Of course you got a

1 newly appointed board member, good people.
2 They're not going to be able to be responsive
3 to questioning about what's going wrong at
4 Santee Cooper. They haven't gotten there yet.
5 And it was rare to have an incumbent up for
6 appointment. And it was even rarer to have an
7 incumbent chairman up to be screened.

8 So that was the only opportunity the
9 co-ops had to comment on a formal way on our
10 frustrations with Santee Cooper.

11 Mr. Chairman, what we asked for in an
12 annual oversight by PERC, Senator Alexander,
13 was that we get the same opportunity to comment
14 we had on the Public Service Commission and the
15 Office of Regulatory Staff.

16 Mr. Chairman, those board members, some of
17 them still serving, including some of their
18 leadership, lobbied, along with Santee Cooper,
19 to kill that request. Mr. Chairman, we asked
20 for just oversight, not control. Give us a
21 place to voice these things.

22 So, Mr. Chairman, if you perceive or if
23 any members perceives angst on my part, it's
24 pent up, and I'm reflecting the feeling of 18
25 CEOs of we've not had an opportunity to be in a

1 forum like this.

2 And, Mr. Chairman, it took the Cook
3 litigation and test-the-market legislation to
4 get this. Millions of dollars spent on
5 lawyers. Millions of dollars spent on
6 investment bankers. Millions of dollars spent
7 on other advisers, both for us and all the
8 parties. Why did it take that? Either they
9 didn't hear us or they didn't care.

10 Mr. Chairman, that 2016 letter did not
11 cover the issue of audits. If you think about
12 a business that charges Central what they
13 believe are going to be their costs, our share
14 of costs, we don't pay a rate per kWh; we base
15 it upon cost causation. We pay a portion of
16 the cost that we cause. So they project that
17 for a year, and then at the end of the year,
18 they true it up. And what they figure is what
19 we really owe.

20 So the co-ops, through Central, have a
21 right to audit those expenses, and we have a
22 right to disagree with Santee Cooper how they
23 allocate those costs.

24 Mr. Chairman, that's done on an annual
25 basis. Mr. Chairman, we have outstanding

1 audits unresolved going back to 2015, totaling
2 \$100 million in differences.

3 Mr. Chairman, that leadership failure
4 extends through the current board and current
5 management that we tried to resolve these
6 issues. Mr. Chairman, I don't represent that
7 we're a hundred percent right on those
8 differences, but this is a matter that's not
9 even being resolved.

10 And I will give you an example of one
11 that's worth 50- to \$60 million. Mr. Chairman,
12 when the Pee Dee coal plant failed, when they
13 pulled the plug on it, Santee Cooper came up
14 with a rule about how they were going to
15 allocate those costs to co-ops, to Central.

16 Mr. Chairman, when Units 2 and 3 at
17 Jenkinsville failed, they said, "That rule,
18 that related to a failed coal plant, is not the
19 rule we're going to apply for Jenkinsville 2
20 and 3; we're going to have a different rule.
21 And that rule is going to mean that you owe
22 50- to \$60 million more than you would under
23 the Pee Dee coal plant rule."

24 Mr. Chairman, that 50- to \$60 million is a
25 huge part of that \$100 million in differences.

1 Mr. Chairman, we've raised the 2015, 2016,
2 2017, and 2018 issues over and over again, to
3 management; to the executive committee of the
4 Coordination Agreement of Santee Cooper --
5 which is half co-op, half Santee Cooper board
6 members -- we've done it in public forums;
7 we've done it privately; we've done it
8 formally; we've done it informally.

9 Think of it. '15, '16, '17, '18 audits
10 remain unresolved.

11 So, Senator from Newberry, I've got Keith
12 Avery here with me today from Newberry Electric
13 Cooperative. I've sat through meetings with
14 Keith, and he says, if we're going to approve
15 this Cook settlement, what about the
16 \$100 million? They promised to pay back
17 \$200 million to ratepayers. They're going to
18 cut rates, freeze rates, but are they counting
19 on using that \$100 million, Mike? Or are we
20 going to resolve '15, '16, '17, '18, under the
21 business rules that we've got, or somehow
22 they're counting on using our money, our money,
23 to solve this lawsuit.

24 Mr. Chairman, I told you I need your help.
25 These things need to be resolved. They need to

1 be resolved so trust can be restored. There is
2 no trust between Santee Cooper and the electric
3 cooperatives; not Central, but the member
4 electric cooperatives. And these unresolved
5 audits are an issue that either they don't hear
6 us or they just don't care.

7 Mr. Chairman, the gypsum contract: You've
8 heard about it. You know, you can debate
9 whether it was a good business decision back in
10 early 2000 to agree to sell gypsum. And we get
11 it. We don't argue about the gypsum contract,
12 but it's a matter of adding insult to injury,
13 Senator from Beaufort.

14 Do you realize they charge us 9 percent
15 profit on that; that when they pay for that,
16 they charge us 9 percent on a bad decision?
17 Just like we'll pay 9 percent on the bad
18 decision of Pee Dee coal and the nuclear units.

19 Mr. Chairman, that's how they make money.
20 And when you believe that your way of making
21 money is to charge whatever you spend, and you
22 don't have accountability, you're not being a
23 good steward of the State's asset.

24 Mr. Chairman, that's why we're here today.
25 How are the rules going to change so that we

1 don't have things like insult to injury, or
2 crickets, in the future? How do we have people
3 there that understand business? How do we have
4 people there that understand relationships?
5 How do we have people there that will
6 understand loyalty and trust? How do we have
7 people there, Mr. Chairman, that will be as
8 good as a handshake, rather than going on
9 litigation?

10 So moving on from the gypsum contract,
11 Mr. Chairman, I will say that David Watson from
12 Laurens, Senator from Laurens, has sat
13 through -- over the past three years, David
14 spent 20 percent of his time trying to resolve
15 the financial deficit of where we are with
16 Jenkinsville Units 2 and 3. He and I see each
17 other more than we probably see our wives.

18 But he's worked mainly on the trust
19 deficit, of how do we get back to where we need
20 to be? And he was the one that I talked about
21 this insult to injury, about the 9 percent
22 profit on the gypsum. It's just one of those
23 things like pouring salt in a wound. And you
24 go, "It's bad enough there's a bad decision,
25 but why do you charge us profit on it?"

1 Mr. Chairman, the centerpiece of Santee
2 Cooper's current reform plan, what they've come
3 to you and bragged about, is the closing down
4 of Winyah and building natural gas. A great
5 idea. Mr. Chairman, we started sharing that
6 with Santee Cooper in 2016, 2017, and 2018.
7 That was a co-op idea that came out of
8 Mr. Hochstetler and his team. "Let's close
9 down Winyah, and let's replace it with some
10 natural gas."

11 It went so far, Mr. Chairman, in January
12 of last year, 2019, there was an executive
13 committee meeting of the Coordination
14 Agreement -- half Santee Cooper, half co-op --
15 presentation made by Mr. Hochstetler on the
16 gypsum contract, the 9 percent profit, but also
17 you really ought to study closing Winyah.

18 Don't take my word for it; they've got
19 televised tape of what Mr. Hochstetler
20 presented. Mr. Chairman, a motion was made to
21 study closing Winyah. All of the Santee Cooper
22 board members voted against it, including their
23 current acting chair.

24 Mr. Chairman, come back forward to
25 September, when they get new management, and

1 that gets to be the centerpiece of their
2 proposal: Closing Winyah.

3 Why? What's the difference? Why are
4 co-op ideas automatically bad and dismissed
5 versus embraced?

6 Mr. Chairman, Larry Hinz, Coastal Electric
7 Cooperative CEO and the chair of Central, was
8 at that meeting. He and a couple other CEOs
9 are in this room. There were four current
10 Santee Cooper board members at that meeting.
11 And, again, the motion was made, I think, by
12 Mr. Hinz, and it was a half-half vote, 50-50;
13 so it failed.

14 What's going on here, Mr. Chairman? Is it
15 hubris?

16 Dwayne Cartwright -- where is Dwayne? --
17 Berkeley Electric Cooperative. The delivery
18 points. And I'm not going to get into what
19 this means by way of technology, because it's
20 got to be a joke. I've got a literature degree
21 and a law degree; I'm not sure why I'm in this
22 business. But the delivery points would save
23 \$1.5 million for co-op people if we could bid
24 them out and have the choice of another
25 supplier providing electricity to those

1 delivery points. They're our delivery points;
2 they're not Santee Cooper's.

3 We did reach a contract with Santee Cooper
4 earlier in our relationship with them, back in
5 2012. They got a five-year agreement.

6 Mr. Chairman, we bid it out again. We found
7 that another provider could actually sell
8 cheaper electricity into those delivery points.
9 It helped all 20 electric cooperatives.

10 Mr. Chairman, that bid has been bought,
11 because Santee Cooper will not release those
12 delivery points. And my understanding is
13 they're required under FERC to have to release
14 it.

15 They argued that some other agreement has
16 preempted that. Mr. Chairman, I have no
17 reading of any of these agreements that it says
18 any such thing.

19 And, Mr. Chairman, saving \$1.5 million is
20 important these days and times. It infuriates
21 Dwayne. And to Dwayne, I think it points out
22 there's more than a failure of a now-retired
23 CEO at Santee Cooper, as I've heard this week
24 and last week, that it was just one person.
25 This continues on even now. It's a board

1 leadership failure. It's a current management
2 failure. This issue continues, Mr. Chairman.

3 Do they not hear Dwayne, or do they just
4 not care?

5 Mr. Chairman, this is about the future,
6 what decision you make about your assets about
7 the future. And Senator from Beaufort, you and
8 I've talked about this; the future is going to
9 be different in the energy sector. It's going
10 to be about market forces. It's going to be
11 about not putting all your money into steel and
12 concrete. It's going to be about remembering
13 the other side of the meter when you think
14 about things.

15 There's no better person in this room than
16 Bob Paulling, the CEO of Mid-Carolina Electric
17 Cooperative, Senator from Lexington and Senator
18 from Aiken. Bob sees the future. He's put a
19 lot of money into investing in the ability to
20 work with his members to allow them to be a
21 part of that future.

22 A lot of that depends upon a transmission
23 system, Mr. Chairman, that the co-ops
24 originally built, we paid for, and then we gave
25 it to Santee Cooper. If you look at the

1 right-of-way for Santee Cooper's transmission,
2 most of it's still in the name of Central
3 Electric Power Cooperative.

4 That transmission was built to carry our
5 load. We gave it. We gave it to them. But
6 when we talked to them about "What are you
7 going to use that transmission for?" It's
8 about their own steel and concrete. It's about
9 the traditional conventional vision of "We
10 build power plants, and we put steel and
11 concrete in the ground, and we don't think
12 there may be a better alternative a state or
13 two away that we live in, or maybe join an RTO
14 like PJM."

15 So, Mr. Chairman, when you think about
16 what you're going to do with your asset,
17 remember, it's not just about the failures of
18 the past; it's about the opportunities of the
19 future. And, Mr. Chairman, Bob Paulling would
20 tell you that transmission system is key, and
21 it needs to be built out in a different way of
22 just serving just where we are; it needs to be
23 built reaching toward where there may be other
24 supplies.

25 Senator from Berkeley, you nod your head,

1 but you've heard this so much from one of your
2 key constituencies down there. We've got to
3 have a vibrant enlarged transmission system.

4 So, Mr. Chairman, one of the things we
5 offered in the negotiations over the Cook case
6 is: Sell it to us. Let us be the steward of
7 that transmission system. And it wasn't
8 because we just wanted to own it. We're
9 concerned that whoever buys it is going to use
10 it to hold us hostage, and to hold us hostage
11 to a limited view of the future.

12 Mr. Chairman, you think about what you're
13 responsive to. You're responsive to the ballot
14 box. Every one of the votes you make here,
15 every one of the decisions you, in your own
16 mind, test it through: How are the folks back
17 home going to think about it?

18 You're looking at 18 CEOs that were
19 elected by 18 boards that are worried about how
20 the ballot box is going to treat them. They're
21 worried about that annual meeting. Can they
22 share with their members not only about current
23 decision-making, for current events, but are
24 they taking care of the future?

25 Mr. Chairman, democracy really sharpens

1 your senses. It makes you accountable. It's
2 the best form of regulation, I believe. It's
3 that local input that sharpens people like Jim
4 Lovinggood, at Blue Ridge Electric Cooperative,
5 to focus on what his members want and need. It
6 may not always be lowest price; it may be
7 reliability. It may be an investment in
8 community. But I would tell you, Bob Paulling
9 would tell you, it's about the future, and not
10 to have a limited view of the future.

11 Mr. Chairman, I'm getting near the end,
12 but I will tell you a couple of other issues.

13 Attorneys' fees: Who pays them? I work
14 for 1.6 million South Carolinians that get
15 their electricity from a cooperative. And the
16 way I look at it, Senator from Beaufort, I
17 shared this concern with Berl Davis at Palmetto
18 Electric Cooperative: It looks like we're
19 going to end up paying attorneys' fees for
20 everybody. We're paying our own attorneys'
21 fees. We're going to pay the plaintiffs'
22 attorneys' fees. And if we don't change
23 history, we'll be paying about 70 percent of
24 Santee Cooper's attorneys' fees.

25 Mr. Chairman, I can share with you that I

1 was not in the negotiations in the Cook case; I
2 was not in the negotiations with Marcia Adams
3 at DOA, but I heard a lot about it, and I heard
4 similar issues going on. It was issues of the
5 lawyers or others delaying, deferring, changing
6 directions, and harassing. The focus wasn't on
7 getting at truth in either venue; it was at
8 what can we do to drag our feet, on the part of
9 Santee Cooper?

10 And what that means, that we're spending
11 more and more dollars on attorneys' fees. And,
12 again, who is going to end up paying them? Are
13 your members, your electric cooperative
14 members, going to pay for everybody's
15 attorneys' fees for things we've been
16 suggesting for years?

17 Mr. Chairman, where we are with the reform
18 plan, it is a miracle. It's just a commitment
19 to return to the best utility practices, things
20 they should have been doing already. We're
21 paying attorneys' fees to get people to do what
22 they should already be doing, things that we
23 have been sharing with them -- I've been with
24 the co-op, it'll soon be 15 years -- things
25 we've been sharing with them for a decade and a

1 half.

2 And we paid this much money to get them to
3 do what they ought to be already doing. It
4 took Act 95, "test the market" in the Cook
5 litigation, to get there.

6 Mr. Chairman, every one of the suggestions
7 I've given you today, I believe, would survive
8 the test: Is this a good utility practice? We
9 base it on FERC standards. We base it on what
10 other forums are doing, other jurisdictions.
11 But it took all that effort to get there.

12 Mr. Chairman, I'll end with -- I wish I
13 could tell you that things have gotten better
14 with the new administration. They haven't. I
15 concede that our ability to work together has
16 been constrained by our insistence on abiding
17 by the restrictions about Act 95.

18 Mr. Chairman, I wish the other Senator
19 from Aiken was here. I heard his remarks on
20 the floor of the Senate about what Section A of
21 Act 95 meant.

22 We got it. You've not seen a lot of
23 communication from co-ops outside of this
24 forum. But, Mr. Chairman, we've sat there for
25 months, my CEOs have sat there for months,

1 seeing e-mail after e-mail headed by "facts are
2 facts."

3 Mr. Chairman, we were quiet. We didn't
4 say anything, but it was frustrating, because
5 they would have liked to have had similar bold
6 headlines saying "insult after injury."

7 Mr. Chairman, you'll have John Tiencken up
8 in a minute. I hope you'll listen carefully to
9 him describe not only the results of the
10 negotiation process, DOA, but also how the
11 process kind of evolved in fits and starts, how
12 hard it was to get started.

13 Mr. Chairman, you'll recall last summer
14 you and I had a number of calls trying to just
15 get the money pulled together to get "test the
16 market" done. And the co-ops were all in. Of
17 that \$15 million that Santee Cooper was asked
18 to pay, we paid 70 percent.

19 Mr. Chairman, I want to close by giving
20 you one other document. I think Kate may have
21 it up on your screens. It's the SEC complaint.
22 I'll ask you to go to paragraph 84 of that
23 complaint.

24 I'm sorry, Mr. Chairman. I'll read, just
25 briefly. This is out of the civil complaint

1 that was filed last week.

2 Mr. Chairman, "On April 6, 2015, Steve
3 Byrne received an e-mail from Santee Cooper's
4 senior vice president for nuclear energy
5 regarding the schedule delays and cost overruns
6 on the expansion project. The e-mail
7 reiterated what had been discussed at the
8 March 6 meeting, and included several charts as
9 attachments that visually depicted the lack of
10 progress on the project."

11 Mr. Chairman, it goes on to describe and
12 provides the graph of what they knew was very
13 different than what they were sharing,
14 including what they were sharing with their own
15 70 percent paying part of the bills. What they
16 knew, board and management, was not what they
17 were sharing.

18 Mr. Chairman, it's disappointing that this
19 committee will not have access to the discovery
20 developed in the Cook case. You will not have
21 the opportunity to see what went on there, to
22 make sure that people did not know what was
23 going on -- I don't mean SCANA; I mean SCANA
24 and Santee Cooper -- that you would see that
25 their current leadership at Santee Cooper, that

1 had the opportunity to make a difference, when
2 they actually had the Bechtel report, maybe for
3 15 or 20 minutes, but they didn't do anything
4 about it.

5 Mr. Chairman, it wouldn't have saved all
6 the money that's been lost on those two holes
7 in the ground in Fairfield County, but it would
8 have stopped it a lot earlier.

9 Mr. Chairman, I appreciate the time you've
10 given me today. Thank you very much.

11 CHAIRMAN LEATHERMAN: I thank you.

12 I will allow members to ask questions.
13 I'd ask that members, when you ask a question,
14 make sure you ask him a question, not to make
15 statements. You know all of us, Lord knows,
16 like to make statements.

17 Who's first, Mike? There's a time limit
18 on this.

19 MR. SHEALY: Mr. Chairman, Senator Cromer
20 is first.

21 CHAIRMAN LEATHERMAN: How many members
22 will we have?

23 MR. SHEALY: Two right now, Senator Cromer
24 and Senator Couick.

25 CHAIRMAN LEATHERMAN: Senator Cromer.

1 SENATOR CROMER: Thank you, Mr. Chairman.

2 And, Mike, you know, the more testimony
3 we've received here over the last two or three
4 weeks, the more complex the issue becomes. We
5 keep seeing other variables that are thrown
6 into the equation.

7 The first one we heard from was NextEra,
8 and then of course Dominion's management, and
9 Santee Cooper, and now Central. And one of the
10 things that stuck out to me a couple of months
11 ago, I heard some people talk about the
12 problems that you folks had had in dealing with
13 Santee Cooper.

14 And you were here last week. I think you
15 may have heard me ask the question of the board
16 members and Mr. Bonsall about the arrogance of
17 Santee Cooper board in dealing with
18 especially -- more especially Central, but
19 probably a lot of the other folks that they
20 dealt with also.

21 Did you know that in our capacities, we
22 sometimes have to appoint boards and
23 commissions? And I use -- like to use the term
24 that we'll have a board that's not doing
25 exactly what they should be doing, and we'll

1 find somebody we think can do a great job. And
2 so not to take away from any of the governor's
3 appointments, but when you appoint those folks,
4 you expect them to go do a great job for you in
5 turning those boards around.

6 But we all term -- several of us term it
7 as going native. Once they get on the board,
8 then they fall in line with the other members
9 of the board in making their decisions and
10 everything else that's done.

11 So would you say that you have seen that
12 to be the case in some of the governor's
13 appointments, the former governor's
14 appointments?

