

South Carolina Public Service Authority

November 27, 2018

Investor Communication



Slide 1 – Cover

Thank you for joining us today.

This is Jeff Armfield, Senior Vice President and Chief Financial Officer for Santee Cooper.

Disclaimer



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Slide 2 – Disclaimer

Before we begin, I will pause to allow you to read the disclaimer.

As noted, this presentation is provided for general information purposes only, and does not claim to include every item that may be of interest, nor does it claim to present full and fair disclosure with respect to any of Santee Cooper's debt issues.

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Presentation Participants



Jeff Armfield
*Senior Vice President and
Chief Financial Officer*



Rahul Dembla
*Vice President,
Planning and Pricing*



Shawan Gillians
*Treasurer and
Associate General Counsel*

Slide 3 – Participants

Joining me today are Rahul Dembla, Vice President of Planning and Pricing, and Shawan Gillians, our Treasurer and Associate General Counsel.

Introduction



- Since our April Investor Communication, Santee Cooper has made progress on its operational, legal and financial plans:
 - Hurricane Florence tested our system and our storm preparedness
 - We were well prepared for the storm, worked diligently, and were successful in restoring power to our customers and mitigating issues related to flooding
 - Santee Cooper continues to actively defend in state and federal court its statutory obligation to collect rates sufficient to pay debt service and fund operations
 - Santee Cooper continues to provide information to the State legislature as it evaluates strategic options for Santee Cooper
 - Santee Cooper continues to provide reliable and competitively priced power to its customers while maintaining a strong financial profile
 - Santee Cooper reduced its outstanding debt and debt service with Toshiba Settlement funds
- Our goal today is to update the financial community on recent developments and financial projections

Slide 4 – Introduction

Since our last Investor Communication in April of 2018, Santee Cooper has made progress on many of its operational, legal and financial plans.

Santee Cooper continues to provide reliable and competitively priced power to its customers while maintaining a strong financial profile.

We are also actively defending in state and federal court our statutory obligation to collect rates sufficient to pay debt service and fund operations.

In addition, we have begun implementing a debt retirement program to reduce cost and offset nuclear project debt.

In September of this year, Hurricane Florence presented a challenge to our system and company.

We were well prepared for the storm, worked diligently, and were successful in restoring power and mitigating issues related to flooding.

Santee Cooper Overview



Slide 5 - Santee Cooper Overview

I'll begin by providing an overview of Santee Cooper, which is a state agency.

Serving over 2 million South Carolinians, we are the state's largest provider of power and one of the largest public power utilities in the US.

A unique feature of Santee Cooper is that we are a retail and wholesale provider of electricity.

Central Electric Power Cooperative is our largest wholesale customer and provided approximately 59% of Santee Cooper's revenues in 2017.

Central is under contract to purchase power from Santee Cooper through at least 2058.

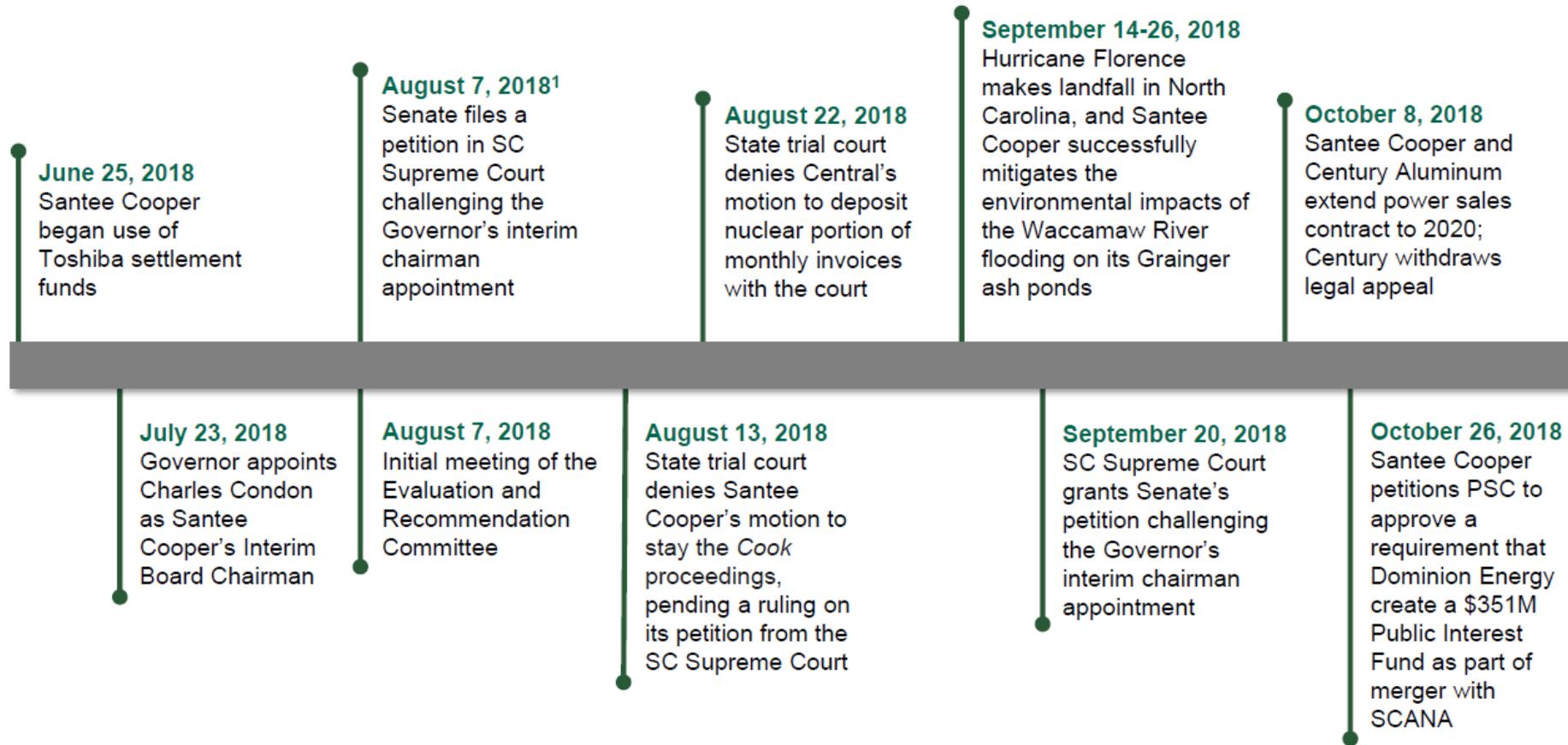
Santee Cooper meets its customers' energy needs through over 5,100 MW of owned generation capacity, which is primarily coal based and supplemented by natural gas, nuclear power and purchased power.

Santee Cooper's Board serves as its ratemaking authority. The Board engages in a robust rate setting process, which includes the opportunity for public comment.

