

South Carolina Public Service Authority

JP Morgan Public Finance

Transportation and Utility Investor Forum

Presentation

March 2022



Introduction



Since the cancellation of the nuclear units, Santee Cooper has made great progress

- ✓ Enactment of Act 90 of 2021 establishes reasonable protocols for Santee Cooper operations, oversight, and regulations
- ✓ Resolved outstanding major litigation
- ✓ Redesigned and launched a new, leaner and greener power resource direction
- ✓ Expanded focus on system resilience and risk management
- ✓ Implementing plan to maintain system costs to keep rates stable over the next several years
- ✓ Gas hedging post 2025
- ✓ Bond refinancings



Santee Cooper Overview



Our Business

- An electric and water utility headquartered in Moncks Corner, South Carolina
- Owned by the State of South Carolina
- One of the nation's largest public power utilities:
 - \$11.7 billion of assets (2021)
 - \$1.7 billion of revenues (2021)

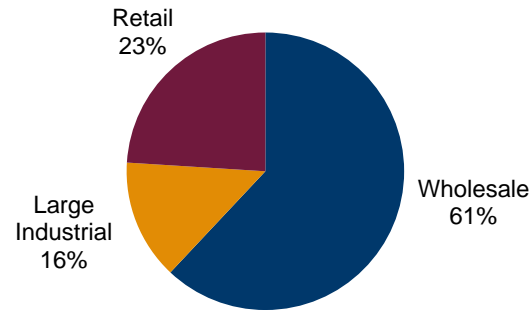
Our Rates

- Autonomous rate making ability
- Competitive wholesale and retail rates in state
- 2021-2024 rates are frozen in accordance with the Cook Settlement Agreement
- Subsequent to 2024, ~ 75% of revenues are derived from automatic rate adjustments* which mean no action is required by management or the Board of Directors

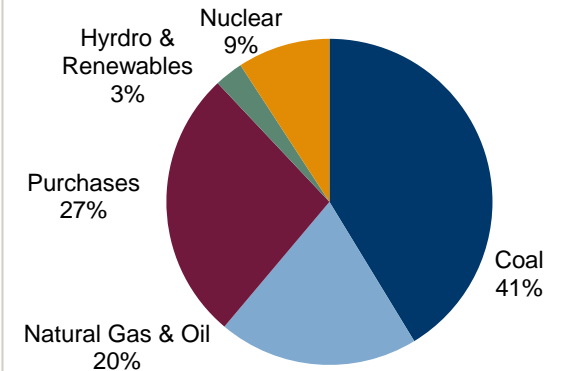
Our Customers

- Retail and wholesale provider serving over 2 million South Carolinians
- Provided over 24,601 GWh in 2021 to its customers
- Largest customer is Central Electric Power Cooperative; providing approximately 58% of Authority's revenues

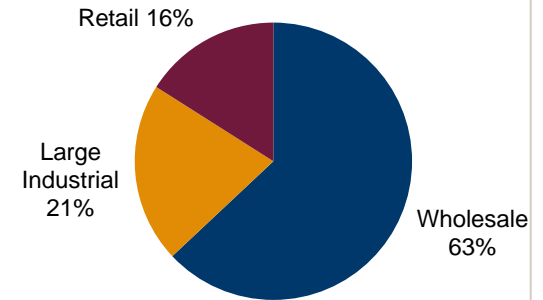
2021 Customer Composition (% of Revenue)



Power Supply (MWh's)



2021 Sales Composition (MWh's)



*Automatic rate adjustments will not occur during the rate freeze period

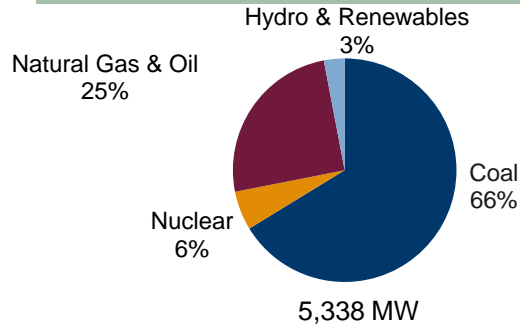
Power Supply



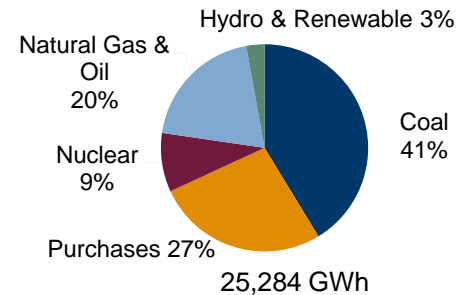
Santee Cooper maintains a diverse, low cost, and reliable power supply portfolio

