



Santee Cooper Progress Update

Senate Judiciary Subcommittee
February 2, 2021

A public enterprise like Santee Cooper is a business that should provide its owners, the citizens, with returns –

- Low Cost and Reliable Electricity
- Water Management and Services
- Economic Development
- Environmental Stewardship
- Broadband

Resource Planning Principles



- **Customer Focus** – Provide safe, reliable and affordable power
- **Cost Management** – Deliver resource value by keeping prices low
- **Ensure Reliability** – Reliability is the number one product of any utility, not electricity
- **Environmental Stewardship** – Responsibly manage the environmental impact of Santee Cooper's operations
- **Take a Long-Term View** – Develop a long-term resource strategy to ensure flexibility across a wide range of potential outcomes
- **Reduce Financial and Planning Risk** – Add generation in smaller increments that more closely match resource needs
- **Embrace Innovation** – The accelerating development of new technology is transforming generation, transmission and distribution
- **Transparency** – Engage customers, stakeholders, Board members and elected officials in a transparent resource planning process that is responsive to questions and input

Pricing Principles



- **Mission:** Limit price increases to less than inflation and maintain prices that are competitive in the region
- **Equity:** Allocate costs to specific customer classes in a reasonable, equitable and defensible manner (i.e. customer class returns should be nearly equal)
- **Efficiency:** Design prices so that conservation savings are shared with the customers
- **Financial Adequacy:** Provide sufficient revenue to preserve the financial integrity of Santee Cooper (long-term 'A category' or above) and comply with commitments to bondholders
- **Notice:** Ensure customer notice and engagement in rate proceedings
- **Protection:** Allow reasonable relief mechanisms for financially distressed customers
- **Transparency:** Require openness in annual review of compliance with Pricing Principles

Major Points of Progress



Done: Removed threat of pending litigation

- Settled Cook et al
- Settled WEC
- Settled Turka
- Created settlement path for Century/Goose Creek

Done: Redesigned and launched resource direction

- Hedged gas
- Renegotiated coal
- Bid and contracted solar with Central
- Launched Winyah closing plan, idled Unit 4
- Produced Act 62 IRP with Central

Done: Redesigned and launched financial direction

- Paid off >\$600 million net debt
- Refinanced \$750 million
- Levelized debt service
- Contracted VCS 2/3 equipment disposition

Done:
Reorganized staff

- Reduced staff through attrition and retirement, no layoffs
- Shrunk executive ranks approximately 20%
- Increased senior management diversity
- Formed Inclusion, Diversity and Equity Awareness (IDEA) Council



Achieved “Stable A” Credit Ratings

LITIGATION

Nuclear Litigation



Santee Cooper has resolved all ratepayer-related nuclear litigation

Cook v. Santee Cooper et al. and Glibowski v. Santee Cooper et al

➤ **Claims**

- Class action filed on behalf of direct Santee Cooper customers and electric cooperative customers
- Sought return of funds paid by ratepayers for construction of V.C. Summer Units 2&3

➤ **Settlement: Return of funds to ratepayers**

- \$520 million in cash returned to ratepayers by Santee Cooper and Dominion Energy
- Santee Cooper contributed \$200 million in cash
 - \$65 million in 2020, \$65 million in 2021, and \$70 million in 2022
 - Recorded the entire \$200 million expense in 2019 - took it to the bottom line
- Class members received first installment at the end of 2020 and will receive second installment in 2022

➤ **Settlement: Rate Lock**

- Santee Cooper rates locked to Reform Plan projections through 2024
- Santee Cooper will not defer costs or expenses incurred during or attributed to Rate Lock except as noted in agreement
- Settlement funds will not be used as basis for future rate increases

Santee Cooper has resolved all major associated non-ratepayer nuclear litigation

Cross-Claims in Cook

➤ **Cross-Claims**

- Cross-claims were asserted against Santee Cooper by Central
- Cross-claims were asserted between Santee Cooper and SCE&G (n/k/a Dominion Energy)

➤ **Settlement: Resolution with Central Electric Power Cooperative**

- Santee Cooper's resolution of claims by plaintiffs in Cook also resolved Central Electric's claims against Santee Cooper

➤ **Settlement: Resolution with Dominion Energy**

- Santee Cooper and Dominion Energy agreed to mutual releases with Dominion Energy agreeing to indemnify Santee Cooper for any judgment or settlement of other matters related to V.C. Summer Units 2&3, including:
 - FILOT case (Fairfield County)
 - Dept. of Revenue matter (Sales tax)
 - Cameco (Nuclear fuel arbitration)
 - WARN Act litigation (Indemnity case filed by Fluor)

Santee Cooper has resolved its dispute concerning ownership of VCS equipment

Westinghouse v. Santee Cooper

➤ **Claims**

- Dispute between Westinghouse and Santee Cooper regarding ownership of V.C. Summer Units 2&3 equipment

➤ **Settlement**

- Westinghouse will market nuclear-pedigree equipment and share net sales proceeds with Santee Cooper
- Santee Cooper owns 100% of all other equipment and has engaged a firm to pursue sales
- Conservative projection in financial forecast of \$100 million in proceeds from equipment sales
- Four diesel generators will be used for system reliability to support closure of Winyah Units 3&4

Nuclear Litigation

Santee Cooper has resolved its mini-bond holder nuclear litigation

Turka v. Santee Cooper

➤ **Claims**

- Class action filed on behalf of purchasers of Santee Cooper mini-bonds
- Claims relate to disclosures made in conjunction with issuance of mini-bonds

