

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 SANTEE COOPER

DATE TAKEN: Wednesday, February 26, 2020
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Room 105
Columbia, South Carolina
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Thomas D. "Tom" Corbin
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GIVEN BY: MARK BONSTALL, President & Chief Executive Officer	
M. MICHAEL BAXLEY, Vice President & General Counsel	
PAMELA WILLIAMS, Senior Vice President and Chief Financial Officer	
CHARLES DUCKWORTH, Deputy CEO & Chief of Planning	
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E X H I B I T S

(None were proffered.)

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P R O C E E D I N G S

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CHAIRMAN LEATHERMAN: I'm told we have a quorum, so we'll get started.

First of all, Mr. Baxley, thank you for providing cases pending out there. The members asked for that. Thank you for that. I appreciate it.

I appreciate you getting the two here for us today. I understand they're here. And thank you for doing that.

MR. BAXLEY: Yes, sir. Thank you.

CHAIRMAN LEATHERMAN: Mike, who is first up?

MR. SHEALY: Mr. Chairman, if I may before we begin, the second round, just by way of announcements, there will not be a meeting tomorrow of this committee. Part of the reason for that is for the members of the committee here who might have an interest, Santee Cooper will be at the House Ways and Means Committee tomorrow testifying.

In addition, if any member wishes for the chairman to consider a callback of people who

1 have previously testified, if you would let me
2 know by Friday at noon, and I'll prepare that
3 list for the chairman for any callback that you
4 may want.

5 Senator Setzler, I do have on the list your
6 request for Ms. Boykin to testify, and I'll get
7 that to the chairman.

8 SENATOR SETZLER: And Mr. Robuck.

9 MR. SHEALY: Before we begin, Mr. Bonsall,
10 are Mr. Crosby and Mr. Cherry here?

11 MR. BONSTALL: Yes, they are.

12 MR. SHEALY: If I could get the two of them
13 to stand so I could swear them in.

14 Do you swear the testimony you give shall
15 be the truth, the whole truth, and nothing but
16 the truth so help you God?

17 (So sworn.)

18 MR. SHEALY: Thank you.

19 Senator Setzler has the first second round
20 questions.

21 SENATOR SETZLER: Thank you, Mr. Chairman.

22 Ms. Williams, I guess this will go to you,
23 but I'm not interesting in publishing what each
24 attorney made, but if I'm reading the
25 information that was provided correctly, there

1 are seven individuals that Santee Cooper is
2 paying their legal fees and to date have paid
3 approximately \$1.7 million in legal fees.

4 MS. WILLIAMS: Senator Setzler, I am going
5 to look to Mike Baxley.

6 SENATOR SETZLER: That will be great.

7 MR. BAXLEY: Yes, sir, Senator, that's
8 correct.

9 SENATOR SETZLER: Are those criminal cases
10 or civil cases or both?

11 MR. BAXLEY: Those are both.

12 SENATOR SETZLER: Now, you provided us a
13 list of pending cases?

14 MR. BAXLEY: Yes, sir, we have.

15 SENATOR SETZLER: And how many of those on
16 this list are settled? I realize Cook, for
17 example, is supposedly settled.

18 MR. BAXLEY: Yes, sir. And, Senator, we
19 have sent several documents. I'm not sure of
20 the exact -- may I see a copy of the document
21 and I'll be more than happy to respond.

22 SENATOR SETZLER: It's 25 pages. Pretty
23 detailed explanation of each case. We just
24 received it, so I haven't had time to look at
25 it.

1 MR. BAXLEY: Yes, sir. So in this case,
2 from this list, the Cook and related cases are
3 in the process of settlement. When I say
4 related cases, I'm talking about LeQuire and
5 Glibowski. The second case listed is Glibowski.
6 The third one is Turka, and that case is still
7 pending. That's over our mini bonds. And the
8 rest remain --

9 SENATOR SETZLER: Let's stop right there,
10 Mr. Baxley.

11 On Turka, which I believe an order was
12 issued by the Court, letting that case go
13 forward. I haven't had time to read the whole
14 thing. Is that correct?

15 MR. BAXLEY: That is correct, yes, sir.

16 SENATOR SETZLER: Have you determined the
17 potential liability to Santee Cooper of that
18 case?

19 MR. BAXLEY: Yes, sir, we have.

20 SENATOR SETZLER: And what do you put as
21 the potential liability?

22 MR. BAXLEY: Well, if you estimate it by
23 the claims of the plaintiffs, it would be
24 somewhere between 5- and \$38 million. Santee
25 Cooper values it at less than \$5 million.

1 And, Senator, if you'll permit me, I'm
2 going to step over and get a document that I
3 have to answer your questions.

4 SENATOR SETZLER: Sure. Mr. Baxley, I may
5 can shortcut you going through this whole thing.

6 MR. BAXLEY: Yes, sir.

7 SENATOR SETZLER: So the Westinghouse case
8 is still pending?

9 MR. BAXLEY: It is pending and settlement
10 negotiations are ongoing.

11 SENATOR SETZLER: And what is your loss
12 risk evaluation of that case?

13 MR. BAXLEY: Just one moment, please.

14 So that depends on the value of the
15 equipment. We actually are looking to receive a
16 gain from that case once we can sell the
17 equipment. We believe that the Westinghouse
18 claim is somewhere in the -- hold on just one
19 moment. I want to make sure --

20 SENATOR SETZLER: What I'm asking is what
21 is Santee Cooper's potential liability under the
22 litigation that they have filed against you?

23 MR. BAXLEY: Yes, sir. That would be
24 somewhere in the 300- to \$400 million range.
25 But let me just make sure I answer you

1 correctly, Senator. That is based upon what the
2 property out there eventually sells for. It's
3 derivative of the value of the property.

4 SENATOR SETZLER: Okay. And then you've
5 got Hearn pending?

6 MR. BAXLEY: Yes, sir.

7 SENATOR SETZLER: And what's your loss risk
8 evaluation on that case?

9 THE WITNESS: Plaintiff's claim is for
10 \$600 million.

11 SENATOR SETZLER: Okay. Other than that,
12 you don't have any other pending litigation at
13 this point?

14 MR. BAXLEY: We have other pending
15 litigation, but it's not material.

16 SENATOR SETZLER: That's not settled or in
17 the process of being settled?

18 MR. BAXLEY: Well, we have other standard
19 claims of which anyone has running a business,
20 such as workers' compensation claims, insurance
21 reserve fund claims, and other matters. But my
22 response to you is they are not material to the
23 operation of Santee Cooper.

24 SENATOR SETZLER: Is loss risk evaluation
25 listed on your balance sheet? Do you show that

1 as a potential liability of Santee Cooper?

2 MR. BAXLEY: Let me confirm that with
3 administration and finance. Just one moment.

4 We only booked that as showing a liability
5 if it's probable that it will be paid out. We
6 are defending all of these claims. We have
7 defenses to these claims and thus we have not
8 booked them as extant liabilities at this time.

9 SENATOR SETZLER: So you don't set aside
10 any reserve for potential claims?

11 MR. BAXLEY: Well, one of the things that
12 our new CEO, Mr. Bonsall, has suggested strongly
13 that we do is that we begin the process of
14 reserve. But we have not, in the past, reserve
15 for specific claims filed against Santee Cooper.

16 SENATOR SETZLER: All right. So,
17 Mr. Baxley, if I'm understanding you correctly,
18 that's approximately a billion dollars in
19 potential claims against Santee Cooper; is that
20 right?

21 MR. BAXLEY: That would be -- by that math,
22 that would be correct, yes, sir.

23 SENATOR SETZLER: And with a billion
24 dollars in claims currently as Santee Cooper
25 exists, that liability would be to the rate

1 payers of Santee Cooper if they are successful?

2 MR. BAXLEY: Well, ultimately. But,
3 remember, we do have some insurance proceeds and
4 coverages that will answer some of those
5 demands. But ultimately any cost we incur is
6 passed through to the rate payers, yes, sir.

7 SENATOR SETZLER: But if Santee Cooper has
8 an asset-only sale and the liability stay with
9 Santee Cooper, which is the state, then that
10 liability would be spread not just to the rate
11 payers but across all citizens of
12 South Carolina.

13 MR. BAXLEY: Under my understanding of the
14 NextEra proposal, yes, sir, that would be
15 correct.

16 SENATOR SETZLER: Okay. Thank you, sir.

17 MR. BAXLEY: Yes, sir. Thank you.

18 SENATOR SETZLER: Mr. Bonsall, you or
19 Mr. Ray, please, sir. Mr. Ray first.

20 MR. RAY: Senator, could I take one moment
21 and recognize Director Herb Leaird, board member
22 from Sumter, South Carolina, is joining us today
23 as well.

24 SENATOR SETZLER: Sure. Thank you.

25 Thank you, Mr. Leaird.

1 Mr. Ray, I think I understood you to say in
2 your opening remarks yesterday that you had a
3 leadership failure and a board failure at
4 Santee Cooper. Did I understand you correctly?

5 MR. RAY: That's correct.

6 SENATOR SETZLER: Well, in reviewing the
7 proposed reform, where is anything in the reform
8 that addresses that leadership and board
9 failure? And let me tell you why I ask that.

10 You got -- I heard you say or heard
11 Mr. Bonsall say, somebody, that Winyah would be
12 kept open for seven years because of employees.
13 No mention on the impact on the rate payers.

14 The resource allocation, why couldn't it
15 have been done earlier, for example? The number
16 of vice presidents has been cut by seven, and we
17 still got 17 vice presidents with 1700 employees
18 and no restructuring. And the proposal is that
19 the board, no offense to them, is for them to
20 stay in place for another 14 years? Could you
21 address some of those for us, please, sir?

22 MR. RAY: Sure. First of all, the fact
23 that we're here today means that we had a
24 failure. The fact that we're writing off 3 and
25 a half billion dollars means we had failures.

1 And those failures belong to the leadership of
2 the company, the chief executive officer and the
3 Board. Plain and simple. No way around that.

4 SENATOR SETZLER: And I commend you for
5 saying that.

6 MR. RAY: I will point out -- I am trying
7 to remember Mr. Bonsall's conversation. What he
8 said related to Winyah was first we have to
9 ensure reliability of the system. So we can't
10 just turn the switch off at Winyah.

11 In addition to that, we need to be mindful
12 of the impact on the community and the employees
13 as we transition away from the Winyah asset as a
14 reserve capacity asset. And we have to do it
15 carefully.

16 Can we do it faster? Possibly. We're
17 going to look at that as an organization, but
18 we're going to do the right thing for
19 reliability, our employees, our community, and
20 we needed to study that some more.

21 Keep in mind that Mr. Bonsall and
22 Mr. Duckworth have only been here six months,
23 and so we continue -- we will continue to look
24 at that issue, Senator. But because we had to
25 put in a reform proposal in a pretty short time

1 frame, I think we've completed a first round
2 assessment, but there is more work to be done.

3 SENATOR SETZLER: I guess, candidly, I
4 don't know that the State has a good choice out
5 of these three. But the fact that no
6 planning -- no plan is in place of succession of
7 leadership just astounds me. And it's going to
8 take time to even begin to address that.

9 MR. RAY: Well, I don't think that's what
10 Mr. Bonsall said.

11 SENATOR SETZLER: Okay.

12 MR. RAY: Mr. Bonsall said he is working --
13 one of the reasons succession planning was on
14 that slide yesterday is because I asked him to
15 put it on that slide. It's important to the
16 Board. It's important to me. It's important to
17 the organization.

18 The reason I had the 30 employees stand up
19 yesterday is I wanted you to know that this
20 organization is -- I can give you the numbers.
21 We have 300 employees that have Associate's
22 Degrees. We have over 200 that have a
23 Bachelor's Degree, have over 115 professional
24 engineers. This is a complicated organization
25 top to bottom.

1 And I actually do take issue with your
2 comment about number of vice presidents. It is
3 a complicated organization requiring key leaders
4 that run the organization. And, frankly, I
5 don't think your focus -- and I apologize for
6 saying this.

7 SENATOR SETZLER: You're not going to
8 offend me in the least.

9 MR. RAY: I don't think you should focus on
10 the number of vice presidents we have. I think
11 you should be focused on whether we're
12 effectively doing our job, delivering service
13 for value. And I think -- frankly, I think the
14 leadership of the Board -- now, you can take
15 shots at any one of us, but the organization,
16 with the right consultants, are in a position to
17 make the decision on what's appropriate
18 compensation for the employees of the
19 organization. And I'll defend the process by
20 which we do that.

21 SENATOR SETZLER: And I'm not offended by
22 that statement, and I take exception to it and
23 accept service on it. But at the same time,
24 this entity is \$5 billion in debt. More than
25 that probably, \$9 billion in debt. So I mean --

1 MR. RAY: It's a little under 7-.

2 SENATOR SETZLER: So if you want to talk
3 about focus, the focus is how did you get there
4 and what are you doing to get out? And I'm not
5 hearing the answers that gets out us. That's
6 the problem that I've got. But at the same
7 time, the other alternative leaves all the
8 liabilities to the state of South Carolina,
9 which is tremendous.

10 MR. RAY: That's correct. So we do -- we
11 do have almost \$7 billion in debt on our balance
12 sheet, and that's the responsibility of the
13 leadership that is here today and those that
14 have gone before us. That's the legacy of where
15 we find ourselves. But are we in a position to
16 work through that, deleverage the balance sheet,
17 reform the company and move forward? My answer
18 is yes.

19 Now, specifically with your comment related
20 to board governance. My view was you all are
21 going to have a very strong opinion on what that
22 should look like. And I didn't think it was
23 appropriate for us to provide too much response
24 in that regard because you all are going to
25 determine what the governance looked like.

1 I can stand here and tell you what my
2 concerns would be on certain issues, but
3 ultimately, that's your decision. And so the
4 comment related to Board terms did not come from
5 the organization. It came from your advisers.
6 And so --

7 SENATOR SETZLER: Are you saying that our
8 advisers recommended additional seven year --
9 two seven-year terms for current Board members?

10 MR. RAY: My understanding is --

11 SENATOR SETZLER: I would like to have them
12 back.

13 MR. RAY: My understanding is after our
14 first submission, before we went to the best and
15 final round, there were comments from the DOA
16 advisers suggesting that we had the term limit
17 as part of our proposal.

18 Am I correct?

19 MR. BONSALL: Yes.

20 MR. RAY: I am correct.

21 SENATOR SETZLER: Well, they certainly
22 didn't recommend that to us.

23 Do you have any thoughts relative to the
24 management agreement?

25 MR. RAY: Are you speaking to the Dominion

1 management agreement?

2 SENATOR SETZLER: Correct. I'm not asking
3 you to lobby for or against.

4 MR. RAY: I'll give you specific comments.
5 I will acknowledge, as I stand here today, that
6 Dr. Keller Kissam is a personal friend of mine.
7 And I --

8 SENATOR SETZLER: And mine.

9 MR. RAY: I think the world of Keller
10 Kissam. But Dominion is not going to allow
11 Keller Kissam to be part of that management
12 team. So Keller Kissam is not who would be
13 coming to Santee Cooper representing Dominion.

14 They didn't tell us who the three were. We
15 haven't seen the resumes for the three. And on
16 the CFO position, do they even have someone with
17 expertise in general accounting standards,
18 board-related accounting? Do they have
19 municipal securities related finance? Do they
20 have experience in credit rating agency
21 discussions related to municipal securities? I
22 don't think so.

23 So what -- and the comment related to the
24 cooperative relationships at Dominion probably
25 are really the cooperative relationships with

1 Keller Kissam as opposed to the organization
2 itself.

3 So I fail to see the value in the
4 management proposal, but that's not my job to
5 analyze. I'm just giving you my personal views
6 on it.

7 SENATOR SETZLER: But during this process,
8 wasn't Santee Cooper exploring a management
9 agreement with somebody?

10 MR. RAY: No, sir. What we were trying to
11 do was talk to our neighboring utilities, both
12 Southern and Dominion, about how we, as
13 neighbors, could work together, find
14 efficiencies related the right-of-way clearing
15 and transmission right-of-ways. Those were the
16 things that the two organizations attempted to
17 do as neighbors. And because of the DOA
18 process, we decided to stop that pursuit.

19 But if I'm standing here today without any
20 DOA restrictions, the first thing we do is make
21 those phone calls and reestablish because all
22 the things that they talked about in their
23 management proposal, we can do as good
24 neighbors, not as a management agreement
25 relationship.

1 SENATOR SETZLER: Either you or
2 Mr. Bonsall, what I'm trying to find out is how
3 many people, households, Santee Cooper serves.
4 And the reason I'm trying to find that out, if I
5 recall, Dominion currently serves right at
6 900,000; Duke serves right at 750,000; I believe
7 are the numbers.

8 And Mr. Robo testified, I thought, that if
9 they were successful in the purchase of
10 Santee Cooper, they would serve 2 million
11 customers in the state. I'm trying to find out
12 if that number is correct.

13 MR. RAY: So I think yesterday we were
14 getting a little caught up in your specific
15 reference to households or meters. I think we
16 serve 2 million customers, generally. That's a
17 combination of direct serve retail customers and
18 cooperative customers.

19 SENATOR SETZLER: That's what I'm after.

20 MR. RAY: Okay.

21 SENATOR SETZLER: So if somebody purchases
22 Santee Cooper, they would be the largest service
23 provider in the state?

24 MR. RAY: I think that is correct, sir.

25 SENATOR SETZLER: And if Dominion were the

1 manager of Santee Cooper, then they would
2 clearly be the largest supplier?

3 MR. RAY: Depending on the level of control
4 they had over Santee Cooper, I would agree.

5 SENATOR SETZLER: All right, sir. We
6 talked yesterday about the property that you
7 currently have is on your books at purchase
8 price, not at the present value. Have you all
9 done any evaluations of that property as to
10 current value? Do you have any appraisals?
11 Done any --

12 MR. RAY: Which property are you referring
13 to, sir?

14 SENATOR SETZLER: All of the other
15 properties that you own, including where Volvo
16 is.

17 MS. WILLIAMS: Senator Setzler, we have
18 done valuations of property that we consider
19 surplus, that the Board has declared surplus.
20 So there's property that we own that we might
21 need for future operations. And we have done
22 evaluation. This would not include the
23 residential lease lots that we can sell -- that
24 we are trying to sell to the people who
25 currently have homes on those lease lots.

1 We did a cut of what we thought we could
2 sell quickly. It was about \$5 million, mostly
3 around the lakes, of property that's not within
4 the FERC boundary that someone doesn't have a
5 home on currently. So we have done that.

6 At Camp Hall, we have about 2,000, just
7 under 2,000 developable acres left there. The
8 most recent sale -- we sold some property. It
9 was for \$70 million -- sorry -- talking about
10 \$70,000 an acre. We continue to market that
11 property.

12 SENATOR SETZLER: All right. Here's what
13 I'm trying to get at.

14 MS. WILLIAMS: Yes, sir.

15 SENATOR SETZLER: You know what you paid
16 for all of this property. If somebody purchases
17 it and they get it at your value you have it on
18 your books, which is what you purchased it for,
19 and it's worth X now, there is a wide gap there.
20 And I'm looking for is that number
21 established -- I've had the number suggested to
22 me that it's a billion dollars difference. I
23 don't know if that's true or not. But if
24 somebody purchases it at whatever the increase
25 in value is, they're getting the windfall in

1 that process.

2 MS. WILLIAMS: Yes, sir. I think that
3 would be a fair way to characterize it.

4 SENATOR SETZLER: Do you have any estimate,
5 guesstimate of the value difference?

6 MS. WILLIAMS: Can I get back to you with
7 that --

8 SENATOR SETZLER: Absolutely.

9 MS. WILLIAMS: -- with a stab at that
10 number. I don't want to take a guess. We have
11 done some evaluations but not all. We'll take a
12 look at that.

13 SENATOR SETZLER: Okay. Okay. Thank you,
14 Mr. Chairman. My 20 minutes are up.

15 MR. SHEALY: Thank you. Mr. Chairman.

16 CHAIRMAN LEATHERMAN: Before we go there,
17 if we will let me ask one or two questions. You
18 asked the question, I think, about the -- you
19 asked the question, I think, about concern and
20 what I heard was I think there were concerns
21 about your interest in employees and your
22 concern on the rate payers. Maybe I missed it.

23 MR. BONSALL: We're a public power entity.
24 We're all about customers and the amount of
25 money that we're taking out of their pocket.

1 To revisit the Winyah question again, the
2 schedule for the retirement of Winyah, we
3 selected on a constructability basis so that we
4 could be assured that we could, in fact, do it
5 and replace an amount of the capacity that was
6 being shut down with other types of capacity in
7 order to preserve reliability in the region.

8 We think the schedule we have proposed is,
9 in fact, doable. If we can accelerate, we can
10 accelerate it concurrently. We have established
11 a goal that we would like to be able to do that,
12 if possible, without -- with a reduction in head
13 count, but without job loss by redeploying those
14 people at the Winyah generating station in the
15 other positions at Santee Cooper, if humanly
16 possible. So we have established that goal as
17 well. They're a concurrent goal.

18 As you know, the results of the reform plan
19 overall are targeted at price stabilization for
20 a long, long period of time. Seven years' worth
21 of price stability at this point forward and
22 aggressive debt reduction. So those are the
23 principal drivers of the reform plan. And we're
24 pleased to have been able to create a difference
25 in the future based on a different research plan

1 for Santee Cooper going forward that yields a
2 lot of savings. So that's good.

3 CHAIRMAN LEATHERMAN: I understand what
4 you're saying. But no concerns for that poor
5 ole rate payer out there trying to make ends
6 meet?

7 MR. BONSALE: They own us. They own us.
8 You own us. They aren't our --

9 CHAIRMAN LEATHERMAN: But yet they're
10 getting stuck maybe.

11 MR. BONSALE: Well, let's look back on the
12 charts.

13 CHAIRMAN LEATHERMAN: Let me ask you
14 another question, if I may. Talking about
15 calling your neighbors at the utilities. At
16 some point in time, did you all sign an MOU with
17 Southern?

18 MR. BONSALE: Let me -- I will answer that
19 question in just a second, sir. But this is the
20 rate chart in relation to our focus on
21 customers, and this is an expression of our
22 interest in their economic well-being. And
23 we're driving real prices of our product down
24 over the course of time and aggressively paying
25 off that debt. That is all customer centric

1 focus and activity. We're pleased to be able to
2 do that.

3 As to the MOU, did I sign an MOU with
4 Southern Company? Yes, I did. And let me give
5 you some of the background on that.

6 We were discussing having a similar MOU.
7 And remember what the MOU did is exactly what
8 Chairman Dan Ray talked about, which is commit
9 the two parties to study whether or not there
10 might be scale economies and operations that we
11 could save money for us as well as them. Tree
12 trimming is the classic example, and I'm sure
13 Mr. Keller Kissam talked to you about that. I
14 hope he did.

15 At that time, Dominion had insured us that
16 they were not going to be a participant in the
17 process. They then changed their mind. I
18 brought that to the attention of Marcia Adams,
19 and we concluded that we could not go forward
20 with somebody that was going to be a participant
21 in the process for obvious reasons. So we
22 truncated that effort.

23 Southern had assured us that they were not
24 a participant in the process as well, so we
25 engaged discussions with them about some similar

1 economies. Obviously, we don't share a service
2 territory, so there's not tree trimming
3 opportunities with Southern. But there could be
4 other opportunities to save money.

5 I discussed that with Marcia as well, and
6 we reached an accord on a Sunday, before the
7 board meeting, that that was going to be okay
8 subject to certain conditions.

9 And some of the conditions were the kinds
10 of things that you heard about before, which is
11 no long-term commitments, no poison pills,
12 nothing. It was just a study agreement. There
13 really wasn't anything to agree to because the
14 studies hadn't been completed as of yet.

15 So, yes, I did sign that one. At the
16 request of the administration, we reversed that
17 and tore it up.

18 CHAIRMAN LEATHERMAN: Let me ask you
19 another question, if I may. You all ultimately
20 stopped that MOU?

21 MR. BONSALL: We did.

22 CHAIRMAN LEATHERMAN: Why did you do that?

23 MR. BONSALL: At the request of the
24 administration, we did that. Marcia changed her
25 mind, and we got a letter that said we now think

1 that's potentially a violation --

2 CHAIRMAN LEATHERMAN: Could it possibly be
3 because Marcia said, "If you go forward, I'm
4 going to seek an injunction"?

5 MR. BONSALL: Oh, she did write me a letter
6 to that effect. Yes, she did. And previously
7 she had said it was fine. So she reversed her
8 opinion on that. I respect that. And we tore
9 up the agreement.

10 But I will say, as Chairman Dan said, if we
11 have the opportunity to go forward, one of the
12 very first things I'm going to do is get back to
13 that MOU because there are savings there for our
14 customers and their customers. And it's low
15 hanging fruit. I want accomplish that as soon
16 as I possibly can, getting savings for our
17 customers on the table by not asking the
18 question: What can we do together to save each
19 other money?

20 CHAIRMAN LEATHERMAN: The question I
21 have -- Pamela, I hate to call you by your first
22 name -- I don't know your second name. I'm
23 sorry.

24 MR. BONSALL: Pamela Williams. The Lady of
25 the Lakes.

1 CHAIRMAN LEATHERMAN: You talked about the
2 Board decided to sell a certain piece of
3 property no longer needed.

4 MS. WILLIAMS: Yes, sir.

5 CHAIRMAN LEATHERMAN: Is this in that
6 category or not?

7 MS. WILLIAMS: It is not currently declared
8 surplus.

9 CHAIRMAN LEATHERMAN: Wow. It's a nice
10 resort, isn't it?

11 MS. WILLIAMS: It's our conference center,
12 Senator.

13 CHAIRMAN LEATHERMAN: It's a nice resort,
14 isn't it?

15 MS. WILLIAMS: I think it's a pretty spot.

16 CHAIRMAN LEATHERMAN: It is a beautiful
17 spot.

18 SENATOR SETZLER: I'm good. I used up my
19 20 minutes.

20 SENATOR JOHNSON: Mr. Chairman, while
21 Ms. Williams is here, might I ask her a
22 follow-up question while she's at the podium?

23 CHAIRMAN LEATHERMAN: Sure.

24 SENATOR JOHNSON: Ms. Williams, you
25 mentioned earlier --

1 CHAIRMAN LEATHERMAN: Senator, you're going
2 to need to get on the list.

3 SENATOR JOHNSON: I don't mind waiting. I
4 just thought --

5 CHAIRMAN LEATHERMAN: Go ahead.

6 SENATOR JOHNSON: Ms Williams, you
7 mentioned earlier about the lease lots at the
8 lakes, which in my area that's been a
9 conversation with a lot of concern. And you
10 mentioned that I think you all were trying to
11 sell some of the lease lots to some of the folks
12 you were leasing it to.

