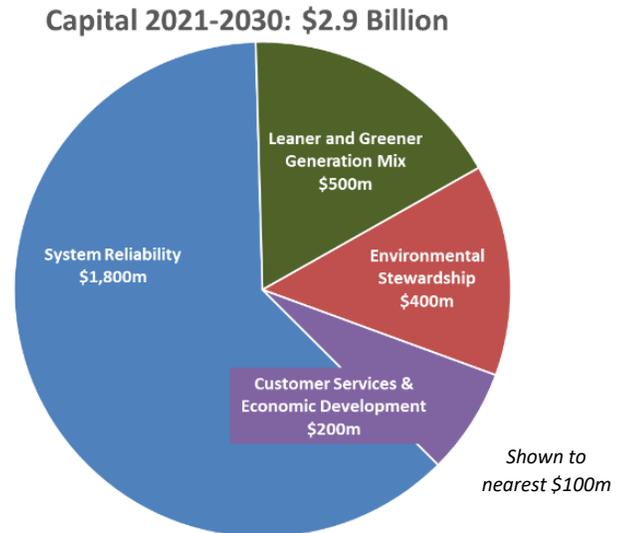


## Santee Cooper Capital Investments are Healthy and Appropriate

Three Key Takeaways:

- Over the next decade, Santee Cooper plans to invest \$2.9 billion to provide the State and our customers with (1) a leaner, greener generation mix that is flexible and low-risk, (2) continued best-in-class reliability and safety, (3) continued environmental stewardship, (4) improved customer experiences, and (5) continued economic development.
- Independent engineers have validated that our historical asset performance matches or outperforms similar facilities and our plan for these assets is reasonable.
- Santee Cooper's low-cost business model provides the optimal financial incentives to maintain low customer rates while mitigating against excessive capital investments.

Electric utilities operate in a capital-intensive industry where the business model is based on acquiring, maintaining, and improving long-lived assets such as generating stations and transmission systems. Indeed, Santee Cooper's original mission to provide light to rural South Carolina was driven by a need to finance capital investments in lesser populated, rural areas ignored by investor-owned utilities (IOUs) because they were unable to earn a profit. Our best-in-class reliability (ranking 4<sup>th</sup> out of more than 550 IOUs and Co-op utilities in the U.S.) and safety record (1<sup>st</sup> among large public power systems three of the last four years) are proof that we continue to take this mission seriously.



This paper summarizes Santee Cooper's capital plan, which reflects continued focus on our key strategic priorities including a leaner and greener generation mix, reliability and safety, environmental stewardship, customer service, and economic development. Over the next decade, we plan to invest \$2.9 billion in the system while reducing overall debt and widening our lead as the lowest cost provider among large utilities in the State.

### Leaner and Greener Generation Mix

Our capital plan is light on large risky investments in new generation projects, and instead focuses on diversifying our generation mix through a flexible, modular approach to resource additions that is adaptable as conditions change. To accomplish this, we anticipate approximately \$500 million worth of capital expenditures needed to replace a portion of retired coal capacity while adding an appropriate amount of high efficiency natural gas generation and battery storage. The "build vs. buy" decision has yet to be made – the option is open.

Notably missing from our plan is the capital associated with 1,500 megawatts (MW) of solar power, which is a critical component of our planned generation mix. Instead, we intend to acquire solar energy through long-term Power Purchase Agreements (PPAs) with private developers who will compete on price. This structure enables Santee Cooper to reduce construction risk, avoid debt, and lower costs. Already, the benefits of this strategy have materialized in the attractive responses to our 2020 joint solicitation with Central Electric Power Cooperative for 500 MW of solar. While this market-based approach would reduce the rate base and shareholder returns for an IOU (which earns a return on capital investment but not on PPAs), it is the lowest cost strategy for our customers.

### System Reliability

Reliable electric service is critical to our customers, and we are proud of our best-in-class reliability. Our plans include approximately \$100 million of annual capital investment over the next decade to maintain our existing generation, transmission, and distribution assets. We will also invest an additional \$730 million through 2030 to support customer growth across the state, and \$80 million of the generation transformation plan described above is intended to ensure reliable service following the retirement of several coal units.

In the Act 95 process, the Department of Administration commissioned independent engineer Black & Veatch to review Santee Cooper. They concluded that “the performance of Santee Cooper generation, transmission and distribution facilities has generally matched or outperformed other similar facilities in the region.” They further noted that proper maintenance and capital investments have been made and that we have a well-established and effective process for prioritizing asset maintenance and capital improvement projects. The same philosophy that has resulted in our excellent safety and reliability performance in the past continues to drive our capital planning today.

### **Environmental Stewardship**

While Santee Cooper’s generation strategy will substantially improve our environmental impact, we will proactively manage our remaining coal-fired generation and limit coal combustion residuals (CCRs), primarily coal ash.

Our past efforts to preemptively remediate CCR storage helped us safely navigate the Waccamaw River flooding during Hurricane Florence. Those Santee Cooper ash ponds are now being successfully restored to natural wetlands, and we will continue excavating ash and otherwise managing the environmental impact of our remaining CCRs to remain fully compliant with environmental regulations. In order to do this effectively and safely, we plan to invest \$400 million over the next decade.

### **Enhancing Customer Services**

Santee Cooper is committed to improving our customer experience while being conscious of the financial impact of these improvements. Our retail customers have acknowledged our efforts, as evidenced by our current retail customer satisfaction ratings, which are above 95%.

Our customer experience will continue to improve as we convert overhead distribution lines to underground lines, which both beautifies our State and improves reliability, and our investments in demand-side management programs will help our customers save on their bills by using less electricity. We have also made substantial progress implementing a smart grid that will allow customers to view usage in real time and provide early notification of usage anomalies, faster outage detection, and ultimately, lower power costs through greater efficiencies. These and other capital expenditures are expected to cost approximately \$120 million.

### **Economic Development**

In 2018, S.C. Commerce Secretary Bobby Hitt stated that “without Santee Cooper, there would not be Volvo.” To date, Santee Cooper has invested \$40 million to create the Camp Hall commerce park that houses the Volvo plant and was recently ranked the #7 industrial park in the country and #1 in the Southeast. We expect to invest another \$50 million through 2030 to further develop the site and attract new jobs and investment to the State.

We continue to be stewards of Lake Marion and Lake Moultrie, which provide \$434 million in annual tourism to the State, and our two water treatment facilities provide drinking water to over 200,000 people. Capital expenditures to maintain and improve these assets over the next decade is expected to be approximately \$30 million.