➤ **Settlement**

- Santee Cooper agreed to pay \$2 million plus up to \$35,000 for cost of settlement administrator

➤ **Status of Settlement**

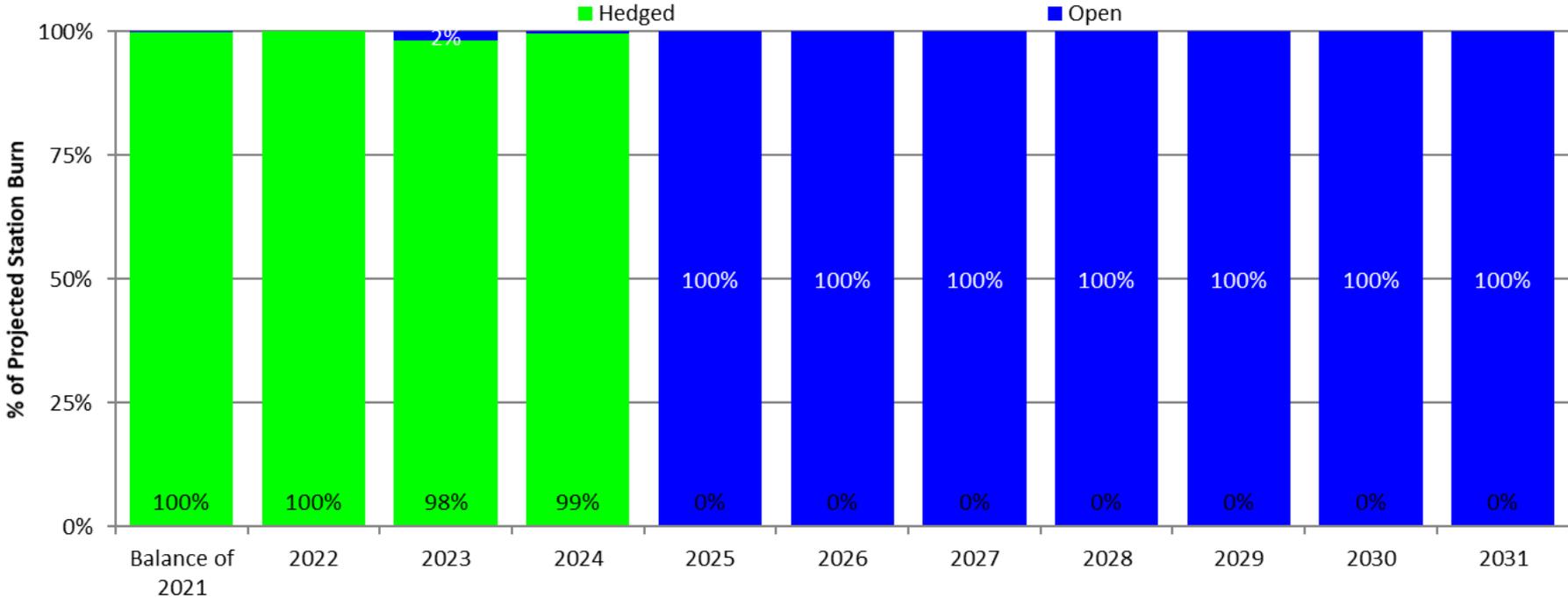
- Court approval pending
- Motion for Preliminary Approval filed with the court on January 25
- Following preliminary approval, the class will receive notice
- Following notice to class, a Motion for Final Approval will be filed
- All mini-bonds were retired in 2019 – principal and interest fully paid