Current Generation Sources

2021 Capacity (MW)¹

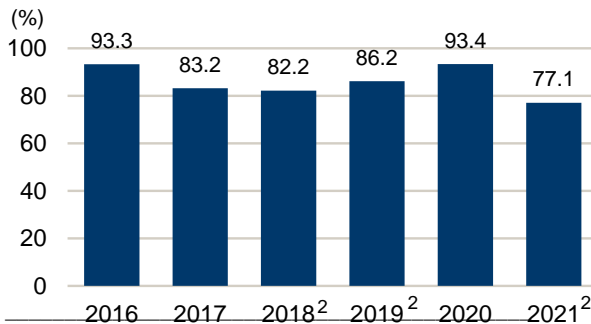


2021 Fuel Mix (GWh)

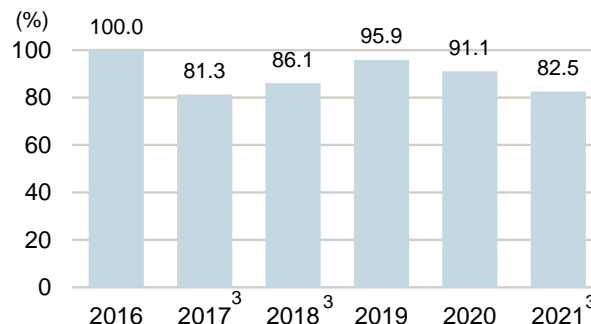


Base Load Availability

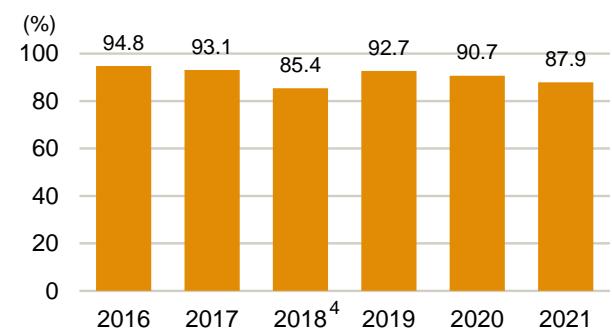
Coal



Nuclear



Gas



1. Based on winter capacity and does not include SEPA, Buzzard's Roost and St Stephen

2. 2017- Cross Unit 2 was in an inactive state during this time; 2018- Reflects an outage at Cross to install new equipment related to upcoming environmental regulations, as well as, two forced outages at Cross 4 and Winyah 1 that were anomalies; 2021- Reflects an outage at Cross 2

3. Spring 2017 – 54 days for scheduled refueling outage; Fall 2018 – 50 days for scheduled refueling outage; Fall 2021 – 36 days for scheduled refueling outage and 26 days of unscheduled outage due to fire