13 MS. WILLIAMS: This has been a longstanding
14 program, Senator Johnson. The FERC boundary,
15 which -- so I'm going to give you a long answer,
16 I apologize in advance. There's a FERC boundary
17 around the lakes. We're required to maintain
18 control of all of the property inside the FERC
19 boundary.

20 Many years ago, I can't -- more than 20
21 years ago, that FERC boundary changed. It got
22 smaller. And so there was property that had
23 been inside the FERC boundary that was no longer
24 inside the FERC boundary. Some of that
25 property, we were leasing to homeowners who had

1 built homes on the property. And so we began a
2 program to gradually set -- we offered if you
3 want to buy your property right off the bat, you
4 know, we'll come up within a valuation and we'll
5 terminate your lease and you can buy your
6 property. Some people did that.

7 For others, we said we will work with you
8 at any time. You can tell us you want to buy
9 your property, and we'll sell it to you. But
10 we're not going to kick you off of your
11 property. And so some of those leases still go
12 out another 20, 30 years and will continue the
13 program.

14 SENATOR JOHNSON: Thank you.

15 MS. WILLIAMS: You're welcome.

16 CHAIRMAN LEATHERMAN: Let me follow up on
17 that, if I may. You're a leaseholder, you're
18 buying the property and valuation. So you must
19 have -- to follow up on Senator Setzler's
20 question, you must have a valuation on these
21 properties?

22 MS. WILLIAMS: On some of these we do, yes,
23 sir. I just don't know off the top of my head.
24 We will pull that together and provide it to
25 you.

1 CHAIRMAN LEATHERMAN: Please do.

2 MS. WILLIAMS: Yes, sir.

3 MR. SHEALY: Chairman, next up on the
4 second round of questions is Senator Alexander.

5 SENATOR ALEXANDER: Mr. Chairman.

6 Actually, I would like Mr. Ray back first
7 to follow up on the discussion.

8 Good morning, sir.

9 MR. RAY: Good morning.

10 SENATOR ALEXANDER: I just had a question
11 following up on the management proposal that you
12 all were going to put in with Southern. It's my
13 understanding from the comments this morning,
14 you all thought that was a good idea to do that.
15 This would be some cost savings measurements
16 that could be put into place. Is that correct?

17 MR. RAY: Just to be clear, Senator, it was
18 not a management agreement. It was a memorandum
19 of understanding to work together to the mutual
20 benefit of each company and save our rate payers
21 money.

22 SENATOR ALEXANDER: And who recommended
23 that?

24 MR. RAY: Let me --

25 SENATOR ALEXANDER: While he's -- the Board

1 chairman -- did the Board take a vote? Did you
2 all approve the MOU?

3 MR. RAY: We never had an opportunity to
4 approve it, Senator.

5 SENATOR ALEXANDER: Okay. Had that been
6 considered in your time on the board prior to it
7 being considered last fall?

8 MR. RAY: It had not.

9 SENATOR ALEXANDER: You've been on the
10 board how many years?

11 MR. RAY: Five years.

12 SENATOR ALEXANDER: Five years. I
13 appreciate your service.

14 MR. RAY: I appreciate yours, sir.

15 SENATOR ALEXANDER: Thank you.

16 So during the past five years, and maybe
17 we've got other board members that have been
18 serving longer, to your knowledge, the MOU with
19 either Southern or Dominion or either of their
20 predecessors have never been discussed by the
21 board?

22 MR. RAY: No, sir. Actually, in my view is
23 should we have? Could we have? Maybe yes. But
24 ultimately that's the utility CEO's job.

25 SENATOR ALEXANDER: It never was brought to

1 you all for consideration?

2 MR. RAY: No, sir. Mr. Bonsall and
3 Mr. Duckworth brought it to our attention. But
4 I will point out that the prior COO, Mr. Marc
5 Tye, was having similar conversations with
6 Mr. Kissam at Dominion in the last 12 months.
7 So whether those conversations had occurred in
8 prior years, I don't know.

9 SENATOR ALEXANDER: They did last fall.
10 Thank you, sir.

11 MR. RAY: You're welcome.

12 SENATOR ALEXANDER: I was wanting to refer
13 back to page 12, I'll get there in a minute. I
14 just want to go back to page 3, one of the
15 highlights that you had there. "What did we
16 find in the low cost provider?" I wanted -- can
17 you help me under whatever framework you have
18 there, it says "9 percent less than an IOU on
19 average."

20 Are we talking about retail rates? Are we
21 talking about wholesale rates? What is the
22 average for a homeowner now, their monthly bill?

23 MR. BONSALL: We are talking about retail
24 rates. And as I understand it, the basis that's
25 normally used in the state of South Carolina is

1 for a residential customer who consumes a
2 thousand kilowatt hours. That's the basis of
3 comparison between Santee Cooper and the three
4 major IOUs.

5 And against the average of the major IOUs
6 we are, I'm told, 9 percent less than that. And
7 I think our average bill at that level is what
8 for the residential customer? \$113 a month.

9 SENATOR ALEXANDER: So do you have a chart
10 that has the other rates? Could you provide
11 that to the committee that would give us a
12 breakdown?

13 MR. BONSALL: Yeah, we can provide that. I
14 don't have it in this presentation.

15 SENATOR ALEXANDER: Right.

16 MR. BONSALL: We can easily provide that.

17 SENATOR ALEXANDER: What about the
18 wholesale rates? How do you compare from that
19 standpoint?

20 MR. BONSALL: Can somebody help me out in
21 comparison with the wholesale prices? We've
22 shown you the price chart in relation to
23 Central, if you consider Central to be a
24 wholesale load. We have other industrial
25 customers as well. There are some cities that

1 we serve.

2 Tell you what, Senator, if I could, could I
3 get you that information back as well?

4 SENATOR ALEXANDER: Yeah. And I think my
5 point is when you're saying that IOU on average
6 are 9 percent less, you're telling me that's on
7 retail. But I would like to see -- you are, as
8 you point out, a pretty significant wholesale
9 provider.

10 MR. BONSALE: Yes.

11 SENATOR ALEXANDER: So I would appreciate
12 that.

13 MR. BONSALE: Okay. I'll do that.

14 SENATOR ALEXANDER: Okay. On page 12,
15 where we were prior to that, I just have a
16 couple of questions on that looking at this in
17 paying your down your debt in the system rates,
18 were you taking -- does that include any impact
19 of growth or reduction on demand?

20 MR. BONSALE: It does. It's based on the
21 load forecast that was included in this reform
22 plan. So it's based on that load forecast. So
23 it is sensitive to load changes. In fact, load
24 forecast changes. The economics are going to
25 change. The research plan is going to change.

1 This picture will change to some degree.

2 So that is one of the major variables that
3 drives the loads and research as planned. And
4 the financial forecast that goes along with it
5 is, in fact, the load forecast.

6 SENATOR ALEXANDER: And again, when we're
7 looking at those changes, I think I heard you
8 testify or mention that there would be one --
9 proposing one rate increase during that period
10 of time?

11 MR. BONSALL: For this forecast, there is
12 one base price increase included in the line
13 that you see on this chart. That's about eight
14 or nine years out. It's 1 percent.

15 All the rest of the increases are different
16 by fuel. And the reason that's the case is
17 because this is a very light capital expenditure
18 forecast. We made that choice so that we
19 weren't adding bricks and mortar to base prices.
20 Instead, we would execute PPAs and keep light on
21 capital expenditures and use our resources to
22 pay down debt.

23 Again, those are choices. This is a
24 proposal. We can change the dials, but we
25 thought this was a very good kind of combination

1 of purposes.

2 SENATOR ALEXANDER: Would that equate at
3 that 1 percent, if that's what I'm hearing you
4 say, on the average homeowner, that would be a
5 little bit over a dollar per month?

6 MR. BONSALL: Yes, sir.

7 SENATOR ALEXANDER: If we could, I would
8 like to go to page 21. I think we talked about
9 that a little bit earlier on the reduction and
10 the coal and the systems, and I understand
11 reliability and things of that nature. Did you
12 put -- and I understand taking care of
13 employees.

14 You're new to South Carolina, but I've
15 experienced over the years the textile industry
16 leaving this state. So I understand the impact
17 on jobs, probably more than a lot of folks do,
18 as a result of those. And they didn't have an
19 option.

20 MR. BONSALL: Right.

21 SENATOR ALEXANDER: So I appreciate your
22 commitment to the employees.

23 MR. BONSALL: Thank you.

24 SENATOR ALEXANDER: Having said that, is
25 there a cost -- using your timeline on that, did

1 you factor in, is there a cost to the rate payer
2 in keeping -- and I understand the reliability,
3 but I think there are probably some other
4 proposals that would have had those numbers
5 changed from that standpoint. Is there an
6 impact on the rate payers as a result of this?

7 MR. BONSALL: The long-term impact is very
8 favorable.

9 SENATOR ALEXANDER: But not doing it in a
10 shorter period of time.

11 MR. BONSALL: Well, again, we think the --

12 SENATOR ALEXANDER: Could you pay off more
13 debt?

14 MR. BONSALL: Maybe incrementally a little
15 bit. The proposal is to do this on what we
16 consider to be a constructable time frame. It
17 does -- that does overlap with the time frame
18 that we think we will need in order to
19 reposition the employees. We will look at that,
20 as Chairman Ray said, and see if we can
21 accelerate and accomplish both purposes in a
22 shorter period of time.

23 If we could, it might save incrementally
24 some money, and as a result of that we would be
25 dedicated to doing that if we could figure out

1 how. We think this proposal is on a
2 constructable time frame. And we don't want to,
3 frankly, overpromise and underdeliver.

4 So that's why we put reasonable -- or what
5 we consider to be reasonable proposals at this
6 point.

7 SENATOR ALEXANDER: Going back on page 39
8 to the reactor cooler. You touched briefly on
9 that yesterday. I'd like to list a little bit
10 more of where you are in that process and walk
11 with that.

12 It's my understanding, is that the one that
13 you're speaking to sell or interest to sell to
14 the Southern Company?

15 MR. BONSALE: Yes. And I believe Senator
16 Setzler asked a question about we are in
17 mediation with Westinghouse. We're making I
18 think great progress and are very close to
19 reaching a final agreement with them. This
20 particular transaction is being conducted
21 outside the confines of that mediation. But
22 there are six of these bumps that exist.

23 SENATOR ALEXANDER: They're wanting to
24 purchase one.

25 MR. BONSALE: Southern Company is wanting

1 to purchase one to serve as a backup. Maybe --
2 they talked about the potential of a second one,
3 but they definitely want one. They have to have
4 one on site soon in order for it to count. It
5 is the same design that they're building in
6 Georgia, so it would fit perfectly.

7 This would be a spare for them, and they
8 have agreed on a purchase price, as I mentioned
9 yesterday, \$25 million. They want to place that
10 money in escrow so that they can secure their
11 rights to this pump. This pump has a serial
12 number, and it's a specific serial number that
13 they want.

14 SENATOR ALEXANDER: You mentioned purchase
15 price that they're wanting to pay for it.

16 MR. BONSALL: They have committed to pay
17 \$25 million for this pump.

18 SENATOR ALEXANDER: What is the cost of it
19 when it was bought new?

20 MR. BONSALL: I'm going to have to get that
21 answer for you. I do not know. That was a long
22 time ago. I don't have the answer for that.
23 I'll get it for you.

24 SENATOR ALEXANDER: That concludes at this
25 point.

1 MR. SHEALY: Mr. Chairman, next up is
2 Senator Cromer.

3 MR. BONSALL: Okay. Apparently, we paid
4 \$20 million for it.

5 CHAIRMAN LEATHERMAN: We might be
6 interested in that conversation.

7 MR. BONSALL: Yes.

8 SENATOR ALEXANDER: So you paid 20 million
9 for it; is that correct?

10 MR. BONSALL: Yes. Mr. Cherry indicates
11 that we paid \$20 million for that.

12 SENATOR ALEXANDER: Thank you.

13 SENATOR CROMER: Thank you, Mr. Chairman.

14 Mr. Bonsall and Mr. Ray and Ms. Williams,
15 we appreciate -- Mr. Baxley -- all of you all
16 being here yesterday and today and trying to
17 give us some good answers and some ideas and
18 facts that we can use to make our decisions that
19 we've got to make sometime later on. I do
20 appreciate that.

21 First of all, I wanted to ask you, how does
22 Santee Cooper compare in size or customer base
23 compared to Salt River Project?

24 MR. BONSALL: Santee Cooper on a revenue
25 basis and size basis is in the neighborhood of

1 about two-thirds. Maybe a little bit -- maybe a
2 tick less about two-thirds the size of Salt
3 River project.

4 Santee Cooper has got more -- less retail
5 customers. The SRP had in excess of a million
6 retail customers. Santee Cooper has got a
7 different mix of customers, but we, as well, had
8 industrial customers and also -- just a
9 different proportion of mix.

10 SENATOR CROMER: But essentially pretty
11 close to the same size. A little smaller, but
12 close.

13 MR. BONSALL: Comparison size in utility is
14 really important, so ...

15 SENATOR CROMER: Yeah. Ms. Williams, they
16 keep referring to you as the Lady of the Lake.
17 Did you know that this in my district -- you
18 keep your seat. I'm making a statement
19 question.

20 Did you know that in my district there in
21 Chapin, we have a Catholic church named Our Lady
22 of the Lake?

23 MS. WILLIAMS: I did not know.

24 SENATOR CROMER: Anyway, back to the
25 questions.

1 Do you think, based on all of the
2 information you presented to us, that you can
3 meet the rate projections for the next 20 years
4 or so and not jeopardize your credit rating?

5 MR. BONSALL: You know, as Charlie
6 Duckworth indicated, we do planning against a
7 wide range of scenarios and want to have our
8 plan be as robust as possible against a number
9 of different futures. I will tell you that I
10 think this is a very robust and very well-vetted
11 forecast.

12 That having been said, I'm old enough to
13 have lived through the Arab oil embargo and
14 there are things like that that can happen that
15 throw you completely off kilter or just
16 unanticipated, exogenous occurrences. So you
17 always have to be aware of that.

18 But because of the way this plan is
19 constructed, modular, low cap, low cap X,
20 maintain balance, utilize new technologies that
21 basically are lower cost than our existing cost
22 to drive that cost down and systematically
23 reduce debt, it's a pretty solid -- it's a
24 pretty solid forecast. I'm pretty content that
25 we can maintain those price forecasts. I really

1 am.

2 SENATOR CROMER: And I heard this from
3 somebody in the organization. I think you're
4 projecting, what, somewhere around 19 or 20
5 years to pay off that 3.6, 3.8 billion on the
6 nuclear?

7 MR. BONSALL: It's actually 12 years. We
8 pay off that amount of debt within 12 years.

9 SENATOR CROMER: You pay that off in 12
10 years. And you can do that without causing any
11 penalty payments on the bonds or whatever, like
12 NextEra was talking about, an additional billion
13 dollars for paying off bonds early?

14 MR. BONSALL: Yeah. It's important to
15 understand with the way that we put that is that
16 we would pay off an amount equivalent to the
17 debt that's attributed to nuclear. Because of
18 this -- because of the way you attribute use
19 driven by, frankly, what are called private use
20 restrictions and the municipal bond law. It's
21 not the specific nuclear debt. But all that
22 debt is the same, and that's a difference in
23 name only.

24 So we're paying off an amount equal to what
25 is attributed as the nuclear debt within that

1 12-year period, 3.6 billion. There aren't any
2 penalties because what we're trying to do is, in
3 fact, pay off debt precisely when there are no
4 penalties.

5 SENATOR CROMER: And I guess the next
6 question, you've only been there how long now at
7 Santee Cooper?

8 MR. BONSALE: Since July.

9 SENATOR CROMER: Since July. So you
10 wouldn't know the answer to my next question,
11 and possibly Mr. Ray would.

12 So, Mr. Ray, if you would step up and --
13 Mr. Ray, we're not going to rehash any old
14 criticisms. He and I met sometime ago, and he
15 sort of incurred a little bit of the wrath of
16 Ronnie Cromer on some of the things that had
17 transpired at Santee Cooper.

18 And he told me, when I apologized to him at
19 the end of our session, that he had been in the
20 military for ten years and he was used to being
21 able to take a good rear-end -- I'll clean it
22 up -- a good rear-end chewing.

23 And I told him, I said, "That's great
24 because I was in the military for 30 years, and
25 I learned to give a good rear-end chewing." So

1 I won't put you on the spot anymore as far as
2 that goes.

3 Mr. Ray has only been there five years, I
4 think, and he was not there for the initial
5 decision-making process on the 45 percent and
6 the two nuclear stations.

7 But, Mr. Ray, I've heard this comment from
8 several people, and some of them -- nobody --
9 let me clear this up. Nobody at Central has
10 said this to me, but I've heard it in passing
11 with some of my colleagues, that there had been
12 a little bit of -- and please don't take this
13 the wrong way, but more of an arrogant attitude
14 with the board in dealings in the past with
15 Central and some of the other things that arose.

16 Are you familiar with that type of culture
17 being prevalent at Santee Cooper with the board?

18 And quite honestly, as I said, Mr. Bonsall
19 has not been there that long. We could be
20 talking about the former CEO or two former CEOs
21 ago that all of that transpired with. I don't
22 know. I mean, I wasn't there, and I'm not that
23 privy to the intricate workings of
24 Santee Cooper.

25 But I have heard that on more than one

1 occasion from several different people, who that
2 gives me a little pause and maybe cause for
3 concern as to how do we have a good working
4 relationship with Central and some of the other
5 customers if the board has that kind of an
6 attitude? And that would be my question on
7 that.

8 MR. RAY: So, Senator, that's a fair
9 question, and it's an accurate observation.

10 Now, I would say generally when you have a
11 customer relationship like Santee Cooper has
12 with the cooperatives, where they're a very
13 large customer, a very demanding customer, and
14 you're trying to follow an agreement, a
15 contract, then the contract's going to guide the
16 principal decision making around that. But at
17 the same time, they're our biggest customer and
18 we have to have a good relationship with them.
19 No question.

20 Now, where we find ourself today is they
21 sued us. And we've got to work through that,
22 and we're working through that. Prior to that,
23 you know, decisions that were made or
24 relationships that were established or a culture
25 of relationship by the prior CEO, I think that's

1 a fair criticism.

2 I will tell you that when I got on the
3 board, I tried to improve that relationship.
4 You don't know this about me, Senator, but I'm a
5 big duck hunter. I love to duck hunt. It's a
6 passion of mine. And I invited several of the
7 co-op CEOs to come duck hunt, spend a weekend
8 with me, fellowship, get to know each other, and
9 I thought that was a useful exercise. And I
10 suspect they enjoyed it as well.

11 But I will tell you we need to do more of
12 that, and we need to move forward. We need to
13 move forward together to improve the lives of
14 South Carolinians. And we can do that. We can.

15 SENATOR CROMER: And, Mr. Ray, I was a duck
16 hunter, also, until I was with a friend one day
17 and I killed three in one shot and then find out
18 they were decoys.

19 MR. RAY: No comment.

20 SENATOR CROMER: Do you think going forward
21 you all can have a good working relationship? I
22 know Central is in the office. And I know it
23 takes two to tango, as the old saying goes. So
24 maybe there was a little bit on both sides. I
25 don't know because, again, I wasn't privy to

1 that. Just based on hearsay, unfortunately.

2 MR. RAY: Fair. Look, it takes two to make
3 a relationship work. And we need to fix that.
4 We will fix that. But it has to be balanced.
5 They're a customer. We have other customers.
6 And it needs to be a balanced relationship, and
7 I think we're all capable of negotiating a
8 balanced, fair deal for everybody.

9 SENATOR CROMER: And sounds like you have
10 made some progress toward those goals with the
11 settlement of the lawsuit and the amount that
12 you settled for and all that. Sounds to me like
13 maybe you made some progress, you would think?

14 MR. RAY: I would answer it this way: Yes,
15 we have the framework of an agreement. There's
16 work left to be done. There's some key issues
17 left on the table. We've got to work through
18 those. We worked through those during the night
19 last night. We have folks working on that as we
20 speak today, and they're important key issues
21 and we need to solve them.

22 SENATOR CROMER: I had one of my executives
23 from one of my co-ops text me some questions
24 last night.

25 MR. RAY: I'm sure.

1 SENATOR CROMER: But the only one that
2 would really be relevant for you is how
3 competitive is Santee Cooper on wholesale
4 cost -- wholesale cost in South Carolina?

5 MR. RAY: I think that's a similar question
6 that was asked a moment ago and we --

7 SENATOR CROMER: Are you going to get us an
8 answer?

9 MR. RAY: We're going to get you that
10 specific information.

11 SENATOR CROMER: That's all I have.

12 MR. SHEALY: Mr. Chairman, next up is
13 Senator Bennett.

14 MR. BONSTALL: If I can amplify on that
15 question a little bit before we -- my apologies.

16 You asked competitiveness in the state of
17 South Carolina for wholesale prices. Wholesale
18 prices that are charged by Santee Cooper, I'm
19 generally aware of their level. And those
20 wholesale prices would be competitive in the
21 state of Arizona given my experience. I just
22 don't have the background in the state of
23 South Carolina. My apologies.

24 SENATOR BENNETT: Thank you, Mr. Chairman.

25 Good morning, Mr. Bonsall. Thank you very

1 much, again, for all of this over the last few
2 days for you and your team.

3 Just a couple of quick questions -- at
4 least I hope they'll be quick. I'm working off
5 of page 8 in your initial presentation, and then
6 I guess slide 2 of your backup documentation.
7 And it has to do with capacity. And you had
8 made several comments yesterday about increasing
9 capacity and also shrinking capacity a little
10 bit in your plans.

11 And as I'm looking at these charts,
12 particularly the one that is in your backup
13 documentation, where it appears to be designed
14 to be a direct comparison to NextEra, kind of
15 highlights to be a -- one of probably many
16 significant differences between how you would
17 run the company versus how NextEra would run the
18 company in this instance, and I guess in this
19 case, when I look at this, I see a tremendous
20 difference in gap between capacity and demand
21 and your load.

22 And first question is --

23 MR. BONSALL: Are you on page 8 now?

24 SENATOR BENNETT: I'm looking at page 8,
25 but I'm really kind of looking more at page 2 of

1 your support documents.

2 MR. BONSALL: The same chart is on that
3 page too. Let me see if I can get there.

4 SENATOR BENNETT: Right.

5 MR. BONSALL: All right. There.

6 SENATOR BENNETT: There you go.

7 Again, it appears that you're saying that
8 in NextEra -- NextEra's approach is not only --
9 not only are they increasing capacity, but
10 they're increasing capacity unnecessarily. Is
11 that accurate?

12 MR. BONSALL: If they stick to this
13 forecast, they're going to be along for a good,
14 long period of time, yes. That's the precise
15 situation we're trying to get out of --

16 SENATOR BENNETT: Sure.

17 MR. BONSALL: -- because long costs money.
18 So the other significant difference here, and,
19 again, these -- I showed these charts in
20 response to a question from Senator Grooms. And
21 we did have them prepared by a consultant. But
22 the other significant difference to your point,
23 these are starkly different plans. They're
24 starkly different approaches, answers to the
25 question: What will you do going forward? And

1 these charts, I think, illustrate as good as any
2 that different approach.

3 We're trying to get back in the balance and
4 preserve the ability to make incremental
5 decisions over the course of time to optimize
6 the research portfolio.

7 If you put in a whole lot of capacity in
8 the next three or four years, you've made the
9 decisions that you're going to make for the next
10 20 years because you're excess. So you're
11 giving up the optionality value. That may end
12 up being a good decision, but I think history
13 will tell you no.

14 SENATOR BENNETT: I guess that's where --
15 that's my first question is it seems to me like
16 any utility, public, private, co-op, however you
17 want to produce and provide energy to a
18 population, would not want to provide for
19 overcapacity. And you would use some sort of
20 baseline load projection figure, which you have
21 here.

22 MR. BONSALE: Right.

23 SENATOR BENNETT: My first question is: Is
24 that blue line the load -- the load line
25 projection, are those typically consistent from

1 utility to utility? I mean, is that there a way
2 to say --

3 MR. BONSALL: How they are constructed?

4 SENATOR BENNETT: -- your load projection
5 is wrong? My formula is right because A, B, C,
6 or are they typically agreed upon in the
7 marketplace?

8 MR. BONSALL: Let me tell you where this --

9 CHAIRMAN LEATHERMAN: Hold on a second.
10 Some of us are looking at page 2, we don't see
11 that. What page are we on?

12 SENATOR BENNETT: I'm looking on page 2
13 of --

14 MR. BONSALL: Of the backup.

15 SENATOR BENNETT: Of the backup charts,
16 Mr. Chairman.

17 CHAIRMAN LEATHERMAN: Thank you, sir.
18 We're just trying to keep up with you.

19 SENATOR BENNETT: Thank you.

20 MR. BONSALL: Let me give you some
21 background information on that blue line, which
22 is the load line. That's the line -- that
23 includes reserves, by the way. So it's the raw
24 load, plus a normal provision for reserves. And
25 you do carry some reserves just in case a unit

1 goes down or weather is more extreme than you
2 had anticipated, et cetera. So you had some
3 reserve built into the load forecast.

4 The question is, how do you serve -- or how
5 do you construct resources to serve that load
6 plus reserves? So that's what the blue line
7 represents. It's load plus reserves. It is
8 load forecasts that we all, in participating in
9 this process, were asked to respond to and build
10 our responses around. So it's common in that
11 sense.

12 And I think it had been vetted, as well,
13 with the engineering consultant for the DOA, and
14 is the sum total of the Santee Cooper load and
15 the load that Central gave us.

16 And that's how we construct our aggregate
17 load forecast is to just simply add those two.
18 They are the sum total of our load. And then
19 Central load is the aggregate load that needs to
20 be served. So that's the background on that
21 blue line.

22 That does include allowance for reserves.
23 It was vetted by E3. To your point, that's how
24 you can take some comfort in that line is that I
25 think it was vetted by E3.

1 SENATOR BENNETT: Let me ask you: Do you
2 agree with that blue load line?

3 MR. BONSALL: I do. I do.

4 SENATOR BENNETT: And I know there's some
5 disagreement, and I appreciate it, too, as far
6 as what the normalized rates were projected to
7 be versus what you think they are. And you
8 think they'll be less, and I can appreciate
9 that. I think NextEra would tell us the same
10 thing. They believe theirs would be less.

11 Do you believe there would be -- and this
12 is probably not a fair question, so I apologize
13 in advance and I'll ask it again next time we
14 have NextEra here.

15 Do you think NextEra agrees with that blue
16 line?

17 MR. BONSALL: Actually, I do not know the
18 answer to that question. I don't know the
19 answer to that question.

20 SENATOR BENNETT: Sure. And the reason I
21 ask is because these are very obviously --

22 MR. BONSALL: Very different.

23 SENATOR BENNETT: -- very different
24 projection lines that cause some questions.

25 MR. BONSALL: The short answer to a version

1 of your question is, were I now forecasting
2 being long for 20 years, I would want to do
3 something about that to bring it back into
4 balance. So not necessarily sure that that's a
5 stable forecast on the bottom of this chart.