RESOURCE ECONOMICS

Fuels Risk – Natural Gas



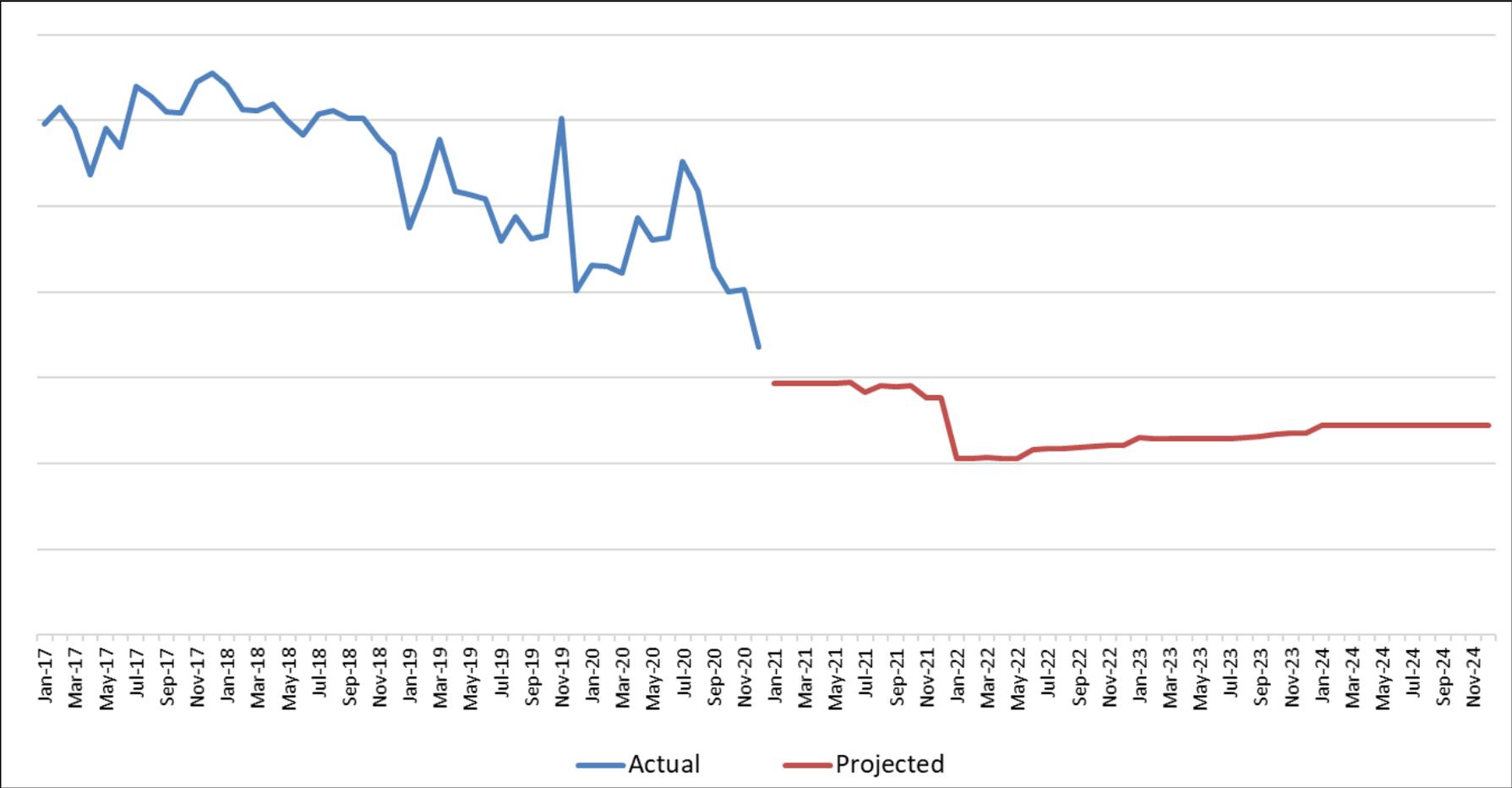
Natural Gas Commodity Contract Position Summary of Volumes @1/19/2021