Our Business	Our Customers	Our Assets																				
<ul style="list-style-type: none"> ➤ An electric utility headquartered in Moncks Corner, South Carolina ➤ Owned by the State of South Carolina ➤ One of the nation's largest public power utilities: <ul style="list-style-type: none"> ▪ \$13.2 billion of assets (YE 2017)¹ ▪ \$1.8 billion of revenues (2017) 	<ul style="list-style-type: none"> ➤ Retail and wholesale provider serving 2 million South Carolinians ➤ Provided over 22,700 GWh in 2017 to its customers ➤ Largest customer is Central Electric Power Cooperative; providing approximately 59% of Authority's revenues 	<ul style="list-style-type: none"> ➤ Power supply comes from 5,100 MW of owned generation ➤ Power supply portfolio is primarily coal-based, supplemented by natural gas, nuclear generation and purchased power 																				
<h3>Our Rates</h3>	<h3>2017 Customer Composition (% of Revenue)</h3>	<h3>2017 Capacity (MW)</h3>																				
<ul style="list-style-type: none"> ➤ Autonomous rate making ability ➤ Competitive wholesale and retail rates in state ➤ Approximately 75% of Santee Cooper revenues are derived from automatic rate adjustments which mean no action is required by management or the Board of Directors 	<table border="1"> <caption>2017 Customer Composition (% of Revenue)</caption> <thead> <tr> <th>Customer Type</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Wholesale</td> <td>63%</td> </tr> <tr> <td>Retail</td> <td>23%</td> </tr> <tr> <td>Large Industrial</td> <td>14%</td> </tr> </tbody> </table>	Customer Type	Percentage	Wholesale	63%	Retail	23%	Large Industrial	14%	<table border="1"> <caption>2017 Capacity (MW)</caption> <thead> <tr> <th>Source</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Coal</td> <td>59%</td> </tr> <tr> <td>Natural Gas & Oil</td> <td>22%</td> </tr> <tr> <td>Purchases</td> <td>9%</td> </tr> <tr> <td>Nuclear</td> <td>7%</td> </tr> <tr> <td>Hydro & Renewables</td> <td>3%</td> </tr> </tbody> </table>	Source	Percentage	Coal	59%	Natural Gas & Oil	22%	Purchases	9%	Nuclear	7%	Hydro & Renewables	3%
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1. Includes regulatory assets (impaired nuclear).

Recent Developments



Slide 6 - Recent Developments

There have been several new developments since our prior investor communication in April of 2018.

In the summer of 2018, Santee Cooper started using the Toshiba settlement funds to reduce the cost of future debt service.

In July, the Governor of South Carolina announced his appointment of Charles Condon as Interim Chairman of Santee Cooper's Board.

In August, the South Carolina Senate filed a petition in state Supreme Court challenging the Governor's appointment of the Interim Chairman; the state Supreme Court granted the petition in September.

Also in August, the Public Service Authority Evaluation and Recommendation Committee formed by the General Assembly had its first meeting to evaluate a sale of Santee Cooper.

In September, Hurricane Florence made landfall in North Carolina with heavy impacts to coastal South Carolina.

In October, Santee Cooper and Century Aluminum extended their service agreement to 2020.

Also in October, Santee Cooper petitioned the South Carolina Public Service Commission to approve a requirement that Dominion Energy create a \$351 million Public Interest Fund as part of the merger with SCANA.

We will discuss these and other developments in more detail in the coming slides.

1. Santee Cooper postponed its August 20th and October 12th Board meetings in light of this petition.

Hurricane Florence



- On September 14, Hurricane Florence made landfall in North Carolina
- The wind and associated rain and storm surge greatly affected Santee Cooper's service territory
- Santee Cooper worked diligently in advance, during and after the storm to restore power to customers and to manage flooding concerns
 - Contracted for an additional 54 line crews and 27 tree crews to assist our own, for a total of 130 line and tree crews servicing the transmission and distribution system
- Service Loss:
 - 50,310 directly served retail customers lost service during the storm
 - 99% were restored within 2 days
 - 100% of customer services were restored within 4 days
 - Transmission services were interrupted at 21 delivery points, and all delivery points were restored within 24 hours
- Cost:
 - Santee Cooper's total storm-related expenditures and damages are currently estimated to be \$10.5 million, with the majority (75%) expected to be reimbursed by FEMA
 - Santee Cooper has ample liquidity to manage unexpected expenditures

Slide 7 – Hurricane Florence

As you are aware, on September 14, Hurricane Florence made landfall in North Carolina.

The wind and associated rain and storm surge greatly affected Santee Cooper's service territory.

Santee Cooper employees worked diligently to restore power and to manage regional flooding.

Power was restored to nearly all affected customers within 48 hours.

We currently estimate the cost of Hurricane Florence to be approximately \$10 million, of which 75% is expected to be reimbursed by FEMA.

We have ample funds to manage these unexpected expenditures.



Grainger Ash Ponds



Background

- The Waccamaw River is adjacent to two ash ponds at Santee Cooper's decommissioned Grainger Station
- Flooding caused concerns for the Grainger Ash Ponds (Ash Pond 1 and Ash Pond 2)
- There was an estimated 1.6 million tons of ash in these ponds when Santee Cooper began excavating in 2014
 - The ash and 1 foot of soil beneath the ash was either beneficially used or placed in a Class 3 landfill
- Only minor amounts of ash remain in Ash Pond 1, and an estimated 200,000 tons of ash remain in Ash Pond 2

Mitigation

- As Hurricane Florence developed, Santee Cooper began to prepare for potential flooding impacts at the former Grainger site
- Working with external consultants and agencies, Santee Cooper enacted a comprehensive program to manage potential flooding:
 - Installing pressure equilibrium pumping
 - Installing silt fencing
 - Installing AquaDam barrier
 - Installing silt curtain
 - Deploying floating environmental booms
 - Mobilizing staging barges
 - Staging heavy lift helicopter and sandbags

Outcome

- The Waccamaw River overtopped the dike around Ash Pond 1 on September 22
- The placement of the AquaDam on the dike of Ash Pond 2 prevented overtopping from the river; at its crest the river remained one foot below the top of the AquaDam
- Due to prior ash excavation and pre-event preparations, no environmental impacts were identified

Slide 8 – Grainger Ash Ponds

As background, there are two ash ponds at Santee Cooper's decommissioned Grainger Station. Both ash ponds are adjacent to the Waccamaw River, which experienced record flooding as a result of Hurricane Florence.

Since 2014, Santee Cooper has removed approximately 87% of the ash originally stored in the two ponds.

We spent considerable time before and after Hurricane Florence's landfall working to manage the potential flooding of the Grainger Ash Ponds.

As the hurricane developed in early September, we began preparations to manage potential flooding.

Santee Cooper enacted a multi-faceted program to manage flooding. This involved several action items including installing pumps, additional silt fencing, installing the AquaDam barrier, deploying floating booms, installing a silt curtain, mobilizing staging barges, and staging heavy-lift helicopters to position sandbags.