6 SENATOR BENNETT: One other just more
7 curiosity than anything, you also mentioned
8 yesterday during your remarks that your prepaid
9 program --

10 MR. BONSALL: Yes.

11 SENATOR BENNETT: -- really resulted in
12 energy use behavior changes.

13 MR. BONSALL: Yes.

14 SENATOR BENNETT: To what extent was that?
15 I know you mentioned some figures yesterday.
16 Was that a 10 percent savings? A 15? Can you
17 quantify it?

18 MR. BONSALL: We started that program
19 probably in the late 1990s, so it had many years
20 of operation. We never marketed it directly.
21 It was all word of mouth. We ended up with
22 180,000 customers on prepaid because they prefer
23 the features of it. It was convenient. They
24 could buy energy in small increments. They
25 never got behind in their bills.

1 But what they really appreciated was that
2 the card reader on the inside of the house told
3 them how many days left of energy they had as a
4 result of the last card charge.

5 And that turned electricity, which is
6 otherwise invisible, and the business model that
7 we've all operated under forever is you consume
8 it, you don't know how much you've consumed, you
9 get a bill later, there's nothing you can do
10 about it. And if you get upside down on your
11 bills, you get into a very -- a credit cycle
12 that, believe me, is not the preference of
13 either our company or the company (sic). So we
14 were looking for a solution to deal with that
15 and we chanced upon this idea.

16 It wasn't actually new, interestingly
17 enough, as I understand it, there were
18 coin-operated meters, there may still be, in
19 London in World War II. And we kind of, gee, I
20 wonder if there's a modern version of that? So
21 we developed that technology with Motorola.

22 You can tell I'm a little bit passionate
23 about the program. I don't mean to take up too
24 much time, but it really is a fundamental
25 reversal of the role between -- traditional role

1 between customer and monopoly utility. And it
2 puts the customer in charge of their
3 consumption.

4 And did they save? Yeah. That little,
5 itty-bitty bit of information -- and on average,
6 year over year, for 180,000 customers, they
7 saved -- they cut their consumption by
8 12 percent. That's a lot.

9 SENATOR BENNETT: So those types of
10 projections all built in to your --

11 MR. BONSALL: They're not because we don't
12 have that in there yet. But we've got the
13 demand side management programs included in the
14 resource finance. We haven't netted the energy
15 yet, but we've got the dedication to the cause.

16 SENATOR BENNETT: How long did it take
17 before you saw behavior changes when somebody
18 started using the systems?

19 MR. BONSALL: Oh, it was pretty much
20 immediate, yeah. And as I mentioned, we used to
21 have -- we had our own -- design our own, we
22 used to have ATM machines basically in grocery
23 stores. Grocery stores loved them because it
24 drove traffic to the grocery store. They would
25 buy some energy and a gallon of milk.

1 But towards the end, we converted it over
2 to where you could recharge your meter because
3 of our smart meter platform remotely as opposed
4 to having to go to the ATM.

5 SENATOR BENNETT: Well, knowing what you're
6 going to spend before you spend it and what
7 you're actually spending it on, that's a novel
8 idea. We should maybe apply that to health
9 care. It would be interesting.

10 Thank you very much.

11 MR. BONSALE: Thank you.

12 SENATOR BENNETT: Thank you, Mr. Chairman.

13 MR. SHEALY: Next up is Senator Grooms.

14 SENATOR GROOMS: Thank you, Mr. Chairman.

15 We've had some conversations earlier today
16 on the reform plan and why is it not
17 accelerated. And I believe that you gave some
18 answers, and that was a question that I had
19 yesterday.

20 And it seemed that in the reform plan,
21 Santee Cooper's head count is higher than that
22 of NextEra's. Would you agree with that?

23 MR. BONSALE: I'm sure that's the case
24 given their -- yes.

25 SENATOR GROOMS: And yesterday we spoke a

1 little bit about reliability. Could you tell us
2 again about Santee Cooper's reliability and how
3 it stacks up with other utilities?

4 MR. BONSALL: The reliability of
5 Santee Cooper -- and this is higher than it was
6 at SRP. That's why I'm so impressed by it.
7 Because we had top decile reliability as
8 measured by the EIA at SRP. And I know what it
9 took to do that. But Santee Cooper is literally
10 number 4 out of 534 utilities. That's top
11 1 percent.

12 SENATOR GROOMS: That's pretty good, right?

13 MR. BONSALL: That's pretty good. I've got
14 to give them credit. That's an amazing
15 statistic. It truly is. I very much give the
16 institution credit for that.

17 SENATOR GROOMS: One of the elements in the
18 new resource plan would be idle Winyah over a
19 period of years?

20 MR. BONSALL: Right.

21 SENATOR GROOMS: What happens if you were
22 to idle Winyah today? You call dispatch and
23 say, "Shut it down," what happens to the system
24 reliability if you closed Winyah today?

25 MR. BONSALL: I'm not the engineer expert

1 on this, but as I understand it, the system is
2 clearly exposed to becoming unstable. That is
3 not a smart thing to do.

4 SENATOR GROOMS: So expand a little bit
5 further, we heard testimony last week that the
6 NextEra plan -- and one of the reasons why there
7 was excess capacity in the conversation you just
8 had with senators from Dorchester, one of the
9 things about the NextEra plan, it does build
10 excess capacity.

11 When asked about that, the response was,
12 "We'd be able to transition away more coal more
13 quickly and idle Cross down to a very small
14 amount of electricity being produced."

15 And let me ask you, if you were to idle
16 Winyah today and Cross today, what happens to
17 system reliability?

18 MR. BONSALL: It goes to hell, if I can use
19 that phrase.

20 SENATOR GROOMS: Is it just the
21 Santee Cooper?

22 MR. BONSALL: Did I just make a serious
23 mistake? That's a really bad problem.

24 SENATOR GROOMS: Would that affect just the
25 Santee Cooper system?

1 MR. BONSALL: No, it affects everybody.
2 Reliability is an interconnected phenomenon. So
3 if you're Duke or you're Dominion or you're
4 Southern or anything, and that's the
5 significance of reliability. We all have
6 responsibilities in this business to maintain
7 our system reliability. Because if we don't, it
8 affects other systems' reliability because
9 they're all interconnected.

10 I served as the chair of the Western
11 Systems Coordinating Council, which is the
12 reliability council. There's 10 or 11 of them
13 in the United States. This is for the entire
14 western United States. And I spent a couple of
15 months of my life explaining how a pine tree in
16 Oregon knocked out the entire West Coast and on
17 into Arizona because of the inadequacy of
18 vegetation management. Very simple solution.

19 The point is, all of those systems are, in
20 fact, interconnected. And you get a problem on
21 one, and it simply rolls through to the other.
22 So, yeah, you can cause a lot of damage if you
23 don't maintain your liability.

24 SENATOR GROOMS: Are you aware that the
25 Public Service Commission reviews site plans and

1 resource plans of investor-owned utilities?

2 MR. BONSALL: I am aware of that, yes.

3 SENATOR GROOMS: Are you aware that the
4 proposed legislation from NextEra puts that
5 responsibility on the General Assembly to make
6 for their resource plan and not the Public
7 Service Commission?

8 MR. BONSALL: I think you are a brilliant
9 individual, Senator Grooms, and more than
10 capable of making those reliability decisions.
11 I'm kidding you.

12 SENATOR GROOMS: Okay. I was wondering.

13 MR. BONSALL: I'm not sure that's a good
14 idea.

15 SENATOR PEELER: Mr. Chairman, he is under
16 oath.

17 SENATOR GROOMS: Let me rephrase the
18 question. The 170 members of the General
19 Assembly -- I'm just one of the 170 -- would,
20 collectively, we be in a better position to make
21 that choice than the Public Service Commission?

22 MR. BONSALL: That is truly an expert
23 evaluation. No question about it. You can't
24 believe how complicated that is.

25 In running a utility and chair of the board

1 of WSCC, we had -- at WSCC, we had a staff of 50
2 or 60 people that are quite expert in that and
3 it is an enormously complex evaluation. Should
4 be done by the people who know what -- who are
5 expert in the trade.

6 SENATOR GROOMS: Could you produce for us a
7 resource plan that shows cost savings by idling
8 Winyah today and greatly diminishing Cross
9 output? Could you do that? I'm not saying
10 would you do that. I'm saying could you do
11 that.

12 MR. BONSALL: I think we would probably --
13 yeah, we could develop a load like that. Yes,
14 we could. I would not recommend it, but we
15 could --

16 SENATOR GROOMS: If reliability wasn't a
17 concern at all?

18 MR. BONSALL: If reliability wasn't a
19 concern, yeah. You know, one of the things you
20 have to value, Senator, and I want to go back
21 to -- how do I get out of backup at this point?
22 I'm sorry, Senators. I don't mean to complicate
23 the -- there it is.

24 The question -- but it is a complicated
25 business and one of the things that you need to

1 be attentive to as well is the diversification
2 of resources. The diversification of resources
3 in utility planning has the same effect,
4 favorable effect as diversification in
5 investment management. It's don't -- don't put
6 all your eggs in one basket.

7 And if you reduce the use of human resource
8 so much that you're increasing the use of a
9 different technology, to a very large degree,
10 you're placing the system at risk. You're --
11 due to changes in that particular technology.

12 So we've tried to maintain a balance here.
13 There's a substantial reduction in coal. And I
14 know coal is a topic of great concern amongst a
15 number of people. It does serve as a hedge
16 against other resources. It is a baseload
17 resource. You need baseload resources on your
18 system from the system stability point of view.

19 We will look at -- this is Cross out into
20 the future. This is the -- the right chart
21 reflects Cross out into the future. Obviously,
22 you're going to shift some of the coal
23 generation from Winyah, once you shut it down,
24 over to Cross.

25 But maintaining some -- even EPRI -- and I

1 was on the board of EPRI, Electric Power
2 Research Institute, indicated at one point in
3 time -- and I'm sure they still do. I'll check
4 if you want me to. -- that if the nation is to
5 accomplish certain emission targets going
6 forward, there's still a role for coal.

7 You still have to have some coal in the mix
8 in order to preserve system reliability,
9 frankly. So you've got to be careful and
10 maintain a diversity of resources here.

11 SENATOR GROOMS: Talk to me a little bit
12 more about property value. And Pamela may give
13 you better answers to some of these questions.
14 This goes along with the Senator from
15 Lexington's questions. Everything is listed as
16 book value and not necessarily market value.
17 And that went along with some of the properties.
18 Is that right?

19 MS. WILLIAMS: That's right.

20 SENATOR GROOMS: And we heard something
21 about Wampee. Is that a resource that
22 Santee Cooper is planning on selling at this
23 time?

24 MS. WILLIAMS: It's being used,
25 Senator Grooms. We use it for board meetings

1 and some internal meetings, but it is used
2 largely by members of the community. We offer
3 it up to customers, to nonprofit groups, and to
4 state and local government as a resource. And
5 it is used heavily in that regard.

6 SENATOR GROOMS: Did you know that I was
7 also born in Moncks Corner?

8 MS. WILLIAMS: I did know that.

9 SENATOR GROOMS: And did you know that I
10 place great value on special things, such as
11 historically significant places, such as
12 ecologically important places, such as the
13 Cooper River Corridor, Wampee House or Fair Lawn
14 and numerous places on the lake. Is that a
15 value also to Santee Cooper?

16 MS. WILLIAMS: It is. I mean, it's part of
17 our history. It's where the project started
18 right across the lake at Jeffries. Also, I'll
19 mention the old Santee Canal Park. You did not
20 mention that, but that's part of the history of
21 the area. And it is -- it's a pretty spot.

22 But it's more than just a pretty spot.
23 That probably wasn't a good answer. It is part
24 of the community. It's used heavily by the
25 community and valued by the community.

1 Emergency responders use the boat ramp there if
2 there's an accident on the lake. So it's a lot
3 more than a pretty spot. So thank you for
4 allowing me to follow up.

5 SENATOR GROOMS: Would that place some of
6 these special places that are really valuable to
7 really the people of South Carolina, would they
8 have a different valve, let's say, to Florida
9 developers?

10 MS. WILLIAMS: I believe that is very
11 possible.

12 SENATOR GROOMS: I'm not saying which
13 Florida developer. Let's say developers in
14 general. I believe that Santee Cooper has a
15 treasure trove of resources that would be very
16 valuable to certain developers.

17 MS. WILLIAMS: We certainly try to balance
18 our commitment to the environment and to the
19 communities to public access with making sure
20 that our properties around the lakes bring in
21 some return that's fair for all of our rate
22 payers. We are not motivated to sell off all
23 that property to make a profit on it. We try to
24 balance all of those competing interests.

25 SENATOR GROOMS: Up on the lake and Lake

1 Keowee, up in Senator Alexander's area, are you
2 familiar with that lake a little bit?

3 MS. WILLIAMS: A little bit.

4 SENATOR GROOMS: Have you ever been on that
5 lake on the weekend with the number of boats and
6 houses and the congestion that's there?

7 MS. WILLIAMS: I have not, but I take your
8 word for it.

9 SENATOR GROOMS: I was wondering if you
10 could --

11 MS. WILLIAMS: Sorry. I didn't go to
12 Clemson, I'm sorry.

13 SENATOR ALEXANDER: Your loss.

14 MS. WILLIAMS: I know.

15 SENATOR GROOMS: But that utility was able
16 to open up most of the lakefront property for
17 development. I'm wondering -- and
18 Santee Cooper's lakefront property, most of it
19 is not opened up to development, is it?

20 MS. WILLIAMS: That's correct. A lot of
21 the lakefront property is dams and dikes, so
22 it's not developable. And we have tried to, in
23 a smart way, allow public access, you know, in
24 partnership with counties and other
25 municipalities, with private concerns who lease

1 property to provide access to the public, and to
2 provide residential communities so that, you
3 know, people with -- not jammed in, not condos,
4 so that we retain the value of the lakes.
5 They're beautiful places.

6 Sparkleberry Swamp. I don't know who's
7 been up to the upper part of Lake Marion. It's
8 one of the most amazing places. I'm going to
9 get -- he gets happy about AMI. I get happy
10 about talking about Sparkleberry Swamp. There's
11 some very beautiful places on the lake, and we
12 want them preserved.

13 SENATOR GROOMS: Did you know that the
14 former president pro tem of the Senate and I
15 often jet ski around Sparkleberry?

16 CHAIRMAN LEATHERMAN: Let's stick to our
17 subject here.

18 SENATOR GROOMS: I'm sorry.

19 MS. WILLIAMS: I apologize.

20 SENATOR GROOMS: This is probably back to
21 Mr. Bonsall. There were some questions earlier
22 I think from at least two senators regarding
23 wholesale prices where -- and I think there's an
24 attempt to try to get some comparisons, I say,
25 between on the Central agreement with

1 Santee Cooper prices and also the prices that
2 are offered to Central by Duke. That was part
3 of some conversations that occurred with the ICF
4 process.

5 I believe during the ICF process, we were
6 presented with charts with Santee Cooper's
7 pricing to Central and a normalized pricing on
8 wholesale customers. Just trying to cut to the
9 chase and get to the bottom line here, I think
10 it would be helpful to be able to compare
11 Santee Cooper's prices to Central and Duke's
12 prices to Central.

13 Do you have information -- I'm sure you
14 have information regarding Santee Cooper's
15 prices to Central, but do you have information
16 regarding Duke's contracted prices to Central?

17 MR. BONSALL: I personally don't. I have
18 not seen that. Let me ask staff if we can.

19 This is our pricing manager, Mike Smith.

20 CHAIRMAN LEATHERMAN: Name for the record,
21 please.

22 MR. SMITH: Yes, sir. My name is Mike
23 Smith. I'm the group leader of pricing at
24 Santee Cooper.

25 Yes, Senator, we did do a comparison of

1 Santee Cooper rates to Central as compared to
2 our rates. And we were able to get that
3 information from publicly available resources.
4 Specifically from a website that we subscribe to
5 that provides information that is provided by
6 government agencies.

7 In fact, what we were able to discern from
8 those documents that are -- that website was
9 that were pricing was consistent with the
10 pricing that Central was receiving from Duke on
11 some occasions, in some years a little bit less,
12 in some years a little bit more, but it was
13 relatively consistent with what they were
14 receiving.

15 SENATOR GROOMS: Has there been any
16 analysis going forward under the reform plan
17 what the pricing would be with Central?

18 MR. SMITH: There has been an analysis
19 according to the reform plan. It's included in
20 the reform plan.

21 SENATOR GROOMS: Is there any way of
22 extrapolating out what Duke's prices might be
23 going forward? Did you do any type of analysis
24 like that?

25 MR. SMITH: No, sir, we have not.

1 SENATOR GROOMS: Let me ask you a little
2 bit about the pricing going forward. And this
3 may be back to Mr. Bonsall, but thank you for
4 that.

5 But under a post joint resolution world,
6 where you're able to freely negotiate other
7 things with Southern Company, Dominion, even
8 able to negotiate with Central, in a post joint
9 resolution world, do you believe in
10 collaboration with Central that should be able
11 to better perfect the reform plan?

12 MR. BONSALL: I do, yeah. Absolutely. I
13 would love to have the opportunity. It's been
14 -- I don't want to say frustrating is not the
15 right word to apply. It's -- we followed the
16 rules, but we have not been able to engage in
17 those kind of discussions. To the extent I
18 would prefer, as a result of the DOA process,
19 and I understand the reasons, therefore, I'm not
20 being critical, but that's one of things that --
21 I think I put that on my list, as a matter of
22 fact, it's one of the very first things I want
23 to do once we have the opportunity.

24 SENATOR GROOMS: So it's true that you have
25 a high degree of confidence that the reform plan

1 can be further perfected to have lower costs in
2 collaboration with Central?

3 MR. BONSALL: It is, yes.

4 SENATOR GROOMS: If you're able to have
5 negotiations in collaboration with Southern
6 Company, do you believe you would be able to
7 better perfect the reform plan in terms of cost?

8 MR. BONSALL: Those kinds of efforts to
9 work with neighbors, we did that in Arizona.
10 There are clear economies of scale that can be
11 drawn, and you can reduce costs and thus
12 increase value and satisfaction amongst your
13 customers. So I really look forward to doing
14 that.

15 The first order of business in developing
16 the reform plan, Senator -- I was going in the
17 wrong direction. Sorry about that. -- was to
18 get rid of excess capacity and get your resource
19 plan straightened out, optimized, modernized,
20 et cetera. So that's the first order of
21 business. Because really the bulk of the
22 economics that you can accomplish, the savings
23 you can accomplish relate to loads and
24 resources.

25 The second level -- the next level of

1 savings you need to turn to is that kind of
2 cooperation and coordination, basically trying
3 to achieve scale economies within the operations
4 of the utility. That's what we were trying to
5 turn our attention to. Haven't been able to for
6 various reasons everybody knows.

7 But I want to get right back to that just
8 as soon as we possibly can because I do believe
9 there are savings there that will benefit
10 everybody.

11 SENATOR GROOMS: I believe you're correct
12 in that, and it seems strange that you were
13 basically handcuffed from even exploring that
14 when you consider what happens to the poor rate
15 payer.

16 CHAIRMAN LEATHERMAN: You are doing a
17 pretty good job of leading questions, but go
18 ahead.

19 SENATOR GROOMS: I appreciate that,
20 Senator. Thank you.

21 But just a final question. In the enabling
22 legislation with Santee Cooper, there's a term
23 that's in there and it appears throughout the
24 other documents that says "for the benefit of
25 all the people of South Carolina." So let me

1 ask you, do you believe Santee Cooper's assets
2 are best employed for the benefit of all the
3 people of South Carolina or for a bunch of
4 Florida-based investors?

5 MR. BONSALL: Well, I'm kind of a
6 transplanted South Carolinian at this point, for
7 crying out loud. You know, there's trees here
8 in South Carolina. They're much taller than the
9 old scrub bushes we had. It's quite a place.

10 I believe in the dedication to the cause.
11 I think that public power has a role and a place
12 and is there for a reason. I also think it's
13 very, very important for this state to keep a
14 stake in this business. Santee Cooper is a
15 leader in this business.

16 CHAIRMAN LEATHERMAN: I believe your time
17 is about up. 17 seconds left.

18 MR. BONSALL: The short answer to your
19 question, Senator, is absolutely yes.

20 SENATOR GROOMS: With 17 seconds left, I
21 want to thank Mr. Bonsall and the Santee Cooper
22 team. I want to thank you for giving me the
23 opportunity to ask some questions.

24 CHAIRMAN LEATHERMAN: I'm getting signals
25 there may be discomfort taking place in your

1 group, our group.

2 MR. BONSALL: I'm with you on that.

3 SENATOR CROMER: Before we adjourn, I just
4 want to state for the record that the fact --

5 CHAIRMAN LEATHERMAN: We are not
6 adjourning.

7 SENATOR CROMER: I mean break. -- the fact
8 that the Senator from Berkeley was born in
9 Moncks Corner should not be held against
10 Santee Cooper.

11 CHAIRMAN LEATHERMAN: You want to introduce
12 your board members here?

13 MR. BONSALL: I'm going to ask Chairman Ray
14 to do that.

15 CHAIRMAN LEATHERMAN: Sure.

16 MR. RAY: I'd be happy to do that. Before
17 I do, I'd like to give all of South Carolina a
18 shout-out. I sit on the National Board of Ducks
19 Unlimited. I've been on that board for 17
20 years. The Greater Santee Watershed that starts
21 from the Congaree, the Wateree, all the way down
22 to the Santee Delta of South Carolina, is a
23 vital wintering route for waterfowl.

24 We do it right in South Carolina. I mean,
25 from the resources that you give to the state to

1 manage the Santee Coastal Reserve to the
2 watershed and the improvements that
3 Santee Cooper makes along the lakes, it is
4 important to wintering waterfowl. And
5 South Carolina does it right. I wanted to make
6 that point.

7 Board members here present today: Mr. Herb
8 Leaird from Sumter, South Carolina; Mr. Steve
9 Mudge from Clemson, South Carolina;
10 Mr. Kristofer Clark from Easley, South Carolina;
11 Mr. David Singleton from Myrtle Beach,
12 South Carolina; and Mr. Cal Land from Sumter --
13 I'm sorry, from Manning, South Carolina, are
14 here today.

15 CHAIRMAN LEATHERMAN: Thank you, sir.

16 MR. RAY: And I live in Georgetown,
17 South Carolina.

18 CHAIRMAN LEATHERMAN: Thank you, sir. I
19 got one question, and I'll give the Lady of the
20 Lakes an opportunity.

21 MS. WILLIAMS: I have a feeling that name
22 is going to stick, Mr. Chairman.

23 CHAIRMAN LEATHERMAN: President Roosevelt
24 signed legislation back in 1933, 1934 that
25 created Santee Cooper; is that correct?

1 MS. WILLIAMS: That sounds right, the time
2 frame.

3 CHAIRMAN LEATHERMAN: My question in my
4 mind is was the land for the lakes, dam sit on
5 or whatever, was that a grant or did somebody
6 buy that? Federal government furnish that?
7 Where did that come from?

8 MS. WILLIAMS: There was federal money that
9 was put into, yes, sir. It was part of a WMA
10 project. One of many going on throughout the
11 nation at the time. That was Santee Cooper's --
12 or the South Carolina's project. It was their
13 portion of that program. And so money was
14 provided to purchase the property where the
15 project sits.

16 CHAIRMAN LEATHERMAN: So based on that
17 answer, you may need some time to research this,
18 but what do you have that on your books as
19 today?

20 MS. WILLIAMS: I can't answer that off the
21 top of my head.

22 CHAIRMAN LEATHERMAN: If you get time, can
23 you get that for us?

24 MS. WILLIAMS: Yes, sir.

25 CHAIRMAN LEATHERMAN: I think that will be

1 very helpful.

2 All right. We're going to take a break for
3 15 minutes. It is 20 till, and we'll be back at
4 10:56.

5 - - -

6 (A recess transpired.)

7 - - -

8 CHAIRMAN LEATHERMAN: Senator Davis.

9 SENATOR DAVIS: Thank you, Mr. Chairman.

10 I want to understand more fully what your
11 core plan is, and I commend you on the job that
12 you're doing. I've got some questions, trying
13 to fill in some gaps.

14 MR. BONSALL: Sure.

15 SENATOR DAVIS: On page 27 of the
16 presentation, it says, "Remove cap on
17 distributed energy resources but then subject
18 implement policies and processes that avoid cost
19 shifts."

20 And we dealt with this on the IOU side with
21 Act 62 by removing the 2 percent cap that had
22 been on the ability to, you know, sell power
23 back and that metering credit back. And we
24 charged the PSC with an -- I guess it's an
25 agreement in place for three years or so in

1 regard to what that credit should be.

2 And then after that, there's going to be a
3 PSC determining the process on what that credit
4 is going forward. What would be under the
5 reform plan --

6 MR. BONSTALL: This is as to metering?

7 SENATOR DAVIS: Right. Correct. That's an
8 IOU side with Act 62.

9 In regard to your proposal in regard for
10 removing the cap on distributed energy
11 resources, what are the constraints contemplated
12 by those implementing policies and processes?
13 And what assurances would the reform plan
14 provide that rooftop -- people who wanted
15 rooftop that would have the ability to do so and
16 then get a credit for engaged in that metering
17 with Santee Cooper?

18 MR. BONSTALL: Well, the provisions on page
19 27 -- thank you, Senator. The provisions on
20 page 27 relate to changes that are proposed in
21 the Coordination Agreement. This is a request
22 that we received from Central, as I recall,
23 during a period of time between November 25th
24 and January 3rd, when we were all talking with
25 the DOA and Central. All of the bidders were.

1 And they requested some changes to the
2 limitations that existed at that time in the
3 coordination agreement as it related to the
4 volume of distributed energy resources that
5 could be deployed.

6 And there were provisions in the
7 coordination agreement at that time. And this
8 is our proposal back to what they had suggested
9 that the -- and there was an interim step here
10 where we suggested some kind of increasing the
11 caps but not removing them.

12 And ultimately went on this approach, which
13 it just says remove them all on distributed
14 energy resources on both the Central system and
15 the Santee Cooper system, but subject to the
16 policy goal of avoiding cost shifts between
17 Central and the other retail customers of
18 Santee Cooper. That's a very complex analysis.

19 SENATOR DAVIS: Yeah, I guess --

20 MR. BONSALL: Let me get to your credit
21 question in just a second.

22 SENATOR DAVIS: Sure.

23 MR. BONSALL: My understanding is, and,
24 again, I'm not the expert on it as of yet, but
25 my understanding is that Santee Cooper has a

1 very active net metering program. It's been
2 very successful. Its net metering basically had
3 avoided costs, seems to work well. It's been
4 growing meaningfully over the years, and we
5 would have no intention of curtailing that. If
6 that's your question.