4. 2018- Rainey units experienced turbine/generator outages

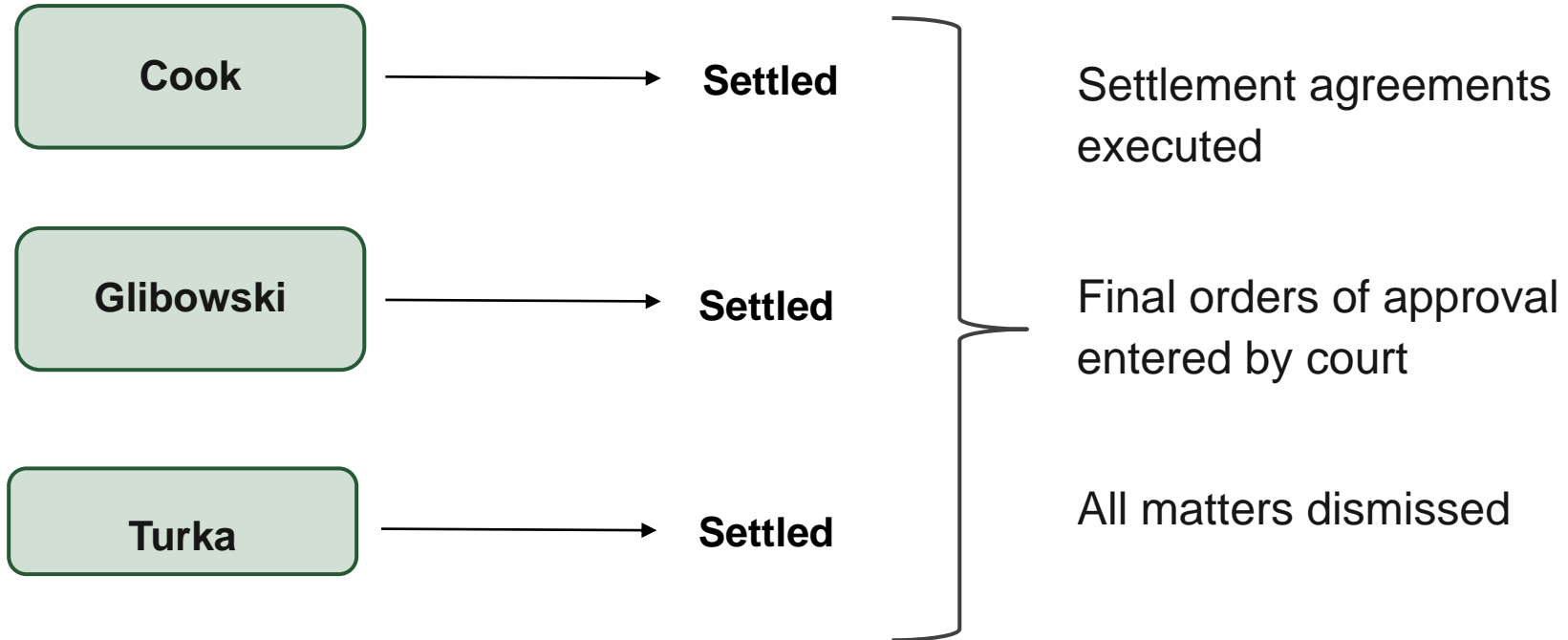
Legal and Legislative Update

Nuclear Issues Resolved



- **The 2017 cancellation of the VC Summer 2 & 3 Nuclear Project resulted in numerous legal and legislative actions that lasted for several years**
- Two big outcomes:
 - Cook Settlement – class action suit against Santee Cooper by its customers
 - Act 90 of 2021 – the Santee Cooper Reform Bill
- The settlement of all nuclear-related lawsuits, along with the oversight and certainty provided by the SC Legislature through Act 90 of 2021, have placed Santee Cooper in a strong position moving forward.

Status of Nuclear-Related Class Actions



The Cook Settlement & Rate Freeze



- **The 2020 Cook Settlement resolved the nuclear situation, allowing Santee Cooper to move forward**

- **Settlement Amount.** Santee Cooper must contribute \$200 million back to customers in three annual installments (\$65m, \$65m, \$70m)
 - Santee Cooper has paid \$130 Million to date, with the final payment due in the third quarter of 2022.

- **Rate Freeze.** Rates were frozen/fixed for the majority of Santee Cooper's customers, including Central, beginning August 2020 and through December 2024
 - These rates are consistent with rates projected by Santee Cooper in our 2019 Reform Plan
 - Certain exceptions that occur during the Rate Freeze Period can be collected in rates after 2024
 - Santee Cooper will need to manage cost and liquidity during the rate freeze period and until any exceptions can be collected in future rates

Santee Cooper Reform



Act 90 of 2021

- **Legislative and Executive Action**
 - SC House vote of 111-0
 - SC Senate vote of 43-0
 - Signed by Governor McMaster on June 15
- **Reform Areas Include**
 - Governance changes
 - Debt and real estate oversight
 - Resource oversight
 - Rate-making process
- **Final legislation did not include a sale provision**