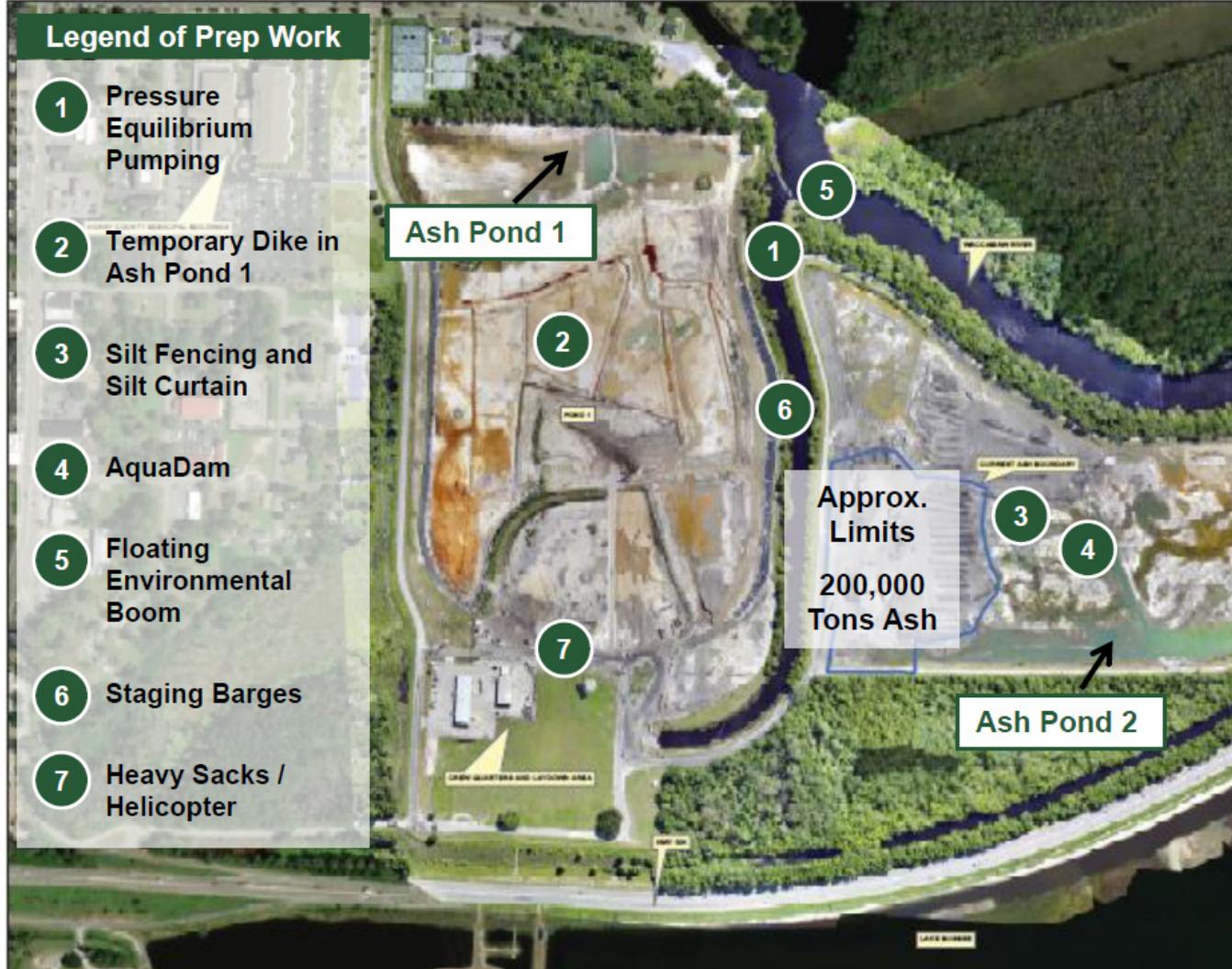
As a result of these efforts, the flooding in the ash ponds was managed and no environmental impacts have been identified.

Grainger Ash Ponds (cont.)



GGS: Ash Ponds

AERIAL FOOTAGE: JUNE 8, 2018



Slide 9 – Grainger Ash Ponds (cont.)

This next slide shows an overview of the two ash ponds and the location of Santee Cooper’s mitigation work.

The pictures on the right show the pressure pumps, the AquaDam and the heavy sandbags that were part of our flooding mitigation program.

Management and Governance



Slide 10 - Management and Governance

We'll now discuss updates on Santee Cooper's management and governance.

Santee Cooper's executive team is fully staffed with members who have many years of experience with Santee Cooper and the utility industry.

James Brogdon continues to serve as interim CEO. Jim was originally named Interim CEO in October 2017 and on October 15, 2018, extended his term for another year.

In addition, Santee Cooper has accepted my request to retire after 35 years of service. I will retire as Santee Cooper's Chief Financial Officer, effective April 5, 2019.

Moving now to our Board of Directors, on June 28, 2018, the South Carolina Senate approved the nomination of Charles Leaird to the Board.

On July 23, 2018, the Governor appointed Charles Condon as Santee Cooper's Interim Board Chairman. Mr. Condon was previously nominated by the Governor as Santee Cooper's Chairman on March 7, 2018.

On August 7, 2018, the South Carolina Senate filed a petition with the state Supreme Court challenging the interim appointment.

William Finn remains acting chairman of Santee Cooper's Board.

Currently 10 of the 12 Board positions are filled, and the Board is able to take all necessary actions without a permanent Chairman.

I will now hand the presentation over to Shawan Gillians, Treasurer and Associate General Counsel.

Senior Management

- James Brogdon continues to serve as Interim CEO; he was originally named Interim CEO on October 6, 2017
- On October 15, 2018, William A. Finn, Acting Chairman of Santee Cooper's Board of Directors, approved a new contract extending Mr. Brogdon's term for one year; Mr. Brogdon signed the new contract, which requires ratification by the full Board of Directors
- Santee Cooper's executive team remains fully staffed with members who have many years of experience in the utility industry
- In November, after 35 years of service, Santee Cooper's Chief Financial Officer, Jeff Armfield, announced his retirement effective April 5, 2019

Board of Directors Appointments

- On June 28, 2018, the State Senate approved the nomination of Charles H. "Herb" Leaird to a seven-year term, a term that began in 2016 and will expire May 19, 2023; Mr Leaird is a Sumter resident and will represent the 5th Congressional District; he will succeed Alfred L. Reid Jr. of Rock Hill, who resigned his Board seat last year
- On July 23, 2018, Governor Henry McMaster appointed Charles M. Condon as Santee Cooper's Interim Board Chairman
- On August 7, 2018, the SC Senate filed a petition in the South Carolina Supreme Court challenging the Governor's authority to appoint Mr. Condon on an interim basis
- William Finn remains Acting Chairman of the Santee Cooper Board

Board of Directors Status

- Currently 10 out of 12 of Santee Cooper's Board positions are filled
- The next Board meeting is scheduled for December 10, 2018
- The Santee Cooper Board is able to take all necessary actions without a permanent Chairman

Santee Cooper Sale



Sale Update

- South Carolina Governor Henry McMaster has called for the sale of Santee Cooper
- Santee Cooper is not aware of any official offers submitted to the Governor to purchase Santee Cooper

Sale Requirements

- A sale of all or a portion of Santee Cooper requires approval by the South Carolina legislature
- If Santee Cooper were sold, the retirement or defeasance of all outstanding debt, both tax-exempt and taxable, would be required by Bond Resolution (section 8.4); defeasance would require an escrow funded with US government obligations
- In addition, upon a change in ownership or sale, Santee Cooper's largest customer, Central Electric Power Cooperative, could terminate its long-term contract to purchase power from Santee Cooper

Santee Cooper believes that it provides substantial value to the State and its customers as a public power entity through reliable and competitively priced power

Slide 11 - Santee Cooper Sale

Thank you, Jeff.

As we have discussed previously, South Carolina Governor Henry McMaster has called for the sale of Santee Cooper.

Santee Cooper is not aware of any official offers submitted to purchase Santee Cooper.

It is important to note that the state legislature must approve any sale of Santee Cooper.