Act 135 precludes hedging post 2024 – application to SCOC pending

Delivered Coal Costs

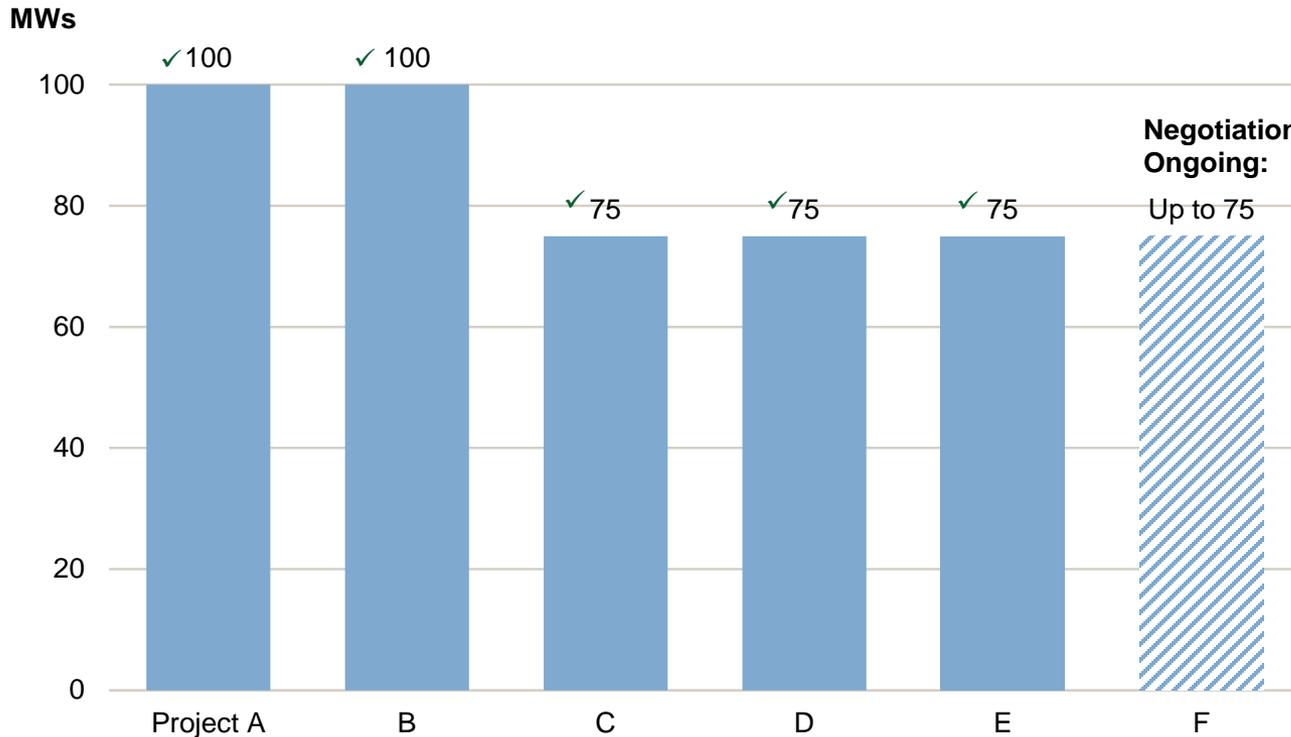
Historical vs. Projected



Executed Solar Contracts

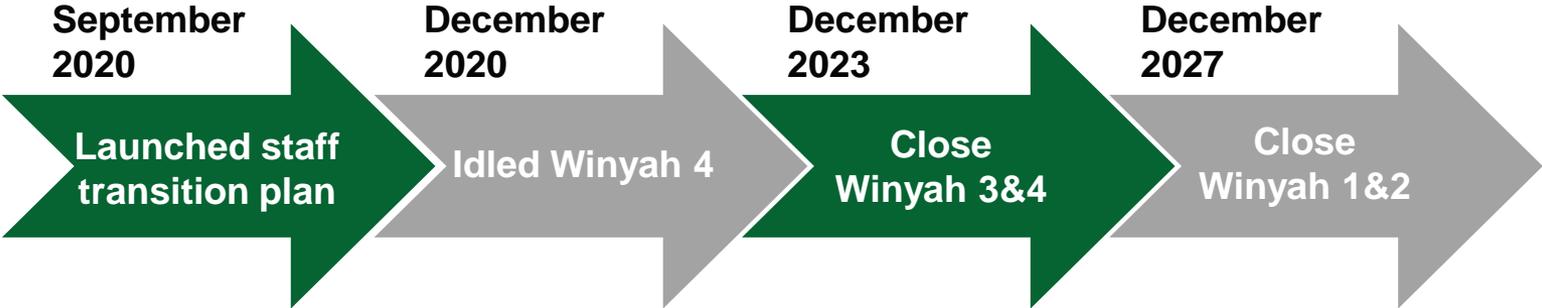


Central and Santee Cooper have jointly contracted for 425 MW of solar at pricing consistent with our planning assumptions



- Located within South Carolina and expected to be operational by 2023
- No additional debt
- Protects customers from fuel price volatility
- Lowers Santee Cooper's carbon footprint
- Hedges against carbon legislation

Winyah Generating Station



- Santee Cooper filed its 2020 IRP with the State Energy Office on December 23, in compliance with Act 62
 - Act 62 requires an IRP filing every three years and specifies IRP process requirements
 - IRP available on Santee Cooper and State Energy Office websites
- The enactment of Act 135 enabled us to collaborate with Central in the development of our underlying resource plan

Key Elements of 2020 IRP

- Restores balance of supply and demand
- Improves fuel diversity
 - Reduces reliance on coal resources
 - Adds renewable and natural gas resources
 - Phased implementation of batteries and demand response
- Preserves optionality
- Lightens capital expenditures
- Reduces emissions