7 SENATOR DAVIS: And I just -- and that was
8 my question. When as a lawyer looking at the
9 language and it said removing the cap but
10 subject to implementing policies and procedures,
11 I was just wondering what those constraints
12 might be.

13 MR. BONSALE: It would be some kind of an
14 analytical effort between ourselves and Central
15 to look at whether costs were, in fact, shifted
16 between Central and our other retail customers
17 or our other retail customers and Central and
18 addressing that issue. I don't think that has a
19 whole lot to do with the kind of retail
20 deployment of the resource.

21 You see what I'm getting at? I think
22 that's an issue between Central and
23 Santee Cooper that we just agreed that there
24 shouldn't be a cost shift there, and so we kind
25 of coordinate the development of distributed

1 resources more or less in sync.

2 SENATOR DAVIS: Let me share with you an
3 inference I think that I've correctly made based
4 on the presentation over the last day or so.
5 When you talk about how the reform plan is --
6 I'm going to paraphrase here -- light on capital
7 expenditures and heavier on power first
8 agreements. I infer from that, and correct me
9 if I'm wrong, that that would constitute a step
10 away from the traditional vertical integration
11 model, whereby the utility generates the power
12 and then has primary responsibility for its
13 transmission and distribution.

14 And what I'm inferring from this is, is
15 that Santee Cooper would be open on the power
16 generation side to third parties or IPPs or
17 whoever it might be. Am I inferring correctly
18 that this reform plan would contemplate somewhat
19 of a step away from the traditional vertical
20 integration model?

21 MR. BONSALL: If you're defining the
22 traditional vertically integrated utility model
23 as the utility itself owns all the resources,
24 all the bricks and mortar, then, yes, that
25 inference is correct. That --

1 SENATOR DAVIS: Go ahead.

2 MR. BONSALL: Let me say, that does not --
3 that does not relate to the allegation to serve.
4 The allegation to serve would still be there.
5 How you serve that is different. We simply
6 found this approach to be more beneficial, and
7 I'll tell you why.

8 You have to -- this is very hard to do, as
9 you know. You have to value the reduction of
10 risk. And given the history and the experience
11 of deploying these kinds of resources over the
12 decades, for me, I place a good deal on
13 derisking resource acquisition and relying on
14 the private market, who may be able to absorb it
15 better and deal with it better. I like that
16 approach.

17 So we've become more on an aggregator in a
18 way.

19 SENATOR DAVIS: This is where I'm coming
20 from on this, and this has been very helpful to
21 me. Traditionally, in South Carolina, we've had
22 these three regions, territories, and the
23 utility has been given a territory monopoly.
24 And the bias typically by an IOU is to generate
25 some power and to roll that into a trade base, a

1 heavy bias.

2 And we -- I think that bias in some ways
3 led to what happened in Fairfield County with
4 V.C. Summer 2 and 3. I think -- that's for
5 another day, but I think that.

6 And so what we did last year in regard
7 to -- in the aftermath of V.C. Summer 2 and 3,
8 on the IOU side, we tried to chip away at sort
9 of that vertical integration and bias toward a
10 utilities own capital expenditures, and we
11 passed Act 62.

12 And I guess what I'm exploring here, and I
13 think you've done a good job answering me, is
14 there's a similar inquiry or a similar policy
15 objective, I think, in the Santee Cooper
16 discussion. I mean, I know it's different in
17 kind because but we're not dealing with an IOU.

18 But I think what I'm hearing from what you
19 said about a like capital footprint, more of a
20 reliance upon purchasing agreements, that
21 suggests to me an openness or a willingness to
22 move forward a more competitive energy
23 production market as opposed to simply being --
24 you know, building and generating your own
25 power.

1 And I think you said I'm correct in that
2 inference; is that right?

3 MR. BONSTALL: I think that would be the
4 natural result of heading in that direction.
5 Purely at an even higher level, Senator, you're
6 obviously deeply into this. We're also
7 suggesting pricing principles and resource
8 planning principles that taken together
9 constitute a new and different regulatory
10 framework.

11 And I would submit to your consideration as
12 exactly that. What incentives are you putting
13 in place that you want these companies to
14 accomplish?

15 And it's completely up to you. If you
16 want --

17 SENATOR DAVIS: Sure.

18 MR. BONSTALL: But this is 40 years' worth
19 of experience talking, saying, you know, the
20 purpose is, in fact, A, B, C, D and E. At least
21 it was for us in Arizona. And I put them in
22 front of you for your consideration.

23 SENATOR DAVIS: So on the IOU side with Act
24 62, that the things we've put in place to assure
25 that there's more competition among energy

1 producers is -- and we discussed this a little
2 bit yesterday -- we've got an avoided cost
3 methodology requirement that IPPs get 10-year
4 contracts. They can recover the cost of
5 capital. We did various things to try to ensure
6 competition on the IOU side.

7 What assurances or what guaranties does the
8 Santee Cooper Reform Plan provide that that same
9 sort of robust process would take place? I
10 understand there's an articulation of
11 principles, pricing principles, this is what we
12 want to do.

13 MR. BONSALE: Right.

14 SENATOR DAVIS: On the IOU side, we've got
15 some recourse in this PSE proceedings to make
16 sure that happens. What does the reform plan
17 contemplate in regard to assurances or
18 guaranties by stakeholders? For instance, say,
19 if you're a solar power producer and you feel as
20 if you're not getting a fair shake, you feel
21 like you can generate power more cheaply but
22 you're not getting the contracts, what
23 assurances do we have in this context that a
24 fair and open process will take place?

25 MR. BONSALE: Other than that's the intent,

1 I listed in my things to do that I would focus
2 on as soon as I have the opportunity, that is
3 one of them. Which is flushing out, putting
4 meat on the bones of all those provisions. It
5 is clearly the intent of this plan to do exactly
6 what you're talking about. It clearly is.

7 You do need to have some mechanisms to
8 pursue that and ensure compliance with that.
9 And I understand that, and that's why we put --
10 let's put some meat on the bones of these going
11 forward.

12 SENATOR DAVIS: What I suggested yesterday
13 may not be the best methodology. It may be
14 subjecting your avoided cost methodologies and
15 subjecting your decisions in regard to power
16 purchase agreement to PSC review and approval,
17 maybe that's not the best mechanism. But that's
18 what was I roping toward yesterday, is what
19 would be that mechanism?

20 MR. BONSALE: Well, we haven't gotten down
21 the road far enough to -- that's why I put that
22 objective of mine going forward. But in
23 response to your question, I understand. I know
24 that there's a need there and want to address
25 it. There could be different ways to solve that

1 problem. You should examine different ways.

2 There could be different ways, but you
3 should examine the problem. Define what the
4 problem is, define what your alternatives are,
5 and examine them and then select them and the
6 best ones. There are different models for doing
7 that. I'd be happy to investigate.

8 SENATOR DAVIS: Sure. One more question,
9 Mr. Chairman. This is more of a philosophical
10 corporate culture question.

11 MR. BONSALL: Okay.

12 SENATOR DAVIS: To me, speaking just for
13 myself, one of the most impressive things about
14 Mr. Robo, when he came here and testified about
15 their purchasing Santee Cooper, was talking
16 about the corporate culture of NextEra and
17 talking about how everybody in the entire
18 organization, from the board down to
19 supervisors, down to workers, you know, wake up
20 with -- I think the quote was -- in the pit of
21 their stomach a fear that someone is going to
22 overtake them or they're driven to do the next
23 best thing every single day. And so that was
24 very impressive to me.

25 How is that same -- how are we assured that

1 that same sense of urgency is going to be
2 pursued by Santee Cooper in regard to these
3 articulation of principles? And this isn't on
4 you, but the fact of the matter is
5 Santee Cooper, for years, has been drifting
6 toward the situation we're in now.

7 And whatever that thing that drives
8 Mr. Robo and NextEra to do things every single
9 morning clearly wasn't present in the past with
10 Santee Cooper. What assurances do we have that
11 there will be that fire in the belly to pursue
12 these reform proposals and that you will -- and
13 I'm not trying to criticize ordinary workers,
14 I'm talking about just general corporate
15 culture. What assurances do we have that that
16 thing that impressed me about what Mr. Robo said
17 for NextEra, what assurances do we have that I
18 can have that same degree of excitement for what
19 Santee Cooper is proposing?

20 MR. BONSALL: We have proposed some kind of
21 structural parts and pieces to the -- in the
22 reform plan that pursue that culture question.

23 I also mentioned that when we got here,
24 when Charlie Duckworth and I got here, we didn't
25 find -- we didn't find a complacent corporate

1 culture. We found people that have been doing
2 things for the past couple of years and we were,
3 as I said, anxious, ready for over a future that
4 was fundamentally different from what they had
5 seen.

6 There are parts and pieces in the reform
7 plan that we've suggested. And they've hired
8 new management. Yes, we're here.

9 Let me tell you a brief story about my
10 experience at SRP, and it was in the late 1980s.
11 And we had a CEO at the time, very good guy,
12 very bright guy, but he never saw an idea that
13 he didn't want to create a new department over.

14 And we grew and we grew and we grew and
15 eventually get that push -- just staffing. This
16 isn't bricks and mortar. This isn't factory.
17 This is staffing, office staffing. -- prompted
18 a price increase that was 7 percent in a
19 2 percent inflation market, and the customers
20 reacted very negatively, strongly to it.

21 That precipitated a downsizing at SRP from
22 some 6600 employees at the time, which is way
23 overstaffed, to 5500. We took 1100 people out.
24 Two more downsizings later, we were up to about
25 14- or 1500 people out.

1 I know this -- you just got to believe me,
2 one of the most important things going forward
3 is that you now have a company with three
4 generations worth of people who never want to
5 see this happen again.

6 SENATOR DAVIS: Okay. Thank you.

7 Mr. Chairman, thank you.

8 Thank you, Mr. Bonsall.

9 CHAIRMAN LEATHERMAN: Next.

10 MR. SHEALY: Next up is Senator Massey.

11 SENATOR MASSEY: Thank you, Mr. Chairman.

12 And thank you for asking me to participate.

13 Mr. Bonsall, I'm probably going to run over
14 my 20 minutes, so I may have to have some third
15 round questions as well because I have a number
16 of questions that are going to be along the
17 lines of Senator Davis, who was just asking you
18 about. But I want to start with some questions
19 about the proposals first to try to clarify a
20 few things.

21 First off, do you have the presentation in
22 front of you? Do you have the slide in front of
23 you?

24 MR. BONSALL: I do.

25 SENATOR MASSEY: Will you turn to page 5

1 for me.

2 MR. BONSALL: Sure. Yes, sir.

3 SENATOR MASSEY: Page 5 is captioned
4 Problems to Solve, right?

5 MR. BONSALL: Yes, it is.

6 SENATOR MASSEY: All right. How many
7 problems have we identified that we need to
8 solve?

9 MR. BONSALL: How many problems?

10 SENATOR MASSEY: How many problems are on
11 the sheet here?

12 MR. BONSALL: Two are the principal
13 problems. These were the problems in particular
14 that the Board asked me to focus on when I
15 arrived.

16 SENATOR MASSEY: All right. Do you believe
17 there are other problems?

18 MR. BONSALL: It's a big organization. Of
19 course there's going to be other problems.

20 SENATOR MASSEY: Are there other
21 significant problems?

22 MR. BONSALL: As significant as these, no.

23 SENATOR MASSEY: I mean, the reform
24 proposal that Santee Cooper has submitted, I
25 mean, I'll tell you on all the slides -- I paid

1 attention to everything you said and everything
2 that Mr. Ray said yesterday, this slide stuck
3 out to me more than any of the others because it
4 identifies two issues of concern. And that
5 concerns me.

6 Do you believe that Santee Cooper has
7 problems that need to be addressed other than
8 debt and transparency?

9 MR. BONSALL: I think I mentioned some, as
10 a matter of fact, in my list of to-dos at the
11 end of my presentation. One of them is, as the
12 Senator brought up, and didn't appear in the
13 hard copy but did appear in the digital copy,
14 succession planning is an issue. The lack of
15 coordination with neighboring utilities, that's
16 an issue.

17 Sure, there are some other problems and I
18 want to get to them as soon as I possibly can.
19 But the big ones -- the drivers are these, in my
20 estimation. The prioritization and the focus
21 and attention that we were asked to focus on
22 when we got here are these -- are these issues.

23 SENATOR MASSEY: And I want to talk about
24 this a little bit more, but it seems to me that
25 there's a lot of focus on the V.C. Summer debt,

1 and I think that makes sense. From my
2 perspective as somebody who spent way too much
3 of his life dealing with this over the last
4 couple of years, V.C. Summer gave us a reason to
5 look under the hood. But when we looked under
6 the hood, the problems were much more extensive
7 than V.C. Summer.

8 And it seems to me that an effective reform
9 plan is going to have to address more than just
10 those things. So I'd like to talk about that a
11 little bit, if you can.

12 MR. BONSALL: Can I ask -- can I mention
13 something?

14 SENATOR MASSEY: Absolutely.

15 MR. BONSALL: I think I recognize that
16 there are other issues here, and I would point
17 you to the org chart that I prepared. I did
18 reorganize the company.

19 CHAIRMAN LEATHERMAN: Mr. Bonsall, speak
20 up.

21 MR. BONSALL: And one of the fundamental
22 issues -- you can view these as being V.C.
23 Summer 2, 3 debt and mitigation an accumulation
24 of issues. It's not just the debt. These are
25 the results. It's an accumulation of issues.

1 And one of the -- what needed to be improved
2 upon and it's reflected in that org chart is a
3 vastly greater emphasis on planning. And I
4 brought the best planner in the United States
5 with me to address that issue.

6 So I think I understand where you're going,
7 but I don't view these as being it's just the
8 debt. It's the things that led up to the debt
9 and addressing a comprehensive solution to
10 that --

11 SENATOR MASSEY: You do not view this page
12 as an exclusive list of issues that
13 Santee Cooper needs to address?

14 MR. BONSALE: That's correct. I don't.
15 And I think I proposed --

16 SENATOR CAMPBELL: And I wanted to make
17 sure that you and I were on the same page with
18 that.

19 MR. BONSALE: Okay.

20 SENATOR MASSEY: I understand we may have
21 some disagreements about what all should be on
22 the page, but you acknowledge that the issues
23 that needed to be addressed.

24 MR. BONSALE: Are deeper.

25 SENATOR MASSEY: If the General Assembly

1 were to decide to retain Santee Cooper, the
2 issues that Santee Cooper has to address, maybe
3 in conjunction with the legislature, are more
4 than just these two things that are on this
5 page.

6 MR. BONSALL: These are symptoms of bigger
7 problems. Big symptoms. Admittedly, the other
8 change on the org chart, by the way, is customer
9 focus.

10 SENATOR MASSEY: And I want to talk about
11 the org chart in a little bit too. I think that
12 gets along to some of the things Senator Davis
13 was talking about.

14 Before I get there, let's talk about this a
15 little bit more. What is -- you may need some
16 help on this, you may know it off the top of
17 your head, what is Santee Cooper's total debt
18 right now?

19 MR. BONSALL: \$6.8 billion.

20 SENATOR MASSEY: How much of that is Summer
21 versus non-Summer?

22 MR. BONSALL: I think 3.6 is Summer and the
23 rest is non-Summer.

24 SENATOR MASSEY: 3.6 roughly Summer, 3.2
25 roughly non-Summer?

1 MR. BONSALL: Yes.

2 SENATOR MASSEY: What is that 6.8 as a
3 percentage of capitalization?

4 MR. BONSALL: I'm going to ask for some
5 help here. I think it's in the neighborhood of
6 70 percent or so. Is that about right?

7 SENATOR MASSEY: I didn't hear, I'm sorry.

8 MR. BONSALL: Approximately 70 percent.

9 SENATOR MASSEY: Approximately 70 percent.
10 Which is a big improvement. I think we were up
11 around 80 at one point.

12 MR. BONSALL: I'm sure.

13 SENATOR MASSEY: So that's a vast
14 improvement.

15 All right. The presentation that you
16 provided yesterday touted an aggressive debt
17 repayment plan. Can you walk me through that a
18 little bit more? What's the plan there? How is
19 that going to work?

20 MR. BONSALL: First, the -- to your point,
21 Santee Cooper had a highly inefficient resource
22 plan going forward. It hadn't changed it. It
23 was the one that was considered in the ICF
24 process. There were obvious ways to improve
25 upon that.

1 So when Charlie and I got here, that's the
2 first thing we did was address that issue and
3 optimize, take costs out, reduce costs on the
4 resource plan. It's the biggest form of savings
5 that you can generate. And that generated the
6 \$4 billion that you see here. We do think
7 taking other steps --

8 SENATOR MASSEY: That's saving \$4 billion
9 in comparison to the --

10 MR. BONSALL: The ICF case.

11 SENATOR MASSEY: -- the ICF case.

12 MR. BONSALL: If gross expenditure, O&M and
13 capital, in the ICF case and in this case, you
14 get a \$4 billion nominal difference. Which is
15 huge. Then the question is, what do you do?

16 SENATOR MASSEY: Which kind of reminds me
17 -- candidly, that kind of reminds me of when my
18 wife goes shopping and she tells me how much
19 money I saved because of sales. Things were
20 marked up before they had the sales.

21 I agree with you, that was never a
22 legitimate -- the ICF things was never a
23 legitimate standard. So I don't even like
24 comparing things to that.

25 I appreciate that you and Mr. Duckworth

1 came in and understood that. I'm extremely
2 concerned that it took you and Mr. Duckworth
3 coming in in order to realize that. But I
4 understand where you're going.

5 So tell me how -- walk me through the
6 aggressive repayment debt plan.

7 MR. BONSALL: Obviously, there was a --
8 there was an existing principal amortization
9 schedule and through generation of those
10 incremental savings, however you want to call
11 it, or reduction in future expenses, whether
12 that was a good forecast or not a good forecast,
13 that generates relative to that the incremental
14 ability to pay down more debt. And so we
15 developed a plan to do exactly that going
16 forward, and you see it reflected here.

17 So, I mean, that's how it operates. It's
18 kind of like The Little Engine that Could. Once
19 you get it over the top of the mountain, it
20 begins to build on itself. And paying off debt
21 early generates incremental savings, which
22 allows you to pay more debt off.

23 Now, we have the authors of this chart on
24 the debt side in the room, if you would like to
25 ask them some questions about the particulars.

1 SENATOR MASSEY: Well, I'm -- I don't know
2 that I need -- I guess what you're saying is the
3 debt repayment plan is aggressive because you're
4 going to pay more down earlier which then frees
5 up more cash to pay even more later?

6 MR. BONSTALL: I think relatively speaking,
7 it's aggressive as well because it gets the
8 institution to debt ratio levels that are
9 more -- or better, if you want to put it that
10 way, than post public power entities.

11 SENATOR MASSEY: You said it's around 70.
12 Where should it be?

13 MR. BONSTALL: The power is generally in the
14 neighborhood of 70 -- 60 to 70 percent. At SRP,
15 I can tell you that we had our debt ratio at
16 about 40 percent. So we were generating a lot
17 more cash internally and create much more
18 flexibility and much more ability to save money.

19 I tend to prefer a debt ratio that's lower
20 because it provides greater flexibility and is
21 more moderate on the base price increases to
22 eliminate the need for base price increases.
23 But it's a judgment call.

24 SENATOR MASSEY: So do you anticipate
25 Santee Cooper having to take on additional debt

1 going forward?

2 MR. BONSALL: There is additional debt
3 assumed in this chart. This is a net reduction
4 chart, so it does add additional debt for new
5 assets.

6 SENATOR MASSEY: How much?

7 MR. BONSALL: I'm going to need to turn to
8 staff. We'll get you the year-by-year
9 comparison, yeah. But the point is it's net.
10 Some new debt is added and more old debt is
11 subtracted, that's why aggregate debt goes down.
12 But there is some new debt given new assets.

13 SENATOR MASSEY: So there's been a good bit
14 of conversation when Winyah and the power supply
15 plan included retiring Winyah. And we talked
16 about that some in two different stages, 23 and
17 27. Will Santee Cooper need to borrow
18 additional money to accomplish that retirement?

19 MR. BONSALL: Not to accomplish the
20 retirement. Potentially, to accomplish the
21 purchase of the arrow derivative turbines to be
22 added there.

23 Is that true?

24 MS. WILLIAMS: Yes, for environmental
25 controls.

1 SENATOR MASSEY: All right. So there are
2 expenses associated with retiring Winyah, right?

3 MR. BONSALL: Yeah.

4 SENATOR MASSEY: How does Santee Cooper pay
5 for those things without borrowing the money?

6 MR. BONSALL: Let me ask our financial
7 planner. I don't think -- anyway. Let her
8 answer.

9 MS. WILLIAMS: Senator Massey, some of
10 those are realizing the savings that Mark was
11 talking about earlier, savings that we'd be
12 generating from the plan. Another component of
13 the debt reduction are a decreasing interest
14 rate environment. So we're able to -- when
15 bonds can be called, we call the bonds,
16 refinance them at a lower rate. We're not
17 pushing out payment schedule. We're actually
18 bringing it in. So we're realizing savings in
19 the market as well.

20 SENATOR MASSEY: Okay. Is Santee Cooper
21 actively regularly refinancing bonds?

22 MS. WILLIAMS: We have for many years done
23 that. We are not currently refinancing bonds
24 because as you heard some of the discussions, we
25 were asked not to do that as part of this

1 process. We did one refinancing at the end of
2 last year that we worked with the DOA so they
3 could get comfortable with.

4 SENATOR MASSEY: Yeah. I mean, I would
5 hope we're going to take a look at the master
6 covenants before we start refinancing a whole
7 lot more.

8 But in any event, I guess my question that
9 brought you up was, is there going to be debt
10 associated with retiring Winyah?

11 MS. WILLIAMS: We are not -- no. It's hard
12 to answer. We have needs and we have debt and
13 we have a variety of capital costs that have to
14 be incurred, right. So it's hard to say we're
15 borrowing for this but not for that.

16 The capital cost that we see going forward,
17 for the most part, are the arrow derivatives
18 that Mark talked about in the near term, and we
19 are also dealing with our ash ponds. We are
20 excavating, building landfills to take care of
21 those ash ponds in an environmentally friendly
22 way.

23 We also have a FERC license that we think
24 we're about to get. And there will be
25 expenditures that we need to make over a period

1 of time to comply with that FERC license. And
2 there, again, mostly for environmental reasons,
3 fish passage and other things.

4 SENATOR MASSEY: What is the estimated cost
5 of retiring Winyah?

6 MR. DUCKWORTH: The decommissioning costs?

7 MR. BONSALL: Yes.

8 MR. DUCKWORTH: About \$30 million is the
9 estimate.

10 SENATOR MASSEY: That's all? Just 30
11 million to shut it down?

12 MR. DUCKWORTH: That's the estimate, yes,
13 sir.

14 SENATOR MASSEY: Okay.

15 MR. BONSALL: And that is built into our
16 forecast.

17 SENATOR MASSEY: That's built into the
18 forecast?

19 MR. BONSALL: Yes.

20 SENATOR MASSEY: And really what I was
21 getting at there is the proposal, as relayed to
22 us by the department of administrations refer to
23 securitization. But there was no mention of
24 securitization in the presentation yesterday.
25 So I'm curious if you are relying on

1 securitization somewhere?

2 MR. BONSALL: We are not. We recognize
3 that it's a possibility. We did not put it into
4 this plan because the savings for an entity such
5 as Santee Cooper is not very much.

6 SENATOR MASSEY: I understand it's
7 different for you than it would be for an IOU.

8 MR. BONSALL: So there might be a tick
9 worth of savings. It's not that we're rejecting
10 it, but we did not include it because the
11 incremental benefit is pretty small for us in
12 the order of a few basis points. And so ...

13 SENATOR MASSEY: All right. So let's talk
14 about in addition to retiring Winyah, you're
15 talking about some additional investments for
16 additional generation, right?

17 MR. BONSALL: Yes.

18 SENATOR MASSEY: And do you anticipate that
19 Santee Cooper is going to have to issue bonds in
20 order to pay for those things?

21 MR. BONSALL: I think there probably would
22 be some debt that was issued for the gas plant
23 development because the gas plant development is
24 not small. Again, I would have to turn to my
25 financial experts, but my expectation would be

1 that, yes, there would be some debt that was
2 issued in that time frame because of those
3 capital expenditures.

4 SENATOR MASSEY: I'm having a hard time
5 finding that slide. One of the slides
6 referenced \$547 million in capital expenditures.

7 MR. BONSALL: For generation.

8 SENATOR CAMPBELL: Is the anticipation that
9 you -- you would have to borrow \$547 million for
10 that?

11 MR. BONSALL: No. The anticipation is that
12 we would have to borrow some portion of that.

13 SENATOR MASSEY: All right. If
14 Santee Cooper did not have the statutory
15 protections of the full faith and credit of
16 South Carolina behind it, would you be able to
17 borrow more money?

18 MR. BONSALL: If we didn't have that?

19 SENATOR MASSEY: Yes.

20 MR. BONSALL: My understanding is that
21 Santee Cooper's debt is not, in fact, backed by
22 the state of South Carolina.

23 SENATOR MASSEY: Well, I understand --
24 yeah, I hear people keep saying that. But the
25 reality is if Santee Cooper were not -- if

1 Santee Cooper were in a default position, it's
2 going to affect all the rest of us.

3 MR. BONSALL: I think that's absolutely
4 true, yes. I understand that.

5 SENATOR MASSEY: There's no way, then, that
6 the state could allow Santee Cooper to default.
7 So while there may be some language to the
8 effect of we're not backing the bonds, there's
9 no way the state could allow Santee Cooper to
10 fail.

11 So it's effectively the same thing, isn't
12 it? Isn't it? I mean, everybody knows -- and
13 the market knows that too. The market knows
14 that the state is not going to allow
15 Santee Cooper to fail.

16 MR. BONSALL: I don't think necessarily the
17 market does know that. I think the market
18 understands that this is not, in fact, backed by
19 the state of South Carolina. And at the point
20 that there would be a default of some sort,
21 there would be a choice on behalf of
22 South Carolina as to whether to step up and make
23 good or not. You have clearly seen other
24 instances where you might assert that same moral
25 obligation and it has not been adhered to.

1 SENATOR MASSEY: In South Carolina?

2 MR. BONSALL: No, not in South Carolina.

3 In other situations. Take a look at Puerto
4 Rico, for instance.

5 CHAIRMAN LEATHERMAN: May I interrupt on
6 that for a moment?

7 SENATOR MASSEY: Yes, sir, Mr. Chairman.

8 CHAIRMAN LEATHERMAN: If the markets hadn't
9 heard that, they've been asleep. We've seen for
10 over a year they will never default on the
11 market. We cannot afford to. So you say they
12 don't know that. If they don't, you they are
13 asleep or they can't hear.

14 SENATOR MASSEY: It would affect -- most
15 likely it would affect most every municipality,
16 county, school district, everybody else. But in
17 any event, I'll move on a little bit.