Act 90 of 2021 – Governance Changes



Board Related Changes

- **Board transition**
 - Board member terms expire 3 per year beginning January 1, 2022 through January 1, 2025
 - May not be reappointed if serving prior to January 1, 2018
- **2 non-voting ex-officio Central representatives**
- **Voting board member changes include**
 - 4-year terms, 3 term limit
 - New education and experience qualifications for appointments
 - Diversity standards for appointments
 - New best interest test
 - Board committee requirements

Joint Bond Review Committee

- Existing 10-member legislative committee
- **Jurisdiction and Schedule**
 - Approves certain state financing, including colleges and universities
 - Approves certain state agency real estate transactions
- **Santee Cooper – JBRC Approval**
 - Prior to issuance - bonds, notes or other indebtedness must be approved
 - Does not apply to short-term or revolving credit debt or refinancings for savings
 - Approved debt may be issued across multiple series and over a three-year term
 - Certain Santee Cooper real estate transactions must be approved



Act 90 of 2021 – Resource Oversight



South Carolina Public Service Commission

- **7-member commission elected by the General Assembly**
- **Santee Cooper – PSC Approval**
 - Integrated Resource Plan – Every 3 years
 - Generation facilities greater than 75MW
 - Transmission facilities 125kV or greater
 - Certain transmission projects grandfathered
 - Non-renewable energy Purchase Power Agreements greater than 10 years
 - Competitive procurement process for renewable generation



Act 90 of 2021 – Rate-making Process



Board of Directors retain sole rate making authority

Rate Process in Enabling Law

- **New statutory process mirrors Santee Cooper's existing practice**
- **Establishes an exclusive process for challenging rate adjustments approved by the Board**
- **Office of Regulatory Staff**
 - Must inspect, audit and examine the proposed rate adjustment
 - Is a party in interest entitled to appeal
 - Must comment on an annual pricing report submitted by Santee Cooper



Debt Plan

Existing Debt Inventory



Debt Outstanding as of 2/28/22¹

(\$ millions)

Revenue Obligation Bonds:

| | |
|----------|--------------|
| Fixed | \$ 6,494,843 |
| Variable | 143,200 |

Total Revenue Obligation Bonds

\$ 6,638,043

Bank Facilities:

| | |
|-----------------------------|------------|
| Commercial Paper | \$ 119,876 |
| Revolving Credit Agreements | 22,211 |

Total Bank Facilities

\$ 142,087

Total Debt Outstanding

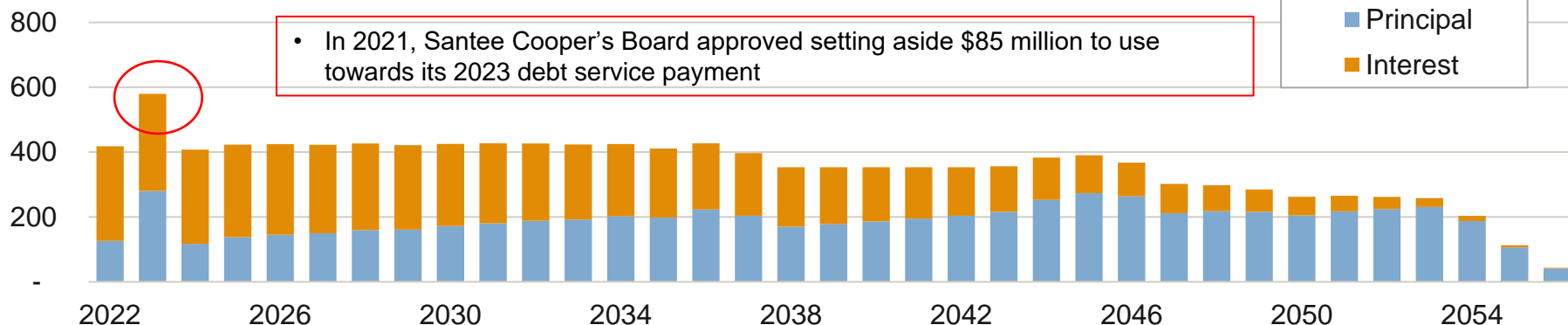
\$ 6,780,130

➤ Santee Cooper's debt management plan has consisted of the following:

- Ensure funds are available for capital projects
- Paydown debt as internal funds become available
- Execute a multi-faceted refunding program that is staged in tranches and targeted at mitigating risk and taking advantage of historically low interest rates

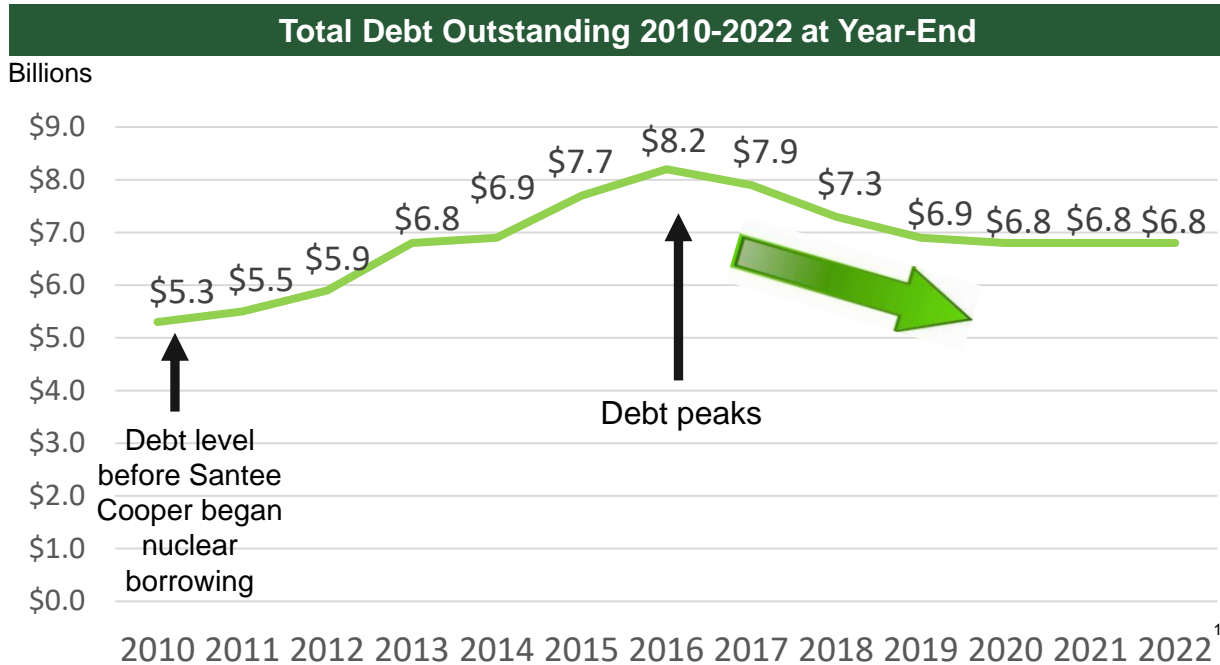
Debt Service Schedule²

\$ millions



1. As of February 28, 2022. Also reflects total debt.

2. Debt service on existing debt as of February 28, 2022; includes benefit of BABs subsidy; shown on a cash basis; includes 2016D \$174,980,000 bullet maturity in 2023 and we have set aside \$85 million in the Debt Reduction Fund which will be used to defease a portion of this maturity