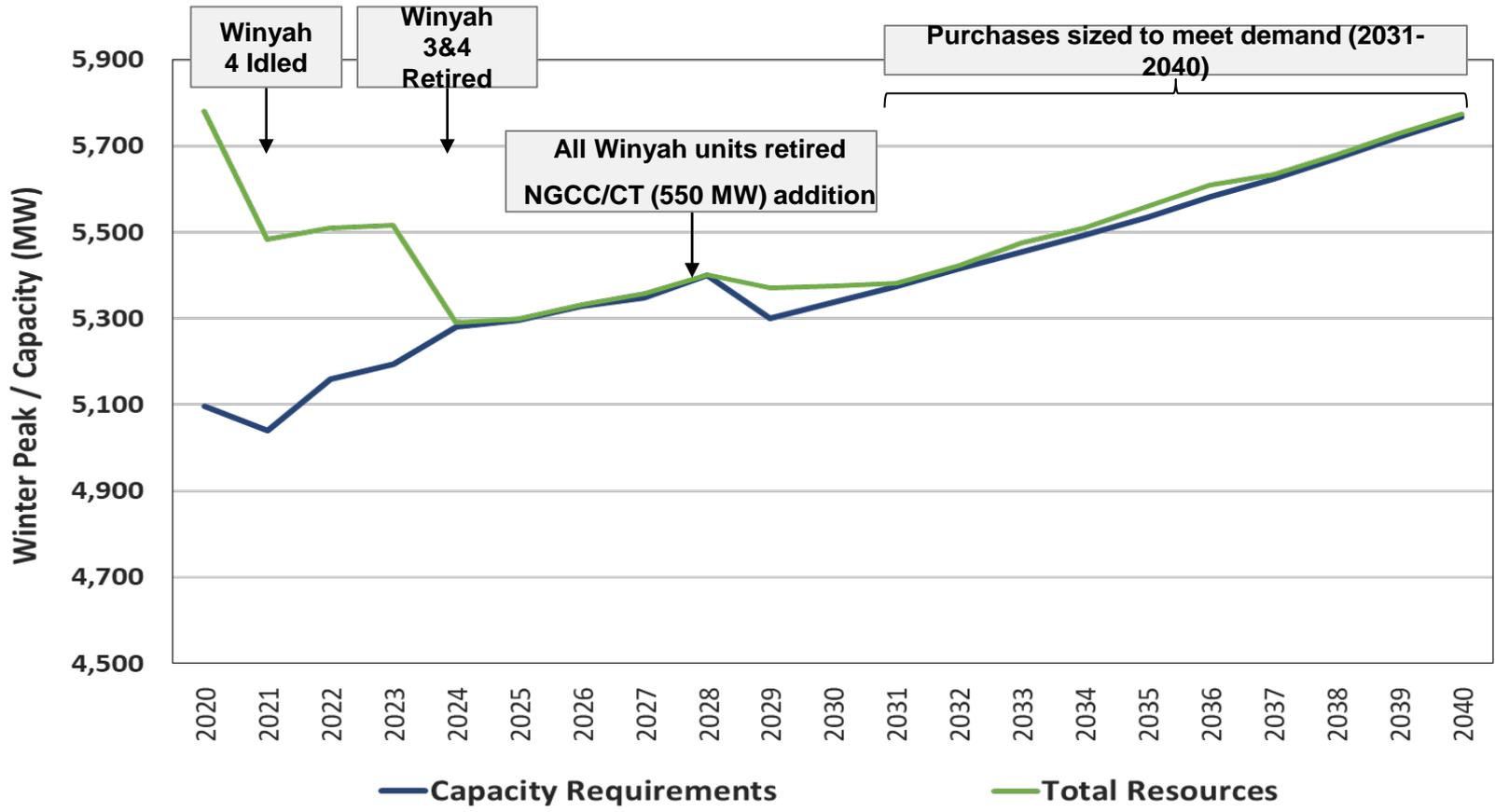


**Much more efficient –
economically and environmentally**

A Balanced Future Power Supply



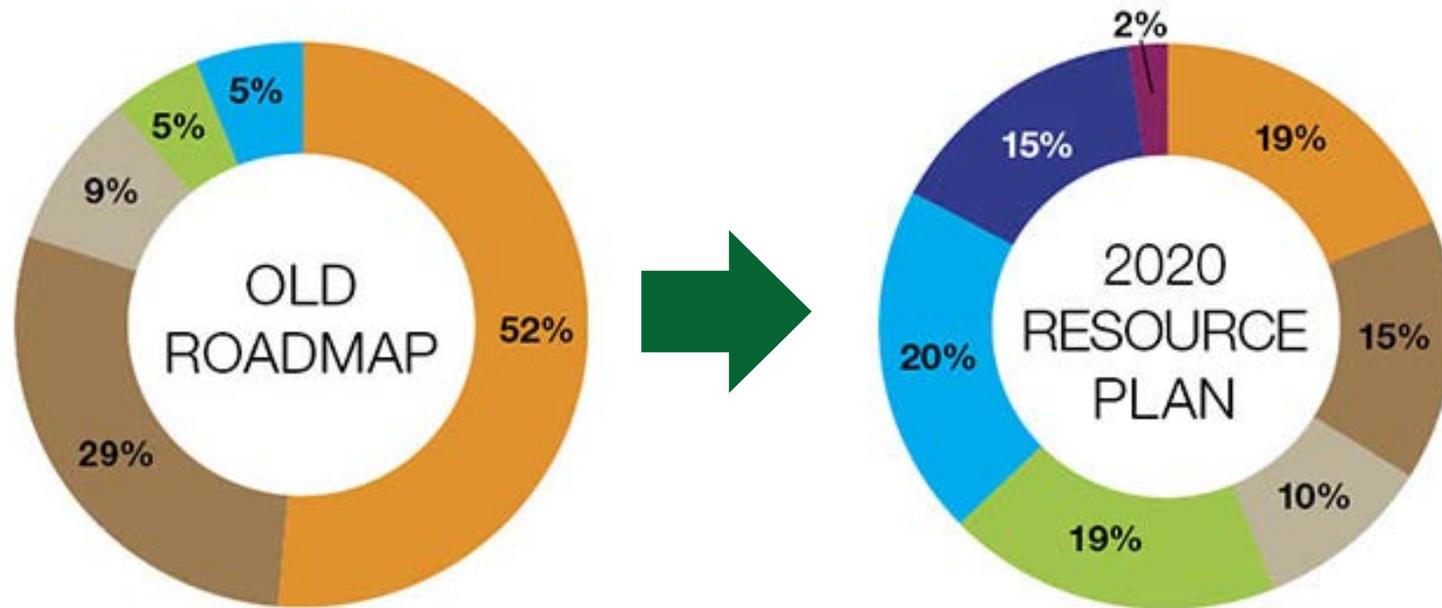
Restores balance of supply and demand by adding resources in increments to match demand



- Phased solar implementation: 500 MW by 2023; 1,000 MW by 2026 and 1,500 MW by 2032
- 50 MW battery modules added in years 2026-2036 for 200 MW aggregate capability