15 MR. COUICK: Mr. Chairman, it's a very
16 complex business, electric utilities. You put
17 somebody not familiar with it in a position --
18 being on the board, they are going to have to
19 rely on somebody to provide them information.

20 Santee Cooper's board is really their
21 version of the Public Service Commission. How
22 would you view it if the Public Service
23 Commission had to rely only on Dominion or Duke
24 for information, as a regulatory capture?

25 You've got a board down there that's

1 supposed to regulate rates and everything else
2 about that utility's operations, because
3 they're not under the Public Service
4 Commission, and the only one they can hear from
5 is the people that are actually managing the
6 business, because they shut everybody else out.

7 Mr. Chairman, there are two ways to really
8 have utility accountability. The one I believe
9 in is democracy at the ballot box in co-ops. I
10 saw a whole board turned out last year at
11 Tri-County, because things had gone wrong, and
12 the co-op members took their board back.

13 That's one way to get accountability.
14 That's how you have accountability in the
15 Senate and the House. Other than that, you've
16 got to have regulatory accountability; you
17 don't have any.

18 Senator Cromer, I would go toward you've
19 dealt with this before.

20 Another one of the great assets of South
21 Carolina is its historic black colleges and
22 universities. When you lacked confidence in
23 South Carolina State's leadership several years
24 ago, what did you do? How did you approach
25 getting it turned around? What was the level

1 of revision you did to their board? What kind
2 of people did you try to put there in order to
3 turn it around?

4 So if you're going to save Santee Cooper,
5 Mr. Chairman, I hope for a lot of people's sake
6 there's a lot of attention on everybody below
7 the fifth floor of Santee Cooper, because they
8 do great work, and they're good to work with.

9 If you're going to turn it around, it's a
10 cultural problem. How do you turn around a
11 cultural problem?

12 Senator from Berkeley, I see you nodding
13 with me.

14 You've got to figure out the shock-and-awe
15 approach that's going to work.

16 SENATOR CROMER: Thank you, Mike.

17 Along that same line, you mentioned
18 Central trying to talk them out of purchasing
19 45 percent. And I have scolded them on the
20 couple of occasions that we have met together
21 about not one, but two, new nuclear power
22 plants purchasing 45 percent.

23 I told them that, to me, that's about like
24 a frog trying to swallow a six-foot snake. I
25 mean, there was no way I could see that working

1 for Santee Cooper. They were just too small to
2 be trying to absorb 45 percent capacity in two
3 nuclear plants.

4 So did you know that we are a hundred
5 percent together on that? That was a
6 decision -- I mean, hindsight is great, but
7 that was a decision that should never have been
8 made in the first place.

9 MR. COUICK: Mr. Chairman, let me share
10 with you the alternative the co-ops presented
11 that either they did not hear or they did not
12 care about.

13 Ellen Ruff, the then-president of Duke
14 Energy Carolinas, came to me and Ron Calcaterra
15 and said, "We want to be in Jenkinsville. We
16 believe it's right to build two nuclear units."

17 You build two because you get economies of
18 scale. You don't save money on the first unit;
19 you save it on the second one, Senator. They
20 wanted to have a large presence. They wanted
21 to do it at a time they could have had an
22 impact on the management of the project, not
23 after all the documents had been signed. They
24 could not even get a meeting with Lonnie Carter
25 or Kevin Marsh. So we asked for ORS to help us

1 arrange those meetings, and we did.

2 Mr. Chairman, this is a paraphrase, but
3 what we heard back was, "We don't want Duke in
4 this project. They may try to tell us how to
5 do it. And God forbid that somebody would have
6 come in and help."

7 So, Mr. Chairman, if they had been part of
8 it, Santee Cooper's share would have been less,
9 and we wouldn't be talking about co-op members
10 being on the hook, absent change, for \$6.5
11 billion, once you add in profit and interest,
12 \$6.5 billion over time. We wouldn't be here.

13 SENATOR CROMER: Mike, let me say that any
14 of the options, other than an outright sale of
15 Santee Cooper, that there is no doubt --
16 everybody's talking about it -- there would
17 have to be a new governance structure. There
18 would have to be.

19 I thought about the -- just personally,
20 the process of -- still, you've got to have a
21 board or a commission. And the possibility of,
22 I think, Central, from what I've heard, you're
23 the major customer for Santee Cooper.

24 MR. COUICK: 70 percent.

25 SENATOR CROMER: So somehow or another,

1 Central probably -- and I know this is unusual.
2 You don't normally have somebody that's buying
3 from a company to be part of the board of
4 governance of that company, but the way power
5 is assigned here in South Carolina, the
6 electric transmission business is a little bit
7 different.

8 So, you know, I would like to see, maybe,
9 even Central having -- as long as there's
10 still -- if you are still buying over
11 50 percent of your power from that entity, that
12 you would have X number of seats on the board.
13 Have you all ever thought about it?

14 MR. COUICK: Mr. Chairman, back in 2005,
15 when I was a staffer in this very room, the
16 cooperative suggested that they have a majority
17 of the board of Santee Cooper. And then my
18 chairman, Senator McConnell, said, "That's not
19 right because you shouldn't have a customer
20 control the supplier."

21 SENATOR CROMER: That's the only downside.

22 MR. COUICK: But absent control, what does
23 it get you to be there in that board room? And
24 I would encourage you -- you've got
25 representation required now for retired people.

1 You may want to think about whether you want it
2 to be a retirement requirement.

3 I would say sunlight is the best
4 disinfectant. Have hearings; have rights of
5 intervention; have the ability to have the
6 Public Service Commission involved, to the
7 extent it won't endanger the bonds; have them
8 under the Citing Act, like co-ops already are;
9 and have them be part of the process.

10 Mr. Chairman, co-ops shouldn't be special.
11 We just need to be like everybody else. We
12 have the opportunity to be heard and have an
13 impact.

14 Mr. Chairman, I would argue that
15 environmentalists deserve the same opportunity
16 to intervene in a proceeding and have their
17 voice heard and have a board have to determine
18 what was right. They are your steward.

19 My good friend Keller Kissam testified
20 here before: You can't serve two masters. And
21 so I'm not reluctant to endorse board
22 membership for co-ops, but what I'm reluctant
23 to endorse is, that's enough. Because I've
24 seen co-ops suggest that a single chairman,
25 Leighton Lord, would cure things at Santee

1 Cooper. It didn't.

2 Mr. Chairman, we met with Governor Sanford
3 back in 2006 and talked about all of his
4 appointments. It didn't cure it. It's a
5 cultural problem. It deserves sunlight.

6 SENATOR CROMER: Let me ask you: You've
7 purchased power from some other sources, and
8 one of our options was Dominion managing Santee
9 Cooper. Do you have a good working
10 relationship with Dominion, because you worked
11 with Dominion, if that wound up being the
12 situation?

13 MR. COUICK: Mr. Chairman, I don't want to
14 express any opinion about anyone being --

15 SENATOR CROMER: We know you're not
16 supposed to sway us one way or the other, but I
17 just want to know if there would be a working
18 relationship, maybe not necessarily with them
19 alone, but with NextEra and Dominion. Those
20 are the only other two there. Could you work
21 with them?

22 MR. COUICK: Mr. Chairman, it depends on
23 what their role is. The role, under the
24 Dominion management plan put forward, was they
25 were going to have three employees down there,

1 and one of them was not going to be the CEO; it
2 was going to be limited.

3 Mr. Chairman, let me tell you a quick
4 story about my relationship with Keller Kissam.
5 When I first took this job, co-ops were
6 litigating 12 different cases with SCE&G. One
7 of them was the Dollar General case. And God
8 bless my friend Gary Stooksbury back here.
9 They were litigating and had spent over
10 \$100,000 statewide over who was going to serve
11 what I thought was a Dollar General
12 distribution center. It was a Dollar General
13 store.

14 How long would it have taken to get your
15 money back on that? So I said, "Keller, listen
16 to me. Let's come up with some ways we can
17 resolve things that we don't have to litigate."

18 We've not litigated one single thing in
19 the 12, 13 years since then. I don't want to
20 personalize it to one person, but it really
21 gets down to, what is the culture that you're
22 putting in place in an organization?

23 Keller really had an attitude that he'd
24 rather ask for forgiveness from his leadership
25 than permission. And he was willing to be

1 bold. Just as long as you can be bold in
2 change and bring a culture of let's talk. With
3 Keller, he always heard me. I always knew that
4 he got it. We may not agree, but he always
5 heard me.

6 Mr. Chairman, I don't offer that as an
7 endorsement of Keller or Dominion or anybody,
8 but I'm telling you, you can learn to get
9 along. When I first took this job, the problem
10 wasn't Santee Cooper; it was SCE&G.

11 SENATOR CROMER: And I wasn't looking for
12 an endorsement.

13 MR. COUICK: Yes, sir.

14 SENATOR CROMER: I just wanted to know the
15 working relationship, because it's obvious that
16 the working relationship with Santee Cooper's
17 board is not that great.

18 MR. COUICK: It's not just the board,
19 Mr. Chairman.

20 SENATOR CROMER: Okay. Now, if you all
21 weren't buying from Santee Cooper, they would
22 probably fail, I would think. They don't have
23 enough customers to pay off all the debt that
24 they have right now.

25 And you don't have to answer that.

1 MR. COUICK: Mr. Chairman, you've never
2 heard the co-op suggest that we don't want to
3 be part of a full solution. We get it. That
4 was my promise to the chairman when this "test
5 the market" started. We wanted to be in league
6 with you as opposed to you.

7 SENATOR CROMER: Okay.

8 That's about all I had. I just wanted to
9 note that -- do you feel like -- and it sounds
10 like what you just said -- let me back up.
11 There was one other question I meant to ask
12 you, and you don't have to answer it if you
13 don't want to.

14 The Cook litigation. I gathered, the
15 whole time I heard about the Cook litigation,
16 that that litigation was brought more from the
17 standpoint of trying to force Santee Cooper to
18 sit up and take notice, or listen, or try to
19 work together, than it really was about the
20 recouping of some of the moneys that you all
21 had spent.

22 MR. COUICK: Senator, I have to disagree
23 with you on that. We didn't bring that
24 litigation. We were sued as a part of that
25 litigation. I had a visit from the trial

1 lawyers in my office, and they said, "We want
2 to know whether you've got a white hat on or a
3 black hat on. Are you going to work for your
4 members or are you going to work against your
5 members?"

6 We brought the crossclaim later. We are
7 still defendants in that litigation.

8 SENATOR CROMER: I received some wrong
9 information.

10 Last question: Do you think or can you
11 foresee in the future that there could be, with
12 a new governance structure, there could be a
13 working -- continual working relationship with
14 Santee Cooper?

15 MR. COUICK: Mr. Chairman, I live my life
16 as an optimist, because I believe if I'm any
17 way different, I'm going to let the past
18 control the future. So I'm wide open.

19 That letter that I wrote on 2016,
20 March 2016, you see I said in that letter,
21 "Let's look forward, not backwards."

22 Mr. Chairman, I'm just here to share with
23 you, as the owners of your asset -- the co-ops,
24 not Santee Cooper -- you need to get the
25 stewardship that you deserve for that asset if

1 you're going to keep it.

2 CHAIRMAN LEATHERMAN: Next one?

3 MR. SHEALY: Next is Senator Scott.

4 CHAIRMAN LEATHERMAN: Senator Scott, we're
5 going to try to stay on questions.

6 SENATOR SCOTT: I'm going to try very
7 hard. And I know you'll be right there to make
8 sure I do that.

9 CHAIRMAN LEATHERMAN: We'll try our best
10 to.

11 SENATOR SCOTT: Mike, I heard you early
12 on. You said that Central remained quiet and
13 wanted to be good business partners. And with
14 the experience you had coming from the General
15 Assembly, I find it odd that you would allow
16 Central, even with all the letters that were
17 sent, not to figure out how to come back to the
18 General Assembly. So we wouldn't have known
19 back in 2010, '11, and even going forward, and
20 you being a part, a person who wrote the
21 legislation, that it was failing.

22 I mean, at what point in time do you come
23 back to us and say, "We've got a major problem;
24 it's not working," instead of waiting until it
25 just blew up and those kind of losses actually

1 occurred?

2 MR. COUICK: I'm looking at my chairman of
3 the Public Utility Review Committee as I answer
4 this question, Senator Scott.

5 We went to the leadership not to complain
6 about any particular decision, but trying to
7 get a better accountability of board members.

8 We relied on legislative support when we
9 worked to kill the Pee Dee coal plant. It was
10 not killed in a vacuum. We worked with various
11 parts of the leadership to do that.

12 Mr. Chairman, when I said we were quiet,
13 it wasn't throughout time. It was since Act 95
14 was passed, is when we've been quiet. Because
15 we read the rules -- Senator Setzler and
16 Senator Massey read them -- is that we could
17 not engage in doing anything to directly or
18 indirectly advocate our position.

19 That's the only time we've been quiet. I
20 think the Senator from Oconee would affirm that
21 the PERC has heard a lot from us over time
22 about the problems with Santee Cooper, and that
23 we've shared that with Senator Rankin, the
24 Senator from Horry, as he screened members of
25 the board.

1 That was our only opportunity to share,
2 and we did write that letter in March of 2016.
3 You were the owner. You've got a lot of issues
4 going on here at the General Assembly. We
5 tried to go right to the joint committee of
6 jurisdiction, and we tried to go to this other
7 committee when they were created.

8 SENATOR SCOTT: Let's go back to screening
9 candidates, quiet even during that process.

10 MR. COUICK: We were not quiet during
11 that --

12 SENATOR SCOTT: Did you participate in the
13 hearings about behavior of the members of the
14 board, behavior of members of the board and the
15 culture of the board? This is not going to
16 change by itself. What did you all do?

17 MR. COUICK: Senator Scott, if you think
18 about a screening, you've usually got a
19 brand-new non-serving appointment to the board.
20 I can think of a number of them over the years
21 where it's somebody brand-new.

22 So what we would do, we had a notebook
23 that was about this thick (indicating), and we
24 would go meet with that board member.

25 Mr. Mudge, I met with him in Greenville, with

1 Charles Dalton. And we opened that notebook,
2 and with Central there, we went through that
3 notebook from the front to the back, covering
4 all the issues that we were concerned about at
5 Santee Cooper.

6 And we did that in advance of Senator
7 Rankin's Subcommittee of Judiciary and the PERC
8 Committee screening them. We wanted them to be
9 aware of what our issues were. And then we
10 would go to the hearings and, if allowed, we
11 would participate.

12 SENATOR SCOTT: I heard you mention the
13 chairman several times. I think "the chairman"
14 came up several times, I'm pretty sure. The
15 notebook process would not have worked.

16 MR. COUICK: Very rarely was there an
17 incumbent chairman, Senator Scott. I don't
18 think I remember where there was a chairman
19 that had been chairman and then was up again.

20 I may be wrong on that, but that would
21 have been the only time that a leadership
22 position on the board, wholly accountable for
23 everything, would have been in a position to
24 have been screened and held accountable for
25 what I call the cultural problem.

1 SENATOR SCOTT: Since the legislation does
2 not call for the parties involved, as well as
3 the co-ops, Central to come back and the co-ops
4 to come back, when would the co-ops and Central
5 come to the legislature and say, "Listen, we
6 need an update review back to the General
7 Assembly about what's going on"?

8 MR. COUICK: Are you talking about Act 95?

9 SENATOR SCOTT: Yes.

10 MR. COUICK: We're here.

11 SENATOR SCOTT: Because it went on and on
12 and on, and we looked at the change orders
13 themselves since you had a problem, and the
14 co-ops were paying the bill.

15 MR. COUICK: Mr. Chairman, Act 95 was
16 passed, I guess, in May, June last year.
17 That's when the rules kind of went into place
18 about advocacy, indirect or direct. We've only
19 been quiet during that period. In fact, I've
20 reached out to Senator Leatherman, chairman of
21 this committee, and Chairman Smith of Ways and
22 Means, asking for an opportunity to talk about
23 where things are in a way that was permissible.

24 But if you're talking about pre Act 95,
25 pre Act 95, we utilized whatever was available

1 to us by way of the joint committee, PERC,
2 other joint committees, LCI Committee,
3 Judiciary Committee, judiciary subcommittee.
4 We expressed this.

5 But, Senator, I want to share with you --

6 SENATOR SCOTT: Excuse me. So the record
7 would reflect coming back in a hearing process
8 to talk about what was going wrong?

9 MR. COUICK: Mr. Chairman, we did not know
10 what was going wrong.

11 SENATOR SCOTT: But your bill continued to
12 go up.

13 MR. COUICK: No, sir. In fact, the way
14 this is -- there are others that can speak to
15 this better.

16 The flow of money to pay for Santee
17 Cooper's part of Jenkinsville is a little bit
18 different than how it's being charged by
19 Dominion. It's only beginning to come in over
20 the last year or so. Our bill was going up,
21 and we were asking questions of Santee Cooper;
22 not getting answers. And that's why that
23 letter of March 2016 is so important.

24 What's also important, if you'll look in
25 the summer of 2016, the co-ops took the

1 extraordinary step, Senator, of intervening in
2 the fixed price proceeding of SCANA. Because
3 what I asked for and what I testified is, "Give
4 us a roadmap and a price tag."

5 And you can certainly find the record on
6 this, of we didn't believe there really was a
7 roadmap to get it finished. And the price tag
8 kept changing. And we wanted to know what was
9 the roadmap and the price tag.

10 And that proceeding, Mr. Chairman, I
11 believe is ultimately what resulted in an
12 agreement for a fixed price. Less than a month
13 after the commission ruled on that is when
14 Westinghouse and Toshiba gave notice that
15 Westinghouse was in trouble. I think they
16 counted on having a blank check to finish
17 Jenkinsville Units 2 and 3.

18 We participated. There's lots of record
19 on that. Senator, we're glad to get it to you.
20 But the beginning of 2016, when we saw there
21 were problems, really going back to late 2015,
22 we really stepped it up.

23 But until that point, all we knew was
24 anecdote. We were given anecdotes: There's a
25 problem with a pour. The rebar has not been

1 put down right. There was no roadmap. There
2 was no price tag.

3 Senator from Richland, have you ever seen
4 those United Way bulbs they have out in front
5 of the courthouse, and you can see the progress
6 of getting to a hundred percent? I was looking
7 for something that simple, that co-op people
8 can look at and know where we were, both by way
9 of completion and dollars.

10 Santee Cooper and SCANA never had that.
11 They never had it.

12 SENATOR SCOTT: So how did you -- my last
13 question: So what did you do when you could
14 not get your measuring stick and figure out pay
15 was equal to performance? And so did you --

16 MR. COUICK: Senator Larry Hinz, chairman
17 of Central and the CEO of Coastal Electric
18 Cooperative, wrote a letter to Central -- I
19 mean, Santee Cooper -- in early 2018, and he
20 said, "We're not going to pay any more than a
21 certain amount. You've got to figure it out.
22 If you don't know what the price tag and
23 roadmap is" -- and I'm not sure that Larry or
24 Central had the authority, and said, "We're not
25 going to pay."

1 But he gave them a dollar figure and said,
2 "We're going to give you 90 days to figure it
3 out."

4 That was us saying enough is enough. They
5 heard that, and that's when they began really
6 studying about whether it was smart to go on or
7 not.

8 Senator, we're a customer. We used every
9 opportunity we could to complain as a customer,
10 but we weren't in charge of it. I don't use
11 that as an excuse, but you were the owner. We
12 came to you. You had a lot going on. We
13 understand that.

14 We went to the Public Service Commission,
15 through the fixed price proceeding, and
16 ultimately it was that letter that said
17 self-help; we're only going to pay this much,
18 which is really what got their attention.

