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Powerful senator calls for Santee Cooper chairman's resignation after debt deal

By Avery G. Wilks

COLUMBIA — One of South Carolina's most powerful politicians, Senate Finance Committee Chairman Hugh Leatherman, has called for Santee Cooper board chairman Dan Ray to resign after a recent dustup in which the embattled power and water utility entered into a \$638 million debt deal that caught some Statehouse leaders off guard.

Leatherman, a Florence Republican, told The Post and Courier he thinks the deal violates a recent state law that prohibits Santee Cooper from entering into agreements that could make it harder for the General Assembly to sell the state-owned utility when lawmakers return to Columbia in January.

"I'm calling for Dan Ray's resignation," Leatherman said in a phone interview. "Let the governor appoint a chairman of that board who will be looking out for the people of this state and Santee Cooper customers. I think he needs to go. To the best I can determine, my colleagues (at the Statehouse) in Columbia have the same feeling I do."

Santee Cooper has insisted the bond deal is legal, though its officials have admitted they could have communicated their plans better to top lawmakers before approving them at a board meeting last month.

The utility's leaders stressed the deal is a huge win for ratepayers. By refinancing the utility's existing debt at historically low interest rates, it will save money for the 2 million South Carolinians who rely on Santee Cooper's electricity, they said. The deal also includes \$100 million in new debt for capital projects like upgrading power lines and complying with environmental regulations.

"This was a profoundly successful transaction," Santee Cooper spokeswoman Mollie Gore wrote in an emailed statement. "It saves customers literally hundreds of millions of dollars. Additionally, it restructures future debt service beyond the current rate freeze, keeping it flat for over a decade and paving the way for rate stability for a long time to come."

She added, "Santee Cooper is pleased to have achieved these benefits for our customers, and we certainly followed all applicable rules in doing so. I understand that some have expressed disappointment as to the timing of communication in regard to this transaction, and we will be happy to work with them to resolve concerns."

Ray did not immediately respond to a request for comment Thursday.

Still, the episode has exacerbated already-tense relations between Santee Cooper and some of its overlords at the Statehouse, who have spent more than three years weighing whether to privatize or restructure the utility.

The 86-year-old agency was put on the General Assembly's chopping block in 2017 after it spent \$4 billion of ratepayers' money on a failed expansion of the V.C. Summer nuclear power plant in Fairfield County.

Since then, Gov. Henry McMaster and other top lawmakers have criticized Santee Cooper as a "rogue agency" that has held lengthy board meetings in private and secretly lobbied against its own sale. New leaders at Santee Cooper, including chairman Ray and CEO Mark Bonsall, have pledged to usher in a new era of accountability and transparency.

Lawmakers delayed a final decision on Santee Cooper's fate until next year after the 2020 legislative session was cut short by the coronavirus pandemic. But they also passed a law restricting Santee Cooper from taking major actions until that decision is made — not wanting the company to enter into long-term contracts that make Santee Cooper more difficult to sell or restructure.

Several senators rushed to Santee Cooper's defense Thursday afternoon. State Sens. Larry Grooms of Berkeley, Luke Rankin of Myrtle Beach and Brad Hutto of Orangeburg argued the utility had done nothing wrong and Ray, an investment banking executive first appointed to the board by then-Gov. Nikki Haley in 2014, should remain in charge.

Grooms, a Republican whose district includes Santee Cooper's headquarters, said legislators authorized Santee Cooper to take steps that save customers' money, including refinancing its debts, while it awaits the General Assembly's final decision.

"There are legislators who are trying to make Santee Cooper fail, and I believe there are legislators who want Santee Cooper to fail so they can sell it," Grooms said.

Still, tensions between other top legislators and Santee Cooper were evident in a flurry of letters sent by both sides over the past two weeks and obtained by The Post and Courier.

In a message last Friday, S.C. House Speaker Jay Lucas scolded Ray and Bonsall for adding to the agency's V.C. Summer debts and failing to notify legislators of their plans. The influential Hartsville Republican repeated previous statements that if he had the power, he would fire the entire Santee Cooper board and start over.

"This continued failure to be fully transparent demonstrates a lingering disdain for any oversight at Santee Cooper, which in my view, is the root cause of this state agency's failures," Lucas wrote. "The board's desire to be unaccountable to lawmakers, the governor and the public continues to prevent any measure of success at Santee Cooper."

Ray and Bonsall insisted they had informed legislative aides and the state utility watchdog — the Office of Regulatory Staff — of their plans. But ORS Executive Director Nanette Edwards wrote a 14-page letter contradicting that claim, and top aides to Leatherman and Lucas wrote in emails that Santee Cooper had misled them about the nature of the bond deal.

Leatherman aide Quentin Hawkins and Lucas' chief of staff, Patrick Dennis, wrote that Santee Cooper officials briefed them that the utility planned to refinance old debt but specifically said the deal would not incur new, additional debt.

In response, Santee Cooper chief financial officer Pamela Williams said the agency wasn't planning to take on \$100 million in new debt at the time they briefed legislative staffers. That decision came later, she said.

"We believe we informed you of what we knew when we knew it, and did not hide the ball," Williams wrote.

Ray and Bonsall both requested a face-to-face meeting with Lucas to discuss how to move forward.

Speaking to reporters Thursday morning, McMaster reiterated he believes the Moncks Corner-based utility must be sold in order to offload its V.C. Summer debt.

Lawmakers are considering an offer from Florida-based NextEra Energy to take over Santee Cooper, but a study by the state Department of Administration projected privatizing Santee Cooper would lead to higher electric rates in the long run.

"The debt is so deep, so strong, there's no way for Santee Cooper to work its way out of that," McMaster said. "It would be a very positive thing for the state to sell that to a larger organization that could absolve that and make it work."