IRP Impacts: 2030s mix

Delivering more solar, less coal, 55% fewer emissions



Significantly improves fuel diversity



CAPITAL ECONOMICS

Debt Transactions



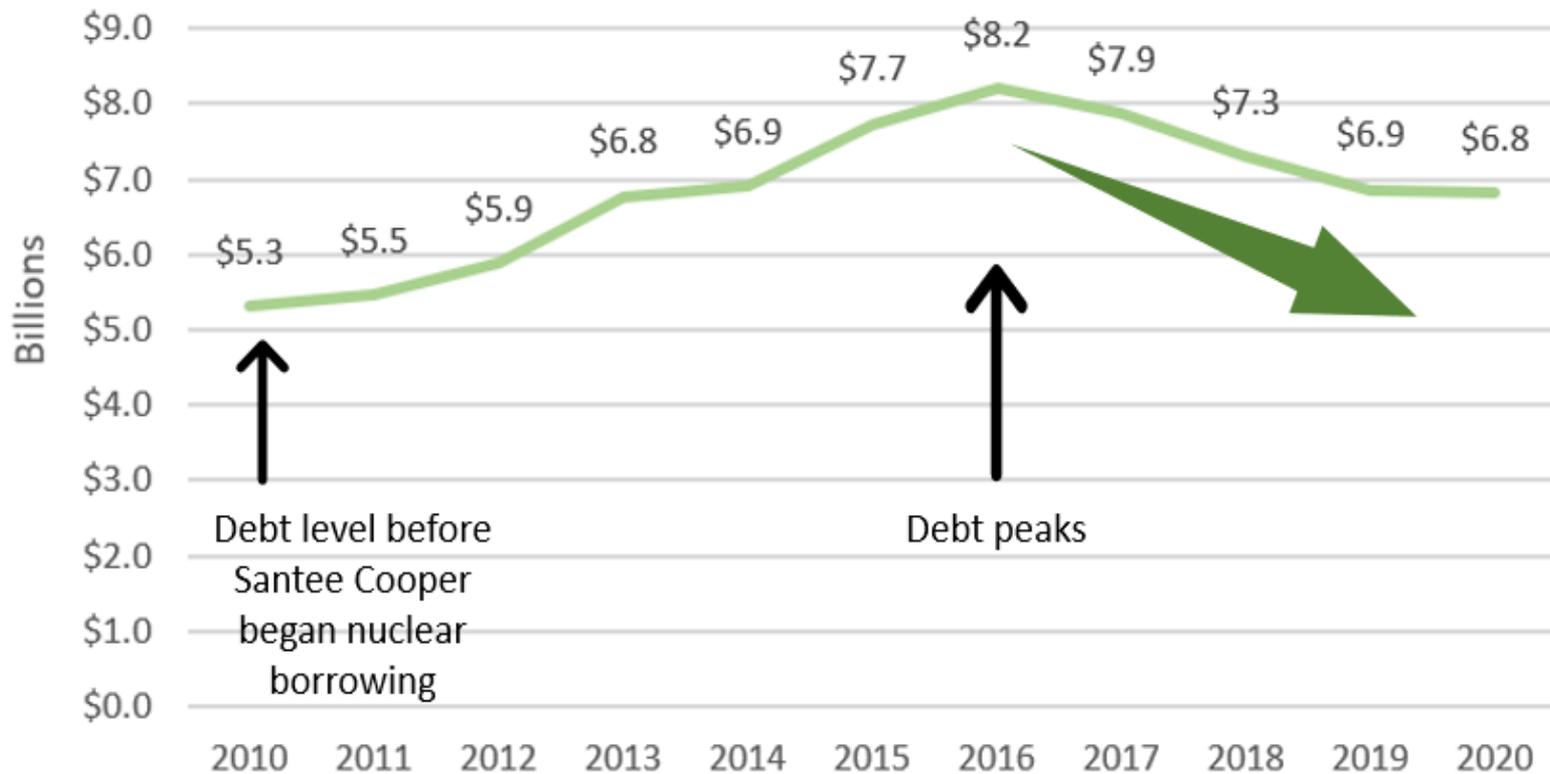
➤ Since 2017:

- Debt Defeasances = \$938 Million
- Long-term Debt Principal Payments = \$325 million
- Net Reduction in Short-term Debt = \$185 million
- New Long-term Debt Issuance = \$85 million
- In addition, debt refinancings have reduced future interest payments by approximately \$330 million