19 SENATOR SCOTT: Thank you, Mr. Chairman.

20 MR. SHEALY: Next is Senator Setzler.

21 SENATOR SETZLER: Thank you, Mr. Chairman.
22 Thank you, Mike. I'll try to be brief.

23 Of course I'm extremely familiar with the
24 co-ops and very close to the co-ops in my
25 district and have been throughout my service.

1 I appreciate the tremendous service that they
2 provide to their customers.

3 You mentioned a couple of things, right to
4 a hearing, citing -- putting them under the
5 citing, et cetera.

6 Can you quickly tell me, one, two, three,
7 what those suggestions are.

8 MR. COUICK: Senator, would you allow your
9 neighbor and my good friend, John Frick, to
10 come up here with me and help me with that?

11 SENATOR SETZLER: If you'll tell me what
12 time it is and not how to make a clock, I'll be
13 happy for him today.

14 MR. FRICK: Thank you, Mr. Chairman. For
15 the record, John Frick. I work with the
16 Electric Cooperatives of South Carolina. Just
17 to give you our thoughts very quickly on things
18 that would help.

19 Mike talked about oversight. We suggest
20 oversight. It looks similar to what is
21 required of the Public Service Commission and
22 the Public Service Commissioners. You've got
23 that in the statute now. That goes through
24 PERC. And I know that the Senator from
25 Oconee is very --

1 SENATOR SETZLER: You've got to talk into
2 the mic, John.

3 MR. FRICK: I'm sorry. I'll repeat that,
4 Mr. Chairman.

5 Modeled on the Public Service Commission,
6 which is already in statute, where you have
7 oversight of the commission or oversight of the
8 board itself and oversight of individual board
9 members, that's our suggestion. It would
10 follow something that the Senator from Oconee
11 is very familiar with.

12 We looked at S.1129, which is something
13 that I think the Senator from Berkeley and the
14 Senator from Horry have been -- put forward.
15 Utility Citing Act might mention that.
16 Senator, that would be something we think is a
17 good idea.

18 Enhancing Santee Cooper's process, IRP
19 process, integrated resource plan process, we
20 think would be a good idea. Both of those are
21 contained in S.1129.

22 The idea that the board requirements could
23 mirror those of the Public Service Commission
24 with regard to qualifications, also in S.1129,
25 we think that's a good idea.

1 Senator, the board could be given a new
2 mandate. One thing we've thought about is when
3 you did your ORS reform, you gave the ORS a new
4 mandate.

5 SENATOR SETZLER: Right.

6 MR. FRICK: It was very clear about what
7 the requirements were, taking care of
8 customers. We think an idea along those lines
9 would be appropriate and helpful.

10 Senator, you have an advisory board that's
11 consisted -- consists of the governor of the, I
12 think, the State treasurer, other folks. We
13 think incorporating those folks and their
14 recommendations, goals, sent to the PERC as
15 part of oversight, would be a helpful step.
16 And then, finally, introducing some level of
17 performance accountability.

18 So when you do the screenings -- maybe not
19 screening; maybe "oversight" is a better
20 word -- when you do these oversight hearings,
21 like they do for the Public Service Commission
22 or Commissioners, and the PERC can give them
23 goals, and that those goals and recommendations
24 are incorporated in some way into the duties of
25 the sitting board members, so that there's some

1 accountability on the back side for them doing
2 their jobs in the way that you asked them to do
3 their jobs.

4 And, Senator, we're happy to provide
5 language or thoughts of language, if that's
6 helpful.

7 SENATOR SETZLER: That's fine. Thank you,
8 John.

9 MR. FRICK: Thank you.

10 SENATOR SETZLER: And, Mike, you mentioned
11 Act 95 several times, and the fact of no
12 communications, no advocacy, et cetera. Let me
13 assure you -- did you know that we are well
14 aware of who has complied and who has not
15 complied? And it continues to apply until the
16 General Assembly finishes with this matter.

17 MR. COUICK: Yes, sir.

18 SENATOR SETZLER: So don't think we don't
19 realize who is doing what relative to that
20 aspect of it.

21 I want to ask you about the coordination
22 agreement, and I also want to get some
23 clarification from you. As you said, this is a
24 very complicated business, the energy business.
25 The opt-in -- and by the way, I think the

1 co-ops and Central have great negotiating
2 power, which they have used to their benefit,
3 and they are to be commended for that. There
4 might be some issues there, but explain simply,
5 in simple terms, what the proposed opt-in and
6 opt-out is.

7 MR. COUICK: Mr. Chairman, will you allow
8 Central's general counsel, John Tiencken?

9 SENATOR SETZLER: Sure.

10 Good morning, John.

11 MR. TIENCKEN: Good morning, Senator. I'm
12 John Tiencken.

13 The opt-out is in a very complex provision
14 of the coordination agreement, but it is, in
15 essence, relatively simple. The opt-out allows
16 Central, when Santee Cooper makes a decision
17 that it needs new generation facilities, to
18 decide whether it will join with Santee Cooper
19 as a partner in those facilities, whether it
20 will allow Santee Cooper to build those
21 facilities for it, or whether Central would
22 decide at that particular time whether it
23 wanted to provide -- get power from another
24 source and bring it into the system.

25 The obligation, of course, is on Central

1 and Santee Cooper to make sure the system is
2 fully integrated and is fully served. But the
3 idea is that Central has self-determination
4 with regard to new generation, not with regard
5 to anything else. The old generation, it is
6 committed to.

7 SENATOR SETZLER: Let me give you an
8 example so we can put it in simple terms. They
9 determine they're going to build Plant X that
10 is going to cost Y millions of dollars. And
11 Central opts out. They say, "We don't want any
12 part of it."

13 Does any of the cost of that facility they
14 proceed on with get passed on to Central and
15 the co-ops and the rate base?

16 MR. TIENCKEN: No, it does not.

17 SENATOR SETZLER: That's what I thought.
18 And here is what my -- here is my question.

19 MR. TIENCKEN: Yes, sir.

20 SENATOR SETZLER: Again, Central's done an
21 astronomical job in negotiating relative to
22 their position.

23 Doesn't that, therefore, have a direct
24 impact on Santee Cooper's other customers and
25 cost them more money potentially?

1 MR. TIENCKEN: Well, what I would say,
2 it's not likely. Let me give you an example.

3 As the Santee Cooper reform plan has been
4 described to us, it is what might be called
5 capital light. There's not a lot of generation
6 construction going on in that plan. It's
7 mostly purchases and --

8 SENATOR SETZLER: Right.

9 MR. TIENCKEN: And that's what they plan
10 to do.

11 So as far as purchases are concerned, they
12 buy, we buy. It doesn't matter. It doesn't
13 pass any cost on. These are -- as has been
14 described by Mr. Duckworth, these are attempts
15 to small-size generation; in other words, not
16 go into large generation plants, which makes a
17 lot of sense, we think, in this changing world.
18 And so you can small-size a plant just for the
19 retail size of the generation.

20 Now, what they may say in a particular
21 issue comes up -- and it will come up, I'm
22 sure, on this particular issue -- because they
23 talk about building a new gas-fired generation
24 facility.

25 SENATOR SETZLER: Right.

1 MR. TIENCKEN: Those do come in specific
2 sizes. And the larger the size, the more
3 economically that particular unit can run. We
4 do understand that.

5 Now, what they've proposed is going in
6 with other parties to do that, just as we might
7 go in with them to do that. So it's
8 supposition, and only supposition, that it
9 would cost retail class more. I am sure Santee
10 Cooper will be very focused on making certain
11 that their new generation choice, even if it's
12 not made with Santee Cooper, their new
13 generation choice is the lowest-cost generation
14 choice that they can have.

15 I do not anticipate any shift of cost as a
16 result of the opt-out. I mean, we've got
17 experts that can say that.

18 SENATOR SETZLER: They have not suggested
19 that.

20 MR. TIENCKEN: Okay. Okay.

21 SENATOR SETZLER: In getting this
22 information and going through it, I've raised
23 that question in trying to understand it. And
24 the second concern I have --

25 MR. TIENCKEN: Yes, sir.

1 SENATOR SETZLER: Not concern -- well,
2 they entered into this gypsum contract, which
3 is ridiculous, the 60 years. And now I hear
4 y'all saying you came back and wanted y'all to
5 agree to a contract that goes to '58, if I --
6 somewhere out in that range, 2058?

7 MR. TIENCKEN: 2058, yes.

8 SENATOR SETZLER: 2058, which is another
9 long-term contract. And using Mr. Couick's
10 words, this is a State asset. If they're going
11 to be negotiating contracts that are of that
12 length, that ultimately are going to affect --
13 could affect the citizens of South Carolina, is
14 there a role for somebody else other than
15 Central and/or Santee Cooper to be looking at
16 approving long-term contracts that the State is
17 going to ultimately potentially be subjected
18 to?

19 MR. COUICK: Mr. Chairman, that's the
20 reason for the Citing Act. One of the things
21 that a Citing Act process would do would say,
22 is it the right size, is it the right cost, and
23 are you making a smart decision?

24 SENATOR SETZLER: But the gypsum contract
25 wouldn't fall under the Citing Act.

1 MR. COUICK: But building a new facility,
2 what I'm using, that example, Mr. Chairman,
3 you're on the right issues. But what I would
4 tell you is, we don't want to second-guess the
5 past; we just want you to protect the future.
6 And I think the future is going to be very
7 different.

8 Mr. Chairman, John and Rob and those who
9 are here for Central, I'm not speaking for
10 Central. And I want to be careful I don't get
11 off in that area, answering your questions.
12 I'm here for the 18 folks behind me this
13 morning.

14 So I will be glad to sit down if your
15 questions are about Central now, in the
16 negotiations, or any of that.

17 SENATOR SETZLER: Mr. Chairman, if I
18 can -- Mike, the Senator from Edgefield is
19 coming in, and he and I have basically now
20 spent three years of our life in this issue
21 since July of 2017.

22 Did the co-ops or Central -- or Central
23 could have blown the whistle before 2017. They
24 could have said, "We're out. We stop." They
25 chose not to do that until July of 2017.

1 MR. COUICK: That's not true,
2 Mr. Chairman. We didn't know enough to blow
3 the whistle by way of information. We wrote
4 that letter to the joint committee in
5 March 2017, saying, "Help us know more through
6 oversight."

7 We intervened in the SCE&G proceeding in
8 2017 -- '16. And that intervention was to try
9 to get answers on roadmap and price tag.

10 Again, we're a customer. We don't have
11 the information. If you had access to the Cook
12 litigation records, Senator Setzler, you would
13 see there was an active effort to keep --

14 SENATOR SETZLER: Wait a minute. Central
15 was a partner in this whole --

16 MR. COUICK: We're a customer. We're not
17 a partner. I've heard the word "partners"
18 thrown around. You don't use --

19 SENATOR SETZLER: You have a percentage of
20 the ownership, do you not?

21 MR. COUICK: No, sir.

22 SENATOR SETZLER: Or the use of it,
23 whatever you --

24 MR. COUICK: No, sir, we had no ownership.
25 All we had was the obligation to pay a bill.

1 SENATOR SETZLER: Are you telling me that
2 you agree to pay 45 percent of the costs with
3 no rights to do anything?

4 MR. COUICK: Senator, we didn't have the
5 right to -- to not do that under the prior --
6 before the Coordination Agreement in 2013
7 was --

8 SENATOR SETZLER: I love the co-ops, but
9 you all are very good at negotiating. I'm very
10 proud of you, but I don't believe you would
11 enter into paying 45 percent with no rights to
12 check what's going on, your bills, et cetera.

13 MR. COUICK: Senator, you've got the
14 letter that they wrote saying, "We don't want
15 you to own 45 percent," starting in 2010. We
16 tried to get Duke Energy Carolinas in.

17 Senator, Santee Cooper's position has
18 been: "As a customer, you do not have the
19 right to tell us what to do; you only have the
20 obligation to pay the bill we send to you. And
21 then we can ask for audit."

22 That changed effectively with the 2013
23 agreement, before we got opt out, where we're
24 not locked in to bad decision-making in the
25 future. But prior to that, including the

1 nuclear units --

2 SENATOR SETZLER: But you had no right
3 once 2013 came.

4 MR. COUICK: But that did not cover the
5 nuclear units. It only covered anything after
6 2013 had started. We did not have that right
7 on the nuclear units.

8 MR. SHEALY: Next is Senator Bennett.

9 Fine. Okay. Next is Senator Alexander.

10 SENATOR ALEXANDER: Thank you,
11 Mr. Chairman.

12 Good morning. I appreciate you being
13 here.

14 Two or three things from that standpoint,
15 and maybe we can pick up from where you left
16 off with the Senator from Lexington, back to
17 that point, 2010, whatever that was, where you
18 started off today.

19 The fact is, isn't it, that if they'd have
20 listened to you then, on the part of the
21 ownership, we wouldn't be where we are today?

22 MR. COUICK: You would have a smaller
23 problem. You would have a 5 or 10 percent
24 ownership state, and rather than it being a
25 \$4 billion problem, it would be about -- less

1 than -- it would be one-ninth of that. It
2 would be -- somebody do the math for me. It
3 would be a \$460 million problem, something like
4 that.

5 SENATOR ALEXANDER: And, too, something I
6 just wanted to make sure I clarified, that as I
7 listened, it was mentioned a while ago in
8 y'all's dialogue there to the benefit of the
9 co-ops. But actually, isn't that to the
10 benefit of the members, those that the co-ops
11 serve? You all are operating for their
12 benefit, from that --

13 MR. COUICK: Mr. Chairman, I would tell
14 you that it benefits everybody. Market forces
15 sharpen prices.

16 Senator, your question, if there's an
17 ability to opt out, it makes Santee Cooper work
18 really, really hard to figure out the best,
19 most cost-effective way to do something.

20 Rather than -- if you think about a
21 monopoly, Senator from Beaufort, that has no
22 pressure on it to produce good pricing.
23 They're two different results.

24 So our opt-out benefits those direct-serve
25 customers -- from Berkeley -- because they get

1 the benefit of that same deal. It's the
2 cheapest, best way forward.

3 SENATOR ALEXANDER: Let me ask you this,
4 as far as the board members and things of that
5 nature. As you pointed out, one of the last
6 things you worked on before you left the Senate
7 was the Santee reform and things. Is seven
8 years too long for a board member, knowing what
9 we know today?

10 MR. COUICK: My first chairman who sat
11 where Senator Leatherman sits, Senator Marshall
12 Williams, told me one time the best form of
13 government was a Christian dictator. It's said
14 other ways differently; a benevolent dictator,
15 whatever. He said that was the best. He said,
16 "If you can find one, grab it."

17 So aside from that, you have to have a
18 system of oversight and accountability that
19 works. And so seven years is a long time in
20 this industry. If you would have asked people
21 seven years ago what was going to be -- what
22 was today going to be like in energy, their
23 answer would be very different.

24 So I think you need some regular
25 oversight. Whether it be shorter terms or

1 annual oversight over individual board members
2 by PERC, it's that ability to call them to task
3 about what they're doing.

4 They have two skill sets at Santee Cooper
5 right now on their board, Senator, and they've
6 learned them from the culture. One sort of
7 board member specializes in circling up the
8 wagons, and the other group specializes in
9 making visits to call up people they know and
10 reassure them that things are going to be
11 better.

12 And they've been doing that for a while.
13 They need different skill sets.

14 SENATOR ALEXANDER: Would y'all endorse
15 the ability of making sure that there are
16 qualifications on the board members?

17 MR. COUICK: Yes, sir. I think you heard
18 John say a minute ago that that's key. And so
19 you may have to pay him more. You may have to
20 pay them more in order to get their full
21 attention, but I think you -- you pay for
22 quality.

23 SENATOR ALEXANDER: You also -- well, the
24 second time. I'll have opportunity at another
25 time. I'll yield the rest of my time.

1 MR. SHEALY: Senator Grooms.

2 SENATOR GROOMS: Mike, thank you. And I
3 want to thank the co-ops for being here.

4 This is a problem for the entire state of
5 South Carolina. And I do believe in Santee
6 Cooper's enabling legislation for the benefit
7 of all the people of South Carolina.

8 You brought to us some ideas -- they were
9 articulated a little while ago, some of them
10 already in a bill moving forward, and I hope to
11 be able to expand upon that.

12 Could you talk to me a little bit about
13 Santee Cooper's resource plan that they propose
14 in the reform plan?

15 MR. COUICK: I'd like to defer that to
16 Central, Senator, because that's their
17 expertise. Mine, again, is to serve as a voice
18 for those 18 CEOs and their frustrations.

19 I'd like to sit down, Senator, and frankly
20 let Central take over this role. I don't know
21 if there's anybody else that has questions
22 about what I've testified to, and I'd be --

23 SENATOR GROOMS: Before I get to that
24 question, could I ask you, then, about -- there
25 was a suggestion that was in the reform plan.

1 Santee Cooper said it came from the Department
2 of Administration. You answered the Senator
3 from Oconee's question about term limits.

4 I'm asking you about term limits. He
5 asked you about the length of term; I'll ask
6 you about term limits. It was recommended
7 there be no more than two terms.

8 MR. COUICK: Senator, that would be
9 14 years. How many of the current board
10 members would be implicated by a term limit of
11 14 years? I would rather have an immediate
12 term limit of anybody that's not qualified. I
13 would rather you establish standards that John
14 Frick spoke to, where the governor would have
15 the ability to look at that checklist and say,
16 "He's not doing his job. I'm going to remove
17 him right now." That's effective term limits.
18 Those are performance-based term limits.

19 SENATOR GROOMS: But moving forward, would
20 that be --

21 MR. COUICK: Sir, I don't believe in term
22 limits.

23 SENATOR GROOMS: Okay. All right.

24 Back to the -- not the reform plan, but to
25 the resource plan. Can I get Central to --

1 MR. COUICK: Mr. Chairman, I shared with
2 you when I came today that I wanted to play one
3 role here, if you would let me, about local
4 co-ops, and then let Central make his
5 presentation, make one in answer to those
6 questions.

7 If everybody's through with my part, I'm
8 glad to sit down and let Central cover it.
9 Otherwise ...

10 SENATOR SETZLER: Mr. Chairman?

11 SENATOR GROOMS: I could withhold that
12 question until later.

13 CHAIRMAN LEATHERMAN: Are you okay with
14 that?

15 SENATOR GROOMS: Santee Cooper, it was in
16 testimony before the committee, and I asked a
17 question of Santee Cooper, working with --
18 working with Central and the co-ops, could the
19 reform plan be perfected? Could it be better
20 than what Santee Cooper has presented?

21 And their answer was, "Absolutely, we
22 believe it can." I really wanted to get that
23 answer also from Central.

24 MR. COUICK: I think Mr. Hochstetler will
25 be willing and able to address that question.

1 SENATOR GROOMS: So we'll get to that
2 later. Talk to me a little bit about the Cook
3 settlement.

4 MR. COUICK: I'm not one of the attorneys
5 in it. You've got two of them here,
6 Mr. Tiencken and Mr. Ellerbe. I'll be glad for
7 them to address that. That's really more under
8 the Central part than under my part,
9 Mr. Chairman.

10 SENATOR GROOMS: You touched on it
11 earlier, pointing out some deficiencies.

12 MR. COUICK: Mr. Chairman, I was not
13 speaking to the deficiencies of the settlement
14 by way of dollars or anything. What I was
15 speaking toward was, there is a rich discovery
16 product there, that I'm aware of generally,
17 that shows there's a pattern of keeping
18 information tight. And I was speaking to that
19 in the matter of oversight, as a matter of --
20 if you saw the record, you would be very
21 concerned that this was not a mistake; this was
22 very intentional, that the information not be
23 shared with co-ops and others.

24 There are people at Santee Cooper now,
25 both staff and board members, that were a part

1 of that.