If Santee Cooper were sold, a condition precedent to the closing of such a sale would be the retirement or defeasance of all outstanding debt, both tax-exempt and taxable.

Upon a change in ownership or sale, Central Electric has the right to terminate its long-term power purchase agreement with Santee Cooper.

Santee Cooper believes that it provides substantial value to the state and its customers through reliable and competitively priced power and will continue to educate stakeholders and the public on relevant facts.

Evaluation & Recommendation Committee



- In April 2018, the South Carolina legislature passed a budget proviso forming a committee to review if the State should sell Santee Cooper (the “Public Service Authority Evaluation and Recommendation Committee”)
- The Committee consists of 9 members:
 - Four members of the South Carolina Senate
 - Four members of the South Carolina House
 - The Governor of South Carolina
- The Committee has held six meetings to date
- The Committee is working to provide a recommendation to the South Carolina legislature for its 2019 session
- The Committee hired ICF International to assist with the Committee’s review
 - ICF will work with the Committee to identify which Santee Cooper assets could be sold and to design and execute a process for receiving non-binding proposals
 - ICF has discussed a process that includes preliminary discussions with interested parties and potential receipt and evaluation of non-binding proposals in January, as described in more detail on the next slide
- Santee Cooper has participated in two of the Committee meetings, providing testimony and information to assist the Committee in its review, and will continue to cooperate with ICF and to work with the Committee on its evaluation

Evaluation Committee Objectives

- Determine the manner in which the legislature may best protect ratepayers and taxpayers
- Analyze whether selling Santee Cooper is in the best interests of taxpayers and ratepayers of Santee Cooper and of the electric cooperatives
- Determine whether the assets should be considered for sale as a whole or in parts and which assets of Santee Cooper, if any, should be retained by the State
- Obtain a valuation of Santee Cooper and its assets
- Develop a transparent and public process to conduct hearings, receive bids from potential purchasers, and evaluate a potential sale
- Determine the future role of Santee Cooper, whether sold or retained by the State
- Determine the manner in which the natural resources owned by Santee Cooper are protected or managed for public enjoyment and wildlife habitat

Source: South Carolina Legislature, 2018 Act 264, Part 1B, General Provision Section 117.162

Slide 12 – Evaluation & Recommendation Committee

In 2018, the South Carolina legislature formed a committee to determine if the State should sell Santee Cooper.

The Committee is comprised of 9 members (the Governor, four members from the State Senate and four members from the State House of Representatives).

Thus far, the committee has held six meetings. Santee Cooper has participated in two of those meetings, in which it provided information to assist the Committee in its review.

The Committee is working to provide a recommendation to the legislature for its 2019 session.

ICF Evaluation Process and Criteria



- ICF aims to conduct preliminary discussions with bidders in December
- Non-binding proposals would be due in January
- ICF will first determine if the bidder meets the below Bid Consideration Criteria and then score the proposals of qualifying bidders using the Bid Evaluation Criteria also outlined below
- The bid review process would conclude by the end of January 2019

Bid Consideration Criteria¹

- Threshold criteria for a potential bidder:
 - Minimum amount of experience operating an electric utility
 - Investment grade
 - Maintain FERC license and lakes
 - Full defeasance and/or assumption of debt
 - No state funds
 - Acknowledgement of Central Electric under the Coordination Agreement

Bid Evaluation Criteria¹

Category	Weight
Impact on rates	32%
Bid amount	20%
Transition plan (such as impact on pensions, salaries and organizational changes)	10%
Technical capability to operate a utility reliably, safely and economically	5%
Financial capability	5%
Impact on Monck's Corner area	5%
Economic development	5%
Feasibility of changes proposed	5%
Generation diversification	5%
FEMA	5%
Impact on employee retention	3%

Slide 13 – ICF Review Process

The Evaluation and Recommendation Committee hired ICF International to assist with the Committee's review. ICF will work with the Committee to identify which Santee Cooper assets could be sold and to design and execute a process for receiving non-binding proposals.

ICF's non-binding bid solicitation and evaluation process is scheduled to take place in December and January.

ICF will first determine if bidders meet certain minimum criteria, including investment grade ratings and experience operating an electric utility.

ICF will then score the proposals of qualifying bidders using the criteria outlined on the bottom right of this slide, with the most important evaluation criteria being the impact on rates, bid amount and transition plan, including the impact on Santee Cooper's pensions, salaries and organization.

Santee Cooper continues to cooperate with ICF and the Evaluation and Recommendation Committee throughout this process.

¹. Adopted by the Evaluation and Recommendation Committee on November 13, 2018.

Legal Matters



Pee Dee Class Action

- A purported class action was filed in state court (Horry County) on behalf of the Santee Cooper's retail customers (*George Hearn v. Santee Cooper*, case no. 2017-CP-26-05256)
- The allegations arise out of Santee Cooper's decisions to construct and cancel a coal-fired generation project in Florence County (Pee Dee)
- Plaintiff is seeking a judgment for an amount equal to the purchase price and associated maintenance costs incurred through the acquisition and ownership of Pee Dee, including any rate increases
- Santee Cooper filed a motion to dismiss which was heard by the court on September 27; supplemental briefing and proposed orders are due at the end of November, and a ruling is expected by early 2019
- Even under adverse determination, Santee Cooper does not believe this litigation would have a material adverse effect on Santee Cooper's operations and finances

V. C. Summer Units 2 & 3 Class Actions

- There are two purported class actions, filed on behalf of individuals served directly or indirectly by Santee Cooper, related to decisions to construct and then suspend construction on the V. C. Summer Units 2 & 3 (VCS):
 - *Cook et al. v. Santee Cooper et al.* (pending in state court, Hampton County, case no. 2017-CP-25-348); Plaintiffs seek a declaratory judgment that all increased rates associated with VCS were improper, judgment equal to all sums spent by Santee Cooper on VCS, and attorneys' fees and costs
 - *Glibowski et al. v. Santee Cooper et al.* (pending in federal court, Beaufort Division, case no. 9:18-cv-273-TLW); as against Santee Cooper, Plaintiffs seek judgment in the amount spent on VCS, interest, and attorneys' fees and costs
- Santee Cooper filed motions to dismiss in both cases
 - *Cook*: the court entered its order on November 7 denying Santee Cooper's motion
 - *Glibowski*: in addition to filing a motion to dismiss, Santee Cooper filed a motion to certify questions to the S.C. Supreme Court (hearings expected to take place in 1Q 2019)
- Adverse decisions on these cases may have a material adverse effect on Santee Cooper's operations and finances

Slide 14 – Legal Matters

Santee Cooper remains a party to several class action suits.

A purported class action has been filed on behalf of Santee Cooper's retail customers stemming from Santee Cooper's decision to construct and then cancel the Pee Dee coal fired generation project.

Santee Cooper has filed a motion to dismiss this case, and a ruling is expected by early 2019.

Even under adverse determination, Santee Cooper does not believe this litigation would have a material adverse effect on Santee Cooper's operations and finances.

In addition, two purported class actions have been filed relating to the construction and suspension of construction of V.C. Summer Nuclear Units 2 and 3.

On November 7, the trial court entered an order denying Santee Cooper's motion to dismiss the plaintiff's claims in the *Cook* case. Litigation will continue, and we will be filing an answer and asserting full defenses to the plaintiff's claims.