Debt is Declining



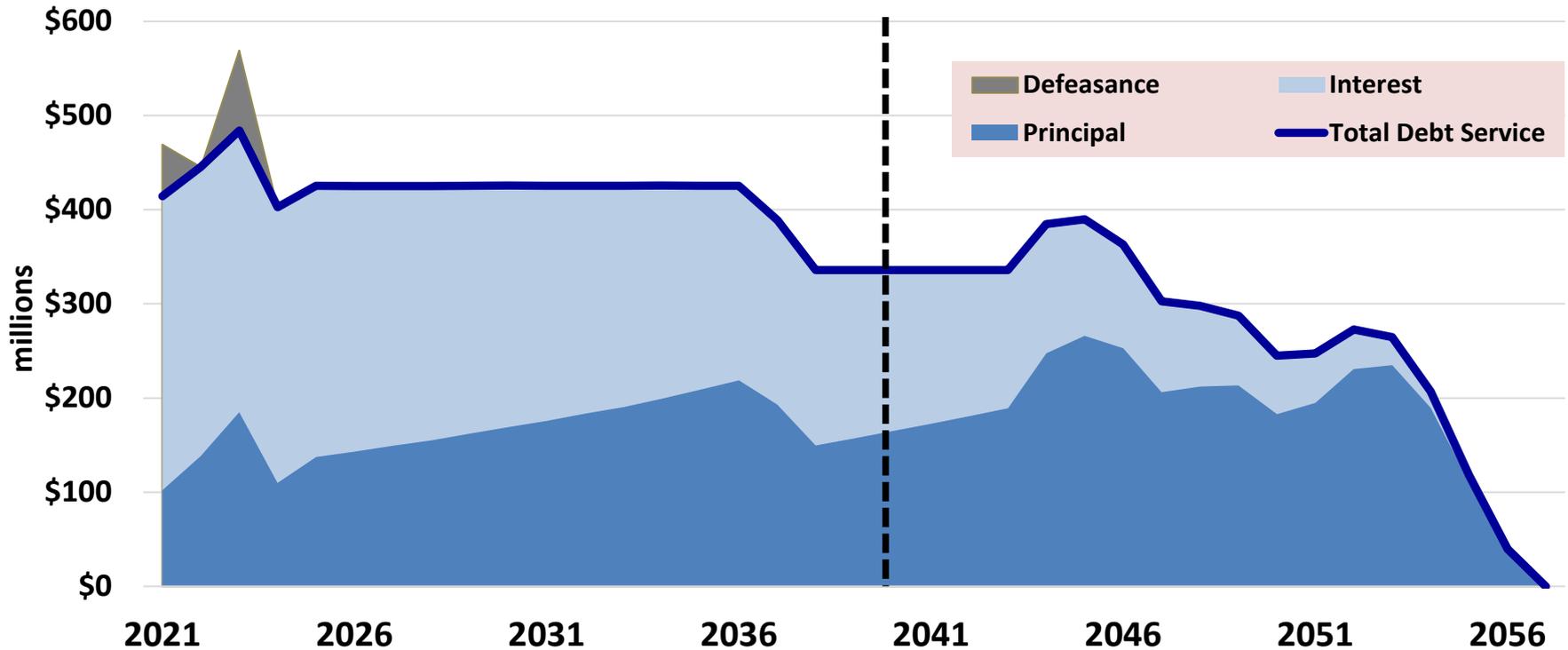
Total Debt Outstanding 2010-2020



Debt Service is De-risked and Levelized



Revenue Obligation Debt Service¹



1. Does not include benefit of BABs subsidy, estimated at approximately \$7.6m/year

Callable Debt

- Approximately 33% of Santee Cooper's bonds, or \$2.2 billion, are callable through 2024
- Callable bonds allow Santee Cooper to take advantage of refunding opportunities over the next few years
- Federal law precludes us from advanced refundings of tax-exempt debt
- **Bond Counsel advises us that interest rate swaps are not consistent with the provisions of Act 135**

Debt Outstanding as of 12/31/20

(\$ millions)

Revenue Obligation Bonds:

Fixed	\$ 6,346,262
Variable	162,885
Total Revenue Obligation Bonds	\$ 6,509,147

Bank Facilities:

Commercial Paper	\$ 171,251
Revolving Credit Agreements	136,100
Total Bank Facilities	\$ 307,351

Total Debt Outstanding	<u><u>\$ 6,816,498</u></u>
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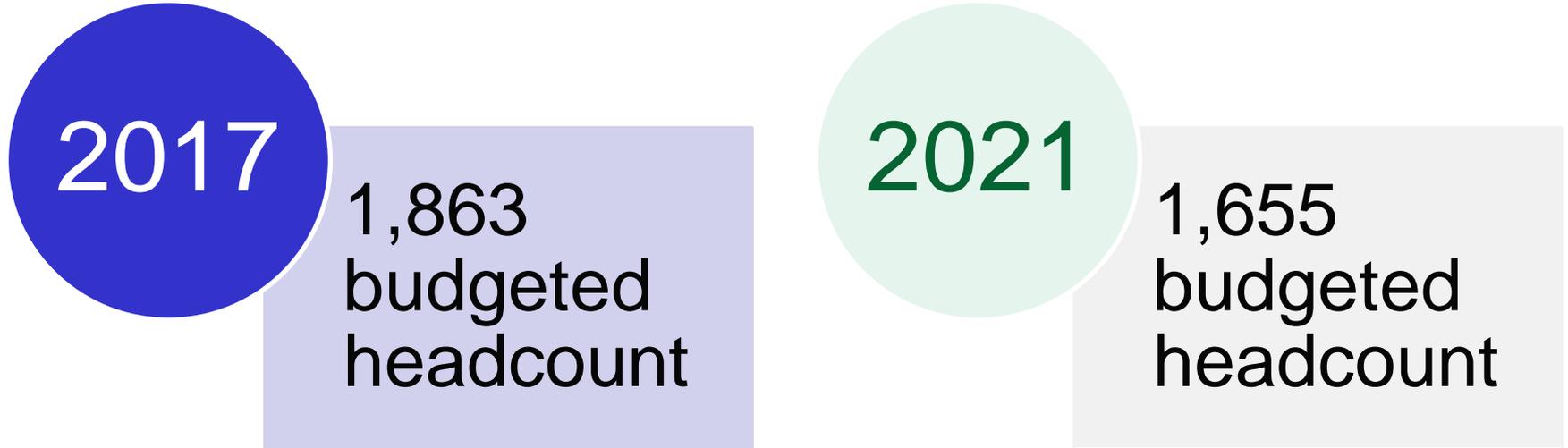
Act 135(11)(E): Nothing in this section prohibits Santee Cooper from:

(8) defeasing debt, issuing or refunding debt under existing bond resolutions and agreements, and entering into financing arrangements consistent with existing bank facilities, all as necessary to manage day to day operations and financing needs, including converting variable rate debt to fixed rate debt. Refunding of existing debt is permitted if it achieves present value savings or mitigates risk and does not extend the average life of the debt;

Master Revenue Obligation adopted April 26, 1999

- Creates Santee Cooper's Revenue Obligations that may be issued for any corporate purpose
- Establishes general terms, covenants with bondholders, appointment of a trustee and other procedures and requirements
- Allows for additional bonds (including 2020A and B) to be issued pursuant to supplemental resolutions, which:
 - Contain provisions specific to the bonds being issued - interest rates and maturities, redemption features, continuing disclosure requirements, establishment of an escrow, etc.
 - Do not create new bond covenants