18 The power plan does include a new gas plant
19 in I think you said in Pee Dee; is that right?

20 MR. BONSALL: Pee Dee is the preferred
21 site. There are backup sites. I could ask
22 Mr. Duckworth to come up here, if you would
23 like.

24 SENATOR MASSEY: How did Santee Cooper
25 choose that site?

1 MR. BONSTALL: Can I ask Mr. Duckworth to
2 come up and answer that question? Charlie.

3 MR. DUCKWORTH: Senator, this was a process
4 where we looked at the basic factors that drive
5 economics in choosing a next resource option.
6 So you would look at what the resource itself
7 would cost, what would it cost to build this
8 resource.

9 You would look at the transmission changes
10 necessary to put the resource at Pee Dee or one
11 of the backup sites that Mr. Bonsall talked
12 about. And you look at the gas transportation
13 requirements and the costs associated with
14 getting the fuel to that site.

15 We looked at hundreds of different options
16 and in comparing those, and the Pee Dee site,
17 with the Atlantic Coast pipeline, was the
18 preferred alternative. The lowest cost
19 alternatives.

20 But as I talked about yesterday, there is a
21 backup option. It's close to that same cost.
22 It's in the Fairfield area. So there are other
23 options, but that's how --

24 SENATOR MASSEY: So the plan would be for
25 that plant to come online around 2027?

1 MR. DUCKWORTH: That's correct. When the
2 second portion of Winyah is retired.

3 SENATOR MASSEY: And that means it is
4 dependent upon the Atlantic Coast pipeline being
5 at least to that location before 2027?

6 MR. DUCKWORTH: You would have to extend
7 the pipeline to that location and that is
8 something that we would have to monitor and we
9 would turn to the backup plan if that was
10 necessary, yes, sir.

11 SENATOR MASSEY: So if Atlantic Coast
12 pipeline is not to that location by then, you're
13 going to have to look at the alternative?

14 MR. DUCKWORTH: We would need to have the
15 Atlantic Coast pipeline come in and have a
16 lateral built to that location, yes, sir.

17 SENATOR MASSEY: So if we have to go to the
18 alternative, does that have a material effect on
19 the projections?

20 MR. DUCKWORTH: It is not a material
21 effect. It's less than 10 percent increase in
22 the cost of -- the overall cost, not just the
23 plant itself. But all those things I talked
24 about.

25 SENATOR MASSEY: Okay. Okay. I'm at a

1 good spot then. That's fine. I'll wait until
2 round three.

3 CHAIRMAN LEATHERMAN: You will have round
4 three, four, and five.

5 SENATOR MASSEY: Thank you.

6 CHAIRMAN LEATHERMAN: If I may just,
7 Mr. Bonsall. Mr. Davis asked a question, I
8 think it was some things that you all maybe want
9 to do, will do, think about doing. The answer I
10 heard was you're not far enough down the road
11 yet. Did I hear that correctly?

12 MR. BONSALL: As to what in particular?

13 CHAIRMAN LEATHERMAN: Whatever his
14 questions were.

15 MR. BONSALL: We were talking about how --
16 the hows of establishing kind of the rules.
17 Remind me.

18 SENATOR DAVIS: I think it was in regard to
19 something parallel to what we do with that 62
20 with IOUs, what would we be able to do on this
21 side to provide the same degree of assurances, I
22 think was the question. There wasn't yet meat
23 on the bone, but there was a willingness to put
24 meat on the bone, I think.

25 MR. BONSALL: Yes.

1 CHAIRMAN LEATHERMAN: So that's your
2 answer? You're not far enough down the road?

3 MR. BONSALL: My answer is it's our
4 intention to go down that road, and as soon as
5 we can, we will. But we're not there now.

6 CHAIRMAN LEATHERMAN: Thank you, sir.

7 MR. BONSALL: You're welcome.

8 CHAIRMAN LEATHERMAN: How many of the
9 reorganization, restructuring plans have you
10 developed to bring to us?

11 MR. BONSALL: Only the one thus far, and
12 that's the brand-new chart. We just implemented
13 that two or three weeks ago. It's in the reform
14 plan.

15 CHAIRMAN LEATHERMAN: Was there one before?

16 MR. BONSALL: There was a short one. An
17 interim. I made some steps when I first got
18 there to shrink the CEO staff, but they were not
19 permanent. They were interim changes. So I did
20 that. Operated on that basis in order to focus
21 on developing the reform plan.

22 And once we got the reform plan developed,
23 it was ready to implement, in fact, a permanent
24 organization structure change, which you would
25 have seen pictured.

1 CHAIRMAN LEATHERMAN: When will you
2 finalize your plan?

3 MR. BONSALL: Come again, sir.

4 CHAIRMAN LEATHERMAN: When are you going to
5 finalize your reorganization plan?

6 MR. BONSALL: It is -- I will show it to
7 you.

8 CHAIRMAN LEATHERMAN: What's before us,
9 that's your final one?

10 MR. BONSALL: This is the one that I put in
11 place today.

12 CHAIRMAN LEATHERMAN: Is that your final
13 one?

14 MR. BONSALL: It may not be, no.

15 CHAIRMAN LEATHERMAN: When are you going to
16 finalize it?

17 MR. BONSALL: This is finalized for now.

18 It may change in the future given whatever
19 strategic initiatives that Santee Cooper faces
20 in the future.

21 I believe this structure gives us the best
22 organization to pursue the implementation of the
23 reform plan that you have before you. But there
24 may be new needs in the future and different,
25 and that calls for a different organizational

1 emphasis.

2 So I don't think there is any perfect
3 organization structure or permanent organization
4 structure. I think you structure organizations
5 to accomplish purposes, and that those
6 structures can thus change when your purposes
7 change.

8 CHAIRMAN LEATHERMAN: So you understand
9 that we're considering three different things,
10 right?

11 MR. BONSALL: I do.

12 CHAIRMAN LEATHERMAN: And we will make a
13 decision. You understand that?

14 MR. BONSALL: I do. Yes, I do understand
15 that.

16 CHAIRMAN LEATHERMAN: Are you telling me
17 that what you have before us is what you want us
18 to consider?

19 MR. BONSALL: Yes, it is.

20 CHAIRMAN LEATHERMAN: Nothing else?

21 MR. BONSALL: It's a pretty comprehensive
22 proposal. But if you have any questions about
23 it, I will be happy to answer it.

24 CHAIRMAN LEATHERMAN: Do you want us to
25 consider anything else before voting?

1 MR. BONSALL: Remember this is a proposal
2 to the General Assembly, and it can be done
3 differently. If you have different instructions
4 to us, we work for you, tell us and we'll get
5 that done.

6 CHAIRMAN LEATHERMAN: My instruction to
7 you, sir, is if you want us to consider --
8 whatever you want us to consider, that's your
9 choice, not ours, you best be getting it to us.

10 MR. BONSALL: Okay. It is in front of you.

11 CHAIRMAN LEATHERMAN: That's what you want
12 us to consider?

13 MR. BONSALL: The reform plan.

14 CHAIRMAN LEATHERMAN: Nothing else? You're
15 not going to spin another one?

16 MR. BONSALL: An organization structure?

17 CHAIRMAN LEATHERMAN: Right. Restructure.

18 MR. BONSALL: No. We submitted the reform
19 plan on time and in compliance on January 3rd.
20 It's complete, and we stand by it.

21 CHAIRMAN LEATHERMAN: My question: Is that
22 the final plan you want us to consider?

23 MR. BONSALL: Yes, it is.

24 CHAIRMAN LEATHERMAN: Thank you, sir.

25 You mentioned a list of to-do. Were you

1 finished with that list of to-do, or do you have
2 more things to do there?

3 MR. BONSTALL: These are notes. This is the
4 chart. Be responsive to your guidance, number
5 one. Lock in natural gas and power pricing so
6 we can secure the benefits to our customers
7 going forward that are projected in this reform
8 plan, in which we had been unable to do as a
9 result of the restrictions in the DOA process.
10 Understood restrictions but we want to get to
11 them as soon as we can.

12 Obviously, coordinate with Central. We
13 have been unable to conduct discussions with
14 Central to the degree that we would like to as a
15 result of the restrictions in the DOA process.
16 But we know we need to do that, and that rises
17 to the top of my focus going forward.

18 Work with state regulators -- to your
19 question, Senator, to define the working
20 relationships. How is this actually going to
21 work? What is described in here, the how
22 isn't -- that's a mutual conversation that we
23 need to have with those people.

24 Launch IRP group and process. We're
25 suggesting -- the resource plan we're suggesting

1 the IRP principles. We immediately want to
2 subject those to external review by stakeholders
3 so we gain more consensus about what
4 Santee Cooper will, in fact, be doing in the
5 future.

6 Initiate Winyah redeployment plan. Issue
7 initial solar RFP. Get the ball rolling on that
8 development. And the depth assessment and
9 succession planning effort, which I know we need
10 to get to as soon as possible.

11 As I understand it, there were some
12 succession planning efforts in place at
13 Santee Cooper previously, but it was a little
14 while back and I think it kind of got lost in
15 the shuffle. I want to rejuvenate those
16 efforts. I know how important that is.

17 This is the list that I'm suggesting to you
18 I will focus on, but I'm also asking you because
19 it's the nature of the discussion, if you have
20 other things you want me to focus on, tell me
21 and I will.

22 CHAIRMAN LEATHERMAN: No, sir. You're
23 providing that. We're not.

24 MR. BONSALL: Yes, I did provide this. I'm
25 just asking if you have any other suggestions,

1 we'd love to do it.

2 CHAIRMAN LEATHERMAN: My question on the
3 comments are: Can you do any of those to-do
4 things and still comply with the resolution?
5 The DOA requirements?

6 MR. BONSALL: Yes, I believe that we can.

7 CHAIRMAN LEATHERMAN: When can we expect
8 those?

9 MR. BONSALL: These are going forward,
10 suggestions, after you all make your decision,
11 whatever your decision is going to be.

12 CHAIRMAN LEATHERMAN: What I'm saying,
13 whatever you furnish us probably will help us
14 make the decision we're going to make, so when
15 can we expect it?

16 MR. BONSALL: Well, these are, in fact, my
17 intentions. We cannot, sir, lock in natural
18 gas. We've been told not to do that. I'm just
19 telling you that my intention is to do exactly
20 that as soon as we have the ability to do that.
21 I can't do something I'm being told by the DOA
22 not to do, and I'm not arguing with them. I
23 can't.

24 CHAIRMAN LEATHERMAN: Can you give me a
25 list of things that the DOA says you cannot do?

1 MR. BONSTALL: I can give you a general
2 description. Let's go back to the conversation
3 frankly we had yesterday. So we worked with the
4 DOA on refinancing. We were able to work out
5 the kinks in the process. Their concern was a
6 classic or a traditional refinancing would
7 create call protection for new bonds, which it
8 would. I understand that would create a new
9 liability out there in the future for somebody
10 that would have to buy that liability, if they,
11 in fact, buy Santee Cooper. They didn't want
12 that to happen, so we figured out another way to
13 conduct the refinancing. So we did that.

14 This one in particular, if that is true,
15 you can lock in natural gas prices with hedges
16 or financial instruments that are available
17 today. You can do that. But if you enter into
18 those, whoever buys you is going to have to
19 assume those positions. And they didn't want
20 that to happen, and I understand why. So we
21 didn't do that.

22 CHAIRMAN LEATHERMAN: Let me follow that --

23 MR. RAY: Senator, if I may.

24 CHAIRMAN LEATHERMAN: No. No. No. I
25 hope you understand that what we're looking at

1 is on that is three options, and that's to sell
2 Santee Cooper or they have to be reorganized.
3 Do you understand that?

4 MR. BONSALL: I do.

5 CHAIRMAN LEATHERMAN: So if you want to
6 keep your entity in place, it seems to me you
7 ought to be trying to sell us on that entity.
8 And to sell us, we've got to have more detail on
9 the to-do list. Make sense to you or not?

10 MR. BONSALL: What would you like to see?

11 CHAIRMAN LEATHERMAN: I want to see your
12 final cost. When are you going to do your to-do
13 list?

14 MR. BONSALL: This is a start on the to-do
15 list.

16 CHAIRMAN LEATHERMAN: I ain't talking about
17 start. When are you going to do your to-do
18 list?

19 MR. BONSALL: What I'm trying to illustrate
20 by this chart is what my focus would be going
21 forward, assuming that you, in fact, approve the
22 Santee Cooper Reform Plan.

23 We had a meeting with the leadership of the
24 General Assembly a week ago, two weeks ago,
25 something like that, and they wanted our

1 assurance that we would not be doing anything
2 for -- throughout the completion of the Act 95
3 process that would, in fact, create long-term
4 obligations, new liabilities, et cetera, et
5 cetera. And we assured them that we would not
6 do that.

7 So we're operating under that promise, that
8 direction. But there are some of these kinds of
9 things that as soon as we can operate more
10 freely, I'm trying to tell you I would intend to
11 do that because I think there are savings
12 available in all these initiatives.

13 So is this a list of those initiatives
14 envisioning every single objective that anybody
15 in Santee Cooper could create? No, it doesn't.
16 But I think they're the biggest ones that you
17 should expect the executive body of
18 Santee Cooper to focus on. And I look forward
19 to the opportunity to do that.

20 CHAIRMAN LEATHERMAN: Sir, we appreciate
21 that, but I'm just an old country boy --

22 MR. BONSALL: As am I.

23 CHAIRMAN LEATHERMAN: -- trying to get by.
24 Back on the farm there's a say, we don't buy
25 pigs in pokes. I don't want know what's your

1 proposal right now. I know I'm slow. Everybody
2 tells me I'm slow. But my thought is if you
3 wanted to try to sell us on Santee Cooper to
4 continue to exist, I have an open mind,
5 absolutely an open mind, it's time for you all
6 to start telling us what you think you can do,
7 see if you can sell us on that idea, give us a
8 plan. Does that makes sense?

9 MR. BONSALE: I understand you. Yes.

10 CHAIRMAN LEATHERMAN: Mike, who's next?

11 MR. SHEALY: Up next is Senator Campbell.

12 SENATOR CAMPBELL: I guess it's still
13 morning, barely. Good morning.

14 MR. BONSALE: Good morning.

15 SENATOR CAMPBELL: Thanks for being here.

16 MR. BONSALE: You bet.

17 SENATOR CAMPBELL: We still have a few
18 minutes to go on the morning. I have a couple
19 of follow-up questions.

20 The first one, when we talk about Winyah,
21 can you give me the status of the gypsum
22 contract? I know that's been playing heavily on
23 operating Winyah because you had to deal with
24 the gypsum there at the U.S. Gypsum facility.
25 Where do you stand on that project?

1 MR. BONSTALL: Let me ask my Lady of the
2 Lakes, who is also our lady of environmental
3 management and manages that very contract, to
4 address that issue.

5 MS. WILLIAMS: Senator Campbell, that
6 contract remains in place. As I've testified
7 before, it is a long-term contract, and we
8 continue to service our obligations under it.

9 With the closure of Winyah, Winyah is not
10 producing significant -- it's insignificant the
11 amount of gypsum produced at Winyah. The
12 primary source of our proposed gypsum is at
13 Cross, and we're bringing that in.

14 SENATOR CAMPBELL: By truck?

15 MS. WILLIAMS: By truck. The closure of
16 Winyah does not impact our performance under
17 that contract.

18 SENATOR CAMPBELL: The second question is
19 on the backup slide -- this is for Mr. Bonsall.

20 MS. WILLIAMS: Okay.

21 SENATOR CAMPBELL: The backup slide number
22 2, where you showed the Santee Cooper's demand
23 and supply coming in balance, I think it looks
24 like it's about 23 or something like that.

25 MR. BONSTALL: Right. The backup slide or

1 the regular slide?

2 SENATOR CAMPBELL: Backup slide. We had
3 the two slides together.

4 MR. BONSALL: Yeah, but we're going to have
5 to get some tech support here. Sorry for the
6 delay.

7 This chart?

8 SENATOR CAMPBELL: Yes, sir. The question
9 I've got on that one is it looks to me like --
10 and you bring it into balance pretty quickly
11 there, and so demand and supply is in place.
12 NextEra seems to be above there, and they don't
13 come into balance until sometime later.

14 But they were talking about closing, at
15 least partially, the Cross plant. Would that
16 not bring them back into demand and supply?

17 MR. BONSALL: It clearly is going to move
18 their red line back towards the blue line. And
19 I think I mentioned earlier today that, you
20 know, if you do this, you're going to be along
21 for 20 years. I can't see them being along for
22 20 years more than likely. They'll take some
23 steps to --

24 SENATOR CAMPBELL: I think both of them are
25 good. I like the fact that no capital is being

1 spent in adding capacity. But if they don't add
2 capacity, they would -- I guess it looks to me
3 like, and I don't know this to be a fact, I
4 never talked to them actually about this, they
5 would take off the higher generation language.

6 I think Mr. Duckworth said yesterday he
7 gave us roughly the cost of generating power at
8 Cross from the two newer units. The two older
9 units, which are 600 megawatts at least, I
10 believe, they would close one or both of those.

11 MR. BONSALL: And that would be a natural
12 priority. Yes, it would.

13 SENATOR CAMPBELL: I just wanted to compare
14 the two philosophies, I guess either one. But
15 they're also talking about spending 2.3 billion,
16 I think, in capital.

17 MR. BONSALL: The differences here --

18 SENATOR CAMPBELL: Differences in
19 philosophies.

20 MR. BONSALL: Like Cap X, no cap X.

21 SENATOR CAMPBELL: Cap X and no cap X, yes,
22 sir.

23 Is there a preference? I know yours is no
24 cap X. Is there one or the other that might be
25 better? I don't know. I don't know the answer

1 to it. I'm trying to compare the deals we have
2 on the table.

3 MR. BONSALL: You have a stark choice, sir,
4 and there are different philosophies. I'm not
5 saying one is necessarily better than the other,
6 but my experience tells me value risk
7 management, value optionality, and the
8 opportunity to avail yourself of new
9 technologies.

10 And so do I have a preference? Sure, I do.
11 You see those statements -- those values
12 represented in the Santee Cooper Reform Plan,
13 but it's not -- I guess I think I said this
14 morning, the other one, could it turn out to be
15 good 20 years from now? It might.

16 SENATOR CAMPBELL: If we could see the
17 future, we could make a lot of good decisions.

18 MR. BONSALL: Very true.

19 SENATOR CAMPBELL: The other one I wanted
20 to add to you is on the demand side management,
21 I think that's fabulous. It puts the consumer
22 more in charge.

23 Berkeley Electric actually has had one in
24 place for three or four years. In fact, it's on
25 my telephone. I can usually follow my rates on

1 an hour-to-hour basis. It's almost like power
2 by the hour. They've got a good system.
3 They've been working on it for a while.

4 It does put -- people can blame the cost of
5 power cost as much as they want, but if you give
6 them a mechanism to control --

7 MR. BONSALL: To control it. Act in their
8 own economic --

9 SENATOR CAMPBELL: -- your economic best
10 interest. Yes, sir. Thank you, sir.

11 MR. SHEALY: Mr. Chairman, is there any
12 member of round two?

13 Round three, first up would be accident
14 Senator Alexander.

15 SENATOR ALEXANDER: Just one question, and
16 I'm not sure -- someone made the statement
17 earlier this morning, it was after my time, that
18 was talking about the Dominion proposal and said
19 that under no circumstances would Mr. Keller
20 Kissam be at Santee Cooper. Who made that
21 statement?

22 MR. BONSALL: That was Chairman Dan.

23 SENATOR ALEXANDER: I would like for him --
24 I'd like to know under -- who did you talk to
25 directly at Dominion that gave you that

1 information?

2 MR. RAY: I don't have that personal
3 information. They have not presented their
4 list, as I understand it, of perspective
5 employees. I would just suggest that maybe
6 that's an appropriate question to ask them, who
7 their three employees would be.

8 SENATOR CAMPBELL: It's a minimum of three.

9 SENATOR ALEXANDER: I think you -- I
10 understood you to say it was a done deal, that
11 he would not be there.

12 MR. RAY: No, sir. What -- that was my
13 personal opinion.

14 SENATOR ALEXANDER: What are you basing
15 that first opinion on?

16 MR. RAY: I see him as a vital resource to
17 Dominion running South Carolina for them and it
18 would be my opinion that he's too valuable for
19 them to release to the management agreement.
20 But I could be completely wrong.

21 SENATOR ALEXANDER: You don't think that
22 managing Santee Cooper, being involved in that
23 would be part of a vital resource to the state
24 of South Carolina?

25 MR. RAY: I think Santee Cooper would love

1 to have Mr. Keller Kissam be part of the
2 management team as an employee of Santee Cooper.
3 We would love that.

4 SENATOR ALEXANDER: I just was trying to
5 figure out under what basis you made that
6 statement.

7 MR. RAY: It's my personal opinion only.

8 SENATOR ALEXANDER: It didn't come across
9 that way earlier, like it was a defined,
10 definite thing that you were speaking on behalf
11 of Dominion.

12 MR. RAY: No, sir. That was just my
13 personal opinion, and I apologize if I came
14 across improperly.

15 SENATOR ALEXANDER: That's not necessarily
16 improperly, but it's just the fact it was
17 represented to us that that was the case, that
18 should influence our decision on what we do
19 based on that comment.

20 MR. RAY: Fair comment, sir.

21 SENATOR SETZLER: I have to be quick. I
22 have a meeting in my office at 12:00 I have to
23 be in. If we could get Ms. Williams back real
24 quick, please.

25 Ms. Williams, when we were talking about

1 the value of the property you had, I didn't
2 think to ask you about VC 1. Is VC 1 listed on
3 your financial statement at like \$200 million?

4 MS. WILLIAMS: I don't know the total
5 amount. We could get that for you. Our
6 controller was here earlier.

7 SENATOR SETZLER: It is listed in the back
8 what it costs you to build minus depreciation?

9 MS. WILLIAMS: That's what it should be.
10 But now, the real property doesn't appreciate.

11 SENATOR SETZLER: I understand that. But,
12 in fact, at VC 1, you have 300 megawatts of
13 capacity, correct?

14 MS. WILLIAMS: Correct.

15 SENATOR SETZLER: And on the market, if
16 somebody went to buy that facility, it's worth a
17 whole lot more than \$219 million. Probably
18 closer to 3- to \$6 million, correct?

19 MS. WILLIAMS: It's worth more than is on
20 our book, yes, sir.

21 SENATOR SETZLER: Substantially more.

22 MS. WILLIAMS: Substantially more.

23 SENATOR SETZLER: In the billions more.

24 MS. WILLIAMS: I will look to our resource
25 plan -- do you have a thought? How much a

1 one-third interest in V.C. Summer?

2 MR. DUCKWORTH: It is, Senator, worth more
3 on the market. The issue would be whether the
4 buyer could get that resource to the
5 transmission system to their need. So it
6 would -- the value that they would be willing to
7 pay would vary depending on that transmission
8 system and what it will take to get there.

9 Is that responsive, sir?

10 SENATOR SETZLER: Yes, sir. But the point
11 is, if they can make it work, it's a lot more
12 valuable than what's on your books?

13 MR. DUCKWORTH: Yes. To some entities, it
14 would be more like that.

15 SENATOR SETZLER: Mr. Chairman, I got a
16 question for Mr. Baxley. Well, maybe for the
17 CEO rather than Mr. Baxley. I want to ask about
18 the coal ash and any potential liability
19 relative to the coal ash.

20 MS. WILLIAMS: I'll take that.

21 SENATOR SETZLER: How much?

22 MS. WILLIAMS: So when I'm -- we have --
23 liability is a term I think of a little bit
24 differently. I'm going to answer your question
25 directly. We have budgeted -- it's about

1 \$300 million is -- I'll get the exact figure to
2 you -- to take care of the ash that remains
3 primarily at Jeffries Station and at the Winyah
4 Station.

5 And our plans are to beneficially reuse as
6 much of that ash as possible. We sell it to
7 cement plants. They use it as a by-product.
8 They can't -- there are a federal regulations
9 that dictate how long we have to get that ash
10 out of the ponds, and those regulations are
11 evolving right now, so I don't have a drop-dead
12 deadline for you.

13 SENATOR SETZLER: What I'm interested in is
14 the liability.

15 MS. WILLIAMS: \$300 million.

16 SENATOR SETZLER: So if somebody purchases
17 Santee Cooper's assets only, that \$300 million
18 is left with us? That liability.

19 MS. WILLIAMS: My understanding of the
20 NextEra bid is that they would assume that
21 liability. But I'd ask -- that's my
22 understanding, and I would ask that you confirm
23 that. That's the liability to move the ash from
24 point A to point B.

25 SENATOR SETZLER: We will ask that

1 question.

2 MS. WILLIAMS: If there were groundwater
3 contamination, we have no reason to believe that
4 there are any environmental impacts that would
5 require a cleanup beyond what we know.

6 SENATOR SETZLER: Okay. Thank you.

7 Mr. Bonsall.

8 MR. BONSALL: Yes, sir.

9 SENATOR SETZLER: I don't want you to
10 violate any confidentiality clause, but did
11 Central negotiate with you relative to your
12 reform plan?

13 MR. BONSALL: Well, they had a -- we had
14 the -- we participated in the discussions as
15 they were scheduled by the DOA in the time
16 period between November 25th and January 3rd.
17 So we did have those scheduled discussions. I
18 think all bidders did and that they were
19 conducted and overseen by the DOA within that
20 time frame.

21 So to the extent that that's what you mean,
22 we did have those discusses. We had no other
23 discussions, but we had those discussions as
24 contemplated by Act 95.

25 SENATOR SETZLER: Well, the Cook litigation

1 is not settled by Santee Cooper -- or Central
2 doesn't settle with Santee Cooper, then doesn't
3 that give one of the bidders an advantage
4 because they've got a settlement?

5 MR. BONSALE: Presumably it would, yes.

6 SENATOR SETZLER: Okay. And so in order to
7 have a level playing field, it is better for all
8 concerned and for the state if Cook litigation
9 is settled prior to this being resolved?

10 MR. BONSALE: Without any question, yes,
11 sir.

12 SENATOR SETZLER: I'm not sure how to ask
13 this question, but --

14 CHAIRMAN LEATHERMAN: Best way to do it is
15 just ask it.

16 SENATOR SETZLER: Well, Central has done an
17 exceptional job representing their people, and
18 the co-op is doing an exceptional job. But
19 doesn't that contract, in essence, to some
20 degree have control of all three of these
21 processes and these bids?

22 MR. BONSALE: You know, it's clearly an
23 integral factor in all three as to whether they
24 have control or not. I really can't answer that
25 question. Were that to be the case, you know,

1 clearly that's something that you, as decision
2 makers, need to wrestle with.