Santee Cooper is still awaiting hearings on its motion to dismiss and motion to certify questions to the South Carolina Supreme Court in the *Glibowski* case, which was filed in federal court.

An adverse final decision on these two class actions related to the V.C. Summer Nuclear Units 2 and 3 may have a material adverse effect on Santee Cooper's operations and finances.

Central Electric Power Cooperative



Background

- Central is Santee Cooper's largest customer (59% of 2017 revenues)
- Central is a wholesale cooperative that provides power to 20 distribution retail cooperatives throughout South Carolina
- Santee Cooper has provided power to Central since Central's inception in 1948
- In 2013, Santee Cooper and Central extended their existing agreement from 2030 to 2058; the amendment provided for cost recovery of all resources completed or under construction as of the amendment effective date, including Summer Nuclear Unit 2 and 3
- The contract is cost-based with an automatic adjustment mechanism that trues up costs each month



Slide 15 – Central Electric Power Cooperative

As we have discussed, Central Electric Power Cooperative is Santee Cooper's largest customer, representing 59% of 2017 revenues.

Central is a wholesale cooperative that provides power to 20 distribution retail cooperatives throughout South Carolina.

Santee Cooper has provided power to Central since Central's inception in 1948.

In 2013, Central and Santee Cooper extended their power sales agreement to 2058.

The amendment provided for cost recovery of all resources completed or under construction as of the amendment effective date, including Summer Nuclear Units 2 and 3.

The contract is cost based with an automatic adjustment rate mechanism that trues up costs each month.

Legal Actions Related to Central



Central Cross-Claims in Cook

- On February 28, 2018, Central, a co-defendant in *Cook*, filed cross-claims against Santee Cooper and its Board, alleging:
 - Charging Central for costs associated with the nuclear units is a breach of Santee Cooper statute because the project was abandoned and therefore not “used or useful”
 - Charging Central for costs associated with the nuclear units is unreasonable and violates the contractual duty of good faith and fair dealing; thus, a breach of the Coordination Agreement
 - Central is entitled to approximately 70% of the Toshiba settlement
 - Directors breached statutory duties to Central
 - Central claims it is entitled to a return of amounts it was charged related to V. C. Summer Units 2 & 3
- Santee Cooper filed an amended motion to dismiss Central’s cross-claims on July 13, 2018; a hearing was held on September 19 and supplemental memoranda supporting dismissal were filed on October 18; that motion was denied by the court by order entered November 7
- Santee Cooper will be filing an Answer and asserting full defenses to Central’s cross-claims

Other Motions in Cook

- On May 22, 2018, Central filed a motion asking the court to order a portion of rates related to V. C. Summer Units 2 & 3 owed to Santee Cooper by Central be deposited with the court during the pendency of Central’s cross-claim; on August 22, 2018, the circuit court denied Central’s motion
- Santee Cooper asked the court to stay all matters pending the S.C. Supreme Court’s determination of Santee Cooper’s Petition for Original Jurisdiction; the motion to stay was denied on August 13, 2018

Petition for Original Jurisdiction

- In June 2018, Santee Cooper filed a petition for original jurisdiction with the South Carolina Supreme Court as it relates to the lawsuit and parties of the *Cook* action
- Defendants are Central Elec. Power Cooperative, Palmetto Elec. Power Cooperative, and individual ratepayers who were named because they are parties to *Cook* action
- Santee Cooper seeks a declaration that the Enabling Legislation mandates rates be set to recover all costs, expenses, debt service, and other financial obligations, including those related to V. C. Summer Units 2 & 3
- On August 27, Central and Palmetto filed a return opposing Santee Cooper’s request for the Court to exercise its original jurisdiction to which Santee Cooper filed a reply
- Santee Cooper cannot predict whether the Court will grant Santee Cooper’s petition to exercise its original jurisdiction to decide these issues

Slide 16 – Legal Actions Related to Central

On February 28, 2018, Central filed cross-claims against Santee Cooper in the *Cook* case.

Central claims that Santee Cooper has no authority to collect charges for facilities not used or useful in rendering services.

Central further alleges Santee Cooper breached its statutory duties and the Coordination Agreement and is also asking for 70% of the Toshiba settlement funds.

Central’s cross-claims do not question the validity of the Coordination Agreement between Santee Cooper and Central.

On November 7, the trial court entered its order denying Santee Cooper’s motion to dismiss Central’s cross-claims. As with the plaintiff’s claims in the *Cook* case, litigation will continue, and Santee Cooper will file its answer asserting full defenses to Central’s cross-claims.

Santee Cooper also filed a petition with the South Carolina Supreme Court asking the court to take up in its original jurisdiction the issue of Santee Cooper’s obligation to set rates sufficient to cover all costs, including those related to Summer Units 2 and 3.

Santee Cooper awaits a decision from the court on its willingness to take up this matter in its original jurisdiction.

If Central’s cross-claims were determined adversely to Santee Cooper, the action may have a material adverse impact on Santee Cooper’s ability to transact its business or meet its obligations under the Revenue Obligation Resolution.

Additional Items



Legislative Matters

- Following the decision to suspend construction of the VC Summer Nuclear Project, the South Carolina House and Senate conducted several hearings on this matter
- Several bills that impact Santee Cooper's Board, rates and state oversight were introduced in the South Carolina House and Senate to consider in their 2018 legislative sessions
- None of the bills became law during the 2018 regular or special sessions
- These bills died with the conclusion of the 2018 legislative session

Century Aluminum

- Century Aluminum's Mt. Holly Plant has been a Santee Cooper customer since it opened in the 1980s
- Century has sought legislative and court action to allow it to purchase 100% of its power from alternative power suppliers; Santee Cooper opposed this because it would increase costs to other customers
- In 2017, Century filed a lawsuit alleging Santee Cooper violated federal and state anti-trust laws; the lawsuit was dismissed in federal court, and Century filed an appeal which was pending before the U.S. Court of Appeals for the Fourth Circuit
- In March 2018, a South Carolina State House Subcommittee voted against bill H.4874 which would have allowed Century to receive all of its power requirements from the wholesale market
- On October 9, 2018, Santee Cooper and Century signed an extension of their power sales contract to December 2020
- As part of the contract extension, Century withdrew its appeal of the anti-trust lawsuit dismissal

Slide 17 - Additional Items

After the decision to suspend construction of V.C. Summer Units 2 and 3, several hearings were held and several bills were filed for consideration in the South Carolina General Assembly's 2018 legislative session.

If approved, these bills would have impacted Santee Cooper's Board, rates and state oversight.

None of the bills became law during the 2018 regular or special sessions, and they expired with the conclusion of the 2018 legislative session.

In other developments, Santee Cooper has resolved its dispute with industrial customer Century Aluminum.

Century has previously sought legislative and judicial relief that would allow it to purchase 100% of its power from alternative power suppliers. Santee Cooper opposed this because it would increase costs to other customers.

Century's efforts were unsuccessful, and on October 9, 2018, the parties entered into a settlement agreement resulting in a two-year extension of Century's service agreement and the withdrawal of Century's appeal of the federal court order dismissing its lawsuit.