2 SENATOR GROOMS: I was really referring to
3 your comments about the outstanding audit
4 issues.

5 MR. COUICK: That was not part of the Cook
6 settlement. There were outstanding audit
7 issues going back to 2015. And Mr. Avery's
8 question has been, "Well, if you settle Cook,
9 and they're paying \$200 million back to
10 ratepayers, they've agreed to freeze rates for
11 five years, are we going to get our
12 \$100 million or some part of it back?"

13 That's not a Cook issue. That's just a --
14 that's a whose money are they going to use to
15 pay lawyers to enact the freeze and to get
16 \$200 million? It's him asking, this other
17 money is different than Cook, but we need to
18 get this resolved.

19 SENATOR GROOMS: It does sound like that
20 would be related to Cook, though, if you're
21 raising the issues about --

22 MR. COUICK: Senator, I don't think it's a
23 part of the Cook litigation. I think it's a
24 part of business as usual at Santee Cooper, of
25 why they have not resolved five years' worth of

1 audits?

2 SENATOR GROOMS: Do you support the
3 current Cook settlement?

4 MR. COUICK: Mr. Chairman, that's a
5 Central matter.

6 SENATOR GROOMS: But do you, as a
7 representative of the --

8 MR. COUICK: Mr. Chairman, I would defer
9 to Central on that. It would be the Central
10 board that would be the one making that
11 decision.

12 SENATOR GROOMS: Have there been any
13 lobbying efforts to either support the Cook
14 settlement or -- or be against the Cook
15 settlement?

16 MR. COUICK: Lobbying? Lobbying of you
17 all?

18 SENATOR GROOMS: No. Of your co-op
19 members -- I mean, of the directors or members
20 of the Central board.

21 MR. COUICK: Mr. Chairman, we have
22 restrictions on the staff and negotiators that
23 we could not even brief the board on certain
24 aspects until the report was released.
25 And only after that do we get permission to

1 brief local boards, not lobbying, but briefing
2 them on the details.

3 Central is in the process of that. I
4 don't consider that lobbying. I consider that
5 they deserve no know what's in the proposed
6 settlement.

7 SENATOR GROOMS: I guess that would be a
8 question better asked of Central and of its
9 board members.

10 MR. COUICK: Yes.

11 SENATOR GROOMS: Mr. Chairman, I would
12 like to ask a question later of Central.

13 CHAIRMAN LEATHERMAN: Next.

14 MR. SHEALY: Senator Davis.

15 SENATOR DAVIS: Thank you, Mike.

16 Just a couple of questions, Mr. Chairman.
17 In the spirit of looking forward instead of
18 looking backward, discuss with me a little bit
19 about the different ways of moving forward.
20 And I'm going to state to you what I perceive
21 them to be, but I'm not in this industry; you
22 are.

23 Historically, my understanding is that
24 essentially in South Carolina we've had a
25 model -- for lack of a better phrase -- of

1 vertical integration, where you would have -- a
2 utility be the manufacturer or the generator of
3 the power, and also be involved materially in
4 the transmission and distribution.

5 And that's the way we've had it here for a
6 long time in South Carolina, and I understand
7 why. Back in the New Deal, and back when we
8 were providing power to the rural areas, we
9 needed to have that.

10 As I see it going forward and, I think, in
11 my judgment, did you know that one of the
12 reasons we failed in Fairfield County is
13 because of that model, because there wasn't an
14 economic consequence to pursuing a bad project
15 because they continued to put money into the
16 rate base?

17 So what I think, and I wonder if you
18 agree, is that going forward, one of the things
19 that we should have in our minds as legislators
20 is getting to a point where what ratepayers are
21 paying is more reflective of what competition
22 and energy production markets dictates as
23 opposed to a guaranteed rate of return on
24 capital investment by utility.

25 And just comment on, on going forward, do

1 you share that particular view? I noted with
2 interest that Central joined PJM in an RTO. Do
3 you share that view, that the future of the
4 production and distribution model is going to
5 be more toward this RTO-type model, where
6 you've got production on the energy side, or
7 are we still looking at a model whereby a
8 utility is going to build, produce, and then
9 also be involved in transmission and
10 distribution?

11 MR. COUICK: Senator, I'm going to stay
12 away from RTO and PJM. Those are questions for
13 Mr. Hochstetler.

14 You and I had a very interesting
15 conversation about a month ago, and we were
16 talking about supply and demand. And we said
17 we're so focused in this area that we're in on
18 supply that you want to deregulate supply.

19 What you really want to do, as an
20 additional market force, is work on the demand
21 side. And that's what co-ops are so good at.
22 We've had over 100,000 water heater switches
23 for 30, 40 years. We've got the ability
24 to shut them off so as to avoid contributing to
25 peak.

1 Senator, you made an assumption that
2 everything was integrated in the state. That's
3 not true for cooperatives. Central Electric
4 Cooperative is not a G&T, like a lot of other
5 entities in other states. It is a T&A. It is
6 a transmission and aggregation cooperative.
7 They do not own a lot of generation. The only
8 generation they own is some community solar.

9 So what they've done is they've stayed out
10 of that integrated marketplace historically,
11 and they are buying now from Duke that they got
12 because they had the ability to compare Duke to
13 Santee Cooper. They're buying cement power
14 from the Southeastern Power Administration.

15 They may choose to do something through
16 RTO, if they do, but I think the focus needs to
17 be broader than RTO. It needs to be on this
18 thing called market forces. Do what Bob
19 Paulling has done at Mid-Carolina Electric
20 Cooperative, where he's created a billing model
21 where his members' interests are the same as
22 his. Bob's willing to reward them for
23 producing solar at what it's worth at the time
24 of day it's produced, so as to avoid having to
25 buy electricity from somebody else.

1 The future may be that somebody brings
2 their P -- plug-in electric vehicle home. They
3 park it at night. They charge it when
4 electricity is inexpensive, because it's
5 cheaper at night to make. They charge that
6 battery. They don't drive anywhere the next
7 day, but they agree to sell what they charged
8 at 4 cents back to Bob Paulling at 12 cents.

9 The member wins. The local co-op wins.
10 That's what co-ops are about. Co-ops are being
11 very innovative, because they're not a slave to
12 that GTB integrated model.

13 SENATOR DAVIS: Do you or Central, the
14 co-ops, as the purchasers on the demand side,
15 do you have the requisite degree of flexibility
16 and choice to make that market dynamic work? I
17 understand that RTO focuses on the supply side
18 of that particular equation. But on the demand
19 side, I mean -- and, again, I'm looking
20 forward, trying to figure out how do we have
21 really strong and vibrant markets, where you've
22 got competition and production and also choices
23 among consumers.

24 MR. COUICK: I'm going to let
25 Mr. Hochstetler answer that one, Mr. Chairman,

1 if I could. And, again, I'm not begging to sit
2 down, but I'm glad to sit down and let you get
3 those corrections. Because I want to tell you,
4 I believe they do, Senator, but he can give you
5 a lot more specifics about their capacity to do
6 that and the limitations of current agreements.

7 SENATOR DAVIS: Thank you, Mr. Chairman.

8 CHAIRMAN LEATHERMAN: Any others?

9 MR. SHEALY: That covers everybody.

10 That's the first round. Senator Reese.

11 SENATOR REESE: Just a brief ... this is
12 kind of gawky, but I'm sitting here thinking
13 about it. I'm on Broad River; I'm on the
14 Santee Cooper. Two identical homes. Santee
15 Cooper is more efficient and better rates than
16 Broad River. And I think Broad River is fine.
17 We get a loud sneeze with Broad River,
18 sometimes we'll go off. Eleven years with
19 Santee Cooper, I may have been off one time,
20 except when a hurricane is coming through and
21 they turn it off.

22 I've always thought, when I got the Santee
23 Cooper bill, it was too low. I compared the
24 two. Broad River is always higher. When we
25 had peak usage -- and my family is down there a

1 lot in that house, running those air
2 conditioners wide open, doors open, air
3 conditioner's running and everything. Still
4 lower, Santee Cooper, than Broad River.

5 And I'm not saying anything against my
6 buddies at Broad River, because I love them to
7 death. They give great service. Somebody is
8 doing something right with electricity.

9 Now, let's go to Duke Power. My business
10 is on Duke Power. My power bill has done
11 nothing but come down a little bit and a little
12 bit and a little bit, with modern technology,
13 and the Public Service Commission giving the
14 rate increases. It's creeping down.

15 But did you know this? This will be
16 shocking. It's shocking to me. Twenty-four
17 hours a day, seven days a week, the lights are
18 on. We've only been down one time in 15 years
19 for six or seven hours, and that was an ice
20 storm hit in '05.

21 We used to cook with natural gas. I'm
22 talking about a 10-foot vat of grease -- I
23 don't know -- a lot of grease in it, at
24 360 degrees. We went away from natural gas;
25 too expensive. Today natural gas is very

1 inexpensive. We run a hot water heater on
2 that.

3 So the modern thing was to go full
4 electric on cooking at 360 degrees, 24 hours a
5 day, seven days a week, no lights turned off,
6 nothing turned off. Not even at Christmas, we
7 don't turn it off, because I don't want anybody
8 to break in.

9 My milk bill is double my power bill.
10 Now, figure that out. That makes no sense. My
11 milk bill is double my power bill. It's like
12 power is almost free. Somebody is doing
13 something right.

14 MR. COUICK: Senator, let me share with
15 you -- I'm going to ask Terry Miller a
16 question. Where's Terry?

17 Terry, what's your load factor?

18 MR. MILLER: Our load factor is about
19 45 percent.

20 MR. COUICK: What is your density of
21 consumers per mile?

22 MR. MILLER: 8.2.

23 MR. COUICK: 8 consumers per mile. He
24 serves around that National Forest up there.

25 Santee Cooper's density per mile, I

1 believe, is over 60. It's a lot cheaper to
2 serve when you've got that many people per
3 mile. Their load factor is almost double
4 Terry's, load factor being -- Duke Power loves
5 you, Senator, because you're using the same
6 amount of power all the time. The power that's
7 expensive to serve is that home where people
8 wake up in the morning, in the cold, and they
9 turn on everything to get ready, and then it
10 goes off, and it comes back on at night.
11 That's the expensive one to serve. That's the
12 load factor.

13 If you gave Terry Santee Cooper's load
14 factor, if you gave him his density, I bet you
15 it would be cheaper than Santee Cooper. I bet
16 you the reliability would be better. And I
17 guarantee you this: He would never not hear
18 you. He never would act like he didn't care.

19 SENATOR REESE: No, that's true, because
20 we've called many times, and they're right out
21 there and get it fixed real quick.

22 CHAIRMAN LEATHERMAN: Anyone else?

23 MR. SHEALY: Is there anyone else that
24 would like to request a first-round question?

25 Senator Campbell.

1 SENATOR CAMPBELL: Thank you so much for
2 being with us. You brought a powerful message
3 to us.

4 The reform that Santee Cooper has come up
5 and delivered, do you think they would have
6 done that if we hadn't gone through the sales
7 process?

8 MR. COUICK: If you had not had the Cook
9 litigation, you would not have gotten Act 95.
10 And if you didn't have Act 95 in the Cook
11 litigation, they were not -- the reason I think
12 that, we had suggested through Rob last January
13 studying closing down Winyah, really the
14 hallmark of their reform plan. And they voted
15 unanimously to turn down the study. It took
16 this earthquake to get them to move.

17 CHAIRMAN LEATHERMAN: Are you finished?

18 MR. COUICK: Yes, sir. Thank you for the
19 privilege, Mr. Chairman.

20 CHAIRMAN LEATHERMAN: Surely.

21 Does Central want to address us, please?

22 MR. HOCHSTETLER: I'm Rob Hochstetler. I
23 am here on behalf of Central. I'm not a
24 lawyer; I'm an engineer. So I appreciate what
25 Mike has done in mentoring me in government

1 relations.

2 I do want to thank all of you -- thank
3 staff for what you've done. The Act 95 process
4 has worked. It continues to work for the
5 benefit of your constituents, our members. I
6 want to make sure I thank Ms. Adams and her
7 team. We didn't always agree. Our negotiating
8 team didn't always agree with them. We had
9 difference of opinions, but we appreciate what
10 they did and the report they put together.

11 And I want to make sure that we thank the
12 other participants. They spent long hours; we
13 spent long hours. So I'm thankful for all
14 that.

15 I've got experts here with me. I could go
16 on for ten minutes in an impassioned speech
17 about co-ops, our business model, and other
18 testimony, but I'd rather just sit here and
19 take your questions, if you would allow me.

20 So, Mr. Chairman, when you're ready, we're
21 glad to take your questions.

22 SENATOR GROOMS: Thank you for being here.

23 The question would be Santee Cooper's
24 resource plan. I know you've had a chance to
25 look at it. And as I was saying earlier,

1 Santee Cooper testified that they believe,
2 working with Central, they could actually
3 produce a better product. Is that your belief?
4 And if so, why?

5 MR. HOCHSTETLER: If you want details, I'd
6 ask Mark to step up. But from a high level,
7 what I would tell you is multiple minds always
8 work better together.

9 The resource plans, if you look across the
10 board, were not dissimilar. Coal, for economic
11 reasons, is not economic here; anyplace in the
12 country, really. And going to natural gas,
13 going to solar, going to batteries is. Working
14 together, there's potential to make everything
15 better all the time.

16 SENATOR GROOMS: So do you support their
17 resource plan?

18 MR. HOCHSTETLER: We have not weighed in
19 on that. I don't know that we can under the
20 Act 95 process. And if you want to get into
21 details of the Act 95 process, I'll call John
22 up.

23 But I just think we've got to be careful
24 with the way we understand the legislation, not
25 to endorse any one over the other.

1 SENATOR GROOMS: If you were to develop a
2 resource plan for Santee Cooper, would it look
3 similar to what Santee Cooper has proposed?

4 MR. HOCHSTETLER: I wouldn't develop a
5 research plan for Santee Cooper, but we did our
6 own analysis. We hired our own experts, did
7 our own analysis.

8 And, again, the results come similar, is
9 look for gas. Gas is the right, what you would
10 call in the margin. Look for solar. The price
11 of solar is coming down. We don't -- we're not
12 really in a spot in the country where wind is
13 efficient right now economically, and battery
14 storage is coming.

15 So, again, they're all the same. I would
16 tell you ours wouldn't be much different.

17 SENATOR GROOMS: Would investments in
18 transmission, would that be a recommendation,
19 or a part of it, more so than what Santee
20 Cooper --

21 MR. HOCHSTETLER: Let me --

22 SENATOR GROOMS: Because I believe that --
23 I believe that there's some power off system
24 that could be imported, but that requires
25 investments in transmission. Is that something

1 that Central would want to see?

2 MR. HOCHSTETLER: We did a transmission
3 analysis. My belief -- I did not sit in the
4 negotiation process to try to keep some
5 neutrality. I believe we did as much
6 transmission analysis as anyone that we talked
7 with.

8 And each of the plans comes with some new
9 transmission. And if that plan is, let's go
10 get it off system, let's get it within the
11 balancing authority area within the system,
12 there would be a need for transmission
13 investment.

14 Again, Mark could get into the details, if
15 you want to talk about details of each plan.

16 SENATOR GROOMS: I would like to hear more
17 details of the plan, but let me talk to you a
18 little about Cook. Are you advising your board
19 members to agree or vote against the potential
20 Cook settlement?

21 MR. HOCHSTETLER: Again, I'm not a lawyer,
22 and my general counsel told me if I talk about
23 Cook, he's going to want to be up here, because
24 he might kick me.

25 So, John, do you want to talk about Cook a

1 little bit?

2 SENATOR GROOMS: Yes, please.

3 MR. TIENCKEN: With your permission,
4 Mr. Chairman. And I didn't say anything like
5 that to Rob. I didn't tell him that I would
6 kick him.

7 What I did say was is that we do have a
8 settlement agreement on the front end, with the
9 attorneys signing off on the agreement. The
10 agreement is in -- is working its way through
11 the process.

12 Senator, as you know, it takes a little
13 while to get all the pieces together, but we
14 see it progressing. We see the settlement
15 agreement as a recommendation from the legal
16 team to the Central board. That is what it is.

17 And in the process, we have to inform the
18 Central members. And that's what Rob is doing
19 now. He's very diligently going about telling
20 them what the settlement involves, has sent the
21 settlement document, has engaged with members,
22 and will continue to engage with members. And
23 we're going to have in very short order board
24 meetings to consider that settlement. But that
25 settlement, of course, it has to be approved by

1 the Central board.

2 And so we're in the process. And we
3 are -- you know, the lawyers thought it was
4 okay, and it will be up to the members to
5 decide whether or not they agree.

6 SENATOR GROOMS: But you're recommending
7 that the board members agree to the settlement?

8 MR. TIENCKEN: The lawyers are
9 recommending that settlement, correct.

10 SENATOR GROOMS: Is there anyone not
11 recommending that settlement?

12 MR. TIENCKEN: Well, I don't know, but I
13 know I --

14 SENATOR GROOMS: You were very careful
15 with that answer --

16 MR. TIENCKEN: I can only speak for
17 myself.

18 SENATOR GROOMS: -- that the lawyers were
19 recommending it.

20 MR. TIENCKEN: That is what actually took
21 place, yes. The lawyers made a decision in
22 mediation, as is typical, and then that's
23 carried to the client. So it will be up to the
24 clients to make a determination as to whether
25 or not they agree.

1 SENATOR GROOMS: So is there any group at
2 Central, or State, that's recommending that the
3 board members not settle it?

4 MR. TIENCKEN: I can't tell you what my
5 clients are talking about. That will be
6 something that they will talk to us about, and
7 we will look to hear an answer very soon, yes.

8 SENATOR GROOMS: Well, so you can only
9 speak for the lawyers of Central, but not
10 anybody else at Central?

11 MR. TIENCKEN: Well, of course. That's
12 because that's the only thing that has taken
13 place up to this point in time, that the
14 Central legal team, along with the legal team
15 of Santee Cooper, along with the legal team of
16 Dominion, along with the legal team of the
17 plaintiffs, all of those got together and
18 decided this is a reasonable, fair resolution
19 of issues.

20 Once that decision was made, under the
21 very good auspices of Chief Justice Toal, who
22 is overseeing the mediation, that document was
23 drafted, put down in writing, and is now being
24 transformed into a final settlement agreement,
25 which will then be presented to the clients for

1 consideration.

2 That's the process. That's how it works.
3 It's not -- you know, we couldn't call up --
4 and you know that this thing took place at
5 2:00 a.m. We couldn't call up our clients and
6 go through 20 different clients, because,
7 remember, we've got 20 different co-ops. I
8 mean, I couldn't call them up and say, "Hey,
9 what you all thinking about this?"

10 That's not something that takes place. We
11 are a little bit different than somebody else.
12 We have to go in a democratic process, and we
13 have to present it to them and have their --
14 and as you know, they're very well aware of who
15 we are. I mean, the clients are going to make
16 their determination based on what they hear
17 from us and what they believe. And we want
18 them to do that.

19 SENATOR GROOMS: This place is a source of
20 a rumor mill, and I'm hearing conflicting
21 information. I'm hearing that the board
22 members are being told to support it, and I'm
23 also being told that board members are being
24 told not to support the settlement.

25 MR. TIENCKEN: Well, I can assure you that

1 you're not hearing that from me. I've told you
2 exactly where we are right now, Senator, and I
3 can get Mr. Ellerbe up here, who is far more
4 versed in all of this than I. But I can tell
5 you that's where we are. And our job as
6 lawyers is to present the facts; let our
7 clients make a determination.

8 SENATOR GROOMS: I think you'll probably
9 agree, or maybe someone else, that settlement
10 to the Cook would be the first cornerstone leg
11 for a rebuilt relationship between Santee
12 Cooper, et cetera.