3 SENATOR SETZLER: Okay. Thank you,
4 Mr. Chairman.

5 CHAIRMAN LEATHERMAN: All right.

6 MR. SHEALY: Mr. Chairman, the next senator
7 up is Senator Massey.

8 SENATOR MASSEY: Thank you, Mr. Chairman.

9 I want to start, if I can, with Mr. Ray.
10 If I could do that.

11 MR. BONSALL: Okay.

12 SENATOR MASSEY: Mr. Ray, you said
13 yesterday -- and you said -- you reiterated
14 again today that there were leadership failures
15 at the CEO and Board levels. And I guess first,
16 and I want to ask you some questions about that.
17 But first, I want to say I appreciate you making
18 that remark. You've told me that privately, but
19 I appreciate you stating that publicly.

20 Because for so long, what we heard was that
21 every decision that was made was in the best
22 interest of the customers when it was so obvious
23 that was not the case. And people were
24 unwilling, scared, whatever, to accept
25 responsibility for things, I appreciate you

1 making the statement publicly. But let's talk
2 about this a little bit.

3 What were the failures at the Board level?

4 MR. RAY: So this is with the benefit of
5 perfect hindsight where I stand today.

6 SENATOR MASSEY: Of course. Sure.

7 MR. RAY: And also that the Cook case is
8 not settled. I am a plaintiff, and I'm
9 unrepresented. So I'd like to keep it at a
10 fairly high level.

11 SENATOR MASSEY: If there's something that
12 you're not comfortable talking about, then I can
13 live with that.

14 MR. RAY: Fair enough.

15 SENATOR MASSEY: But I do think that we
16 need to understand what the failures at the
17 Board level were to figure out how we can fix
18 those things and prevent them from happening
19 again.

20 MR. RAY: Sure.

21 SENATOR MASSEY: To the extent that you
22 feel comfortable talking about those failures,
23 and I'm not talking about you personally, I'm
24 talking about the Board as a whole, to the
25 extent that you feel comfortable talking about

1 those things, it will help us, I think, try to
2 figure out what we can do at the Board level.

3 MR. RAY: Sure. Just for context, so I
4 spent 25 years as an investment banker. I've
5 run project finance groups for fairly large
6 firms in New York and other places, and so I
7 come at this with a risk and a risk management
8 and a risk underwriting approach where I manage
9 the balance sheet for large organizations,
10 underwriting infrastructure and funding
11 infrastructure projects. So that's the hat with
12 which I come at this.

13 And so sort of globally, not to point
14 fingers, but the Baseloid Review Act was bad
15 legislation. Created conditions whereby our
16 partner was more focused on their stock value
17 than on their rate payer responsibilities.

18 SENATOR MASSEY: Preach. I'm with you.
19 But the bill didn't apply to Santee Cooper.

20 MR. RAY: Understood. I just wanted to
21 create that framework because that's an
22 important piece in how our partner viewed this
23 project in general.

24 Now, let me get down a little bit lower.
25 The EPC contract, which was the construction

1 contract, was an engineering, procuring, and
2 construction contract. Very common, building
3 office buildings, school buildings, where your
4 design is fairly simple and you can move those
5 three forward together.

6 Here you have, aside from putting a man on
7 the moon or a woman on the moon, the most
8 complex construction on the face of the earth.
9 And you're going to design it concurrent with
10 procuring it and constructing it. So you don't
11 even know what the design looks like, and you're
12 trying to construct it, procure it, value it,
13 and put risks around what all that looks like.
14 Not really the right way to do it.

15 The owners should have spent the money on
16 design up front and made a decision how to go
17 forward. That's my opinion.

18 The partnership agreement between
19 Santee Cooper and SCANA was a terrible
20 agreement. It ceded too much power to SCANA,
21 indemnified them for things that they should not
22 have been indemnified for, and made
23 Santee Cooper an ATM machine to SCANA.

24 SENATOR MASSEY: The Board approved that.

25 MR. RAY: The Board approved that.

1 SENATOR MASSEY: Did the Board understand
2 those consequences when it approved it?

3 MR. RAY: I suspect not.

4 SENATOR MASSEY: Did the Board ask
5 questions as to consequences?

6 MR. RAY: Clearly, I was not there at the
7 time, Senator, and so I can't answer that.

8 SENATOR MASSEY: That's a fair point. Tell
9 us when you were appointed.

10 MR. RAY: So Governor Haley appointed me to
11 the Board in May of 2014.

12 SENATOR MASSEY: Okay.

13 MR. RAY: So by --

14 SENATOR MASSEY: It was on the spiral by
15 then.

16 MR. RAY: If you actually read my
17 deposition, I was asked about an email that I
18 sent to the chairman on September 14th of 2014,
19 three months after I had been on the Board. And
20 it didn't say, Oh my God, you know, this is
21 going to crash.

22 What it said is this is a very serious
23 project, one that has a tremendous amount of
24 risk associated with it. And we, the Board,
25 need to be laser focused on it and we need help.

1 SENATOR MASSEY: What happened in response
2 to that? What was -- what happened at the Board
3 level? Was there conversation about V.C. Summer
4 at the Board level?

5 MR. RAY: There were clearly ongoing
6 conversations each meeting about V.C. Summer 2,
7 3. You have to remember that Santee Cooper had
8 two employees on site, maybe three, I apologize.
9 Three on site relative to SCANA's 635.

10 SENATOR MASSEY: A couple of whom I assume
11 are very excited to be sitting in the audience
12 today.

13 MR. RAY: And they're good people.

14 SENATOR MASSEY: Sure.

15 MR. RAY: And in my opinion they did their
16 job, but as a litigator mentioned to me last
17 week, they're at the kiddie table. They were
18 not at the big table on site.

19 SENATOR MASSEY: I understand that, and
20 they were at the kiddie table because that's
21 what the Board agreed to.

22 MR. RAY: And that's what the agreement the
23 called for.

24 SENATOR MASSEY: Right. That's the
25 agreement that the Board adopted.

1 MR. RAY: Correct.

2 SENATOR MASSEY: So the Board made a bad
3 decision in adopting that agreement?

4 MR. RAY: In hindsight, absolutely. No
5 question.

6 CHAIRMAN LEATHERMAN: Senator, was that a
7 question?

8 SENATOR MASSEY: That was a question.

9 And so I guess what I'm interested in
10 really is was there a structural failure on the
11 Board that led to that type of a decision being
12 made, or was it just a bad decision?

13 MR. RAY: Well -- and that's the nature of
14 the conversations between Mr. Bonsall and myself
15 about how do we make sure this doesn't happen
16 again? How do we format structure, planning
17 principles, pricing principles, governance so
18 that we have checks on ourselves as we look to
19 make large decisions like this?

20 And I'll point to the only execution
21 documents were terrible. I mentioned the EPC
22 agreement. It did not obligate the contractor,
23 the EPC provider, to fulfill obligations that
24 you would typically require of a contractor.
25 And I can go into a laundry list of those.

1 But, ultimately, the owners collectively
2 did not have the independent oversight of a
3 third party that would come to our Board meeting
4 and say, I have a fiduciary to you just like I
5 do SCANA and here's what I know and here are the
6 results and here's my recommendations. We never
7 had that independent voice. We always had it
8 filtered through SCANA.

9 SENATOR MASSEY: And wasn't it also the
10 voice that the Board heard was also filtered
11 through the CEO?

12 MR. RAY: That's correct. I mean, that's
13 an honest assessment. Our leader -- again, the
14 unfortunate place to where we find ourselves is
15 that less than five people were involved in
16 decision making at Santee Cooper related to
17 nuclear that's how now our biggest legacy
18 failure. The other 1200 people do their job
19 every day and do it well.

20 SENATOR MASSEY: They show up, they work
21 their tails off, they keep the lights on.
22 They're the reason the reliability numbers are
23 so high. They do tremendous work.

24 MR. RAY: Senator, imagine if you're
25 sitting in California today as a senator trying

1 to figure out how to deal with PG&E, where lines
2 are falling and people are dying. That's not
3 our problem. We have a big problem, but we do
4 not have a liability problem, and we do not have
5 a utility that can't function and can't maintain
6 its assets.

7 SENATOR MASSEY: I think everybody knows
8 there's no chance of me being elected to
9 anything in California. But I understand your
10 point.

11 And this really -- you're getting to where
12 I wanted to go. How many of the current Board
13 members served while Mr. Carter was CEO?

14 MR. RAY: Mr. Carter was there for a long
15 period of time. How many of the current Board
16 members were in position while Mr. Carter was
17 CEO?

18 SENATOR MASSEY: Right.

19 MR. RAY: All but Mr. Leaird.

20 SENATOR MASSEY: Okay.

21 MR. RAY: I could caveat that by saying
22 Mr. Mudge was here for a very short period of
23 time before and a few others, but the technical
24 answer is all but Mr. Leaird.

25 SENATOR MASSEY: Were there concerns about

1 Mr. Carter's leadership?

2 MR. RAY: I'll answer it this way.

3 Mr. Carter was a capable CEO. He had tenure in
4 the company. He had tenure as a CEO. And the
5 utility business is a complex business. An
6 appointee Board member will rarely have the
7 competence to go up against a utility CEO in
8 operational matters. That's just a fact.

9 I would say that Mr. Carter ran the show
10 start to finish.

11 SENATOR MASSEY: I've heard from a number
12 of people that often Mr. Carter would speak with
13 individual Board members beforehand, before
14 meetings, and things would essentially be worked
15 out before you ever had a Board meeting.

16 And then when the Board meeting arrived,
17 there was probably not a whole lot of public
18 discussion or a whole lot of inquiry about
19 things because it had all been worked out.
20 Would that seem fair?

21 MR. RAY: I think that's a fair comment.

22 SENATOR MASSEY: Is that an appropriate way
23 for a Board to do its duties?

24 MR. RAY: No, it's not. I think it's
25 important -- I'm the acting chairman. I was not

1 appointed by the governor to be the chair. I
2 was appointed by my peers on the Board. I think
3 it's important that we have debate. We need to
4 talk about things, and if we talk about it
5 before a Board meeting, I'm fine with that. But
6 we need to make sure we have open communication
7 and conversations about the issues in front of
8 us.

9 SENATOR MASSEY: Right.

10 MR. RAY: Now, unfortunately, we find
11 ourselves today needing to have a lot of
12 executive committee meetings because of
13 litigation, et cetera. But I am all about
14 public debate.

15 SENATOR MASSEY: Well, I understand why
16 things have to be done in executive session as
17 well, but even in an executive session format,
18 the Board members are going to have to question.
19 Even if you don't have the competence level of
20 the CEO or whomever is speaking, the Board
21 collectively -- there's a responsibility there,
22 right?

23 MR. RAY: There is.

24 SENATOR MASSEY: I would question and
25 understand.

1 MR. RAY: No question. I will tell you
2 that -- and I'm sure others experienced this
3 more than me, but there was a sense of hierarchy
4 on the Board in terms of you don't know enough
5 to ask questions yet. I basically disrupted
6 that on day one. But there was a sense of that
7 at some point in the past.

8 And today, anybody who has a question or a
9 position is free to lay that on the table, and
10 we welcome that because we all benefit by the
11 collective value of each input.

12 SENATOR MASSEY: That has a lot to do with
13 leadership at the Board level.

14 MR. RAY: It does.

15 SENATOR MASSEY: Right? If you have a
16 chairman who welcomes, solicits that input, the
17 members are going to feel more comfortable doing
18 it, right?

19 MR. RAY: They are.

20 SENATOR MASSEY: But also, I mean, we're
21 not talking about some county level recreation
22 Board, right? We're talking about
23 Santee Cooper. If you get that position, if you
24 get that appointment from the governor, it's a
25 big deal, right?

1 MR. RAY: Economically, no. But, yes, it
2 is.

3 SENATOR MASSEY: Right.

4 MR. RAY: It is -- in all seriousness, it's
5 a big responsibility. This company generates
6 and moves power across South Carolina every day
7 to 2 million customers, and they do it well.
8 And it generates \$2 billion a year in income.
9 In revenues. And it has \$7 billion in debt.
10 And it has generation assets and resources in 17
11 counties, and its employees live in 37 counties.
12 It's a big deal.

13 SENATOR MASSEY: You're a great advocate.
14 You believe in the company, and I think that's
15 what a chairman of the Board ought to do. And
16 you're also very knowledgeable about what's
17 going on because you devoted a lot of time to
18 it, and I appreciate that. It does do a lot of
19 things well. It's also done some things really
20 bad.

21 You said earlier there were about five
22 people who knew what was going on. Who are
23 those five people?

24 MR. RAY: The CEO. The CFO, to a small
25 degree as it related to issuing debt and

1 managing --

2 SENATOR MASSEY: Who?

3 MR. RAY: Mr. Jeff Armfield. The general
4 counsel, both Mr. Brogdon and Mr. Baxley. Very
5 little involvement by the COO, Mr. Marc Tye.
6 And then the senior vice president for new
7 nuclear, Mr. Michael Crosby.

8 That's the essence of -- and then as I
9 mentioned, we had three representatives or two
10 representatives on site. But that's the essence
11 of the core team that managed the nuclear risk.

12 SENATOR MASSEY: During your tenure there,
13 before July 31, 2017, did any of the Board
14 members express concern about the progress of
15 V.C. Summer?

16 MR. RAY: Sure. I think it was clear, we
17 all had concerns. We all had concerns --

18 SENATOR MASSEY: By when?

19 MR. RAY: Ongoing throughout. Now, I would
20 say from '14 to '15, getting educated about what
21 was going on, not getting a lot of information
22 about the risk potential to the company. And
23 the fall of -- excuse me, in the fall of 2015,
24 when we were presented with the revised EPC and
25 told that we needed to renegotiate the EPC --

1 SENATOR MASSEY: To a fixed price contract,
2 right?

3 MR. RAY: -- to a fixed price contract
4 where we removed Chicago Bridge & Iron. That
5 was a moment where we knew things were changing.

6 SENATOR MASSEY: Were there questions at
7 that point? Was the Board questioning the CEO
8 about what was going on? Why things were being
9 made? Did the Board members understand what was
10 going on at that point?

11 MR. RAY: Some. There were questions. And
12 clearly there was questions about what's the
13 impact of this revised EPC? What's the value in
14 agreeing to it? Which was a fixing of the
15 price. And there were trade-offs associated
16 with that.

17 And I think we did -- in fact, at that
18 moment, I was fairly uncomfortable with a
19 revised EPC, and the Board hired independent
20 outside counsel to come in and give them a
21 separate assessment of the pros and cons of that
22 new agreement.

23 SENATOR MASSEY: Was there any discussion
24 at the Board level that there was -- that this
25 revised EPC, there was essentially no way that

1 Westinghouse was going to be able to meet those
2 fixed prices?

3 MR. RAY: No. That was not -- that was not
4 what the outside experts told us. What the
5 outside experts told us, and be happy to share
6 that record with you, was that there was a value
7 that experts expected the EPC completion to cost
8 and that that cost was X amounts of dollars
9 above the EPC.

10 And so from our perspective, there was
11 value in entering into that EPC, but that the
12 expected cost was a higher number than what
13 Westinghouse was agreeing to enter into. Which
14 should -- which did give us some pause.

15 SENATOR MASSEY: How often -- as a Board
16 member, how often do you have to meet with FERC?

17 MR. RAY: I think the answer would be each
18 time you are up for renomination.

19 SENATOR MASSEY: So just once every seven
20 years?

21 MR. RAY: Technically that's correct,
22 Senator, unless you're filling an interim term
23 for someone else, but yes.

24 SENATOR MASSEY: All right. Do you know if
25 any Board members expressed any concerns to FERC

1 about Mr. Carter's leadership?

2 MR. RAY: I'm not aware of any. And I was
3 up for renomination on FERC a year after I was
4 put on the Board in '14. So in '15, I was back
5 up for renomination. But I'm not aware of
6 anybody.

7 SENATOR MASSEY: Did anybody on the Board
8 express any concerns to FERC about V.C. Summer?

9 MR. RAY: I did.

10 SENATOR MASSEY: That would have been your
11 renomination?

12 MR. RAY: Correct.

13 SENATOR MASSEY: How did that go?

14 MR. RAY: I don't think --

15 SENATOR MASSEY: That what would have been
16 which year?

17 MR. RAY: '15.

18 SENATOR MASSEY: Okay.

19 MR. RAY: I don't think -- well, it wasn't
20 an alarm bell. What I said was it's a big
21 project, it has risk, and we're relying on SCANA
22 to manage that risk on our behalf.

23 SENATOR MASSEY: And at that point a lot of
24 people had faith in SCANA. But did any -- do
25 you know of any Board members who expressed

1 concern about Mr. Carter's leadership or the
2 status of V.C. Summer to legislative leadership
3 outside of FERC.

4 MR. RAY: I did.

5 SENATOR MASSEY: All right. Is there --
6 have you found there to be concern among Board
7 members to do that?

8 MR. RAY: I think -- I think five years
9 ago, seven years ago -- or let's just say five
10 years ago, the Board wasn't comfortable being
11 too assertive in that regard.

12 SENATOR MASSEY: Why is that?

13 MR. RAY: Again, I think we're all
14 volunteer Board members. We're not utility
15 executives. We're not utility experts. And it
16 is hard to challenge a sitting utility CEO
17 without having that knowledge.

18 SENATOR MASSEY: All right. So what can we
19 do to make it clear to Board members that
20 they've got to do that? That this is -- I
21 realize as a volunteer, but there are a lot of
22 perks that come along with being a Board member
23 of Santee Cooper.

24 MR. RAY: Is that correct, Senator?

25 SENATOR MASSEY: I think there are. You're

1 in a different position.

2 CHAIRMAN LEATHERMAN: Senator, is there a
3 question?

4 SENATOR MASSEY: Aren't there? I mean,
5 there are a lot of perks that come along with
6 being a Board member at Santee Cooper. People
7 who want to do the job.

8 MR. RAY: Biggest perk, Senator, is working
9 with some great people. And I'm not just saying
10 that. I mean that. I've been in a lot of
11 companies. I work with a lot of people. And
12 Santee Cooper has a lot of great people.

13 SENATOR MASSEY: What can we do
14 structurally to ensure that Board members are
15 going to be inquisitive and that if there are
16 concerns about issues, that those issues will be
17 relayed to the legislature, to the governor, to
18 the advisory committee, to somebody?

19 MR. RAY: That's a great question.

20 CHAIRMAN LEATHERMAN: Massey, for the
21 record, your time is up. But you can take all
22 the time you want because you're at a very
23 critical area here.

24 SENATOR MASSEY: Okay.

25 CHAIRMAN LEATHERMAN: Whether it's five

1 minutes or six hours, whatever you want to.

2 SENATOR MASSEY: Okay.

3 MR. RAY: So I would propose to you that
4 one of the things that you should consider is
5 whether political appointee Board members is the
6 right approach, or are more corporate Board
7 appointees a better way for such a large,
8 sophisticated complex organization?

9 SENATOR MASSEY: What would that structure
10 look like?

11 MR. RAY: For example, like a
12 publicly-traded company appoints Board members.

13 SENATOR MASSEY: Are they going to select
14 their own?

15 MR. RAY: Not my call, Senator. What I
16 would suggest is that we offered some ideas in
17 governance reform as it relates to that. But
18 it's your decision. I think you're absolutely
19 onto a key question, which is how do we make
20 sure we've got great leadership that can help
21 and guide a CEO in the running of this company?

22 SENATOR MASSEY: I actually think, Mr. Ray,
23 that we've got some highly sophisticated people
24 who are in the Board positions. You agree with
25 that?

1 MR. RAY: Absolutely. And that's one of
2 the --

3 SENATOR MASSEY: In varied areas, which is
4 a good thing. You get diversity of expertise
5 there, and that should help make for a good
6 Board, right?

7 MR. RAY: It should. And let me -- I'm
8 going to take this opportunity because I think
9 I've left a bad impression. We have a great
10 Board. We have a knowledgeable Board, as we sit
11 here today, that have experience running
12 companies, developing real estate, managing
13 risk, so we have that. We have it.

14 Now, is it random? Or is it purposeful?
15 But we have it.

16 SENATOR MASSEY: To some extent that
17 depends on the governor who is nominating and
18 what he or she uses as selection criteria and
19 factors into how well the Senate does its job in
20 the confirmation process.

21 MR. RAY: I totally agree with that.

22 SENATOR MASSEY: I think if you compare the
23 people who have been selected to serve on
24 Santee Cooper's Board, for instance, with the
25 people who have gone through the selection

1 process to be on the Public Service Commission,
2 I really don't think there's much of a
3 comparison.

4 Now, I think you all are much better
5 equipped, and there's much more potential to do
6 the job with the people that we've selected
7 there. My concern is it's not the membership on
8 the Board as much as it is how do we ensure that
9 that Board acts like a Board ought to act? How
10 do we ensure that the Board gets the information
11 that it needs to get?

12 How do we ensure that you're going to ask
13 the -- I'm not talking about your running
14 day-to-day operations, but how do we ensure that
15 the Board is going to collectively use its
16 wisdom to question senior management? And if
17 there are concerns, to raise those concerns to
18 the appropriate people? Because that seems to
19 me to be one of the biggest failures of the
20 Board throughout the V.C. Summer process. I
21 mean, does that sound out of line?

22 MR. RAY: No, it does not. In fact, I
23 think, if I'm recalling this correctly, in our
24 governance proposal, we actually proposed coming
25 up annually and reporting to a body, whether

1 it's legislative or governor or some combination
2 thereof. And I think that should include a
3 Board portion where we are accountable to you on
4 an assessment of just that.

5 SENATOR MASSEY: All right, sir.

6 And, Mr. Chairman, you tell me if you want
7 me to --

8 CHAIRMAN LEATHERMAN: Oh no.

9 SENATOR MASSEY: I've got a few more
10 questions about the Board, and then I was going
11 to shift into the CEO stuff. So that might be a
12 good time if you want to let somebody else.

13 CHAIRMAN LEATHERMAN: The floor is yours.

14 SENATOR MASSEY: Thank you, I think.

15 Let's go back to Summer for a minute.

16 Okay. Did the Board have an idea about the
17 engineering and design and constructability
18 problems that existed at Summer?

19 MR. RAY: I think over time the Board
20 became more aware but not in a great level of
21 detail until closer to when we understood that
22 the milestone payments were ending, and it was
23 possible, probable that Westinghouse was going
24 to file for bankruptcy.

25 SENATOR MASSEY: So that was well after the

1 revised contract?

2 MR. RAY: It was. Now, let me be clear.
3 Throughout, we knew there were overruns and
4 there were disputes within the EBC consortium.
5 And there were -- my bottom line statement is, I
6 never felt like we had clear information that
7 wasn't filtered through SCANA.

8 SENATOR MASSEY: Well, there were -- so
9 what has come out in the last couple of years is
10 that there were a number of emails between
11 Mr. Carter and Mr. Marsh where there were
12 expressions of concern about -- I mean as early
13 as 2013, right -- where, I mean -- there were --
14 Mr. Marsh and Mr. Carter were talking about
15 essentially this project is about to fail. It's
16 going downhill.

17 We need -- Mr. Carter asking Mr. Marsh, as
18 the CEO of SCANA, the one who's running
19 everything essentially, we got to get a lawyer
20 who's going to help us negotiate with
21 Westinghouse because they're not living up to
22 their end of the deal. '13, '14.

23 Did the Board know -- and I realize you
24 weren't there -- but from what you've heard, we
25 can ask other Board members to come up if we

1 need to, but what I want to know is did the
2 Board know that the CEO had that significant
3 level of concern?

4 MR. RAY: Wasn't there during that time,
5 but my sense is, no, until 2015.

6 SENATOR MASSEY: All right. Well, once you
7 get post Bechtel, I mean, everything's
8 different.

9 MR. RAY: So may I make a comment about
10 Bechtel?

11 SENATOR MASSEY: Sure.

12 MR. RAY: Obviously, the reason we have a
13 Bechtel report is because this Board demanded
14 that we get an independent engineer with eyes on
15 that project. We could not get SCANA to agree
16 to hire Bechtel as an oversight engineer, but we
17 essentially forced them to have Bechtel provide
18 a report.

19 Now, they hid the report by having it --
20 the engagement through the outside attorney, but
21 if it wasn't for this Board, there would be no
22 Bechtel report.

23 SENATOR MASSEY: Well, and I think candidly
24 if it weren't for your predecessor, it probably
25 wouldn't have come out for all of us to know

1 about. He was sitting in that chair right over
2 there. Might be a newer chair now. But he was
3 sitting right over there when we first heard
4 about Bechtel. We didn't know anything about
5 Bechtel until Mr. Lord told us about it.

6 And then with Senator's Leatherman's
7 actions and the governor's actions, that report
8 was released. But that means that in -- if
9 Bechtel resulted from Board action, that means
10 the Board had concerns about something
11 pre-Bechtel.

12 MR. RAY: As I stated, our biggest concern
13 was we did not have an independent engineer
14 representing the owners. Which was very typical
15 in any -- I mean any size construction project.

16 SENATOR MASSEY: All right. And how -- how
17 would the Board have received that information
18 to have developed that concern?

19 MR. RAY: Through past experience. Now,
20 should the CEO have said, guys, we have to have
21 an independent oversight? Yes.

22 SENATOR MASSEY: Was the Board getting
23 sufficient information from the CEO throughout
24 the Summer project?

25 MR. RAY: We were getting information. It

1 was filtered, and it could have been better.
2 Should have been better.

3 SENATOR MASSEY: Isn't it true that it was
4 filtered in such a manner that the Board was
5 going to keep going with the project?

6 MR. RAY: I think that's fair.

7 SENATOR MASSEY: All right. So this, I
8 think, is another issue. We've got to figure
9 out a way, if the legislature were to -- I think
10 this has got to be considered as part of my
11 reform conversation. Legislature has got a
12 tough decision to make.

13 But it seems like if we're going to
14 consider a reform, it's got to be meaningful
15 reform. And that reform option has to include
16 some type of assurances that the Board is going
17 to get better information from the leadership.

18 All right. So my question is: Is there a
19 way that we can legislate that, or is this all
20 personality driven?

21 MR. RAY: I think it's hard to legislate
22 that. You'll find yourself too involved in too
23 many things, in too many ways. What we need to
24 do is convince you that through our governance,
25 pricing principles, resource planning, and

1 governance, that we installed enough guardrails
2 to ensure we're getting the right information
3 from the CEO. We've got to do that. We've got
4 to convince you that that's the right framework.

5 SENATOR MASSEY: You've some work to do on
6 that.

7 MR. RAY: Yes, we do.

8 SENATOR MASSEY: I think one of the
9 concerns that I've heard expressed, and I share
10 this concern, did you know, is that people are
11 concerned that once this is over, if we were to
12 keep Santee Cooper, that the Board would revert
13 to where it was.

14 And that if you don't have the constant
15 oversight and you don't have the newspapers
16 coming in and looking for stuff all the time,
17 that the Board is going to revert to the most
18 comfortable position and allow the CEO, whomever
19 that may be, to have almost unilateral control
20 and you're going to get into another situation
21 like this.