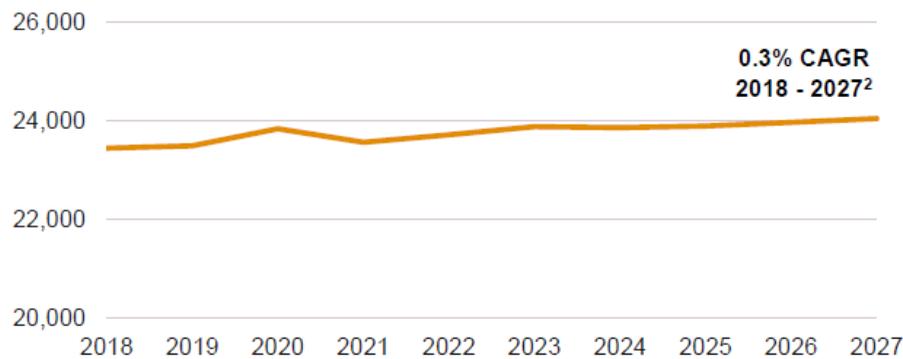
I will now hand the presentation over to Rahul Dembla, Vice President of Planning and Pricing.

Power Supply

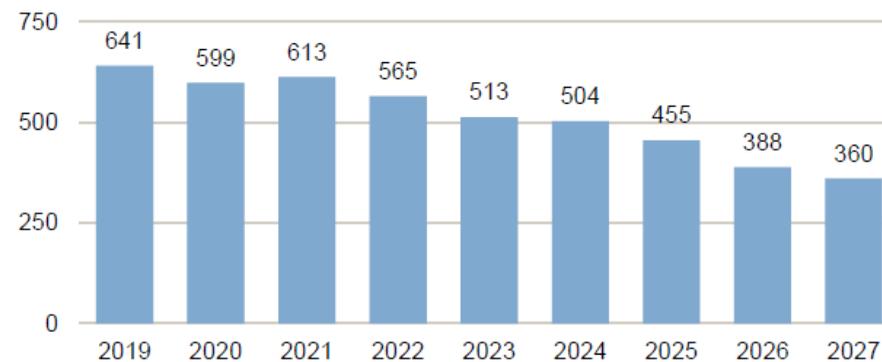


Santee Cooper has ample power supply to meet its customers' needs

Forecasted Energy Requirements (GWh)¹

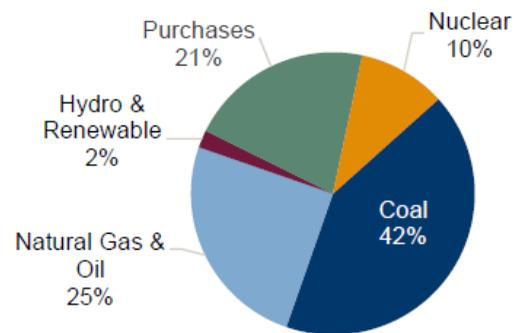


Excess Capacity Above Reserve Margin (MW)³

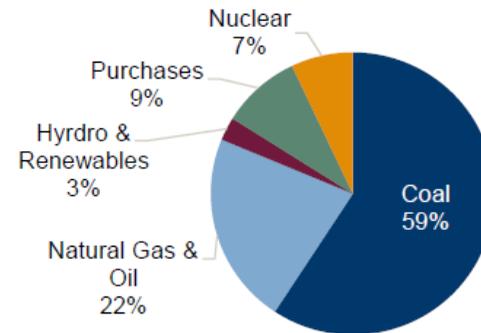


Generation Sources

2017 Energy (GWh)



2017 Capacity (MW)



Slide 18 – Power Supply Overview

Moving to power supply, Santee Cooper maintains ample power supply with existing assets to meet its customers' needs even with the suspension of the new nuclear units.

As shown in the graphs at the top, Santee Cooper forecasts modest growth over the next several years and excess capacity above its required reserve margin.

Santee Cooper currently projects it has sufficient generation capacity to meet customers' needs until at least 2027.

Santee Cooper will continue to evaluate its options over the next several years and will make a decision on its next power supply source based upon need, environmental regulations and cost.

The bottom half of the page illustrates our generation and energy mix in 2017. We actively monitor markets and optimize our energy mix to minimize our overall fuel cost.

1. Based on load forecast 1801. Projected sales to customers excluding applicable losses, customer supplied power, and customer's SEPA allocations.
 2. Compound Annual Growth Rate (CAGR) based on current load forecast. CAGR of 0.7% over same period excluding temporary load expected to roll off by 2020.
 3. Based on load forecast 1801 (winter capacity). Includes Cross Unit 2, which was temporarily idled in March 2017 and will be available for normal operations beginning the winter of 2018/2019.

Nuclear Project Status



Since construction was suspended in summer of 2017, the project site has been undergoing wind down and stabilization

<p>Wind Down Activities & Cost</p>	<ul style="list-style-type: none"> ➤ Wind down activities are nearly complete ➤ All plant materials located in two offsite warehouses have been moved to the site to avoid additional lease expenses ➤ All permits have been closed with the exception of two stormwater permits and one FAA permit for the heavy lift derrick ➤ Santee Cooper's share of the costs is approximately \$39 million (2017 and 2018); \$37 million has been spent
<p>Ongoing Site Maintenance Cost</p>	<ul style="list-style-type: none"> ➤ Fluor has a purchase order through the end of 2018 to maintain the site equipment ➤ Based on actual maintenance work completed this year, future maintenance is estimated at approximately \$8 million annually ➤ Santee Cooper Board approval is needed to continue maintenance beyond 2018
<p>Equipment</p>	<ul style="list-style-type: none"> ➤ Santee Cooper is working to finalize an agreement with SCANA for the ownership of the equipment ➤ Fluor is currently performing condition assessments on the high value plant equipment ➤ Santee Cooper continues to investigate the potential sale of high value equipment overseas to AP1000 markets as well as the domestic salvage market for materials
<p>Nuclear License</p>	<ul style="list-style-type: none"> ➤ Santee Cooper is nearing completion of its COL evaluation and anticipates a Board decision by the end of 2018

Slide 19 – Nuclear Project Status

The project site has been undergoing construction site wind down and site restoration since the suspension of construction in the summer of 2017.

Santee Cooper's share of the wind-down costs is estimated to be \$39 million, \$37 million of which has already been spent.

On an ongoing basis, Santee Cooper estimates \$8 million per year to maintain equipment.

Santee Cooper is working to finalize an agreement with SCANA for the ownership of the equipment.

Santee Cooper is evaluating the value of preserving the nuclear assets for potential sale to other nuclear projects against the equipment's salvage value.

Regarding the operating license, SCANA asked the NRC to withdraw Units 2 and 3 nuclear license.

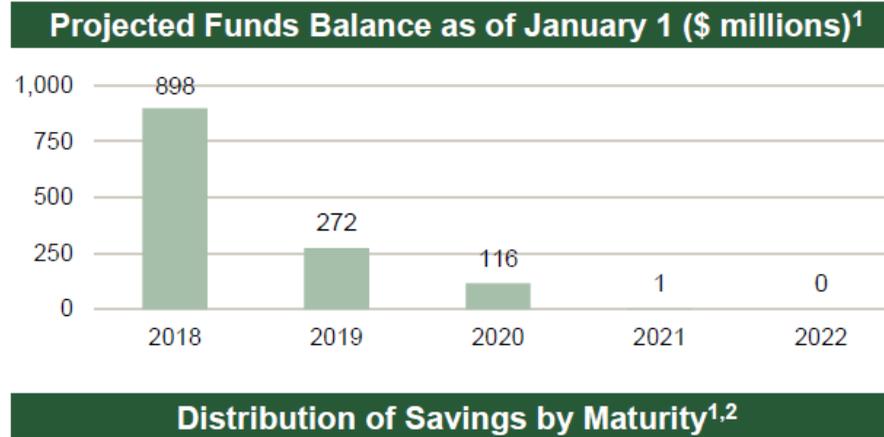
Santee Cooper is nearing completion of evaluating the costs and benefits of taking on the license ownership; management expects the Board to make a decision on this matter by the end of 2018.