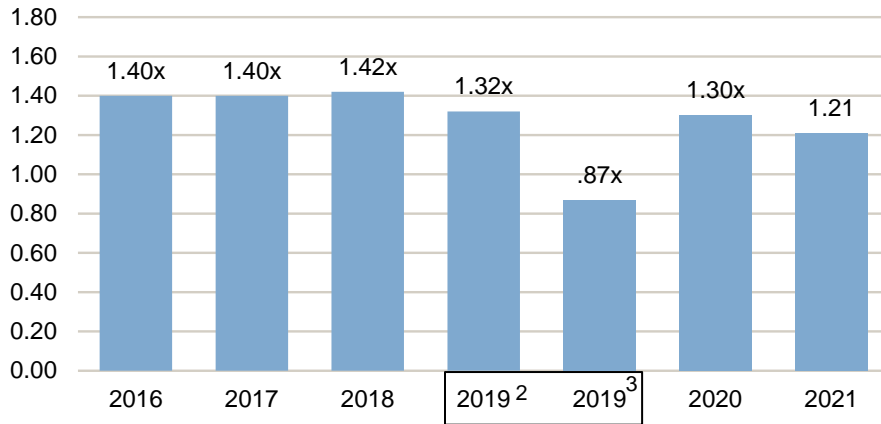
- Since January 1, 2017: Reduced the amount, cost and risk of debt
 - Total Debt Reduction = \$1.4 billion
 - This reduction in debt also includes having issued \$450 million in new money proceeds
 - Refunded approximately \$2.2 billion in debt, which resulted in approximately \$765 million in gross savings
 - Board approved setting aside \$85 million for a portion of the 2023 debt service

(1) As of February 28, 2022

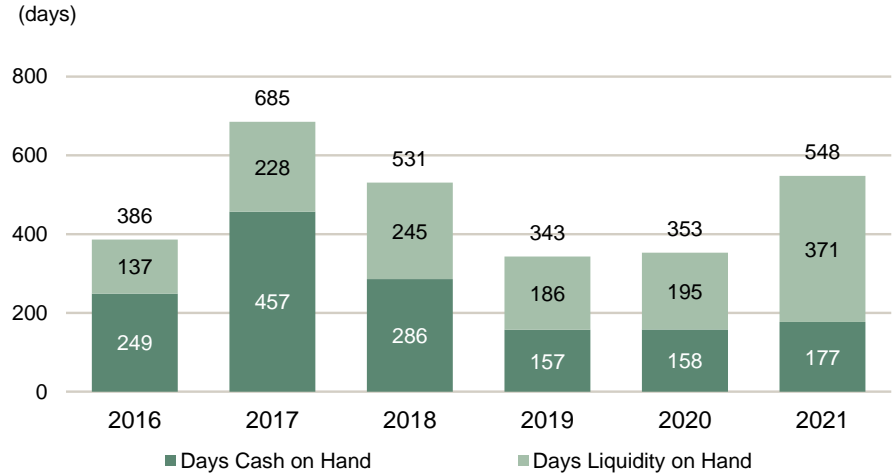
Historical Financial Metrics



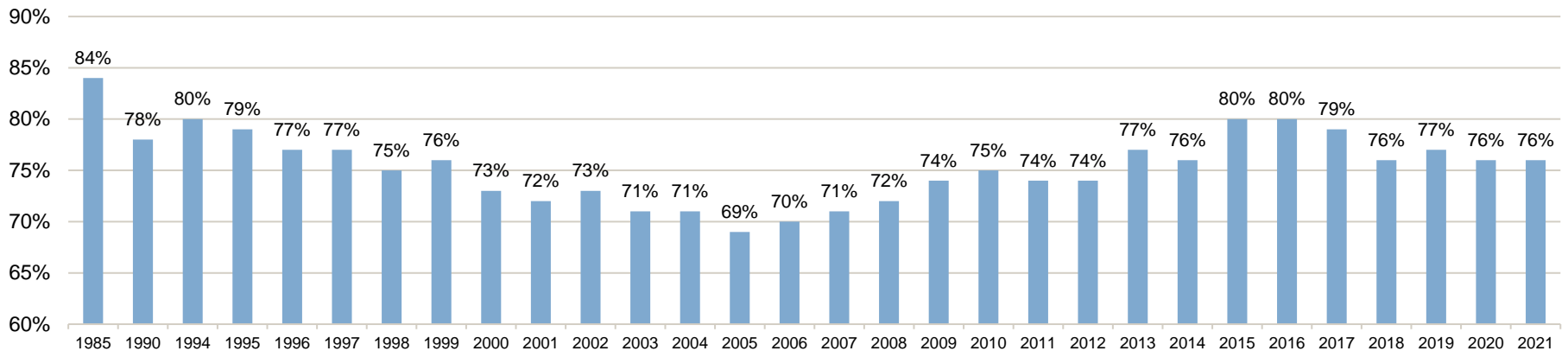
Debt Service Coverage¹



Cash Reserves and Days of Liquidity



Debt to Capitalization



1. Includes CP, Revolving Credit Agreements and Payment to the State.
2. Includes CP, Revolving Credit Agreements and Payments to the State but excludes the special item related to Cook case settlement.
3. Includes CP, Revolving Credit Agreements, Payments to the State and Special Item related to Cook case settlement