13 MR. TIENCKEN: And we believe -- and this
14 is one thing we said to every single
15 participant in the Act 95 process, every one of
16 them: "We want a resolution that's a complete
17 resolution. We want a resolution of the Cook
18 case. Tell us how you're going to resolve that
19 issue. That's what we want."

20 We said that to Santee Cooper; we said
21 that to NextEra; we said that to other parties
22 involved. That's what we want.

23 SENATOR GROOMS: Thank you.

24 MR. SHEALY: Next is Senator Davis.

25 SENATOR DAVIS: Thank you, Mr. Chairman.

1 Thank you.

2 Sir, you're familiar with the reform
3 proposal as presented by Dominion?

4 MR. HOCHSTETLER: Yes.

5 SENATOR DAVIS: And earlier you heard
6 Mr. Couick discuss what he considered to be
7 reforms that would be material in regard to
8 changing the relationship between Santee Cooper
9 and Central. Did you hear him when he listed
10 those particular reform components that he
11 thought would be required?

12 MR. HOCHSTETLER: I did.

13 SENATOR DAVIS: And is it your
14 opinion that -- and, again, I'm stating this
15 carefully -- that as presented, the Dominion
16 reform proposal as presented, do you think that
17 that is sufficient to change what has been
18 represented to be a bad relationship, or to
19 improve that relationship, and to change and
20 improve the culture at Santee Cooper in regard
21 to what's been presented, not in regard to what
22 other things might do it, but in regard to
23 what's been presented?

24 MR. HOCHSTETLER: That's a good question,
25 a detailed question. Again, I did not sit in

1 the negotiations. And as I understand it,
2 Dominion didn't offer any names of who would
3 come in those places.

4 What we know is the CEO's role. I think
5 their argument was that should be a
6 board-appointed position. They're willing to
7 send three others. From our perspective, can
8 three change culture? I think we talked about
9 that in those negotiations.

10 They need to send the right people. It
11 becomes a people issue, and a trust issue, and
12 are the right people there?

13 But with Dominion, the interesting thing
14 in that was we weren't talking about changing
15 the coordination agreement. There wasn't a
16 tremendous amount of discussion with them,
17 because their plan was, we will send people.
18 We believe there is inherent savings of looking
19 at the system together, synergies. And so we
20 talked with them, but it wasn't detailed
21 discussion.

22 SENATOR DAVIS: Actually, I'm more
23 interested in the Santee Cooper reform
24 proposal, what they have brought forward in
25 terms of their reform plan. I'm sorry. If I

1 said Dominion, I apologize.

2 Are you familiar with what Santee Cooper
3 has brought forward in terms of the reform
4 proposal?

5 MR. HOCHSTETLER: You mean as far as the
6 generation plan?

7 SENATOR DAVIS: In the reform plan, what
8 they've presented to us over the last few days.

9 MR. HOCHSTETLER: I have been watching,
10 and I have -- and I've looked at their reform
11 plan.

12 SENATOR DAVIS: Is it your opinion that
13 what Santee Cooper is proposing in regard to
14 their reform, is it your opinion that that will
15 change the culture or improve the relationship
16 to the degree necessary, or is there in fact
17 something more that's needed, as Mr. Couick
18 suggested earlier today?

19 MR. HOCHSTETLER: So when I think about
20 it, again, as an engineer, it's your actions
21 that speak louder than your words. Until we
22 see actions, it's hard for me to judge that
23 opinion. But I think those things help, and
24 they're getting to the right track. Because
25 our issue has been -- it felt like we were

1 talking and bringing ideas -- myself, my
2 predecessor -- and they fell on deaf ears. And
3 the worry of are they getting to the board, and
4 is the board -- you know, we don't get a chance
5 to talk to their board often. And where did we
6 have to go to talk about these issues that we
7 had?

8 And the opt-out, as Senator Setzler said,
9 in '13, for new things forward, there was a
10 thought, if the nuclear plants had been built,
11 that opt out, we don't need it. Our contract
12 will run out before we opt out.

13 CHAIRMAN LEATHERMAN: I don't believe you
14 answered the Senator's question. His question
15 was, in your opinion.

16 MR. HOCHSTETLER: In my opinion, those
17 things would help. We need those things, even
18 with Dominion.

19 SENATOR DAVIS: But, I guess, again, my
20 question is -- because we have to -- in my
21 judgment, we have three proposals before us.
22 We have a purchase offer by NextEra; we've got
23 a management proposal by Dominion; and then we
24 have Santee Cooper who has put forward some
25 reform proposals. And it's in regard to that

1 third one that I'm asking you the question
2 here.

3 The reform proposals that Santee Cooper
4 has put forward, on their face, as presented to
5 us, is that sufficient to change the
6 relationship which has been, from what I
7 understand, not very good between Central and
8 Santee Cooper? Are those reforms, in and of
9 themselves, as presented to us, sufficient? Or
10 is it the case that, as Mr. Couick suggested,
11 that additional reforms, additional oversight,
12 additional accountability is in fact necessary
13 in order to change that relationship?

14 I'm trying to gauge the sufficiency of
15 what's been presented to us.

16 MR. HOCHSTETLER: They are not. The
17 reform plan is not enough.

18 SENATOR DAVIS: They are not.

19 Thank you, Mr. Chairman.

20 CHAIRMAN LEATHERMAN: Let me interject
21 here. We are due on the floor in about six
22 minutes. I've asked the president to allow us
23 to continue here, and he's decided that we need
24 to be on the floor. So we'll go to the floor,
25 but we'll reconvene here immediately upon

1 adjournment.

2 SENATOR SETZLER: Mr. Chairman, I'm not
3 sure the court reporter could hear you or the
4 audience.

5 CHAIRMAN LEATHERMAN: Thank you. I've
6 asked the president, should we continue. We're
7 due on the floor at 10:00 -- excuse me -- 11:00
8 this morning.

9 He chooses to get us on the floor, and I
10 understand his reason. We'll recess and go to
11 the floor, but we'll return here immediately
12 upon the Senate adjourning today.

13 SENATOR SETZLER: And we will proceed with
14 Senator --

15 CHAIRMAN LEATHERMAN: Absolutely. So if
16 you all will stay around, we'd appreciate it.

17 - - -

18 (Whereupon there was a recess in the
19 proceedings from 10:53 a.m. to 1:07 p.m.)

20 - - -

21 CHAIRMAN LEATHERMAN: We are waiting for
22 everyone to arrive. Bear with us a couple
23 minutes.

24 We'll get started. It looks like we have
25 a quorum that just arrived. So let's see.

1 Co-ops went this morning. Are we on Central
2 this afternoon?

3 MR. HOCHSTETLER: Yes, sir.

4 CHAIRMAN LEATHERMAN: Tell us what you
5 want us to hear.

6 MR. HOCHSTETLER: We were in the middle of
7 questions. I'm glad to continue with
8 questions. The whole team is here,
9 Mr. Chairman.

10 CHAIRMAN LEATHERMAN: Anybody have
11 questions?

12 MR. SHEALY: We have Senator Setzler, but
13 he hasn't gotten back yet. And we have Senator
14 Grooms after him.

15 CHAIRMAN LEATHERMAN: Let's take Senator
16 Grooms to move it along.

17 SENATOR GROOMS: We had a presentation by
18 the Department of Administration that said that
19 when we got to the part about Central having to
20 negotiate with the various bidders, they
21 indicated that there was -- I can't remember
22 the right word, but they seemed to -- the
23 report was that Santee Cooper and Central
24 negotiated in good faith. Do you -- do you
25 believe that Santee Cooper negotiated in good

1 faith during the Act 95 process?

2 MR. HOCHSTETLER: Senator, if you'd let
3 me, I'd let John Tiencken take that, as part of
4 the negotiation process.

5 MR. TIENCKEN: Mr. Chairman, with your
6 permission, Senator Grooms.

7 Yeah, I think everybody was attempting to
8 negotiate in good faith during this process.
9 And as Santee Cooper negotiated with Central,
10 Central had some specific requests of Santee
11 Cooper that it wished it would consider, Santee
12 Cooper would consider.

13 And those requests were no different than
14 the requests we were looking at with other
15 bidders as well. So what we were trying to do
16 is to get the best bid we could for our
17 cooperative group.

18 And if I may, just to be clear, in that
19 process, we, Central, had a very defined role.
20 And that role was simply to work on getting an
21 agreement with whatever bidders were in the
22 process. We did not, of course, deal with the
23 other issues associated with the State and the
24 negotiation that might be conducted by the DOA
25 on that side.

1 So yes, we were -- we were involved in
2 that process with -- in that role.

3 CHAIRMAN LEATHERMAN: Let me -- you
4 mentioned bidders. Who were the bidders?

5 MR. TIENCKEN: The bidders, of course,
6 were the bidders that were qualified,
7 Senator -- Chairman, by the Department of
8 Administration. So there were more than just
9 Santee Cooper and NextEra; there were other
10 bidders as well that we were negotiating with.

11 CHAIRMAN LEATHERMAN: So when and how and
12 how much interaction between bidders and y'all?

13 MR. TIENCKEN: Yes, sir. It was a very --
14 very interesting process, Senator.

15 And may I start off by saying,
16 Mr. Chairman, that the Department of
17 Administration was given a Herculean task, and
18 they did a remarkable job in the time frame and
19 under the conditions in which they were
20 assigned that task. And all credit to Marcia
21 and her group.

22 And because we became part of the process
23 late -- we got into the process November 29th.
24 That's when we first were participants in the
25 process. Because until that time, the

1 Department was going through getting bidders to
2 come in, finding who was interested, who was
3 qualified, putting those bidders into some sort
4 of -- going through their process, and then
5 bringing us in at the last -- as the last part
6 of that process to negotiate our contract. And
7 that was all we were to negotiate with.

8 And as we began our negotiations, it
9 was -- it was paramount for us that we were
10 prepared. Because we weren't part of the -- we
11 didn't have access to the data room that had
12 been established by Santee Cooper; we didn't
13 have access to the information of who the
14 bidders were; we didn't have any preinformation
15 about what the bidders would suggest, so that
16 we basically had to prepare ourselves.

17 And we hired experts, qualified,
18 experienced people, in all phases of
19 generation, transmission, law, and as well as
20 contract issues and, of course, got a lot of
21 people who have experience in dealing with
22 large contracts onboard, preparing our models,
23 financial models, models for transmission,
24 delivery of transmission, models for generation
25 planning, and putting a financial model

1 together, incorporating all of those components
2 so that when we got the bids, we were able to
3 plug the bids into our model so that we could
4 run our model and test our model against the
5 model that was being run by the Department.

6 So it's sort of a balancing approach. And
7 as it turned out, our models were remarkably
8 close, which was satisfying, I'm sure, to the
9 Department -- it was certainly satisfying to
10 us -- that their experts and our experts agreed
11 on so much.

12 As it turned out, however, our models
13 would, as you would expect, differ in certain
14 regards. What emphasis did we place on certain
15 things; what do we believe might be capable of
16 getting done versus not getting done; what did
17 we know about the system that they didn't know.

18 So we worked that way. But interesting --
19 I think, importantly, and this is the key, the
20 Department made its decisions throughout this
21 process, and it did not say, "Central, what do
22 you think?" What the Department made was its
23 decisions. And then it would tell us what we
24 were going to do.

25 Now, we had our disagreements with the

1 Department, but it was primarily over time
2 frame. And because we knew how big a job this
3 was, and how compressed this time frame we had
4 to negotiate in was -- as it turned out, we
5 began our negotiations on December the 3rd. We
6 finished our negotiations on February the 2nd,
7 during the Super Bowl, I might add.

8 That's -- the Department was available at
9 all hours every day, Saturday, Sunday,
10 holidays. Every day they were available to
11 monitor every conversation, every e-mail, every
12 meeting. The Department was in those meetings.

13 So it was never conducted just Central and
14 somebody else. The Department was always
15 monitoring that process. And that was very
16 important for the process integrity, but it was
17 also important to us that we had what amounted
18 to a witness to all of these things, so that we
19 could be -- we had to be and should be fair and
20 equitable with every party.

21 So going to your question, Senator Grooms,
22 we were, in fact, doing as much as we could to
23 get each party to as good a bid as we could
24 possibly get them.

25 And that's why we approached Santee Cooper

1 on three issues. One was to reduce the term of
2 the contract. The second issue has to do
3 with -- and it's complex, but it has to do with
4 basically going to the issue of freeing up our
5 customers to be able to use solar, to be able
6 to use batteries, to not have a penalty
7 associated with that use, as we currently have
8 under our contract with Santee Cooper.

9 So that was one of the things we were
10 trying to do with Santee Cooper, was to get
11 them to expand that, because we could see the
12 way the world was going. We've got to adapt to
13 it. And we wanted our customers to have that
14 opportunity, similar to the opportunity that
15 the retail side has on Santee Cooper. They
16 have that freedom. We wanted our members, all
17 those customers that we serve, to have the same
18 freedom. So we asked for that.

19 The third thing we did, we wanted
20 everybody to be able, if they could, to settle
21 the litigation. We wanted to have a complete
22 package. And Santee Cooper -- we were frankly
23 concerned that Santee Cooper had no mechanism
24 for doing that. That's why we talked about
25 would you consider doing a transmission sale?

1 That's what we talked about. But they did not
2 want to do that. So we were concerned that
3 they did not have a mechanism to settle it.

4 As it turns out, a mechanism appeared,
5 because Dominion showed up with a check. So
6 now we've got what amounts to, possibly, some
7 complete bid on that -- on that part.

8 Now -- and I know I'm getting windy,
9 Mr. Chairman. Okay.

10 CHAIRMAN LEATHERMAN: Let me ask you this.

11 MR. TIENCKEN: Yes, sir.

12 CHAIRMAN LEATHERMAN: Dominion showed up
13 with a check. Dominion, NextEra, which one
14 showed up with a check?

15 MR. TIENCKEN: Well, what happened in the
16 settlement proceedings is that Dominion has put
17 in \$320 million toward the settlement of the
18 litigation. That's where the money came from
19 to do the settlement of the litigation.

20 CHAIRMAN LEATHERMAN: I believe I heard
21 you say y'all did not have access to the data
22 room.

23 MR. TIENCKEN: That's right.

24 CHAIRMAN LEATHERMAN: Did the bidders have
25 access to that?

1 MR. TIENCKEN: Of course. Yes, sir, they
2 did.

3 CHAIRMAN LEATHERMAN: Did you ask that you
4 go to the data room?

5 MR. TIENCKEN: We did.

6 CHAIRMAN LEATHERMAN: What was the
7 response?

8 MR. TIENCKEN: Well, the response was that
9 the Department believed that the data room was
10 not necessary for us to conduct our
11 negotiations associated with the renegotiation
12 or negotiation of a power contract.

13 So in fairness to them, that was their
14 position. We didn't contest it.

15 CHAIRMAN LEATHERMAN: The Department's
16 condition?

17 MR. TIENCKEN: Yes, sir. That was the
18 Department's decision on that. They wanted to
19 maintain -- again, I heard this from -- I heard
20 this all the time: We want to maintain the
21 integrity of the process. And that was one of
22 the things that they decided was important, to
23 maintain that integrity.

24 CHAIRMAN LEATHERMAN: Senator Grooms, I'm
25 sorry to interrupt you.

1 SENATOR GROOMS: Just a follow-up.

2 So Central asked for relief with the
3 integrated resource plan, and Santee Cooper
4 responded.

5 MR. TIENCKEN: Here's two things we asked
6 for. One, we asked for the -- an extension.
7 Instead of having a contract that's 2058, we
8 asked for a contract that was shorter, 2053.

9 And the last iteration of the negotiation,
10 and we've got -- and by the way, all of these
11 documents are retained by the Department. They
12 have a copy of all of this. And if they were
13 to release these, you would see this is what
14 happened.

15 And the last piece of information we got
16 from Santee Cooper on that particular issue
17 came on February the 2nd. And on that issue,
18 that issue alone, they added a condition. They
19 said, "We'll give you five years off your
20 contract, but you've got to waive any concerns
21 that you have about us serving municipalities
22 in the state."

23 And I had -- we didn't know where that
24 came from. We didn't know why it showed up on
25 the last day. We asked them about that. They

1 did not respond back to us, but it became a
2 condition upon which we could not agree,
3 because that's a legislative determination as
4 to whether or not Santee Cooper can serve
5 additional municipalities throughout the state.
6 That is not our condition. We had no ability
7 to deal with that.

8 So that, in that particular instance, we
9 said, "Well, we can't agree to that because we
10 don't have the authority."

11 Second. The second issue deals with this
12 ability to be able to take, in our case, to
13 take a very important thing -- solar,
14 batteries -- blend them into our retail
15 customer mix. And Santee Cooper agreed: "We
16 think that's not a bad idea. We can figure out
17 how to do that later."

18 And here is the problem with that, and
19 this is what we said: It's a very complicated
20 formula to be able to determine if somebody is
21 shifting costs. Here's -- I'm a lawyer. We've
22 got people that can explain it better than me,
23 but let me give you my simple view on it.

24 Somebody puts a solar unit on their house.
25 And in -- by just doing that, what happens is

1 is that transfers some cost to somebody else.
2 It's a cost shift. It's not much. It's a
3 little, but it just transfers a cost shift to
4 other customers. That's why there's a lot of
5 concern about how this is done.

6 And so what we were looking for was a
7 precise amount of solar that we could do that
8 for. In other words, a very measurable --
9 measurable, certifiable, identifiable, clear
10 target.

11 And what Santee Cooper came back and said
12 was is, "Well, we'll figure out a way to do it,
13 to prevent cost shift."

14 And I said, "Well, that's good."

15 And we appreciate that effort; but the
16 problem is that we haven't been able to come to
17 agreements with Santee Cooper in negotiations.
18 So an agreement to agree later on was not
19 something that we felt like we could agree with
20 as a condition of acceptance of their proposal.

21 So that's sort of where that ended up.

22 SENATOR GROOMS: So --

23 CHAIRMAN LEATHERMAN: Let me follow up.

24 SENATOR GROOMS: Yeah.

25 CHAIRMAN LEATHERMAN: You say "they." Who

1 from Santee Cooper was telling you whatever
2 they were telling you?

3 MR. TIENCKEN: Their negotiating team.
4 That would be, well, Mr. Duckworth,
5 Mr. Bonsall.

6 CHAIRMAN LEATHERMAN: Prior to them
7 arriving on the scene, who was the first person
8 to --

9 MR. TIENCKEN: Yes, sir. The document
10 trail will show you that the last communication
11 was with Mr. Duckworth.

12 CHAIRMAN LEATHERMAN: Prior to them
13 getting on the scene, who did you deal with at
14 Santee Cooper?

15 MR. TIENCKEN: Oh, prior to the
16 negotiation under Act 95?

17 CHAIRMAN LEATHERMAN: Prior to Mr. Bonsall
18 and Mr. Duckworth.

19 MR. TIENCKEN: No, those were the people
20 we were always engaged with during the Act 95
21 process.

22 SENATOR GROOMS: In a post Act 95 world,
23 if Santee Cooper was reformed, would there be
24 other items that Central would like to see
25 amended or changed within the Coordination

1 Agreement beyond the term, the integrated
2 resource plan -- and there was another item you
3 mentioned, Number 3.

4 SENATOR DAVIS: Distributed energy.

5 MR. TIENCKEN: Distributed energy, and the
6 term of the two items we brought up. We did
7 not bring up a bunch of little things. Those
8 are -- typically, somebody says that you sign a
9 contract, and then you end up negotiating other
10 contract changes later on, because that's the
11 way the power industry is. Because the world
12 is changing all around you, you have to be able
13 to change the contract a little bit here and
14 there. And that's been a problem, because
15 we've not been able to move the contract terms.