Toshiba Settlement Funds



Santee Cooper has begun utilizing Toshiba settlement funds to reduce revenue requirements

- Santee Cooper received \$895 million from the sale of its interest in the Toshiba Parental Guaranty
- Santee Cooper intends to use the funds to:
 - Defeas and retire debt
 - Reduce the need to borrow future funds
- Santee Cooper has utilized \$627 million of the funds in 2018 to generate approximately \$890 million of debt service savings
- Planned deployment of all settlement funds is expected to produce aggregate reduction in revenue requirements of approximately \$1.4 billion^{1,2}
- Management is carefully balancing short- and long-term benefits of using the Toshiba funds
 - 62% of savings are forecasted to be realized between 2022 and 2056
- Santee Cooper will continue to optimize deployment of settlement funds



Slide 20 – Toshiba Settlement Funds

In 2017, Santee Cooper received approximately \$895 million from the sale of its interest in the Toshiba Parental Guaranty.

Santee Cooper intends to use the funds to retire debt and reduce the need to borrow in the future for capital expenditures.

To date Santee Cooper has utilized \$627 million of settlement funds to generate approximately \$890 million of debt service savings.

Management plans to use most of the funds by 2020 and projects an aggregate reduction in revenue requirements of approximately \$1.4 billion.

Management is carefully balancing the short- and long-term benefits of using the Toshiba funds; the current plan forecasts 62% of the savings to be realized between years 2022 and 2056.

1. Includes projected interest on unspent settlement funds.
 2. Debt avoidance calculated using 30-year level debt service at approximately ~5% interest.

Financial Results



Santee Cooper recent results are in line with expectations and historical trends

Historical Financials

(\$ millions)	Fiscal Year Ended 12/31					Nine Months Ended 9/30	
	2013	2014	2015	2016	2017	2017	2018
INCOME STATEMENT							
Operating Revenues	\$1,817	\$1,997	\$1,880	\$1,746	\$1,757	\$1,352	\$1,409
Operating Expenses	<u>1,524</u>	<u>1,619</u>	<u>1,502</u>	<u>1,375</u>	<u>1,357</u>	<u>1,012</u>	<u>1,053</u>
Operating Income	293	378	377	371	400	340	356
BALANCE SHEET							
Net Utility Plant	\$4,268	\$4,199	\$4,165	\$3,916	\$4,037	\$3,986	\$4,018
CWIP	2,101	2,713	3,337	4,293	763	4,794	895
Nuclear Regulatory Asset ¹	-	-	-	-	4,211	-	4,208
Debt	6,820	6,959	7,732	8,195	7,878	8,103	7,411
Net Position ²	2,040	2,168	1,942	2,030	2,121	2,147	2,297
CASH FLOW STATEMENT							
Capital Expenditures	\$730	\$725	\$587	\$1,126	\$824	\$659	\$507

Slide 21 - Recent Financial Results

Santee Cooper's financial results have been strong and consistent as evidenced by our consistent operating income that is highlighted on this slide.

Our year-to-date 2018 results demonstrate a continuation of similar, strong performance.

These results were achieved from effective cost recovery mechanisms within Santee Cooper's electric rates.

1. In the 2017 audited year-end financials, new Nuclear Construction was moved from Construction Work in Progress to Regulatory Asset.

2. In 2015, Santee Cooper recorded a liability of approximately \$286 million as a result of GASB 68. In 2018, Santee Cooper expects to record another liability in the amount of \$173 million for GASB 75. These reporting requirements are related to pensions and other postemployment benefits (OPEBs).

Financial Metrics



Slide 22 – Financial Metrics

As this slide demonstrates, Santee Cooper enjoys relatively consistent and solid debt service coverage of approximately 1.4x; we project 2018 debt service coverage to be 1.47x based on actual performance through September 30 and assuming the final three months of the year are on budget.

This coverage includes debt service on subordinate Commercial Paper and Revolving Credit Agreements and incorporates our annual payment to the State that is also subordinate to debt service.

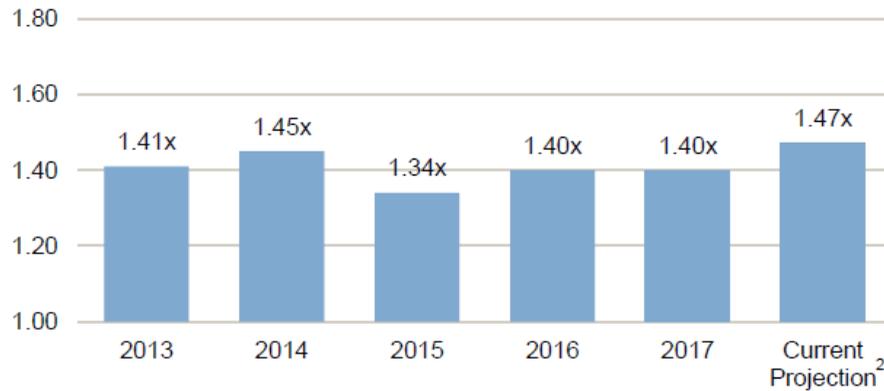
The top right chart shows our cash position. Santee Cooper has substantial cash reserves of over \$1.0 billion, which represents nearly eleven months of operating expenses. Excluding the Toshiba settlement funds, Santee Cooper has approximately \$790 million.

Santee Cooper also has \$1.1 billion of bank facilities provided by five banks with staggered expirations between 2019 and 2021. Approximately \$334 million of the facilities are currently drawn or back outstanding Commercial Paper. In May, Santee Cooper requested and received forbearance and reservation of rights letters from each of its facility providers pursuant to which Santee Cooper has continued to access facilities notwithstanding the existence of ongoing litigation related to V.C. Summer Units 2 and 3. In light of our expected reduced capital expenditures, recent rating downgrade and the contingent funding risk associated with facilities of this type, we are currently evaluating strategies that reduce both the cost and the inherent risk associated with our current short-term financing structure.

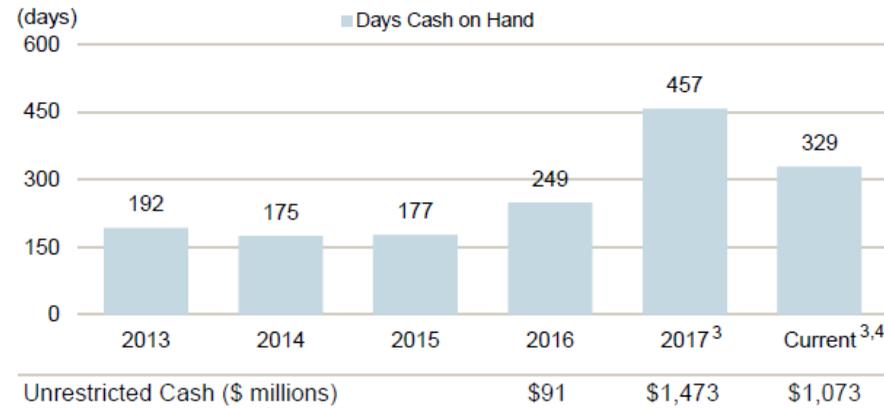
The bottom chart shows our historical and current debt-to-capitalization. Due to planned debt amortization and accelerated retirement from the use of a portion of the Toshiba settlement funds, our debt-to-capitalization has decreased to 76% and is within range of historical levels.