22 So can we legislatively address that
23 concern?

24 MR. RAY: I do worry that it will be
25 overreach. What I would suggest is I think this

1 annual reporting requirement where we are
2 obligated to come up and sit in front of
3 Senator Massey and answer all of his questions,
4 to where you're comfortable and others are
5 comfortable, that this Board is independent and
6 is holding a CEO and senior leaders accountable
7 at all times.

8 What we suggested in the resource plan
9 derisk the company significantly.

10 SENATOR MASSEY: I mean, you understand
11 that in order to prevail, you've got to convince
12 the legislature that it can have confidence in
13 the Board and the structure's in place. You
14 understand that, right? And I think the other
15 Board members understand that, right?

16 MR. RAY: We do. It is a challenge and,
17 you know, we are balancing many balls right now.
18 But this is an important one, and it's hard to
19 do that and in sound bites. But we are very
20 serious about putting in and instituting the
21 right kind of controls to make sure we don't end
22 up in this same place again. Very serious about
23 that.

24 Open to input related to that. We have two
25 super smart guys on staff now leading this

1 company that have a lot of experience and
2 resources beyond this company to help us put the
3 right structure in place.

4 SENATOR MASSEY: One more question about
5 Board stuff. We talked earlier about how there
6 was a practice, at least, with a former CEO of
7 having individual conversations with Board
8 members, working things out so that there was
9 not a whole lot of real robust conversation at a
10 Board meeting.

11 Did any of the Board members express
12 concern about that?

13 MR. RAY: I don't think it was an
14 expression of concern. It was more of an
15 expression of Mr. Carter called me. He laid out
16 what he thought were the three key issues.
17 Here's what I -- in other words, I think it's
18 fair to say that we overcame some of that by
19 communicating with ourselves and not allowing it
20 to be that compartmentalized.

21 But I do think it's fair to say that there
22 was an attempt to compartmentalize Board members
23 to control an outcome. I think that's a fair
24 assessment, and it happened.

25 Now, I think this Board, as we sit here

1 today, is not capable of being controlled in
2 that way.

3 SENATOR MASSEY: Well, no, but, I mean,
4 everybody's looking at you now. Right? I mean,
5 you got -- I mean, every television news outlet,
6 every print media, every legislator, everybody's
7 looking at you now.

8 MR. RAY: That's true. But -- true. Fair
9 comment. But I do believe, having gone through
10 this experience, and it will be written in the
11 transcription in Santee Cooper's records, it
12 will not be forgotten. This event, V.C. Summer
13 2, 3 will not be forgotten by current Board,
14 future Board, current employees, future
15 employees. This will have a lasting mark for a
16 long time. And we are committed not to repeat
17 this.

18 SENATOR MASSEY: And I appreciate that
19 commitment, and I believe you when you say that.
20 I believe that the current Board is committed to
21 that. I am concerned, however, that it will be
22 forgotten. And it will be forgotten shorter --
23 in a shorter time period than we want it to be
24 forgotten.

25 Which is why I think for us to have to be

1 convinced to keep Santee Cooper, there's going
2 to have to be meaningful reform at the Board
3 level to persuade us of that. And the sound
4 bite, if you will, is that the proposal on the
5 Board reform is to have term limits. That's the
6 sound bite. I understand there's a little more
7 in there, but that's the sound bite.

8 MR. RAY: That's not our sound bite,
9 Senator.

10 SENATOR MASSEY: Well, it's in here. I
11 understand you all did it because DOA told you
12 to do it. I get it. But it's in here. The
13 sound bite, the headline on proposals to reform
14 Santee Cooper's Board is that we have term
15 limits.

16 MR. RAY: Let me give you another sound
17 bite headline. Four months ago, three months
18 ago we adopted at the Board level a resolution
19 solidifying the resource planning principles and
20 the pricing principles. And I would encourage
21 you to read those, or we can provide those to
22 you.

23 Those are real. Those create structure,
24 and they create guardrails and boundaries for
25 our governance and our ability to operate and

1 make decisions on generation, on transmission,
2 and how we put at risk capital for the company.

3 And those are real, Senator. And I believe
4 they are, and I believe we will follow those.

5 SENATOR MASSEY: And I suspect a lot of
6 that has to do with your involvement. I
7 appreciate that. I think we probably need to
8 explore those a littles bit more in order to
9 have a better, more fuller understanding of
10 things.

11 Mr. Chairman, I know I have taxed your
12 patience and the other committee members a good
13 while. My next line of questioning, we're going
14 to stay with culture but I was going to shift
15 from the Board into the CEO level. So I'm at
16 your discretion. I'm happy to let others ask
17 questions, I can come back to that, but I do
18 want to ask a number of questions about that.

19 CHAIRMAN LEATHERMAN: Let me make a
20 statement or two and you go ahead.

21 But anyway, I notice some of my colleagues,
22 House and the Senate both, heard them say, well,
23 Santee Cooper tells you what they're going to
24 do, the General Assembly what they're going to
25 do, and it never happens. How would you respond

1 to that, sir?

2 MR. RAY: Senator, I consider myself to be
3 a man of my word, and I'm serious-minded about
4 what we're doing here today. And --

5 CHAIRMAN LEATHERMAN: I know this is the
6 past that took place, but that's happened I
7 think time and time again.

8 MR. RAY: Well, all I can tell you is I
9 take this very seriously, and I own what
10 happened. I own more than my fair share of what
11 happened. But I'm standing here today because
12 I'm the chairman. I care about not only
13 Santee Cooper, I care about South Carolina.

14 And I will tell you that you have my
15 commitment that everything we do will be
16 serious, serious-minded, and focused on customer
17 service and making sure that our rate payers
18 don't pay more than they should.

19 My grandparents, my great grandparents grew
20 up in Florence County and Georgetown County and
21 Williamsburg County, and they benefited from the
22 electrification that Santee Cooper brought to
23 the rural parts of our state. That's a public
24 benefit that I inherited, and I don't take it
25 for granted. I believe in Santee Cooper, and I

1 believe that we can reform Santee Cooper.

2 CHAIRMAN LEATHERMAN: One final thought.
3 I've heard my colleagues of both Houses talk
4 about Santee Cooper was a fine country club down
5 there to be a member of it on the Board. Have
6 you heard anything like that?

7 MR. RAY: I can tell you, Senator, that it
8 costs me more out of my pocket to be on this
9 Board than what the state pays me to be on this
10 Board. I can tell you that I sleep in the
11 oldest, crappiest cottage on Wampee every time
12 I'm there. And it is no country club. It has
13 an incredible view, but it's no country club.

14 I can tell you that all my friends say,
15 "Why in the heck are you on the Santee Cooper
16 Board? Why are you putting yourself through
17 this?"

18 And my answer is, "I signed up for the
19 mission, and I stayed for the people."

20 CHAIRMAN LEATHERMAN: If it's any
21 consolation for you, then I'll be finished with
22 the comments. People sitting around this table,
23 I think our salary is 10,400 a year, so maybe
24 we're in the same category.

25 MR. RAY: We're absolutely in the same

1 boat, I promise you.

2 CHAIRMAN LEATHERMAN: Senator Massey.

3 SENATOR MASSEY: Okay. Mr. Ray, I want to
4 transition a little bit, and we may have to
5 bring Mr. Bonsall in for some of these
6 questions.

7 MR. RAY: I'll be happy for that.

8 SENATOR MASSEY: But I want to talk about
9 the failures at the CEO level and what we can do
10 to address those. Before I really get into that
11 too far in-depth, how long is Mr. Bonsall's
12 contract?

13 MR. RAY: Mr. Bonsall's contract is an
14 18-month contract with a six-month extension.
15 Right? I think it's fair to say that this Board
16 is prepared to -- and both is mutual -- to
17 extend that contract.

18 And I can also tell you that -- I'll speak
19 for Mr. Bonsall and Mr. Duckworth, they're very
20 happy to be in South Carolina. They -- I'll let
21 them speak for themselves. But I want to tell
22 you this: He brought his bass boat from Arizona
23 a few weeks ago, so I think he enjoys
24 South Carolina.

25 SENATOR MASSEY: When is -- when does the

1 18-month contract expire? I believe

2 Mr. Bonsall --

3 MR. RAY: I believe it's December of 2020.

4 I'm sorry, the 18 months will be December of

5 2020 or January.

6 SENATOR MASSEY: His current contract

7 expires at the end of this year?

8 MR. RAY: That's correct.

9 SENATOR MASSEY: When does -- is

10 Mr. Duckworth on a contract?

11 MR. RAY: Yes. The same.

12 SENATOR MASSEY: It's the same term? Same

13 time frame?

14 MR. DUCKWORTH: Yes.

15 SENATOR MASSEY: And I'll talk to

16 Mr. Bonsall about that in just a few minutes.

17 But you brought up that there were failures at

18 the CEO level. What were those failures?

19 MR. RAY: I think, as I mentioned, just the

20 way the CEO failed to manage risk was a big

21 failure. And by that, I mean, to put

22 Santee Cooper in a position of having that much

23 baseload exposure to one asset, that much

24 balance sheet exposure to one asset, that much

25 overall credit exposure to one asset, was a bad

1 decision.

2 SENATOR MASSEY: Was that a CEO failure or
3 a Board failure?

4 MR. RAY: Well, let's be honest. As we sit
5 here today in perfect hindsight, that's my
6 criticism. At the time, given where gas prices
7 were, given where carbon was heading, given all
8 the other things in the age of the fleet, it
9 passed the best interest test. So I can't say
10 that it was a failure of the Board, but the
11 execution of that decision was a CEO-driven
12 failure.

13 SENATOR MASSEY: It passed the best
14 interest test in the beginning --

15 MR. RAY: Correct.

16 SENATOR MASSEY: -- right? It stopped
17 passing the best interest test well before
18 bankruptcy.

19 MR. RAY: I think that's a fair assessment.
20 Well, let me be careful here. Let me be careful
21 here because you asked is there and was there an
22 ongoing best interest test requirement. I'm
23 going to not answer that one because I'm not
24 exactly sure.

25 SENATOR MASSEY: Okay. Well, and,

1 honestly, that may be more of a question for the
2 SCANA folks and the Public Service Commission.
3 Because clearly every time SCANA went in, PSC
4 was supposed to be looking at that issue.

5 But from the emails that I have seen that
6 are available to the world, you agree with me
7 there were clearly concerns -- Mr. Carter had
8 concerns about what was going to happen with
9 that project well before not only Westinghouse
10 declared bankruptcy but well before there was
11 ever a renegotiation of the contract?

12 MR. RAY: That's correct. And as you know
13 better than me, the Baseload Review Act drove
14 decision making at SCANA in a different
15 direction than a Santee Cooper decision-making
16 would have put us at that point in time. Should
17 have put us at that point in time.

18 SENATOR MASSEY: I mean, the baseload --
19 isn't it right that the Baseload Review Act
20 drove SCANA's actions, and Santee Cooper's Board
21 ceded its authority to SCANA.

22 MR. RAY: We gave them our proxy.

23 SENATOR MASSEY: And that agency agreement,
24 I read it. I don't know how we would have
25 agreed to it even without the benefit of

1 hindsight. But in any event, that's the Board's
2 stuff again.

3 I want to talk about where the leadership
4 failures were at the CEO level and what --
5 because, again, this is another area where I
6 think the burden is on Santee Cooper to be able
7 to persuade the legislature that we're going to
8 make meaningful reforms at the CEO level.

9 So to figure that out, I want to have a
10 better understanding of what you personally but
11 also as the spokesperson for the Board, if there
12 are other Board members who want to participate,
13 I'm happy to hear from that, too, but they would
14 probably much rather stay where they are. I
15 don't see a lot of volunteers.

16 But I want to understand what you, what the
17 Board feel. I've got some ideas, but I want to
18 know what you feel were the failures at the CEO
19 level so that we can figure out whether that's
20 persuasive to us, and if so, how we would go
21 about trying to address those things.

22 MR. RAY: A lot of layers to that. Let me
23 start with a culture of risk management. Okay.
24 My view is a CEO should never expose the balance
25 sheet and the credit of the organization in one

1 single event that can drive the outcome that
2 we're seeing here today.

3 And that starts with how you negotiate --
4 this is all execution stuff -- how you negotiate
5 documents, how you obligate the company, and
6 what kind of policies and procedures you have in
7 place to manage those outcomes.

8 So one of the -- and to your question
9 earlier to Mr. Bonsall about the two items on
10 the list, that was not our list of goals for
11 Mr. Bonsall. That was just two transition
12 talking points. That was not our list of goals.

13 SENATOR MASSEY: Yeah, but, you know,
14 that's what was presented to us as the reform
15 plan. Those were the -- I mean, this is -- this
16 little booklet is the reform plan, right? It is
17 Santee Cooper's presentation of the reform plan,
18 and there's a page titled Problems and there are
19 two things on there. Do you understand how that
20 appears? Do you understand how that appears?

21 MR. RAY: I do, Senator. I understand your
22 point. But I would tell you the 400-plus-page
23 reform plan itself is what you should look to --

24 SENATOR MASSEY: Which is why I'm asking
25 the questions about it.

1 MR. RAY: And that's fair. And as you
2 know, it's hard to encapsulate all the issues in
3 a slide presentation, and so our apologies for
4 missing that. Let me tell you, while I was
5 sitting there listening to his response --

6 SENATOR MASSEY: And I want to hear what
7 you said, but one of the big things that we came
8 away with throughout the whole process of
9 learning about the failures of V.C. Summer was
10 that -- and this was encapsulated every time I
11 heard Mr. Marsh or Mr. Carter tell me that all
12 the decisions were in the best interest of
13 customers, was that leadership was out of touch.
14 They just didn't get it.

15 It's amazing. I heard from certain Board
16 members that I didn't get it. But it was pretty
17 clear that the leadership didn't get it. When I
18 see things like that, it makes me concerned that
19 there's still some folks who don't get it.

20 So that's why -- and I wasn't being
21 accusatory when I asked Mr. Bonsall, but I
22 wanted him to explain to me that he recognized
23 there are more than those things. I'm glad to
24 hear the Board recognizes there are more than
25 those things because if there was a different

1 answer, then you're probably not going to
2 persuade me that we can keep Santee Cooper.

3 MR. RAY: Here's my answer. Here's the
4 conversation we had not only shortly after the
5 decision to offer a position to Mr. Bonsall:
6 Reestablish leadership and leadership control,
7 revolutionize our resource plan into a
8 modernized resource plan, review and derisk the
9 balance sheet, review our risk management
10 policies and procedures, and reestablish our
11 core -- our cooperative relationship. Those
12 were my first goals.

13 SENATOR MASSEY: All right. And do you --
14 does the Board feel that Mr. Bonsall is making
15 progress on those goals?

16 MR. RAY: I do. I think he's making great
17 process while incorporating a new business plan,
18 while in working with a team to put together a
19 reform plan, while reorganizing the company and
20 answering about 50,000 questions from every
21 potential respondent in this process.

22 I think if you look at the six months that
23 we've been through, there's been exceptional
24 progress. And I do believe that.

25 SENATOR MASSEY: Do you and/or the Board

1 feel that Mr. Bonsall has accomplished all of
2 those tasks?

3 MR. RAY: I'm going to refer to the list.
4 I think we have new, invigorated leadership, and
5 we have a clear captain at the helm.

6 SENATOR MASSEY: Whose term expires in the
7 year.

8 MR. RAY: I don't think that's correct
9 because we have agreed to extend it for an
10 additional six months, and I think if -- and
11 remember that we were not allowed to make any
12 decision beyond that by the DOA.

13 SENATOR MASSEY: Okay.

14 MR. RAY: If we sat down independent today,
15 we would work out a new, longer-term commitment,
16 and we're prepared to have that conversation.
17 But we think that the handcuffs from DOA
18 prevented us from doing that.

19 SENATOR MASSEY: Does the Board have a role
20 in developing a succession plan?

21 MR. RAY: We have a role. It's the CO's
22 responsibility and we had those discussions and
23 I have opinions on that and we want -- we want
24 that. I would say today, I believe we have a
25 hole at the chief operating officer level, and

1 we've talked about that. And because that's
2 typically the prime position for grooming of
3 CEO.

4 SENATOR MASSEY: Let me ask you -- I don't
5 know if you know the answer to this, but I may
6 ask Mr. Bonsall this question in a few minutes.
7 How many of the 17 vice presidents who are there
8 now have been with Santee Cooper for more than
9 five years?

10 MR. RAY: Probably the vast majority. We
11 probably have all but a few that are fairly new
12 that came in at that level.

13 SENATOR MASSEY: Okay. All right.

14 MR. RAY: May I finish the list?

15 SENATOR MASSEY: Finish the list. Tell me
16 what things he has that he's checked off the
17 list there.

18 MR. RAY: Okay. I think it's fair to say
19 that on the leadership front, he's established
20 himself as a corporate leader. And he's
21 reorganized in a good way and a productive way
22 and that will continue into succession.

23 On the resource plan, you have it in front
24 of you. It is a good -- it's a great plan. And
25 it accomplishes a lot of modernization, leaner,

1 greener, all of those catch words are absolutely
2 true. So we have a new, modern resource plan in
3 front of us today.

4 On the balance sheet, deleveraging and
5 review, we are accomplishing that. We put in
6 place a plan that will do exactly that in the
7 reform plan.

8 On risk management review, we've had
9 meetings on that, and we have a risk management
10 review document that is robust and if followed,
11 would add tremendous value to our risk
12 management procedures.

13 I asked him to review our TEA relationship
14 and our exposure to TEA. We looked at our hedge
15 policy. Where we were hedged, where we should
16 go with hedging. We want to accomplish
17 additional hedges. Our cooperative customers
18 want us to do that. But, again, we ran up
19 against the DOA barrier, and we look forward to
20 be able to do that.

21 And then lastly, cooperative relationship
22 reset. We're ready for that. I reached out to
23 Mr. Larry Hines. Mark Bonsell has reached out
24 to Rob Hochstetler. We are ready to connect at
25 the leadership level. And on the interface with

1 the cooperatives, we put all new people in place
2 that are relationship managers with the
3 cooperatives.

4 SENATOR MASSEY: All right. And I
5 understand the limitations imposed by the DOA,
6 and -- well, essentially it's imposed by the
7 resolution, but that passed. Because the DOA
8 was just acting in response to the legislation
9 that we passed given authority.

10 MR. RAY: I think that generally there's a
11 little bit of a disagreement on how far that
12 should go, but fair comment.

13 SENATOR MASSEY: Okay. But that resolution
14 was passed in May 2019.

15 MR. RAY: Okay.

16 SENATOR MASSEY: And I've expressed this to
17 you privately, and I've expressed it publicly,
18 one of my biggest frustrations is none of this
19 stuff happened before May 2019. I'm not all
20 that receptive to, we couldn't do it because the
21 DOA wouldn't let us. We've had tons of time
22 before that and those things have not been --
23 not just not accomplished but not attempted.

24 MR. RAY: Before Mr. Bonsall was hired,
25 that's a fair comment. We were stuck in a

1 deer-in-a-headlight moment from July of '17 to
2 when Mr. Bonsall was hired in July of '19.
3 That's a fair criticism. We were stuck in a
4 deer-in-a-headlight moment.

5 SENATOR MASSEY: That's a long time to be
6 in shock, isn't it?

7 MR. RAY: It is. And let's face it, there
8 were lots and lots of questions from members in
9 this room and other places. We were stuck in a
10 deer-in-a-headlight moment and could not get
11 out. We also had Board leadership that did not
12 help in that effort. And I'll just leave it at
13 that.

14 SENATOR MASSEY: I understand.

15 CHAIRMAN LEATHERMAN: Mr. Massey, the issue
16 on DOA, I might take on, if I may.

17 SENATOR MASSEY: Is that a question?

18 CHAIRMAN LEATHERMAN: It is a question. Do
19 you understand?

20 You understand the DOA, something that has
21 never been done in this state before, do you
22 agree?

23 SENATOR MASSEY: Oh, yeah, absolutely.

24 CHAIRMAN LEATHERMAN: DOA was plowing new
25 ground, right? Of course, I grew up on the

1 farm. We go out and clean up a new ground and
2 start plowing, start plowing the dirt, and we
3 hit an underground root and the handlebars come
4 up catch me under the chin and I see stars. I
5 had never been there before, didn't know what to
6 do.

7 I applaud Marcia Adams and her people and
8 her team that put together a superb plan the
9 best they could. The best. Thank you.

10 SENATOR MASSEY: Mr. Chairman, the court
11 reporter needs a break.

12 CHAIRMAN LEATHERMAN: Sure.

13 - - -

14 (A recess transpired.)

15 - - -

16 SENATOR MASSEY: Mr. Bonsall, are you
17 ready?

18 MR. BONSTALL: Yes, sir.

19 SENATOR MASSEY: I am -- I don't want to
20 put you in a -- I don't want to have any impact
21 on what future contract negotiations may be, but
22 let me ask you this: Do you like South
23 Carolina?

24 MR. BONSTALL: We do. We love it; both my
25 wife and I do.

1 SENATOR MASSEY: Well, that was going to be
2 my next question, because more importantly than
3 you is your wife.

4 MR. BONSALL: Well, I love it because she
5 loves it.

6 SENATOR MASSEY: If -- if the General
7 Assembly were persuaded to keep Santee Cooper,
8 would you be interested in staying beyond your
9 current term?

10 MR. BONSALL: I've had that discussion with
11 the chairman and the answer to that is yes.

12 SENATOR MASSEY: How much longer -- I mean,
13 you said you worked for 40 years at SRP, right?

14 MR. BONSALL: Right.

15 SENATOR MASSEY: So how long -- how much
16 longer do you envision yourself working? If
17 it's completely your choice, how much longer do
18 you work? If the good Lord lets you stay, keeps
19 you healthy, your wife says, "Mark, do whatever
20 you want to do," how much longer do you work?

21 MR. BONSALL: Three, four years, probably.

22 SENATOR MASSEY: I'm going to come back to
23 that in a minute.

24 In the work that you've done at Santee
25 Cooper so far, the investigation that you've

1 done, the research that you've done as to how it
2 is that you came to be standing right there
3 today, do you agree that there were failures at
4 the CEO level?

5 MR. BONSALL: Well, I'm going to give you a
6 conditioned answer. And the condition is that I
7 was hired at Santee Cooper to look to the
8 future, improve the future, and that is what I
9 have focused on. I was not here in the past,
10 but you see some suggestions in the reform plan
11 that are the result of my experience at Salt
12 River Project that indicate that there were
13 failures at the executive level in putting
14 certain safeguards in place.

15 Now, I wasn't here.

16 SENATOR MASSEY: I understand. Maybe if
17 you were here, maybe we wouldn't be in the
18 position that we are in. Maybe we would. Maybe
19 it wouldn't have made any difference.

20 And I appreciate the desire to look to the
21 future, but if I'm going to be persuaded that we
22 need to keep Santee Cooper -- and I will tell
23 you candidly, you've got some work to do in that
24 effort -- but if I'm going to be persuaded of
25 that, I think it's important to know what some

1 of the past failures were so that we can talk
2 about how to fix those things to prevent them
3 from happening in the future. Because if we're
4 not going to put any changes in, any meaningful
5 changes in, then you're not going to get it.
6 Okay? Very candidly, that's where I am.

7 MR. BONSTALL: I understand, but let me draw
8 a parallel, if I could, to the -- the problems
9 here have occurred elsewhere. Should we run for
10 cover or what?

11 MR. RANKIN: That's the tick tock of a
12 piano.

13 SENATOR MASSEY: Let's try to ignore it.

14 MR. BONSTALL: Okay. Have occurred
15 elsewhere. And some of the lessons that I'm
16 trying to import into Santee Cooper are born of
17 my own experience in having similar issues
18 happen elsewhere, including at my former
19 company, Salt River Project.

20 Now, I know you're focused on VCS 2 and 3.
21 There are other VCS 2 and 3s in the industry.
22 And some lessons have been learned as a result
23 there.

24 SENATOR MASSEY: Actually, I think that the
25 focus ought to be much broader than VCS 2 and 3.

1 I think VCS 2 and 3 was just a manifestation of
2 problems that were already there.

3 MR. BONSALE: That's right.

4 SENATOR MASSEY: So what I want to do -- I
5 mean, in order for me to be persuaded on this, I
6 need to know what kind of things we can do to
7 ensure we don't get in the next scenario.

8 MR. BONSALE: Right.

9 SENATOR MASSEY: Or even if it's something
10 not as big, if it's something smaller, I want to
11 be able to be persuaded not only myself, but I
12 think we've got to persuade South Carolina that
13 this ain't going to happen again. I think
14 that's a heavy burden for you, primarily for you
15 and Mr. Ray, to bear. And all I'm trying to do
16 is to figure out, if that is an option, how are
17 we going to get there.

18 So can you talk with me a little bit about
19 ideas on how we can correct CEO failures, if
20 there are things that we can do legislatively to
21 address that, if there are things that the board
22 must do, adopting policies to do that, or if
23 this is all just a personality issue.

24 MR. BONSALE: You know, candidly, if you
25 look back on the history of these kinds of

1 issues, it's a combination of systematic
2 failures, as well as personality issues, but
3 it's not just personality. There are structural
4 pieces that you could put in place that will
5 help to prevent that. And we tried to put some
6 of those in the reform plan, Senator.

7 The one example, and it's a very good
8 example, I think, but it's only one and I
9 understand that it takes multiple parts and
10 pieces to put the right kind of risk management
11 and control mechanisms in place that cover lots
12 of different territories, but one of them is
13 we're suggesting that the board in fact hire
14 independent pricing and resource planning
15 expertise and financial advice hired by the
16 board, not by management, not to represent
17 management, but hired by the board.

18 SENATOR MASSEY: That's the recognition
19 that the board isn't going to have the expertise
20 in the area and they need advice from someone
21 other than management, correct?

22 MR. BONSALL: That's exactly right, to
23 check on management. Now, I'm plenty confident
24 that the kind of recommendations that I will
25 bring forth to this board will withstand the

1 scrutiny of experts. I'm confident in that.

2 But it's prudent for them to check, check
3 on me, check on me and Mr. Duckworth and the
4 company, frankly. It's a classic example of,
5 you know, kind of trust but verify. That's a
6 very prudent suggestion to make. Now, that same
7 body of experts could be obligated to file an
8 independent report to this body on an annual
9 basis, a suggestion, to coordinate with Santee
10 Cooper's annual presentation of this body so you
11 get that same kind of independent oversight.

12 SENATOR MASSEY: Right. Well, you know,
13 there's some concern here sometimes that we get
14 too much information. If we get too many
15 reports, you don't read any of them.

16 MR. BONSTALL: Right.

17 SENATOR MASSEY: Right? And I'm sure
18 that's the way it is probably even with you at a
19 CEO level. If you get too much information, you
20 don't know what's relevant and what's not, and
21 so a lot of relevant gets left out.

22 Okay. I mean, I think that's an idea, some
23 outside expert advice for the board.

24 Let me ask you a couple more specific
25 questions. Actually, I'll continue along this

1 line. I'll be frank with you. I like the
2 leadership and the vision that you brought to
3 Santee Cooper.