16 So there are other issues. I would,
17 frankly, say they are not critical issues to
18 Santee Cooper, nor are they critical issues to
19 Central, but we would want to talk about them,
20 because that's what people who work together
21 do. They talk about it.

22 SENATOR GROOMS: Thank you, Mr. Chairman.

23 CHAIRMAN LEATHERMAN: Mr. Davis.

24 SENATOR DAVIS: Thank you.

25 I want to follow up on something, because

1 this is something that I asked Mr. Bonsall and
2 Mr. Duckworth during their presentation.

3 And as part of their reform proposal, they
4 had, in very bold print, "Remove cap on
5 distributed energy resources." And that was a
6 very important consideration to me,
7 Mr. Chairman because, as you know, in the
8 Energy Freedom Act that we passed last year, it
9 had provisions in regard to large-scale solar
10 and PERPA and the ability to have IPPs sell
11 their power to the grid.

12 But another important component of the
13 Energy Freedom Act was removing that 2 percent
14 cap on distributed energy, so that rooftop
15 solar, they could sell power back in that
16 metering.

17 And I specifically asked the question in
18 that regard and received an assurance that that
19 was a material part of the reform proposal.
20 And I'm hearing today that it was a subject of
21 a negotiation under the Coordination Agreement,
22 and that Central requested that restrictions or
23 constraints placed on that distributed energy
24 be considered by Santee Cooper. And what I'm
25 hearing is that there was no agreement in that

1 regard.

2 And I'd like you to expound on that a
3 little bit further. What sort of restraints or
4 restrictions on distributed energy are in that
5 Coordination Agreement? And further explain,
6 why is it, especially since this is a listed
7 part of their reform proposal, why there wasn't
8 a willingness to negotiate with Central in
9 regard to removing those constraints.

10 MR. TIENCKEN: Well, of course, I can't
11 answer for Santee Cooper on that point, but I
12 can tell you that the Coordination Agreement
13 currently contains caps. And, Mark, one and a
14 half percent is a cap.

15 Basically what that means is that
16 collectively, the system -- our system,
17 Central's system -- can't have more than one
18 and a half percent of the power coming from
19 these resources without a penalty being added
20 back. It's a little more complex in that, but
21 that's what it is.

22 Now, the reason for that is because
23 there's a desire, and rationally so. I mean,
24 most power companies need to have clarity on
25 how much load can be shifting off at any one

1 time, how much can move because of renewable
2 resources. They want clarity, and that was
3 clarity, one and a half percent.

4 What we said was, "Give us more, because
5 we believe the world has changed since 2013."
6 So that's why we said that that way.

7 Now, the way they said it to us was,
8 "Okay. Well, we'll remove it, but then we'll
9 end up having to renegotiate that after this
10 process is passed."

11 Well, that, based on our past efforts to
12 negotiate, was not a comforting position for us
13 to be in, so we could not agree to that upfront
14 as the solution, because there was no clear
15 path for a solution.

16 SENATOR DAVIS: Thank you, Mr. Chairman.

17 CHAIRMAN LEATHERMAN: Let me follow up
18 there for a moment. Did I understand you to
19 say that this instance, maybe other instances,
20 Santee Cooper was tough to negotiate with, to
21 deal with?

22 MR. TIENCKEN: I can't say that generally.
23 I can say, just with us, that we've been unable
24 to work out things that you would think we
25 could work out.

1 CHAIRMAN LEATHERMAN: Senator Setzler ran
2 away.

3 SENATOR ALEXANDER: Thank you. While
4 we're waiting for the Senator from Lexington to
5 return, a couple things.

6 One is, I want to make sure that I'm clear
7 as far as the term of the contract and the
8 reform that was put forth. Five years is what
9 you requested. You didn't request --

10 MR. TIENCKEN: We actually requested more
11 than that.

12 SENATOR ALEXANDER: What did you request?

13 MR. TIENCKEN: We requested consideration
14 of a 10-year reduction. They responded -- you
15 know, this is give and take in negotiation.
16 We're not complaining.

17 SENATOR ALEXANDER: No. I asked the
18 question, so I understand.

19 MR. TIENCKEN: So they ended up with five
20 years. They said there would be a potential
21 for more. But they ended up conditioning that
22 on an agreement whereby we would need to give
23 approval, I guess, to them serving loads that
24 they currently can't serve under South Carolina
25 law.

1 SENATOR ALEXANDER: So that would take a
2 change in the law to address that?

3 MR. TIENCKEN: We think it would. And we
4 asked about that, and we did not get a response
5 on that.

6 SENATOR ALEXANDER: There were other
7 things you didn't get a response to that you
8 asked?

9 MR. TIENCKEN: No. We got -- the
10 responses I've just described to you, Senator,
11 those are the ones -- Senator Alexander, those
12 are the ones that we got.

13 So yes, every issue we addressed, they
14 responded. The question is whether we could do
15 it or not, or whether we could agree to it.

16 SENATOR ALEXANDER: So, Mr. Chairman, if I
17 could. When you said just a minute ago that
18 they're tough to work out some things, I think,
19 basically what I heard you say. Then I heard
20 you say earlier there that there are some other
21 things that are not as critical issues as other
22 issues that need to be worked out.

23 So, I guess, following up on my friend
24 from Berkeley, is there a process -- is part
25 of -- if we were to consider additional reform

1 measures, are there -- does there need to be
2 consideration for some type of a process to
3 address those other -- because on the one hand,
4 I hear you say, "Well, there's some things, but
5 not as critical. We can work those out."

6 But then on the other hand, I heard you
7 say, "Well, there are things that we tried to
8 work out, but we can't get them worked out."

9 So, I guess, does something need to be
10 spoken to there that gives us a path forward?

11 MR. TIENCKEN: What I would say to that,
12 Senator, is it's all about, you know,
13 relationship and trust. And most of these
14 contracts, there's always going to be something
15 where we think one thing, they think another
16 thing. It's going to be -- it's just the way
17 business, as you know well, is conducted. And
18 you give and take. It's give and take.

19 But "no" is not a negotiation. And that's
20 where we've had trouble. The answer is, I
21 don't think that --

22 SENATOR ALEXANDER: So they haven't
23 negotiated, necessarily?

24 MR. TIENCKEN: Well, if we've negotiated,
25 we haven't ever ended up with an agreement.

1 And what I would give them is that I'm sure
2 we're not as easy to deal with sometimes as
3 other folks, too. So I don't mean to suggest
4 that we're the easiest people to deal with, but
5 we try to be reasonable.

6 SENATOR ALEXANDER: We kind of understand
7 that around this room here.

8 MR. TIENCKEN: Yes, sir.

9 SENATOR ALEXANDER: I guess my question
10 is, are you comfortable with or is there a
11 process that needs to be considered for those
12 more minor issues that have not been, or would
13 not be going forward -- and as Mr. Couick said,
14 we're looking forward. Does there need to be
15 something put into some type of consideration
16 to address that process, to make sure that
17 somebody finally comes to some type of an
18 agreement or resolution, whether it's an
19 agreement or not, a resolution to the matter?

20 MR. TIENCKEN: Well, my opinion on that is
21 that the other proposed reforms that have been
22 suggested would resolve all of these issues.

23 SENATOR ALEXANDER: So you all would feel
24 comfortable from that aspect?

25 MR. TIENCKEN: Yes, sir. Yes, sir.

1 SENATOR ALEXANDER: Are there any parts of
2 the reform that you do not feel comfortable
3 with?

4 MR. TIENCKEN: That's another party's
5 response, if I may.

6 MR. COUICK: As a policy note,
7 Mr. Chairman, one of the things given to you
8 today by John Frick was, give some standards of
9 conduct for board members. One of those would
10 be whether they would work to get
11 enforceability of compromise, that sort of
12 thing, within the joint committee of the
13 Coordination Agreement, and things like that.

14 I explained earlier today some failures of
15 that joint committee, that's half co-op, half
16 Central -- I mean, Santee Cooper. As part of
17 an annual review, maybe by the PERC Committee,
18 Mr. Chairman, the PERC Committee could have an
19 open -- right now you write everybody that's
20 involved at PSC and all the rest and say, "How
21 do you feel about it? How did this year go?"

22 You would write Central, you would write
23 co-ops, and you'd say, "How has your
24 relationship been with Santee Cooper over the
25 last year?"

1 There would be an opportunity at that
2 point for you to hear, "There's five years of
3 unresolved audits out there."

4 And you would be able to ask during that
5 hearing, "Why haven't they been resolved?
6 What's hanging out there?"

7 So far we've not had that. This goes back
8 to that letter of March 2016, where we were
9 looking for regular oversight. I would share
10 with you what John Frick articulated about that
11 advisory committee, that includes the governor,
12 the treasurer, the comptroller general. Give
13 them responsibility ongoing about overseeing,
14 making sure that negotiations are going on in
15 good faith.

16 The chief thing, Senator from Lexington,
17 is having somebody you trust that you're
18 dealing with.

19 SENATOR ALEXANDER: I guess that's the
20 question, is figuring out how we restore trust.

21 MR. COUICK: That's the key thing.

22 And sorry to interrupt, John.

23 CHAIRMAN LEATHERMAN: Now, wait a minute,
24 before you leave there.

25 MR. COUICK: I was the one begging to sit

1 down earlier.

2 CHAIRMAN LEATHERMAN: Yeah, you did beg.
3 You got back up voluntarily, so you must like
4 it up there.

5 So the word "trust" has been used two
6 times in the past four or five minutes. I
7 might ask you or Mr. Frick or whoever. If the
8 question is too tough, you might just say the
9 weather's nice outside today. Is there trust
10 between y'all and Santee Cooper?

11 MR. COUICK: I don't apply this to the
12 rank-and-file employee at Santee Cooper.
13 They're great people. They do a good job. We
14 deal with them every day. There are
15 departments within Santee Cooper that there's
16 great trust, and there are people in this room
17 that work for Santee Cooper that people trust.

18 But there are large swaths of the senior
19 management, of the board, that because of
20 experience over the last decade, where the
21 trust has just eroded. And this is not a Mike
22 Couick assessment of things; this is what I'm
23 hearing from those folks from the local co-ops
24 in the room, is their patience is shot,
25 Mr. Chairman, of hoping that things will get

1 better. And that leads to an erosion of trust.
2 It's not necessary that somebody has to lie,
3 cheat, or steal in order to lose your trust.
4 At some point you lose trust because things
5 just don't get better.

6 CHAIRMAN LEATHERMAN: Who, prior to
7 Mr. Bonsall and Mr. -- whatever his name was
8 coming onboard -- who was calling the shots at
9 Santee Cooper?

10 MR. COUICK: You're talking about after
11 Mr. Carter left?

12 CHAIRMAN LEATHERMAN: Maybe while
13 Mr. Carter is there and then after he left,
14 yes, sir.

15 MR. COUICK: Mr. Chairman, I would not
16 know who was calling the shots. What it
17 appeared to be that, when Mr. Carter was there,
18 you weren't sure whether the board was always
19 informed of what was going on. And that was
20 the letter that was written in March 2016 to
21 Senator Alexander's joint committee, was there
22 seems to be a gatekeeper. And we're not sure
23 that we can always get our information.

24 Senator, the legislation that was passed
25 in 2005 by the General Assembly has the

1 business judgment rule in it to protect
2 trustees or board members at Santee Cooper.
3 They're only protected to the extent they avail
4 themselves of expert information, reports.

5 And I would put in that category, if
6 Central wants to send a report that has
7 expertise in it, they need to be given access
8 to it; otherwise they're setting themselves up
9 for individual liability. That's the business
10 judgment rule. That letter of March of 2016
11 said, "Let's make sure there's no gatekeeper
12 precluding information from getting there."

13 Once Mr. Carter was gone, I don't know
14 that there was a gatekeeper keeping things
15 there or not. Did the board voluntarily decide
16 they were going to circle up the wagons and
17 protect the status quo?

18 That's another word I'd hope that you
19 would remember. Status quo equals lack of
20 trust. So Mr. Brogdon -- when Judge Brogdon
21 was there, I don't know that he was calling the
22 shots. He shared with us that he was there
23 more or less in a caretaker capacity. He was
24 not there, he believed, to make major
25 decisions.

1 So who was in charge? They had a chairman
2 that was there for a short while, that -- I
3 know that that was a struggle. The appearance
4 by Mr. Hochstetler in January 2019, when he
5 shared almost everything I shared with you
6 today about audits and gypsum and all that,
7 Mr. Condon was at that; Mr. Ray was at that.

8 So what I would share with you is, I don't
9 know who's in charge right now. I don't know
10 who's calling the shots.

11 CHAIRMAN LEATHERMAN: Senator Setzler,
12 you're next up.

13 SENATOR SETZLER: Am I next?

14 CHAIRMAN LEATHERMAN: Yes, sir.

15 SENATOR SETZLER: Thank you. Thank you,
16 sir.

17 We've talked -- I apologize. And I failed
18 this morning to say what I said to everybody
19 else, so I'll say it to you: Don't read
20 anything in my questions as to be you think
21 what my position is, because I believe in
22 asking questions regardless.

23 It would be to Central's benefit,
24 regardless of what happens, to settle the Cook
25 litigation, period; right?

1 CHAIRMAN LEATHERMAN: Is that a question?

2 SENATOR SETZLER: Yes, sir.

3 MR. TIENCKEN: Yes, sir, I believe that it
4 would be beneficial to resolve all the
5 differences and settle everything at once, if
6 possible. That's my recommendation to my
7 board.

8 SENATOR SETZLER: Right. So you're not --
9 I want to be sure that you're not dealing with
10 the Cook litigation based on whether the
11 General Assembly goes from a purchase of
12 management or a restructuring.

13 MR. TIENCKEN: No, sir. That is a
14 separate path. And as I might say, in that
15 path, a settlement agreement does not
16 anticipate that Central adopt a reform plan; it
17 doesn't anticipate anything about governance.
18 That settlement agreement for the litigation is
19 on its own. That's separate.

20 SENATOR SETZLER: And if the General
21 Assembly chose Santee Cooper's proposed reform,
22 you would still be -- Central would still be
23 bound by the current Central Coordination
24 Agreement?

25 MR. TIENCKEN: It would be, yes, sir.

1 SENATOR SETZLER: As it sits?

2 MR. TIENCKEN: Yes, sir.

3 SENATOR SETZLER: And that agreement was
4 negotiated by Central with your lawyers, and
5 you entered into it until 2058. That wasn't
6 something that you didn't have any part of?

7 MR. TIENCKEN: We were wide awake and knew
8 what we were doing.

9 SENATOR SETZLER: Okay.

10 As a part of this process, has the Central
11 board, as we sit here today, voted to approve a
12 Central Coordination Agreement with a potential
13 purchaser?

14 MR. TIENCKEN: No, sir.

15 SENATOR SETZLER: And as we sit here
16 today, has Central voted under Santee Cooper's
17 reform plan for a Central Coordination
18 Agreement?

19 MR. TIENCKEN: Well, under the reform
20 plan, Central's Coordination Agreement remains,
21 as you already pointed out, Senator, intact.
22 So there is no vote on whether or not the
23 Coordination Agreement is modified or anything,
24 because there's no proposed modifications to
25 the Coordination Agreement today.

1 SENATOR SETZLER: Well, I thought they
2 testified that they'd made some suggestions or
3 recommendations of changes they would agree to,
4 and they got no response. That's what I'm
5 trying to get at.

6 MR. TIENCKEN: Yes, sir. And I think you
7 may have stepped out for just a moment while I
8 addressed that issue.

9 SENATOR SETZLER: Okay.

10 MR. TIENCKEN: But let me break it down
11 pretty quickly.

12 Those are -- those are requests that we
13 had of them. We wanted a shorter term. We
14 wanted the ability to put more emphasis on
15 solar and other distributed energy resources.
16 We wanted those. And that's what we asked for
17 every bidder, the same thing.

18 And what we've got back from them was,
19 "Yes, but, conditioned upon." And we were not
20 able to reach an agreement with them because of
21 the "conditioned upon."

22 So we don't have what we would like, which
23 is a shorter term; nor do we have what we would
24 like, which is the ability to do distributed
25 energy resources without penalty on the

1 cooperative system.

2 SENATOR SETZLER: All right, sir. So as
3 we sit here, you are bound under the management
4 proposal and the reform proposal to your
5 current Central Coordination Agreement?

6 MR. TIENCKEN: Yes, sir.

7 SENATOR SETZLER: The only option you
8 would have to change it would be under the
9 purchase proposal?

10 MR. TIENCKEN: That is correct.

11 SENATOR SETZLER: All right, sir. And
12 you're not implying that the General Assembly
13 has any right to modify your current Central
14 Coordination Agreement with Santee Cooper? We
15 don't have the legal right to do that?

16 MR. TIENCKEN: Well, I wouldn't tell you
17 what you can or cannot do, but we would think
18 you might not be able to do that, yes, sir.

19 SENATOR SETZLER: Okay. And in discussing
20 with Santee Cooper, they put in their responses
21 to us yesterday, or whenever it was, some
22 language that -- and I'm sure Mr. Couick will
23 have a comment on this -- for improved
24 relations between Central and Santee Cooper
25 going forward:

1 "Santee Cooper proposes and agrees that
2 both Santee Cooper, Central, and the State
3 cooperatives be placed under the authority of
4 the Public Service Commission to the same
5 extent, to provide uniformity of conduct and
6 immediate regulatory redress in the event of
7 future disputes."

8 MR. COUICK: Mr. Chairman --

9 SENATOR SETZLER: Would you like to
10 comment on that statement that they made?

11 MR. COUICK: I would, and I want to do it
12 on behalf not of Central, but of the member
13 cooperatives.

14 SENATOR SETZLER: That's the reason I
15 asked you, because my co-ops are sitting out
16 there.

17 MR. COUICK: Mr. Chairman, John Frick and
18 I went back and listened to that several times,
19 that exchange. Because when I heard you talk
20 about that the other day, I heard you address
21 it, I thought, under the PSC, what does that
22 mean? And it means everything. I think they
23 were talking about an IRP process.

24 And Mr. Bonsall made it specific, and he
25 said that it was something that was suggested,

1 but if the co-ops didn't want to be on it, it
2 would be okay.

3 I know that Mr. Penland had shared that
4 IRP idea with Mr. Frick earlier this week.
5 It's not as bad as it first sounded, but we are
6 already under the Commission for the Citing
7 Act, co-ops are. Santee Cooper is the only
8 type of utility that's not.

9 We are there under the Public Service
10 Commission, under the governance legislation
11 you passed last year, Act 56. We're already
12 there. We're just not there for the things
13 that our boards do as regulators, because
14 they're elected by their members, and
15 that's rate setting. But we are regulated by
16 OS&P to a certain extent. They can make sure
17 that we have open hearings, open review of our
18 rates by our members. They can see
19 transparency.

20 So it didn't scare me, once I understood
21 what Mr. Bonsall probably aimed at. I'll share
22 with you, when you read it out, I was going,
23 "What's going on here?"

24 It was one of those things that at first I
25 was tempted to be a little angry until I went

1 back and listened to the exchange that went on.
2 I would tell you that that, on its face, didn't
3 seem like it was trying to create a
4 relationship, because for one thing, it kind of
5 comes up in the middle of something, and it
6 seems to be out of context, Senator.

7 SENATOR SETZLER: So if a part of
8 reforming Santee Cooper involved changing their
9 bond covenants in the future, where their board
10 didn't set their rates but the PSC did, are you
11 interested in going under the PSC with them for
12 their suggestion?