Santee Cooper's financial metrics remain solid

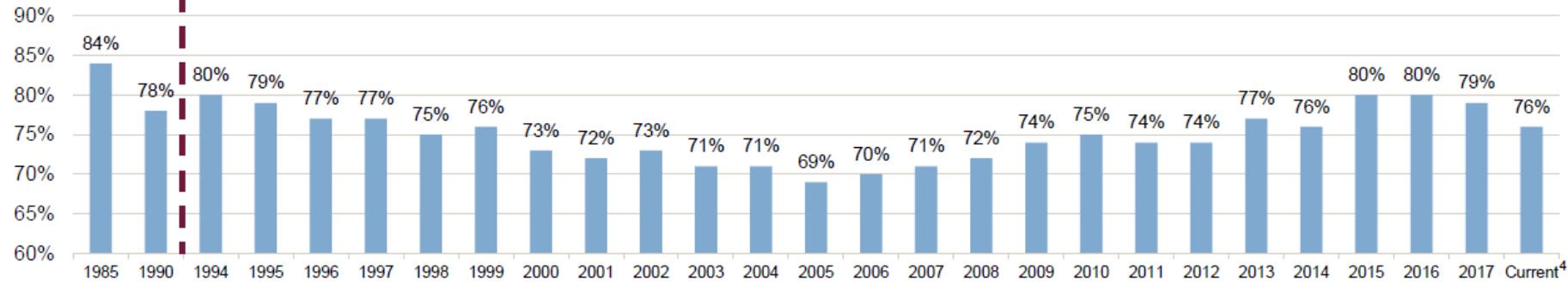
Debt Service Coverage¹



Cash Reserves



Debt to Capitalization⁵



1. Includes CP, Revolving Credit Agreements and Payments to the State.

2. Estimated based on actual performance through September 30, 2018 and assuming the final three months of the year are on budget.

3. Toshiba funds balances of \$898 million on December 31, 2017 and \$282 million on September 30, 2018 included in cash reserves; balances include interest earned on unspent funds.

4. As of September 30, 2018.

5. Includes CP and Revolving Credit Agreements.

Financial Forecast¹



Slide 23 – Financial Forecast

On this slide, we show our financial forecast and key assumptions.

Santee Cooper forecasts strong financial metrics with modest impact on rates.

Average debt service coverage over the next 10 years remains consistent around 1.4x.

In addition, Santee Cooper projects strong liquidity with our days cash on hand exceeding 5 months.

These funds will be supplemented by available bank facilities and our Commercial Paper program; Santee Cooper is currently evaluating the appropriate levels for those facilities.

Regarding leverage, Santee Cooper’s debt-to-capitalization is projected to decline substantially.

Currently, Santee Cooper’s debt-to-capitalization is approximately 76%; this metric steadily declines to 69% by 2023 and 65% by 2027.

These results are achieved without substantially higher rates than current levels.

Santee Cooper projects aggregate retail base rate increase of approximately 7% beginning in years 2020 or 2021.

In aggregate, over the next 10 years, Santee Cooper’s average system rates would increase from 7.3 cents/kWh to 8.5 cents/kWh in 2027. Note that the system rates include our fuel cost projections, which are sensitive to commodity markets, and our pass-through-cost to our customers through a fuel adjustment clause.

Our forecast includes modest sales growth through 2027 as well as manageable capital expenditures of approximately \$250 million on average per year. Approximately 78% of those expenditures will be funded with internal funds.

Santee Cooper expects to borrow less than \$600 million of net debt through 2027.

I will now hand the presentation back to Jeff to conclude.

Santee Cooper forecasts strong financial metrics with modest impact on rates

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenues									
Revenues from Customers (\$ millions) ²	\$1,720	\$1,755	\$1,795	\$1,832	\$1,894	\$1,946	\$1,955	\$2,001	\$2,035
Load (GWh)	23,493	23,842	23,564	23,717	23,882	23,864	23,894	23,971	24,048
Rates									
Average System Rate (cents/kWh)	7.32	7.36	7.62	7.72	7.93	8.16	8.18	8.35	8.46
Debt Service Coverage (DSC)³									
DSC	1.35	1.35	1.39	1.40	1.40	1.41	1.41	1.41	1.43
3-Year Rolling Average DSC	1.41	1.39	1.36	1.38	1.40	1.40	1.41	1.41	1.42
Leverage⁴									
Debt Outstanding (\$ billions)	\$7.2	\$7.0	\$6.9	\$6.7	\$6.6	\$6.7	\$6.5	\$6.5	\$6.3
Debt-to-Capitalization	75%	73%	71%	70%	69%	68%	67%	66%	65%
Liquidity⁵									
Unrestricted cash (\$ millions)	\$653	\$687	\$627	\$546	\$560	\$551	\$577	\$588	\$599
Days Cash on Hand	208	215	194	167	166	158	164	162	158

Selected Assumptions

System Rate	Capital Expenditures	Borrowing	Average Load Growth (2019-2027)
<ul style="list-style-type: none"> Projected aggregate retail base rate increase of approximately 7% beginning in years 2020 or 2021 	<ul style="list-style-type: none"> Average of \$250 million per year Approximately 78% funded with internal funds Funds all necessary maintenance and environmental compliance requirements 	<ul style="list-style-type: none"> Approximately \$580 million net issuance through 2027 	<ul style="list-style-type: none"> Retail – Residential 1.5% Retail – Commercial: 1.4% Wholesale – Central: 0.7%

1. Based on FF19 Budget (preliminary).

2. Operating revenues less miscellaneous income. Includes projected rate increases.

3. Includes CP and Revolving Credit Agreements. Revenue is after Payments to the State.

4. Includes CP and Revolving Credit Agreements.

5. Excludes the benefit of Toshiba settlement funds.

Summary



➤ Santee Cooper:

- ✓ Continues to focus on operations
- ✓ Continues to provide reliable and competitively priced power
- ✓ Forecasts strong financial metrics and modest impacts on rates over the next several years
- ✓ Continues to utilize Toshiba settlement funds to reduce outstanding debt and future debt service
- ✓ Continues to defend its statutory obligation to recover costs, including debt service

Slide 24 – Summary

In closing, Santee Cooper continues to focus on operations and on its core mission of providing reliable and competitively priced power.

We forecast continued strong financial metrics with modest impact on our customer rates over the next several years.

We will utilize the remaining Toshiba settlement funds to reduce debt and future debt service and will defend our ability to recover costs, including debt service, from our customers.



Key Contacts



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Slide 25 – Key Contacts

Thank you for your time and interest in Santee Cooper.

We expect to continue to provide information as developments occur.

If you have any questions, we encourage you to reach out to the contacts at Santee Cooper or to our Financial Advisor, Public Financial Management, listed on this slide.