4 MR. BONSTALL: Thank you.

5 SENATOR MASSEY: I'm not sold on the
6 sufficiency and the adequacy of the proposals,
7 the reform proposals that you've submitted, but
8 I appreciate the change that you brought there.

9 My concern -- one of my larger concerns
10 is -- it gets to something that Senator Setzler
11 was asking about. You and he had a dialogue
12 about this, and that is the culture at Santee
13 Cooper, especially when you leave. It gets to
14 the succession plan.

15 And I want to say at the outset -- and
16 Mr. Ray and I had this conversation, and I know
17 you heard it, but I think that the overwhelming
18 majority of employees at Santee Cooper show up
19 every day, they work hard, they bust their
20 tails, they keep the lights on, they're very
21 professional. I think that applies, frankly, at
22 the executive level or at the nonexecutive
23 level. Right? I think -- I have no reason to
24 believe that the overwhelming majority of people
25 there are hardworking, good, decent, fine human

1 beings.

2 MR. BONSALL: Right.

3 SENATOR MASSEY: All right? But I'm still
4 concerned about the culture.

5 I asked Mr. Ray a question that you helped
6 him answer earlier about the 17 vice presidents
7 and how long they've been there. And the
8 response that I got was that the vast majority
9 of those have been there for at least five years
10 or more.

11 MR. BONSALL: Uh-huh.

12 SENATOR MASSEY: Does that sound fair?

13 MR. BONSALL: I think that's accurate, yes.

14 SENATOR MASSEY: So those folks --

15 MR. BONSALL: It's 14, by the way, now.

16 SENATOR MASSEY: Okay, 14. So we have 14
17 VPs?

18 MR. BONSALL: 14 VPs, including Charlie and
19 myself.

20 SENATOR MASSEY: So those folks, those 14
21 vice presidents, the ones who have been there
22 for more than five years, they worked for and
23 under Lonnie Carter, didn't they?

24 MR. BONSALL: They did.

25 SENATOR MASSEY: Much of what they learned

1 about operating a public utility came from the
2 experiences they had while working for and under
3 Lonnie Carter; is that right?

4 MR. BONSALL: That's correct.

5 SENATOR MASSEY: Essentially all of what
6 they learned about Santee Cooper, except for
7 maybe the past couple years, took place while
8 they were working for and under Lonnie Carter;
9 isn't that right?

10 MR. BONSALL: Yes.

11 SENATOR MASSEY: I'm going to make a
12 statement, then I'll ask a question, but I'm
13 going to make a statement because I think it's
14 important for you and for everybody else to hear
15 this because this is a concern that I hear about
16 from other Senators. It's happened more than
17 once. All right? And I'm not asking you to
18 agree or disagree with this because I understand
19 you've got to lead.

20 MR. BONSALL: Uh-huh.

21 SENATOR MASSEY: But I want to express to
22 you and ask you if you understand this concern.

23 MR. BONSALL: Okay.

24 SENATOR MASSEY: There is a concern among a
25 number of people here that the remaining vice

1 presidents, essentially everyone at the
2 executive level, besides you and Mr. Duckworth,
3 grew up in their careers under the prior
4 leadership. They learned from that prior
5 leadership; and when you or some other outside
6 influence leaves, that those folks are going to
7 revert to what they know and to what their
8 experiences were and what they learned and
9 what's comfortable.

10 Again, I'm not asking you to agree or
11 disagree with that statement. All I'm asking
12 you is do you understand that concern?

13 MR. BONSALE: I do understand that concern,
14 absolutely.

15 SENATOR MASSEY: All right. There is
16 nothing in Santee Cooper's reform plan that
17 addresses that concern, is there?

18 MR. BONSALE: I would disagree with that.

19 SENATOR MASSEY: Tell me what in the plan
20 addresses that concern.

21 MR. BONSALE: You can look to the org
22 structure and we can talk about the org
23 structure for a good period of time. But let me
24 go back to an earlier comment that you made, and
25 those people learned while they were working for

1 Lonnie Carter. What did they learn? They
2 learned what not to do.

3 And that's the ethic that Charlie and I
4 tapped into when we got here. That was a
5 company that was ready for change; it knew it
6 needed a change; it knew it needed a new
7 direction.

8 One of the most surprising reactions I
9 got -- and I realize culture needs to be worked
10 on. I got it -- is that people were surprised
11 when I asked their opinion because they hadn't
12 been asked their opinion.

13 CHAIRMAN LEATHERMAN: I didn't hear what
14 you said about people and Lonnie Carter. You
15 had some comment.

16 MR. BONSALL: I think I said that part of
17 what the people at Santee Cooper learned under
18 Lonnie Carter's leadership -- I know Lonnie
19 Carter, and I apologize for making this
20 statement -- but what they learned is what not
21 to do: Don't put all your eggs in one basket;
22 don't take the risk; don't take the company
23 proposition; don't this, that, and the other
24 thing. That lesson has been deeply, deeply,
25 deeply learned. It was there when I got there,

1 Senator, and that's the ethic that Charlie and I
2 have been able to tap into quickly. But I
3 understand -- I understand your concern.

4 CHAIRMAN LEATHERMAN: Let me see if I
5 understand what you just said. They learned
6 what not to do, you say, when taking risks?
7 What does that mean when you say they learned
8 what not to do? What did they learn not to do?

9 MR. BONSALL: Learned not to put all your
10 eggs in one basket; not to bet everything on one
11 technological development; not to get yourself
12 locked into a position where you're stuck for 15
13 or 20 years. Those are -- those are deeply
14 embedded and learned lessons.

15 CHAIRMAN LEATHERMAN: So you think they,
16 those past vice presidents, they really learned
17 that?

18 MR. BONSALL: Yeah, I really do. I mean,
19 I'm not sure what -- yes, that we've been so
20 well-received with the ideas. What we found
21 when we got there is so many of the folks at
22 Santee Cooper shared the ideas that we had.
23 And, you know, we learned those lessons from our
24 experience at Salt River Project. They learned
25 those lessons here. I do think there's a

1 meeting of the minds as to what really needed to
2 be done here. And you see a lot of that in the
3 reform plan.

4 So but I understand that, Senator, that
5 that can be a concern. And if you've learned
6 the lesson what not to do, then you need to
7 learn the lesson actually of what to do, and
8 that requires some work.

9 CHAIRMAN LEATHERMAN: I don't mean to
10 interrupt.

11 SENATOR SETZLER: Mr. Chairman, as a
12 housekeeping. Senate goes in session at 2:00.
13 What's your work schedule for the week and next
14 week?

15 CHAIRMAN LEATHERMAN: We're not going to
16 finish Santee Cooper, I don't believe, today.
17 They're before the House Ways and Means
18 tomorrow. And we will work while Ways and Means
19 are doing the budget. I'm not going to pile on
20 them. I'm going to let them have them tomorrow,
21 if they choose. And I think you've got them
22 Thursday -- Monday. Come back here Tuesday at
23 9:00. Does 2:00 suit you?

24 SENATOR SETZLER: That would be better.

25 CHAIRMAN LEATHERMAN: Let's do that.

1 SENATOR MASSEY: Mr. Bonsall, I expected
2 that very response. And I don't mean by that
3 remark that I think that your response was
4 insincere. I think that's true. But that's why
5 I asked you -- that's why I said I wasn't asking
6 you to agree or disagree with my concern.

7 MR. BONSALL: Right.

8 SENATOR MASSEY: I wanted to make sure that
9 you understand that concern. And you said you
10 do understand that some of us have that concern.

11 MR. BONSALL: Sure.

12 SENATOR MASSEY: So when you and Senator
13 Setzler had that conversation yesterday about a
14 succession plan, and when you expressed that
15 there may be no need to look outside the
16 organization, that there was plenty of talent
17 within -- and I don't dispute that at all, that
18 there would be plenty of talented, competent,
19 and professional people within -- the fact that
20 some of those folks -- and this may not be fair
21 to them at all, but the fact that some of those
22 folks would be considered for succession as a
23 CEO position gives grave concern to a number of
24 people here about the ability of Santee Cooper
25 to deliver on anything in the reform plan. Do

1 you understand that concern?

2 MR. BONSALL: I do understand that concern.

3 What I did say was that I think it's
4 possible that succession could proceed from
5 inside the company; but, also, if people need to
6 look outside and are prepared to assist the
7 board in doing so, I know every single person in
8 this industry, so I could be very helpful in
9 that regard. I didn't commit --

10 SENATOR MASSEY: You didn't.

11 MR. BONSALL: -- that the only succession
12 could be internally, but I think there are good
13 people certainly within Santee Cooper that need
14 to be developed, and I'm committed to helping to
15 develop them and provide the board with viable
16 choices -- choices, plural -- going forward.

17 SENATOR MASSEY: Again, I don't dispute
18 that at all. I think there's some very
19 talented, professional, hardworking people there
20 that they -- the problem is who they've served
21 under, who they learned from, and there's
22 concern about that. And I think it's important
23 for them to understand it's nothing personal.

24 MR. BONSALL: No.

25 SENATOR MASSEY: But if the General

1 Assembly is going to be persuaded to keep Santee
2 Cooper as a state-owned utility, the General
3 Assembly is going to have to be persuaded that
4 there is a viable succession plan and there are
5 going to be structural restrictions put in place
6 that give confidence that we're not going to be
7 having this conversation.

8 MR. BONSALL: Sure.

9 SENATOR MASSEY: One of the things that
10 you've talked about some in the reform plan
11 deals with workforce reductions.

12 MR. BONSALL: Yes.

13 SENATOR MASSEY: NextEra's proposal was to
14 go from 1,675 to 970, I think. Santee Cooper's
15 proposal was to go from 1,675 to about 1,514,
16 somewhere in the low 1,500s, I think. I think
17 it's 1,500.

18 Did DOA or their experts influence the
19 decision on workforce numbers?

20 MR. BONSALL: For Santee Cooper?

21 SENATOR MASSEY: Yes, sir.

22 MR. BONSALL: No.

23 SENATOR MASSEY: So that is -- that
24 estimate on workforce was completely Santee
25 Cooper's proposal?

1 MR. BONSALE: Yes. It accommodated the
2 closure of Winyah.

3 SENATOR MASSEY: Okay. I'm not asking you
4 to agree or disagree. Do you understand that
5 there is a concern among a number of legislators
6 that Santee Cooper is bloated? Have you heard
7 that?

8 MR. BONSALE: I have heard that.

9 SENATOR MASSEY: So you understand there is
10 that concern?

11 MR. BONSALE: I do understand that there is
12 that concern, yes.

13 SENATOR MASSEY: Okay. And do you
14 understand that for a number of legislators, in
15 order to be persuaded that Santee Cooper should
16 be -- should remain a state-owned utility, that
17 that's going to have to be something that is
18 addressed? Do you understand that?

19 MR. BONSALE: I do.

20 SENATOR MASSEY: Mr. Bonsall, are there --
21 tell me a little bit about your leadership style
22 in relation to if an employee, whether at the
23 executive level or not, if the employee -- if an
24 employee of Santee Cooper thinks there's a
25 problem, do you welcome that input?

1 MR. BONSALL: I do.

2 SENATOR MASSEY: From any level?

3 MR. BONSALL: I do. And that's why I
4 replaced -- I had the internal auditor report to
5 me in the reorganized Santee Cooper as opposed
6 to at a subordinate level.

7 SENATOR MASSEY: I mean, you do -- I think
8 I know the answer to this. Do you think that is
9 an important leadership quality?

10 MR. BONSALL: Yes, I do.

11 SENATOR MASSEY: Do you think that happened
12 before you?

13 MR. BONSALL: I can't answer that question.
14 I don't know if it did or not, but I think it's
15 an important quality personally.

16 SENATOR MASSEY: That the rank-and-file
17 people who are on the ground, people who are
18 doing the work have to feel comfortable going to
19 leadership to express concerns?

20 MR. BONSALL: Yep.

21 SENATOR MASSEY: Right? They have to feel
22 that leadership will respond to those concerns.

23 MR. BONSALL: Uh-huh.

24 SENATOR MASSEY: You may not agree with
25 them.

1 MR. BONSALE: Right.

2 SENATOR MASSEY: But there's got to be some
3 type of a response to those kind of things,
4 right?

5 MR. BONSALE: Uh-huh.

6 SENATOR MASSEY: Because if employees feel
7 like leadership is not responding to those
8 concerns, they're probably not going to bring
9 the concerns anymore, right?

10 MR. BONSALE: Probably not. That's
11 correct, yeah.

12 SENATOR MASSEY: Have you -- during your
13 time there, have you experienced any concern or
14 seemingly unwillingness from employees or, at
15 the executive level or below, to share concerns
16 with you?

17 MR. BONSALE: I think -- you know,
18 honestly, Senator, I think it's a little
19 premature for me to make a judgment in that
20 regard because I'm not sure that we've developed
21 sufficiently the familiarity with everyone in
22 the company. I intend to do that. I'm getting
23 out and about right now.

24 I am -- well, I hate to kind of speak and
25 describe myself. It's just not kind of how I'm

1 built. But I'm very much an employee kind of a
2 person and developed a tremendous amount of
3 relationships throughout SRP people. They
4 didn't call me Mr. Bonsall. They called me
5 Mark. And we were friends or associates,
6 anyway. They felt very comfortable approaching
7 me.

8 I want to create that same mechanism
9 throughout Santee Cooper. Santee Cooper is a
10 little bit more spread out, actually, than Salt
11 River Project was.

12 SENATOR MASSEY: When did you start?

13 MR. BONSALL: So I don't know how long it's
14 going to take me.

15 SENATOR MASSEY: When did you start at
16 Santee Cooper?

17 MR. BONSALL: July 9th.

18 SENATOR MASSEY: Okay.

19 MR. BONSALL: I have been kind of consumed
20 on this process, so --

21 SENATOR MASSEY: I know you've been --

22 MR. BONSALL: -- cut me some slack on that
23 one.

24 SENATOR MASSEY: I get that. I understand.
25 You've been dealing with that process. You came

1 in at a difficult time, and then you -- not only
2 are you dealing with the DOA process; you deal
3 with us. And you've done -- you've been
4 involved in other things, as well, so I
5 understand that.

6 But do you not think that the lack of input
7 is somewhat telling about what the previous
8 culture was?

9 MR. BONSALL: You know, I think that that
10 is entirely possible. I haven't -- I haven't --
11 I haven't seen a reticence to bring issues forth
12 at all, but I haven't seen the reverse of that
13 either. I just know that it's an issue and I
14 want to have those lines of communication open
15 to my office, and part of that is very person to
16 person. And that needs time to develop those
17 kind of relationships, which I'm dedicated to
18 doing.

19 SENATOR MASSEY: Okay. Could I ask Mr. Ray
20 to come back up for a second?

21 MR. BONSALL: Sure.

22 SENATOR MASSEY: Mr. Ray, during your time
23 on the board, before the abandonment of or
24 suspension -- are we still on the suspension
25 phase or have we officially abandoned yet?

1 MR. RAY: We have suspended. There's no
2 tax advantages to Santee Cooper in abandonment.

3 SENATOR MASSEY: Right. During your time
4 on the board, before July 31st, 2017, did any
5 employees, executive or otherwise, raise
6 concerns to the board about Summer?

7 MR. RAY: Not in -- not directly, no. I
8 would ask questions which would provide me
9 answers that allowed me to ask more questions.

10 But I will agree with you that Mr. Carter
11 had a very closed approach to how he made
12 decision making and who was involved in those
13 decision-making processes, and it was a small
14 group of senior executives.

15 And I'll give you one example to give you a
16 bookend. I was never invited to any senior
17 meeting during Mr. Carter's time. Since
18 Mr. Bonsall has been here, myself and other
19 board members have been invited to every
20 milestone meeting of the reform plan throughout
21 the last six months; very meaningful difference.
22 And in the few meetings that I did attend with
23 Mr. Carter, it was, again, the top six senior
24 vice presidents in the room.

25 A week ago, in preparation for this

1 meeting -- last Friday, actually -- I was
2 invited, along with Director Singleton, to
3 attend the meeting to prepare for this, to
4 finalize the slides. There were 40 people in
5 the room and another 15 on the phone. And these
6 are people who are at the vice president level,
7 and possibly even below, that were being asked
8 to give input on how to present this reform
9 plan, what were the takeaways, how do we
10 structure this message, and then how do we
11 deliver it.

12 I made the comment to Director Singleton on
13 the drive back to the coast that that was a
14 refreshing change in leadership style, a very
15 open approach, not afraid to have input, not
16 afraid to ask for ideas, and not afraid to
17 receive unsolicited ideas.

18 SENATOR MASSEY: You understand -- and I'm
19 not really looking for you to agree or disagree.
20 You understand the concern about whether that
21 type of atmosphere remains after you and
22 Mr. Bonsall are no longer at Santee Cooper? Do
23 you understand that?

24 MR. RAY: I do understand it. And I think
25 I made a subtle comment, but it's a real

1 comment -- and I hope Mr. Bonsall and
2 Mr. Duckworth aren't traveling back to Moncks
3 Corner together -- but if the two of them got
4 hit by a bus tomorrow, we have a position void
5 in clear succession CEO. And I identify that as
6 our COO position. And I think that's a true
7 comment.

8 It's his responsibility to come to us and
9 identify who his internal candidates are. But
10 I'll tell you that from the CEO search process
11 that the board went through in the last six
12 months, we are highly confident that there are a
13 lot of very well-qualified people across this
14 country with the right types of experience to
15 add value to Santee Cooper tomorrow. And we can
16 go find those people and they would love to come
17 to South Carolina and be part of this team. I'm
18 very confident we can do that, and that's our
19 job, and I'm confident that we can do that if we
20 have to.

21 Now, whether we do that or we grow them
22 internally, to be determined. I understand and
23 respect your position on the culture question,
24 and I'm confident that we can have the right
25 person. I have a couple of ideas. We've got

1 some time to sort that out, but that's a --
2 that's a big responsibility of ours.

3 SENATOR MASSEY: Yeah. I mean, yeah,
4 that's -- I don't want to keep rehashing it, but
5 it's important for me and, I think, for others
6 to know that you and Mr. Bonsall understand that
7 concern.

8 MR. RAY: Message delivered, sir.

9 SENATOR MASSEY: All right. During your
10 time on the board, have employees, executive or
11 otherwise -- and by "executive," I mean under
12 the CEO, okay, the vice president level.

13 During your time on the board, have those
14 level employees or below raised any concern to
15 the board about problems other than V.C. Summer?

16 MR. RAY: Two answers: One, Mr. Carter did
17 not really want board members communicating with
18 others, and that was pretty clear. And so there
19 were restrictions on that. And I think on the
20 employee side, they were not comfortable with
21 that because of presumably instructions or
22 noninstruction instructions.

23 But I live in a small town in South
24 Carolina that has Winyah Generating Station. My
25 brother-in-law works at Winyah Generating

1 Station and has worked there for 40 years. I
2 hear what's going on from him; I hear what's
3 going on from kids -- parents of kids that my
4 kids go to school with. I received a text
5 moments ago from someone who works at Cross
6 Generating Station whose kid goes to school with
7 my kid. I hear things all the time. I want --
8 and I encourage that.

9 Now, am I going to tell them what they want
10 to hear? Am I going to agree with them? Not
11 necessarily. But it is an open door and I am
12 absolutely interested in everybody's opinion.
13 And even I will probe questions.

14 When we were looking at the nuclear -- a
15 lot of the decisions about the EPC contract and
16 other big decisions, I am asking questions of
17 people down -- Marion Cherry. I would go visit
18 Marion Cherry on-site. I've been on-site five
19 or maybe six times to V.C. Summer. I've been to
20 every generating station. I've been with
21 transmission crews out on-site. I want to know
22 what they're thinking, I want to know who they
23 are, and I want to know -- I want them to know
24 that I care about them. So that's my job.

25 SENATOR MASSEY: Thank you. So you -- from

1 your perspective, it's appropriate for a
2 rank-and-file employee to address a board member
3 with a concern if they think there's something
4 going on that shouldn't be going on?

5 MR. RAY: There is. I think that's -- now,
6 should I direct them back to the chain of
7 command if it's something that needs to go
8 through that? Absolutely.

9 SENATOR MASSEY: You make your decision
10 based on whatever is there. But it's important
11 for employees to feel comfortable speaking with
12 board members; it's important for board members
13 to be receptive to those kinds of concerns being
14 raised. Do you agree with that?

15 MR. RAY: Yes, sir, I do.

16 SENATOR MASSEY: All right. Do you
17 understand that there is a concern here that no
18 one, especially those at the executive level,
19 who had access to information addressed the
20 board, the legislators, or even the press with
21 concerns about V.C. Summer? Do you understand
22 that?

23 MR. RAY: I do.

24 SENATOR MASSEY: Do you understand that
25 that gets into a larger concern of what the

1 culture was -- is at Santee Cooper?

2 MR. RAY: I do.

3 SENATOR MASSEY: Do you understand that?

4 And this, I think, will be my last question
5 for you. What changes, if any, have been made
6 regarding communications between staff and board
7 members since July 31, 2017?

8 MR. RAY: So for the -- from the time we
9 suspended construction until Mr. Bonsall came
10 onboard, I think it's fair to say that board
11 members became more active in understanding
12 where we were, where we were going. And I will
13 personally take responsibility for being very
14 engaged in talking to various employees and
15 leaders throughout the company, and so -- and
16 probably to a point beyond what I should have
17 because we were in this void of leadership and
18 direction.

19 And so one of the very first conversations
20 that Mr. Bonsall and I had was "Hey, Chairman,
21 I'm the CEO. Give me space to do my job. I am
22 totally accountable to you and the board. I own
23 that responsibility, but I need to be the CEO,
24 and give me the room to operate and run." I
25 respect that.

1 Now, to your point, I think the board today
2 and the leadership of this company are open to
3 criticism, comments. Any exchange that needs to
4 happen, it's appropriate and it's welcomed.

5 SENATOR MASSEY: Okay. Mr. Chairman,
6 you've been very gracious in allowing me time,
7 and other committee members have been very
8 patient in indulging me in asking questions, and
9 I very much appreciate that.

10 There are many other questions I could ask,
11 but I think now would be a good time for me to
12 stop.

13 Thank you.

14 CHAIRMAN LEATHERMAN: We've been going --

15 SENATOR MASSEY: If I could, I'd also like
16 to say thank you to Mr. Ray and Mr. Bonsall for
17 enduring my questions, as well.

18 MR. CROMER: Mr. Chairman, before we
19 adjourn, I just wonder if I could just add a
20 little bit of homework to Ms. Williams. She's
21 already bringing some stuff back from the
22 Senator.

23 CHAIRMAN LEATHERMAN: If I can. My intent
24 is to have Santee Cooper back before us Tuesday.
25 There are a lot of questions out there. Mr.

1 Bennett, can you hold your questions till
2 Tuesday?

3 MR. BENNETT: My question was answered, Mr.
4 Chairman.

5 CHAIRMAN LEATHERMAN: Maybe on purpose. So
6 with that...

7 MR. CROMER: Real quick, Mr. Chairman.

8 Ms. Williams, I think that you are
9 bringing -- the Senator from Lexington was
10 wanting a list of your properties and the value
11 of them. What I would like to see -- oh, there
12 you are. What I'd like to see, if you could,
13 you're not a real estate expert, but just your
14 best guess opinion. And I don't mean to list
15 each individual property, but properties around
16 the lake, properties that you have for
17 development down around Volvo, and what your
18 assets are because we really don't know -- at
19 least I haven't seen yet -- what NextEra would
20 be purchasing, I mean, what they would be
21 getting in assets if they bought Santee Cooper.

22 So it's important for some of us to know --
23 they're getting a bargain on some of these
24 properties that the Senator from Lexington
25 brought up. So if you could list those, if you

1 wouldn't mind listing them with your best guess
2 estimate of what present market value would be
3 for those pieces of property, we can kind of get
4 an idea what you're really worth and what we'd
5 be selling off, so to speak. So if you could
6 get that.

7 MS. WILLIAMS: Yes, sir. And with your
8 permission, some of the property that we own are
9 very small, less than an acre, maybe under a
10 transmission line. So if you'd give me some
11 grace to pick a cutoff size.

12 MR. CROMER: No, just group it all
13 together.

14 SENATOR SETZLER: Mr. Chairman, can I
15 follow up on that, please, since he brought me
16 into that? I want to be sure you're showing --

17 MS. WILLIAMS: What's on the books and what
18 we think is market value. I understand.

19 CHAIRMAN LEATHERMAN: Ma'am, that's what
20 I'd asked you earlier.

21 MS. WILLIAMS: Yes, sir.

22 CHAIRMAN LEATHERMAN: Please provide that
23 to us, what Mr. Cromer is asking for.

24 MS. WILLIAMS: Yes, Mr. Chairman.

25 MR. GROOMS: On the same line of your

1 preparation of book value versus fair market
2 value, I think Senator Setzler has raised a
3 question about the value of V.C. on one. I
4 think it's also appropriate for the other plant
5 property and equipment, such as Rainey -- I
6 think it's on the books for a little more than
7 200 million, but a replacement value that you
8 see under NextEra, a plant that's close to
9 2 million, a similar plan at a different site.
10 So having that range would also be helpful to
11 know what properties they are.

12 MS. WILLIAMS: For the generating stations
13 and major infrastructure?

14 MR. GROOMS: And transmission and so forth.

15 Mr. Chairman, there's one more thing I'd
16 like to ask your consideration on. We do have
17 two Santee Cooper employees who are represented
18 by counsel today. Would it be necessary for
19 them to appear on Tuesday also?

20 CHAIRMAN LEATHERMAN: It may be. I can't
21 answer that.

22 MR. GROOMS: They're here.

23 CHAIRMAN LEATHERMAN: I would appreciate
24 them coming.

25 MR. GROOMS: Do you expect them to be here

1 on Tuesday?

2 CHAIRMAN LEATHERMAN: I do.

3 MR. GROOMS: Okay.

4 CHAIRMAN LEATHERMAN: So with that, it
5 looks like you've got your work cut out for you.

6 MS. WILLIAMS: Yes, sir. I have a lot of
7 good people back in Moncks Corner that will be
8 working on this hard.

9 CHAIRMAN LEATHERMAN: All of our members,
10 thank you so much for what you did. We've had a
11 couple of wonderful days, enlightening days.
12 We'll continue.

13 Mr. Ray, thank you. Mr. Bonsall, thank you
14 all so much.

15 We'll adjourn and be back here at 10:00 on
16 Tuesday morning.

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18 (Proceedings adjourned at 1:55 p.m.)

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CERTIFICATE OF REPORTER

I, Sheri L. Byers, 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 27th day of February, 2020, at Lexington, Lexington County, South Carolina.



Sheri L. Byers,
Registered Professional Reporter,
Notary Public
State of South Carolina at Large
My Commission expires:
October 30, 2023

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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 27th day of February, 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