13 MR. COUICK: How would that relate to the
14 co-ops?

15 SENATOR SETZLER: I didn't say it did. I
16 just asked.

17 MR. COUICK: Mr. Chairman, I don't think
18 everything you have to do with PSC necessarily
19 impacts their bond covenants. I think they
20 should concede that not everything on the
21 Citing Act would violate the --

22 SENATOR SETZLER: We do understand that,
23 Mr. Couick. We do understand.

24 MR. COUICK: I'm talking about that Santee
25 Cooper would have to concede that not

1 everything the Commission would do would invoke
2 their bond.

3 SENATOR SETZLER: All right, sir.
4 Mr. Tiencken, if you'll come back, let me
5 pursue what I asked you about with Mr. Couick
6 this morning.

7 MR. TIENCKEN: Yes, sir.

8 SENATOR SETZLER: Because I think my
9 question got misinterpreted.

10 Clearly, there is a problem -- I don't
11 think anybody questions -- with Santee Cooper
12 entering into long-term contracts, i.e.,
13 60-year contracts with gypsum to 2058 on the
14 Central agreement.

15 From this perspective, if any of that goes
16 south -- and as y'all have said, Santee Cooper
17 is a State asset -- does the State -- should
18 the State have a role, once a contract reaches
19 a certain length that Santee Cooper intends to
20 enter into, of reviewing, approving, et cetera,
21 so that the State at some point doesn't get in
22 the box that we're currently in relative to
23 some of their actions?

24 MR. TIENCKEN: It sounds certainly wise in
25 retrospect. I think, if I may just address the

1 one contract that I'm familiar with, and that
2 is the Coordination Agreement.

3 SENATOR SETZLER: Right.

4 MR. TIENCKEN: I think that contract,
5 although sounding long in terms, it in fact
6 represents what was typical in the old
7 industry.

8 SENATOR SETZLER: Correct.

9 MR. TIENCKEN: So not atypical -- in the
10 last five years, the world has changed. And as
11 everybody knows, fracking has altered that.
12 Going forward, I cannot see that type of
13 contract being done again.

14 But your point is a good one. I mean, the
15 issue is, are there obligations beyond which
16 time -- you know, management's gone, board's
17 gone, and these thing fall back. And as the
18 gypsum contract, strangely, 60, 70 years of
19 commitment, which is going to cost \$15 million
20 a year, 11- to \$15 million a year. That's a
21 lot of money.

22 And so we -- I think there is some
23 advantage of that today.

24 SENATOR SETZLER: So that concept would
25 not be offensive to you?

1 MR. TIENCKEN: Not to me.

2 SENATOR SETZLER: Or to Central.

3 MR. TIENCKEN: And Central, I would say
4 Central would not be offended by that at all.

5 SENATOR SETZLER: Okay. This whole
6 concept -- which is a proper role for Central,
7 so don't read into it --

8 MR. TIENCKEN: Yes, sir.

9 SENATOR SETZLER: -- that you're taking
10 advantage of somebody. You've got a
11 responsibility to negotiate on the best
12 interest of your customers, just like Santee
13 Cooper has a responsibility.

14 But it appears to me that this Central
15 Coordination Agreement, whenever it's
16 negotiated and all, or these new plans with the
17 opt-out -- and I'm not opposed to the
18 opt-out -- but it clearly has got to have an
19 impact on other people, other than Central's
20 customers, and it has got to be a balance --
21 somebody's got to protect that balance.

22 And the question is: With all of the
23 things Santee Cooper has done wrong, have they
24 not protected the balance with their other
25 customers? And I realize you've got 70 percent

1 of their customers.

2 MR. TIENCKEN: Right. I think there's
3 been a very clear balance. And someone spoke
4 earlier about the rates. I think nobody on the
5 Central team believes that the retail class has
6 been disadvantaged by our presence on this
7 system. And I say that not with -- not with
8 any degree of accusation. It's just simply
9 that I think our presence on the system has
10 helped keep retail class rates down.

11 The opt-out, however --

12 SENATOR SETZLER: Because of the number of
13 your customers, for example.

14 MR. TIENCKEN: Because of the large number
15 of kilowatt hours that we purchase, yes.

16 But I do believe, going forward, that --
17 going back to the world changing, these ideas
18 of large central system, huge investments,
19 they're just -- they're becoming less and less
20 popular and less and less doable, except by
21 large enterprises, like NextEra, that have the
22 capability to demonstrate a pocketbook to make
23 it happen.

24 So what you will find is you will find
25 people working collaboratively, as we

1 suggested, perhaps with the nuclear, working
2 collaboratively to share the risks. And that
3 makes it very likely, very, very likely, that
4 our presence or absence on the system will not
5 cause a shift in cost to the retail side at
6 all.

7 So I would say that that's very likely
8 what will happen. I can't say what decisions
9 Santee Cooper will make, because it's all
10 within their control today as to whether or not
11 they choose to build a certain thing or choose
12 not to build a certain thing to serve their
13 customer classes. The only one they can't do
14 that now for, because of the opt-out agreement,
15 is Central.

16 SENATOR SETZLER: What I think I really
17 hear you saying is -- and these are my words,
18 not yours, but would you agree with them --
19 that if Central is reformed, the -- one of the
20 most important parts of that reform would be
21 leadership that not only has the capability to
22 deal with the hole that Central's got to be --
23 I mean, that Santee Cooper has got to dig out
24 of, but the vision to understand the change in
25 the industry in the future and how to contract

1 and deal with that.

2 MR. TIENCKEN: That's absolutely right.

3 SENATOR SETZLER: Mr. Chairman, I think
4 that's all I've got right now.

5 CHAIRMAN LEATHERMAN: Thank you, Senator.
6 Senator Alexander.

7 SENATOR ALEXANDER: Thank you,
8 Mr. Chairman. I would just like, on the
9 presentation that you've provided, in scrolling
10 through that --

11 MR. TIENCKEN: Yes, sir.

12 SENATOR ALEXANDER: -- I just wanted to
13 have you all speak to -- under page 3, I guess
14 it is -- just the Act 95 process has delivered
15 value to the consumers. I would like to hear,
16 just briefly, your comments on that.

17 MR. HOCHSTETLER: Mr. Chairman, to answer
18 the question, it absolutely has. The process
19 alone --

20 SENATOR ALEXANDER: The process through
21 the Department of Administration that was
22 adopted under Act 95?

23 MR. HOCHSTETLER: Absolutely.

24 SENATOR ALEXANDER: Could you expand upon
25 that, briefly?

1 MR. HOCHSTETLER: I can. I'm going to use
2 a few hand motions.

3 So our rates, before the nuclear unit was
4 stopped, looked like this, our projections
5 (indicating). When we stopped, they came down
6 a little bit (indicating). The process has
7 forced everyone to say running coal is not the
8 future.

9 And the projections -- so the first thing
10 John talks about what that team asked. The
11 first thing was always, "We want the lowest
12 possible rates we can get, with energy
13 delivered reliably."

14 Our process right now, everyone changing
15 things, they look flat. So the process has
16 already delivered results, delivered value for
17 the consumers of the state, your constituents,
18 our members.

19 SENATOR ALEXANDER: And if I'm reading
20 your chart right on there, these are what you
21 are calling net present values as a result of
22 that process; is that correct?

23 MR. HOCHSTETLER: Absolutely. So,
24 again --

25 SENATOR ALEXANDER: So from '20 to '24,

1 the next five years -- please.

2 MR. HOCHSTETLER: Sorry.

3 Yes. So what you're looking at -- and we
4 won't it put it on the overhead, but this
5 page -- these are net present values of the
6 revenue requirements of Santee Cooper. So this
7 is the amount of money they need to collect.
8 Net present value; a dollar today is worth more
9 than a dollar 10 years from now, so net present
10 value, the revenue they need.

11 So the lower the number, the lower revenue
12 they need; thus the lower cost. It translates
13 to lower cost. So the smaller the number
14 ultimately would lead to lower rates over time.
15 So we did it in terms of 5-year, 10-year,
16 20-years.

17 We did our own analysis, our own
18 assumptions. And as Mr. Tiencken pointed out,
19 we did have different assumptions than the
20 Department of Administration, but our results
21 were always relatively in line with one
22 another, if that's helpful.

23 SENATOR ALEXANDER: If I'm reading this
24 correctly, that's in -- net present value,
25 that's in billions?

1 MR. HOCHSTETLER: Billions of dollars.

2 SENATOR ALEXANDER: So over the next five
3 years, that's seven -- these are savings that
4 are being spoken to?

5 MR. HOCHSTETLER: No. That's the total
6 revenue requirements.

7 SENATOR ALEXANDER: Total revenue
8 requirements?

9 MR. HOCHSTETLER: The net present. So,
10 again, discounted to today's --

11 SENATOR ALEXANDER: Today's value?

12 MR. HOCHSTETLER: Yeah. Total revenue.

13 SENATOR ALEXANDER: But the process is
14 certainly, then, meaningful cost reductions as
15 a result of Act 95?

16 MR. HOCHSTETLER: If you look out, to me,
17 the 20 years, it's billions of dollars,
18 billions of dollars. And the report stated
19 that same thing, Senator.

20 SENATOR ALEXANDER: But that is in
21 billions. That's significant savings.

22 MR. HOCHSTETLER: Significant.

23 And that's why I started out with
24 "appreciative," appreciative of all you've done
25 and your staff has done, and the work that

1 Marcia and her team did as well.

2 SENATOR ALEXANDER: Thank you.

3 CHAIRMAN LEATHERMAN: We've been focused
4 on this issue for a good long while now. It
5 looks to me like we've had -- two, four -- five
6 folks come before us. The first one is a
7 Department of Administration expert.

8 SENATOR SETZLER: Mr. Chairman, I
9 apologize for interrupting you. Are you
10 through with him? I'm not sure the court
11 reporter can hear you.

12 CHAIRMAN LEATHERMAN: I'm getting ready to
13 get through with him.

14 SENATOR SETZLER: Okay.

15 CHAIRMAN LEATHERMAN: Let me get rid of
16 him one way or the other. He's ready, I think,
17 Senator Setzler.

18 I was just starting to say we've been
19 focusing on this. We had -- two, four -- five
20 different groups come before the committee.
21 The staff can recall -- we don't keep a time
22 clock up here. The best they can recall, we've
23 had over 20 hours of testimony.

24 So I don't know about the other members.
25 I'm probably testified out. Maybe you are;

1 maybe you're not. So if you've got something
2 else that you really just feel you've got to
3 get off your chest, please let us hear it. I
4 don't want to cut you off.

5 MR. HOCHSTETLER: I would just -- again, I
6 sincerely mean this, to each of you, and to the
7 staff, who has done extraordinary work: What
8 you've done for the constituents of the state,
9 the citizens of the state, who are our
10 member/owners, it's appreciated so far. And
11 thank you for that.

12 CHAIRMAN LEATHERMAN: I really want to
13 thank this committee, the members of it.
14 You've been very attentive. That's pretty
15 unusual, for a bunch of senators to be --

16 SENATOR CAMPSON: How about nonmembers?

17 CHAIRMAN LEATHERMAN: I'm just saying that
18 it's very unusual, a bunch of senators to be
19 attentive, but they have been. They've been
20 patient; they've been polite to each other,
21 polite to the people testifying. And I really
22 appreciate that.

23 I guess where I am at this point in time,
24 we need kind of a cutoff point. If any member
25 of the committee has comments they want to make

1 on one of the three or all three of the
2 recommendations that came to us from the
3 Department of Administration.

4 Mr. Davis, do you have something?

5 SENATOR DAVIS: I would. Thank you,
6 Mr. Chairman.

7 I'll begin with my comments beginning
8 where the Senator from Oconee left off, and
9 that the Act 95 process has in fact delivered
10 value for consumers. But what it's also done
11 is delivered value to members of this committee
12 and members of the General Assembly.

13 I think it's reflective of the fact that
14 you can have a debate in theory, you can have a
15 debate based on hypotheticals, but nothing
16 sharpens the debate and the inquiry more than
17 having three specific proposals in front of us,
18 and then having very competent people for each
19 of those groups that made recommendations
20 making arguments for their proposal, and then
21 the ability for us to then ask questions of
22 them.

23 I think, you know, in speaking for myself,
24 over the last nine or 10 months, I was in no
25 position last April or May -- beyond just

1 simply spouting off some philosophical
2 preference for things being in the private
3 sector than the public sector, I had no ability
4 whatsoever to say to my constituents that I was
5 in a position to make an informed decision on
6 their behalf.

7 I can say that now. And some of my
8 initial thoughts -- and I'll just share them,
9 for what they're worth -- is that each of the
10 three recommendations have merits. Each of the
11 three recommendations have, I think, what I
12 would consider to be material deficiencies in
13 that regard. And "material" meaning
14 dispositive or important or something that has
15 to be taken into consideration.

16 So in looking at what our charge is here,
17 Mr. Chairman, and in looking at what is
18 expected of us by our colleagues in the Senate,
19 I go back to Act 95 itself.

20 And Act 95 itself -- and Senator Setzler
21 raised a good point in this regard a couple of
22 weeks ago, in regard to what was the scope of
23 our authority? What ability did we have to
24 take these recommendations and get under the
25 hood? And then, you know, based on, you know,

1 what we felt was best, to negotiate something
2 better.

3 And I would share with you just my
4 conclusions in that regard, Mr. Chairman, is
5 that Act 95, if you look at Section 9, is very
6 specific and very prescriptive in regard to
7 what the DOA is to submit to us. And what the
8 DOA is to submit to us, pursuant to that
9 Section 9, in regard to those three
10 recommendations -- sale, reform, or
11 management -- it isn't just in broad, sweeping
12 terms. It's very specific in regard to what
13 the DOA is to send us.

14 And if you look at that section, it gets
15 very granular, and it gets down to the point
16 where what is submitted to us in the form of
17 those three recommendations is in a form for us
18 to then vote and decide, up or down, whether we
19 agree or disagree with that.

20 So in other words, I guess -- I take from
21 that that what's presented to us, and what's
22 been presented to us, I think that our charge
23 is to pass upon those things as presented to
24 us. And it's further -- my reading in that
25 regard, and I think the Senator from Lexington

1 was the first one to point this out, and kind
2 of brought me around.

3 But if you look at -- further down in
4 Section 9, in paragraph D -- and I think it's
5 important for us to look at the actual language
6 of the Act, because I think it does give us
7 some guidance.

8 It says that "The Department of
9 Administration shall present to the Chairman of
10 the Senate Finance Committee and the Chairman
11 of the House of Representatives Ways and Means
12 Committee the documents described in A" -- and
13 "A" being those very specific proposals in
14 regard to the three recommendations -- "and
15 that the Finance Committee and the House Ways
16 and Means Committee shall meet as soon as
17 practicable to review each recommendation as
18 presented by the Department."

19 So that's the first thing I would point
20 out, is that what we're directed to do is to
21 consider the recommendation as delivered to us
22 by the Department.

23 Then it goes on to say -- and this, I
24 think, is really giving us the final
25 guidance -- "Each committee shall then make a

1 recommendation within 30 days of receipt of the
2 recommendations presented by the Department."

3 And so I think that 30 days is coming up
4 upon us. And I think that what falls to us
5 here in this committee is to take those three
6 recommendations as presented, and then to
7 decide what is our recommendation in regard to
8 those three recommendations, and then report
9 that particular recommendation to the full
10 Senate.

11 And in speaking for myself, Mr. Chairman,
12 in regard to each of the three proposals, there
13 are things that I think are materially
14 deficient.

15 And when I say that, let me say this:
16 Both Mr. Robo and Mr. Bonsall, also, you know,
17 Mr. Keller Kissam with Dominion Energy, they
18 were all very frank in terms of "We're ready to
19 do something to make it better," or "We're
20 ready to, you know, address your concerns in a
21 way that maybe we hadn't thought about."

22 And I think those were very sincere
23 representations by them. However, in reading
24 Act 95, I don't think it falls to us, acting
25 under the scope of this Act 95 right now, to do

1 that, even though they all sincerely and
2 earnestly want to do that.

3 So I'm not going to go ahead and list
4 through all the things or all the areas where I
5 think that each of the three proposals have
6 deficiencies. Maybe we can do that during
7 discussion. But what I would put out there in
8 the form of a motion, if it's appropriate,
9 Mr. Chairman, is that looking at what Act 95
10 says our obligation is, which is to take each
11 of these recommendations as they've been
12 presented to us -- and quite frankly, the
13 motion that I would make at this point in time,
14 in order to make sure that we discharge our
15 requirement to pass upon those recommendations
16 within the 30-day period that was given to us,
17 I would move that we reject all three of these
18 recommendations as they have been presented,
19 because I think that -- and that's -- the
20 reason I propose that is that all three of
21 those recommendations, while they may, in
22 theory, may end up where we are -- and so I'm
23 not criticizing the options that are
24 presented -- sale, management, restructuring --
25 but I do think, in regard to what's been put

1 before us, sufficient concerns have been raised
2 through members of this committee or
3 acknowledgments by the presenters, I think that
4 the appropriate thing for us to do is to reject
5 those three recommendations as they are
6 presented.

7 And I would make that motion,
8 Mr. Chairman.

9 SENATOR ALLEN: Second that motion.

10 CHAIRMAN LEATHERMAN: We have a motion and
11 a second. Any discussion on this?

12 SENATOR SETZLER: Mr. Chairman?

13 CHAIRMAN LEATHERMAN: Yes, sir.

14 SENATOR SETZLER: Do you mind discussion
15 or statements?

16 CHAIRMAN LEATHERMAN: No. Go ahead.

17 SENATOR SETZLER: If you do, I'll withhold
18 mine.

19 You know, I think the Senator from
20 Beaufort has stated correctly, we have to deal
21 with what was presented to us. I do not think
22 what was presented to us in any of the three
23 options gives us a reasonable and responsible
24 route to pursue.

25 I do not think that the offer to

1 purchase -- and that clearly could support the
2 sale of Santee Cooper, if that was in the best
3 interest of the citizens of South Carolina.
4 And I got questioned about using some numbers
5 in the valuation of the purchase proposal, but
6 if you take the purchasers, what they claim
7 they would be paying for, the \$9.4 million, and
8 that's what they claim that they're paying for,
9 500 million of that is our money already.

10 But anyway, an ICF valuation was
11 between -- Santee Cooper was 8.1 and 11.1. And
12 the House testimony was the valuation was
13 between 8.3 billion and 10.5 billion.

14 And then Santee Cooper valued it. And I
15 understand they include a replacement cost
16 at 12.3. But if you accept the purchaser's
17 value that they say they're paying, 9.4,
18 without taking off the money that's already
19 ours, the taxes they don't want to pay, the
20 benefits they want, et cetera, and the
21 liabilities they're going to leave with us, and
22 you take the valuation of ICF at \$11.1 billion,
23 or even take the House at 10.5, there's a
24 billion dollars left on the table that's going
25 to the purchaser. A billion dollars of South

1 Carolina's assets is going to the purchaser.

2 And I can't support that. And you can try
3 to spin it some other way if you want to, but
4 that's not what's the case.

5 Management, the management proposal. It
6 would make reasonable sense to me to have a
7 management of Santee Cooper for a period of
8 three to five years and get the assets in a
9 better posture in which to then market it and
10 sell it, but that's not what was presented to
11 us. We were presented a 10-year proposal, and
12 not replacing the CEO or the board or anything
13 else. And, to me, that is not a viable option.

14 Santee Cooper has proposed to us a reform
15 plan, which I can tell you from my personal
16 standpoint is not even in -- on first base, as
17 to what's got to be done. There's got to be
18 robust and detailed expansive reform of Santee
19 Cooper.

20 So I think there is no good choice, to be
21 candid with you, and I think our responsibility
22 is to the people of South Carolina to try to
23 deal with this asset in a way that it best
24 benefits them.