Finance Plan



Santee Cooper is in the midst of executing a multi-faceted refunding program that is staged in tranches

| | 2021 Callable Bonds | Bonds Callable After 2023 | | |
|------------------------|--------------------------------|--|--|--|
| Targeted Amount (\$mm) | \$175 | Up to \$1-1.5 billion of remaining \$4 billion | | |
| Strategy | Fixed rate current refunding | <u>Product A</u> Tender offer | <u>Product B</u> Forward bond (current refunding) | <u>Product C</u> Interest rate hedge (swap); current refunding at call date |
| Condition | Subject to refunding economics | Subject to receptivity and tender economics | Priced and executed after tender offer; subject to refunding economics | Priced and executed after tender offer; subject to refunding economics |
| Mode | Fixed rate bond | Fixed rate | Fixed rate | Variable rate (swapped to fixed with interest rate swap) |

These transactions have been completed, for a total of approximately \$434 Million Gross Savings and almost \$299 Million in Net Present Value Savings

Refunding Summary



| Series | Callable Par | Year of 1st Call | 2021A Current Refunding | 2022AB Tender/Exchange | Remaining Callable Par |
|--------------|-------------------------|------------------|-------------------------|-------------------------|-------------------------|
| 2011C, 2012A | \$ 174,430,000 | 2021 | \$ 174,430,000 | | \$ - |
| 2013 A,B, E | 1,048,150,000 | 2023 | | 440,335,000 | 607,815,000 |
| 2014 A,B, C | 1,124,940,000 | 2024 | | 482,185,000 | 642,755,000 |
| 2015 A, E | 818,155,000 | 2025 | | 365,190,000 | 452,965,000 |
| 2016 A,B, C | 907,580,000 | 2026 | | | 907,580,000 |
| Total | \$ 4,073,255,000 | | \$ 174,430,000 | \$ 1,287,710,000 | \$ 2,611,115,000 |

- ~60% of Santee Cooper’s outstanding bonds, or \$4.0 billion, were callable through 2026
- As mentioned previously, Santee Cooper planned to reduce its debt by refunding for savings through a tiered approach stage in tranches
 - In 2021, Santee Cooper completed the first tier with a current refunding
 - In February 2022, Santee Cooper completed the second tier with a very successful tender & exchange transaction and we plan to share the details with you today
- Currently evaluating next steps to achieve savings on the remaining callable bonds

Tender/Exchange Bonds



| Refunding Candidates | Year of 1 st Call | Bonds Offered in Tender/Exchange | Accepted in Tender Exchange |
|----------------------|------------------------------|----------------------------------|-----------------------------|
| 2013 A, B, E | 2023 | \$1,048,150,000 | \$440,335,000 |
| 2014 A, B, C | 2024 | 947,635,000 | 642,755,000 |
| 2015 A, E | 2025 | 701,310,000 | \$365,190,000 |
| 2016 A, B, C | 2026 | 0 | |
| Total | | \$2,697,095,000 | \$1,287,710,000 |

47.74%
Participation Rate

2022AB Tax-Exempt

Refunding Transaction Highlights



| | Refunding Par | Refunded Par |
|--------------------------------------|-----------------|-----------------|
| 2022A (Tender) | \$930,990,000 | \$943,185,000 |
| 2022B (Exchange) | 352,201,000 | 344,525,000 |
| 2022AB Total | \$1,283,191,000 | \$1,287,710,000 |
| Gross Savings | ~\$378 million | |
| NPV Savings | ~\$249 million | |
| NPV Savings as a % of Refunded Bonds | 19.4% | |
| Maturity Dates | 2023-2055 | |
| All-In TIC | 3.31% | |

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