

Selling Santee Cooper: First Things First

Two committees comprised almost entirely of lawmakers are currently exploring the possibility of selling state-owned utility Santee Cooper. Not only is this beyond the proper jurisdiction of legislators – whose job is simply to establish laws – but their approach is leaving citizens in the dark.

Santee Cooper is the property of the taxpayers, not the government, and any exploration of a sale must be conducted in a fully transparent, accountable process.

Who should sell Santee Cooper?

If Santee Cooper were a private corporation rather than a state agency, its board of directors would (hypothetically) negotiate the sale. In this case, however, state law prohibits the board from even exploring a sale without a vote by lawmakers. More importantly, Santee Cooper's board showed itself incapable of [proper management and oversight](#) throughout the V.C. Summer nuclear fiasco, which resulted in billions of debt owed by ratepayers.

However, a statutory advisory board comprised of five constitutional officers – the Governor, Attorney General, Treasurer, Comptroller General, and Secretary of State – and charged with overseeing Santee Cooper is perfectly positioned to oversee this process. [The advisory board](#) has the power to:

- Trigger an annual audit of the utility's finances, and select the accountant for this process
- Receive annual reports summarizing the financial and operational status of the utility, including actions taken by the board of directors
- Set the board of directors' salaries
- Fire the board for cause, which includes incompetency, conflicts of interest, misconduct, etc.
- Consult and advise with the board as directed

In addition to the institutional knowledge the advisory board has about Santee Cooper, it is also accountable to every citizen, as each of its members is elected statewide.

In stark contrast, the two committees currently in charge of exploring the sale of Santee Cooper are comprised entirely of lawmakers and their appointees, with the exception of one member of the joint committee (created via budget proviso) appointed by the

Governor. A legislative committee cannot be held accountable by the entire state, as lawmakers only represent their own districts. Unsurprisingly, key decisions – such as the [procurement process](#) for a consultant company to accept bids for Santee Cooper – have been occurring behind closed doors.

It is important to note that lawmakers have a statutory duty to approve the sale, but this cannot be misconstrued as managing the process up to that point. Such a task is the proper jurisdiction of the executive branch - specifically in this case, the advisory board.

What are the first steps to selling Santee Cooper?

1. Impose a moratorium on all non-essential activity

Before any official action is taken to sell Santee Cooper, its board of directors or advisory board should impose a moratorium on any new agreements, investments or economic development projects that are not essential to providing existing electric service. No state asset can be sold until decision makers have an accurate picture of its financial and operational position, and this would be difficult to accomplish if Santee Cooper continues to enter into new arrangements.

2. Conduct a full audit

Next, a full audit of Santee Cooper should be initiated and overseen by the advisory board. Selling a multi-billion dollar asset is a complex and lengthy process, one which cannot be completed without having all the necessary financial information. The audit should fully investigate the following:

- *Assets and liabilities* – What is the net financial position of the utility? The Advisory Committee should examine and disclose:
 - Santee Cooper's assets and whether or not they are necessary for power generation.
 - Short-term and long-term liabilities, including the full debt with interest and the payment schedule as well as any/all contracts, agreements and other legally binding arrangements
 - The status of such assets. Santee Cooper owns a number of assets, including a lot of property and old equipment. However, some of the property is subject to federal licensing, which could affect the full asset picture. A complete catalog of assets, their usage, and any obligations attached to them should be fully disclosed to the public.
- *Contracts* – The Committee should examine and disclose:
 - All sources of Santee Cooper's power and all of its customers. From whom does Santee Cooper buy power, and to whom does it sell it?
 - All contracts, agreements, arrangements and understandings including, but not limited to, those with all customers, vendors, economic development recipients and public and private entities as well as any discernable impact a sale could have on those agreements.

For example, the contract between Santee Cooper and Central Electric Power Cooperative has significant implications for a potential sale. As Central Electric is Santee Cooper's primary customer, it could effectively veto a sale by opting out of the contract (a right they maintain if Santee Cooper is sold). Disclosing all legal entanglements that could affect selling Santee Cooper is critical.

- *Economic Development* – The Committee should examine and disclose:
 - All arrangements with economic development recipients
 - How much the utility has spent/is spending on grants, loans and investment related to economic development per year, per project
 - The particular entities that have received benefits
 - The tiered rating structure, how it is determined and the arrangements currently in place

“Economic development and job attraction” are statutory responsibilities for Santee Cooper, which means it must balance serving businesses, customers, and most importantly, the lawmakers who control the levers of the state's economic development agenda. Because ratepayers are Santee Cooper's sole source of revenue, they are in effect forced to subsidize an array of perks for businesses without their consent. The full scope and cost of Santee Cooper's economic development activity must be disclosed to citizens.

3. Fully disclose all information and official findings

Before anyone begins weighing solutions, all of this information – and likely a great deal more - must be made public in a report by the advisory committee, which must open its deliberations to the public to receive input from the taxpayer-owners of Santee Cooper.

The committee already has the statutory power to trigger an audit, and to select the accountant in charge. In addition, the Governor has the [constitutional ability](#) to acquire and release this information, as he did with the [Bechtel report](#) last year.

While basic details about Santee Cooper's status were disclosed during the joint committee's exploratory phase, the information provided was far from comprehensive. In particular, lawmakers did not thoroughly examine the agency's [economic development activity](#) and did not release a full report with official findings to the public.

Equally concerning, lawmakers' current process of soliciting and evaluating bids has so far been completely devoid of transparency. Their decision last year to hire ICF International to accept bids for Santee Cooper was announced after nearly two hours of private deliberation, leaving no opportunity for citizen input or ability to determine any conflicts that might exist. The criteria for evaluating such bids were also developed in private.

In total, lawmakers and state regulators have spent (or will spend shortly) over one million dollars on consultants hired to give them advice or issue reports. One of those reports, released [last month](#) by ICF, revealed at least seven potential offers to buy Santee Cooper. For citizens, however, the identities of these buyers will likely remain anonymous until the deals are completed.

The process of selling a multi-billion dollar state asset cannot be rushed in secret and managed by two groups of unrepresentative lawmakers.

Ultimately speaking, state government should not be in the business of producing power, and privatizing Santee Cooper is a necessary step towards deregulating the state's energy system.

The people of South Carolina own Santee Cooper, not the General Assembly, and the public should demand a transparent process where decision makers can be held directly accountable.