25 And the Senator from Beaufort's option may

1 give us that option. It doesn't foreclose
2 other doors, but it gives us the option to get
3 reform done immediately. And that's
4 imperative, in my opinion.

5 CHAIRMAN LEATHERMAN: Senator Grooms?

6 SENATOR GROOMS: Mr. Chairman, the motion
7 has been laid before us, and if the motion were
8 to pass, and all three options were then off
9 the table as they currently exist, does that
10 conclude the Act 95 process? Or would that --

11 CHAIRMAN LEATHERMAN: Let me tell you,
12 whether it's passed or not, I intend to appoint
13 a subcommittee of the Finance Committee. Their
14 charge will be to look and see what we can come
15 up with and recommend to the Senate.

16 So at some point in time, I'll be doing
17 that, Senator Davis.

18 SENATOR GROOMS: So the Act 95 process
19 would still be in place --

20 CHAIRMAN LEATHERMAN: As far as I'm
21 concerned.

22 SENATOR GROOMS: -- and all the
23 constraints would still be in place.

24 CHAIRMAN LEATHERMAN: As far as I'm
25 concerned.

1 SENATOR GROOMS: All the requirements
2 would still be in place.

3 CHAIRMAN LEATHERMAN: There will be no
4 ability for anybody to lobby or try to put
5 their best foot forward.

6 SENATOR GROOMS: All those constraints
7 would still be there. Thank you, Mr. Chairman.

8 CHAIRMAN LEATHERMAN: Senator Davis.

9 SENATOR DAVIS: The Senator from
10 Berkeley's point -- and I agree with you and
11 the Senator from Berkeley -- Act 95
12 contemplates this Finance Committee making a
13 recommendation to the full body in regard to
14 those three recommendations. The process
15 continues until the full body decides what it
16 wants to do. The full body may in fact say,
17 "You're wrong about that, Senate Finance; we're
18 recommitting this thing back to you, and you
19 take these things up."

20 So the Act 95 process doesn't terminate
21 with the Senate Finance Committee's
22 recommendation; it plays out until the General
23 Assembly -- or the Senate, at a very bare
24 minimum -- takes up and passes upon what the
25 recommendation of this committee is. So the

1 Act 95 process is still in place.

2 CHAIRMAN LEATHERMAN: Any other member got
3 comments?

4 SENATOR ALEXANDER: I'd ask for roll call.

5 SENATOR PEELER: Mr. Chairman, you've told
6 me a thousand times over the years, the Senate
7 will do what the Senate will do.

8 CHAIRMAN LEATHERMAN: Right.

9 SENATOR PEELER: And what the House does
10 doesn't control what the Senate does.

11 What the House is doing and passed today,
12 how does that square with your motion, Senator
13 fro Beaufort?

14 SENATOR DAVIS: I think, you know, at the
15 end of the day, going back to what you just
16 first said, the Senate will do and the House
17 will do what it will.

18 In terms of what we do here today, Senator
19 from Cherokee, I think that we're adhering to
20 what Act 95 requires us to do. I think it
21 requires us, within 30 days of those
22 recommendations being presented to us, to take
23 some action, pro or con, in regard to the
24 recommendations.

25 And as to what the House is proposing to

1 do, I don't know what they're proposing to do.
2 I think -- I had thought, or at least I had
3 heard reported, that they had rejected all
4 three recommendations as presented. I don't
5 know if that's accurate or not.

6 But have they -- if they've done that, I
7 think that was the appropriate thing to do. I
8 mean, because I do think they had an obligation
9 within the 30-day period to pass upon those
10 recommendations as presented. So I don't know
11 exactly what the House is up to, but obviously,
12 at some in point in time, what the Senate ends
13 up doing and what the House ends up doing is
14 going to have to be reconciled in some way.

15 So you're absolutely right about that.
16 It's not like we can just operate in a vacuum.
17 At some point we're going to have to deal with
18 what they've done and see if there's a
19 reconciliation possible.

20 But I think, for purposes of this Senate
21 Finance Committee sitting here, within the
22 30-day period that we have, I think it's
23 appropriate for us to take those
24 recommendations as presented.

25 SENATOR PEELER: Mr. Chairman, you

1 mentioned you were going to name a committee.
2 What is that committee's charge going to be?

3 CHAIRMAN LEATHERMAN: The charge will be
4 to look at the recommendations that came to us
5 from DOA, and come back to the full committee
6 with a recommendation for the legislation
7 needed, a recommendation for that legislation
8 to be acted upon by the full committee.

9 There will be no ramming through or
10 anything like that. We have not done that
11 during this hearing. But I do think that,
12 Senator, we've got to get it down to a group
13 small enough to make some decisions. 18 -- 23
14 numbers, it will be tough to get a decision.

15 SENATOR PEELER: So are they free to come
16 back with a recommendation similar to what the
17 House looks like they're going forward with, as
18 they reform Santee Cooper with the thoughts of
19 negotiating with NextEra?

20 At the same time, I don't understand how
21 that works, but are we looking towards doing
22 something similar? How can you negotiate --

23 CHAIRMAN LEATHERMAN: I'm not interested
24 in telling the subcommittee what to bring back
25 to us. Whatever they bring back is what

1 they'll bring back.

2 SENATOR PEELER: So what I understand from
3 the Senator from Beaufort, we're still under
4 the constraints of Act 95.

5 CHAIRMAN LEATHERMAN: Absolutely.

6 SENATOR PEELER: Is the House?

7 CHAIRMAN LEATHERMAN: I don't know.
8 That's up to them.

9 SENATOR PEELER: Well, how can they
10 interpret 95 one way and us interpret 95 the
11 other?

12 CHAIRMAN LEATHERMAN: I hate to tell you,
13 but we'll have to leave it to the House to
14 decide what they do. I don't know what they're
15 doing over there.

16 SENATOR PEELER: Like I told Mr. Bonsall,
17 that was the Speaker; that wasn't me.

18 SENATOR JACKSON: Mr. Chairman.

19 MR. SHEALY: Senator Jackson.

20 SENATOR JACKSON: Thank you, Mr. Chairman.

21 I want to follow up on what the Senator
22 from Cherokee was asking. So is it my
23 understanding that if the motion that has been
24 recommended by the Senator from Beaufort
25 passes, you then would appoint a committee to

1 look at the recommendations of --

2 CHAIRMAN LEATHERMAN: To look at whatever
3 they need to look at to come back and tell us
4 what their recommendation is for a full and
5 final decision.

6 SENATOR JACKSON: But they would not be
7 obligated to take those three recommendations.
8 This committee would start from scratch, right?
9 So this committee would get together and come
10 back with recommendations to the Finance on how
11 we should go forward. Being if the Senator
12 from Beaufort's motion passes, we would have
13 then disbursed of our obligation --

14 CHAIRMAN LEATHERMAN: No, I don't think
15 so.

16 SENATOR JACKSON: Well, what -- we would
17 have concluded the debate on the official
18 recommendations, the three -- those three
19 recommendations. This committee would not be
20 limited just to consider those three
21 recommendations. They could consider -- they
22 can bring anything back to us.

23 CHAIRMAN LEATHERMAN: They can bring
24 anything back, modify anything before.

25 SENATOR JACKSON: And it would be in the

1 form of a recommendation to the Finance
2 Committee.

3 CHAIRMAN LEATHERMAN: Finance Committee.

4 SENATOR SETZLER: Mr. Chairman?

5 CHAIRMAN LEATHERMAN: Senator Setzler.

6 SENATOR SETZLER: Unlike the Senator from
7 Cherokee and the Senator from Richland, I need
8 some clarification, because I thought it was --
9 it was my understanding, if we rejected all
10 three, that you were going to appoint a
11 subcommittee that was going to look at a robust
12 reform of Santee Cooper, and that the other two
13 options were not on the table at that point in
14 time because they'd been rejected by this
15 committee.

16 CHAIRMAN LEATHERMAN: Senator, you're
17 exactly right.

18 SENATOR SETZLER: Okay.

19 CHAIRMAN LEATHERMAN: I'll tell you this:
20 My desire is that if there's any way in the
21 world to salvage Santee Cooper for the people,
22 the ratepayers of this state, if it can be
23 reorganized to do that, that's my desire. I
24 want to make sure that we get enough, as you
25 call it, robust reorganization.

1 And I will tell you, my first thought is
2 that board. The board sat there -- and I'm
3 disappointed in that board. I'll tell you
4 that. But I believe there's enough smart minds
5 in this General Assembly, House and Senate, to
6 come up with a solution where we can get Santee
7 Cooper back on the track it should be on, and
8 continue to serve the people of the state.
9 That's my desire.

10 SENATOR SETZLER: Yes, sir.

11 Mr. Chairman, that's what I thought. So,
12 again, to clarify, you are going to appoint a
13 subcommittee that will deal only with the
14 robust reform of Santee Cooper, and it will not
15 be within their purview to deal with a
16 potential sale or management?

17 CHAIRMAN LEATHERMAN: No, no, no. You're
18 correct.

19 SENATOR SETZLER: Okay.

20 SENATOR PEELER: Mr. Chairman.

21 CHAIRMAN LEATHERMAN: Yes, Senator Peeler.

22 SENATOR PEELER: Let's move from the House
23 and let's talk about Senate Judiciary
24 Committee. I think they have a couple bills
25 dealing with reform. At what point do the two

1 committees collide?

2 CHAIRMAN LEATHERMAN: I don't think we
3 will ever collide, Senator. I really don't.
4 Senator Rankin's chair of the Judiciary. I
5 believe -- and I'll have to leave this to the
6 people who know a lot more than I know --
7 plenty of those around. I believe that
8 whatever the subcommittee comes back to the
9 finance committee, and the finance committee
10 finally accepts by amending, or whatever they
11 do to do it, it will go to the floor of the
12 Senate and a report from us as the
13 recommendation.

14 I don't know the rules like a lot of
15 people do, but I bet you that legislation then
16 would go to the judiciary committee.

17 SENATOR PEELER: Is that held by Act 95's
18 30-day constraint or after that?

19 CHAIRMAN LEATHERMAN: We're within the
20 30 days. Whatever the Senate --

21 SENATOR PEELER: What date is that, Mike?

22 CHAIRMAN LEATHERMAN: March 12th, I
23 believe.

24 SENATOR PEELER: So the subcommittee will
25 have to come back to the full committee.

1 CHAIRMAN LEATHERMAN: Well, Senator, I'll
2 be honest with you, be happy you're not on that
3 subcommittee because it will probably be
4 Saturdays, Sundays until they bring us
5 something back.

6 SENATOR SETZLER: Mr. Chairman, you're not
7 asking for volunteers, I hope, Mr. Chairman.

8 SENATOR ALEXANDER: Mr. Chairman, I would
9 say that if this motion is adopted, we would be
10 making that recommendation to the full Senate
11 within the confines of Act 95, and this work of
12 the subcommittee would be independent and would
13 not be constrained by next Thursday's deadline.

14 CHAIRMAN LEATHERMAN: Senator Davis.

15 SENATOR DAVIS: Mr. Chairman, if I could,
16 I think we're all pretty much in agreement
17 here, but I want to emphasize something: That
18 simply because we have a 30-day deadline upon
19 which to pass upon these three recommendations
20 which we're prepared to discharge, that does
21 not mean that Act 95 is no longer in effect.

22 CHAIRMAN LEATHERMAN: Oh, no.

23 SENATOR DAVIS: And I think it's important
24 to reiterate that fact, that Act 95 remains
25 until such time as the body as a whole then

1 passes upon what our recommendation out of
2 Senate Finance is in regard to those three
3 proposals.

4 CHAIRMAN LEATHERMAN: I totally agree with
5 that.

6 SENATOR SETZLER: I actually would take
7 the position it's in effect until the General
8 Assembly acts on this matter, and not just the
9 Senate.

10 SENATOR DAVIS: Not just the Senate,
11 general session.

12 SENATOR SETZLER: Correct.

13 CHAIRMAN LEATHERMAN: Anyone else?

14 SENATOR PEELER: Mr. Chairman, I'll be
15 happy to vote, but I still don't know exactly
16 what this subcommittee is going to do or what
17 they're limited to do.

18 CHAIRMAN LEATHERMAN: They're going to
19 work their back end off.

20 SENATOR PEELER: But accomplish what?
21 We've been doing that for a year and a half
22 now.

23 CHAIRMAN LEATHERMAN: Yeah, Senator, but
24 that's why I'm sending the schedule down to a
25 group that's small enough to get something

1 done.

2 SENATOR PEELER: So can the subcommittee,
3 can they negotiate, for lack of a better word,
4 with Santee Cooper and receive information from
5 them? What can they stack to their reform
6 definition is?

7 CHAIRMAN LEATHERMAN: No. They can come
8 back and tell us we believe that if it goes to
9 the reform -- and I believe that's the best way
10 to go -- come back, we believe this is what the
11 bill should contain.

12 SENATOR PEELER: We rejected the three, I
13 think. We're rejecting the sale; we're
14 rejecting the management. The only thing the
15 subcommittee is going to come back with is the
16 reform plan? Or did I miss --

17 CHAIRMAN LEATHERMAN: Unless they decide
18 to go back to the sale and the --

19 SENATOR PEELER: They could.

20 CHAIRMAN LEATHERMAN: Well, they could. I
21 just don't believe they will, the subcommittee
22 I'm going to appoint, Senator.

23 SENATOR SETZLER: Mr. Chairman, again, I
24 think that's where the Senator from Cherokee
25 keeps trying to go. If the subcommittee's

1 scope is only to deal with robust reform, I
2 interpret that they can't go back to sale or
3 management, period. They are bound by that
4 direction from you.

5 CHAIRMAN LEATHERMAN: I'm fine with that.
6 I accept that.

7 Any other member? All right. We've got a
8 motion. Are we ready to vote? Mike, call the
9 roll.

10 MR. SHEALY: The motion is to reject all
11 three of the proposals as presented.

12 Chairman Leatherman?

13 CHAIRMAN LEATHERMAN: Aye.

14 MR. SHEALY: Aye. President Peeler?

15 SENATOR PEELER: Aye.

16 MR. SHEALY: Aye. Senator Setzler?

17 SENATOR SETZLER: Aye.

18 MR. SHEALY: Aye. Senator Matthews?

19 SENATOR MATTHEWS: Aye.

20 MR. SHEALY: Aye. Senator Reese?

21 SENATOR REESE: Aye.

22 MR. SHEALY: Aye. Senator Alexander?

23 SENATOR ALEXANDER: Aye.

24 MR. SHEALY: Aye. Senator Grooms?

25 SENATOR GROOMS: Aye.

1 MR. SHEALY: Aye. Senator Verdin?

2 SENATOR VERDIN: Aye.

3 MR. SHEALY: Aye. Senator Cromer? Not
4 voting.

5 Senator Jackson?

6 SENATOR JACKSON: Aye.

7 MR. SHEALY: Aye. Senator Williams?

8 SENATOR WILLIAMS: Aye.

9 MR. SHEALY: Aye. Senator Campbell? Not
10 voting.

11 Senator Davis?

12 SENATOR DAVIS: Aye.

13 MR. SHEALY: Aye. Senator Nicholson?

14 SENATOR NICHOLSON: Aye.

15 MR. SHEALY: Aye. Senator Sheheen? Not
16 voting.

17 Senator Martin?

18 SENATOR MARTIN: Aye.

19 MR. SHEALY: Aye. Senator Scott?

20 SENATOR SCOTT: Aye.

21 MR. SHEALY: Aye. Senator Allen?

22 SENATOR ALLEN: Aye.

23 MR. SHEALY: Aye. Senator Gregory? Not
24 voting.

25 Senator Bennett?

1 SENATOR BENNETT: Aye.

2 MR. SHEALY: Aye. Senator Corbin? Not
3 voting.

4 Senator Hembree? Not voting.

5 Senator Johnson?

6 SENATOR JOHNSON: Aye.

7 MR. SHEALY: Aye.

8 CHAIRMAN LEATHERMAN: Mike tells me the
9 vote is 17-zero, so it carries.

10 I'll appoint the subcommittee. Let me go
11 ahead and do that right now and get that over
12 with.

13 I'll ask Senator Setzler and Senator
14 Alexander to cochair the subcommittee. Senator
15 Setzler has had a 22-month training period on
16 the last subcommittee that he wrote me a letter
17 and wanted to be on.

18 SENATOR SETZLER: I'll never write you
19 again, Mr. Chairman, I promise.

20 CHAIRMAN LEATHERMAN: Along with him will
21 be Senator Grooms, Senator Davis, and Senator
22 Johnson.

23 Good luck to you all. And if somebody
24 insists they want to get on it, please let me
25 know, and you will be put on it.

1 SENATOR SETZLER: Mr. Chairman, Senator
2 Alexander and I -- the Senator from Oconee and
3 I have talked, and we would like to notify the
4 committee that the subcommittee you've just
5 appointed, we will meet at 10:00 Tuesday
6 morning in this room to begin our work.

7 SENATOR DAVIS: Please say that again.
8 I'm sorry, sir. What was that again? I missed
9 it.

10 SENATOR SETZLER: We'll meet at 10:00
11 Tuesday morning in this room.

12 SENATOR JACKSON: Mr. Chairman, I speak on
13 behalf of all of us who were not appointed:
14 Thank you very much. We really do appreciate
15 it. I'm sure I'm speaking for the rest of my
16 colleagues.

17 SENATOR PEELER: Mr. Chairman, maybe I
18 heard wrong. You all are going to meet Tuesday
19 and give the full committee a report Wednesday?

20 SENATOR ALEXANDER: No. He's going to
21 meet Tuesday.

22 SENATOR PEELER: But the deadline is
23 Wednesday?

24 CHAIRMAN LEATHERMAN: Senator Peeler, I
25 guess -- I guess they would hope that the

1 Senate would say you're not meeting the
2 timeline and discharge.

3 SENATOR ALEXANDER: Mr. Chairman, it would
4 be my understanding that there would be -- with
5 the adoption of this motion, that there would
6 be a report sent to the Senate --

7 CHAIRMAN LEATHERMAN: Correct.

8 SENATOR ALEXANDER: -- saying that the
9 three positions have been rejected, and that
10 would be the report. And this -- that frees
11 that subcommittee to get about its business.

12 SENATOR PEELER: That's all you had to
13 say.

14 SENATOR SETZLER: Mr. Chairman, also, if I
15 could -- if you'd be kind enough, I think it's
16 your intent, just to be sure the committee
17 understands this, that when the subcommittee
18 reports and the full committee takes it up and
19 votes on it, that it clearly is going to
20 Judiciary. They're going to have a role in
21 this.

22 And the one great benefit of that is every
23 member of the Senate will then have been
24 involved in this process when it gets to the
25 floor.

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CHAIRMAN LEATHERMAN: All the Judiciary members will be involved, and all the Finance members will be involved. You're right.

Anything else?

Again, thank you all. It's been a long journey for me, and maybe you. We'll start moving forward. I thank everyone for coming.

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(Proceedings were concluded at 2:27 p.m.)

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CERTIFICATE OF REPORTER

I, Cynthia First, Registered Professional Reporter and Notary Public of the State of South Carolina at Large, do hereby certify:

That the foregoing proceedings were taken before me on the date and at the time mentioned on page 1 and the proceedings were recorded stenographically by me and were thereafter transcribed under my direction; that the foregoing transcript as typed is a true accurate and complete record of the proceedings to the best of my ability.

I further certify that I am neither related to nor counsel for any party to the cause pending or interested in the events thereof.

Witness my hand, I have hereunto affixed my official seal this 3rd day of March 2020, at Chapin, Lexington County, South Carolina.

Cynthia First

Cynthia First
Registered Professional Reporter
Notary Public
State of South Carolina at Large
My Commission expires:
October 16, 2028