WORKFORCE ECONOMICS



**Associated savings 2017-2020:
over \$90 million**

Management Staffing and Diversity



2015

41 senior
management
positions

2% nonwhite

2021

34 senior
management
positions

21%
nonwhite

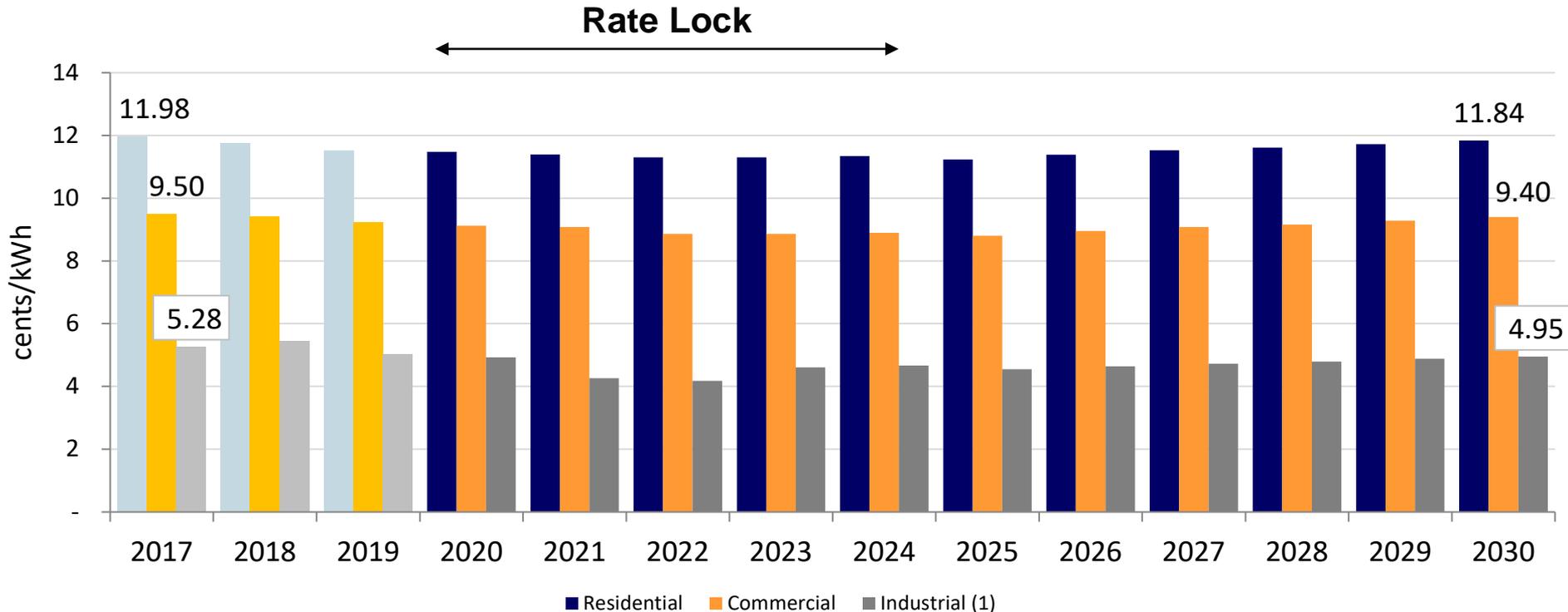
We just learned yesterday that Santee Cooper tied for #1 among state agencies for meeting 2020 workforce diversity goals.

**WHAT DOES ALL
OF THIS MEAN? STABILITY.**

Stable Prices



Over a decade of stable or declining prices



1. Industrial rates based on aggregate sales, including non-firm.

Stable “A” Credit Ratings

Agency	Debt Rating	Outlook	Change
Moody’s	A2	Stable	Improved outlook
Fitch	A-	Stable	Improved outlook
S&P	A	Negative	Unchanged

Fitch, October 2020:

“The revision in Rating Outlook to Stable from Negative” reflects:

- Cook settlement
- Progress in compliance with Act 135 provisions

Fitch also said its ‘A–’ rating primarily reflects Santee Cooper’s debt service coverage and noted Santee Cooper’s debt burden has steadily declined since 2016.

CURRENT EVENTS

- Draft service agreement through the end of 2023
 - Application to SCOC pending
 - Expands service to 296 MW from Santee Cooper resources
 - Preserves ~300 existing jobs at the Mt. Holly facility
 - Allows for creation of 70 potential new jobs
 - Regains access to 150 MW of import capability into our transmission system
 - Protects the best interests of Santee Cooper and our customers

2020 Operating Results



- **Employee Safety**

- 2018 and 2019: Placed 1st among large utilities in American Public Power Association, for three out of four years
- 2020: Tied for best year ever (2018)

- **Customer Reliability**

- Transmission Reliability (ASAI): 99.9981% versus a goal of 99.9970%
- Distribution Reliability (SAIDI): 23.9 minutes without power versus a goal of 30 minutes or less
- In 2019, Santee Cooper ranked #4 for distribution reliability out of 550 IOU and co-op utilities in the U.S.

- **Customer Satisfaction**

- Industrial = 100%
- Commercial = 96.1%
- Residential = 95.6%
- Wholesale – Municipal = 87.5%
- Wholesale – Cooperative = 15.4%

Preliminary 2020 Financial Results



- Strong Financial Metrics
 - Days Liquidity on Hand = 354 Days
 - Days Cash on Hand = 159 Days
 - Debt-to-Equity Ratio = 76/24
 - Debt Service Coverage = 1.31x

- Positive Bottom-Line Results
 - Funds Available After Operations and Debt Service = \$140 million
 - Reinvested Earnings = \$53 million before Payment to the State

AT THIS POINT...

A Major Strategic Emphasis



- Effect “soft landing” post rate lock, which requires:
 - Gas hedging post 2024
 - Using interest rate swaps to achieve refinancing savings
 - Planning for next resource
- Act 135 concerns – limited ability to:
 - Hedge gas post 2024
 - Use interest rate swaps
 - Plan for next resource
 - We can’t proceed without relief from SCOC or otherwise

REFORM

- We are proud of the progress we have made to date, and there is more to do.
- We are here to assist in any way as you work on the reforms to come.