FitchRatings

Public Finance
Public Power
United States

South Carolina Public Service Authority (Santee Cooper)

FACT Tools

Ratings

Long-Term Issuer Default Rating	A–

New Issues

Up to $300,000,000 Revenue Obligation Bonds, Series 2022 A	A–
Up to $300,000,000 Revenue Obligation Bonds, Series 2022 B	A–

Outstanding Debt

Revenue Obligations	A–
Revenue Obligations (Federally Taxable Build America Bonds - Direct Payment)	A–
Revenue Obligations (Taxable)	A–
Revenue Obligations Improvement	A–
Revenue Obligations Refunding	A–
Revenue Obligations Refunding and Improvement	A–
Revenue Obligations Refunding (Taxable)	A–
Revenue Refunding Obligations	A–
Revenue Refunding Obligations (Taxable)	A–

Rating Outlook

Stable

Applicable Criteria

Public Sector, Revenue-Supported Entities Rating Criteria (September 2021)

U.S. Public Power Rating Criteria (April 2021)

Related Research

2022 Outlook: U.S. Public Power and Electric Cooperatives (December 2021)

Public Power - Fitch Analytical Comparative Tool (FACT) - 2020 (June 2021)

U.S. Public Power -- Peer Review (June 2021)

Analysts

Dennis Pidherny
+1 212 908-0738
dennis.pidherny@fitchratings.com

Nicole Wood
+1 212 908-0735
nicole.wood@fitchratings.com

New Issue Summary

Sale Date: Week of Feb. 7, 2022

Series: 2022 series A and 2022 series B

Purpose: Proceeds from the series 2022 A obligations will be used primarily to purchase outstanding bonds tendered pursuant to the authority's tender offer.

Security: The revenue obligations are payable from, and secured by a lien on, the net revenues of the authority.

South Carolina Public Service Authority's (Santee Cooper) 'A–' rating continues to reflect the authority's leverage ratio, measured as net adjusted debt/adjusted funds available for debt service (FADS), which has remained above 10.0x in recent years and is elevated for the current rating. Santee Cooper has made steady progress in reducing its debt burden and leverage in recent years. However, weaker than expected operating performance in 2021 will reverse the previous trend and push leverage above 11.0x.

The authority outperformed expectations through September 2021, but unanticipated challenges related to coal supply, higher natural gas consumption and rising gas prices combined to reduce operating income by the end of 2021 by roughly $58 million. The higher costs would typically have been recovered by the authority, but its agreement to lock rates as part of a settlement precludes recovery of the actual costs. Fitch Ratings still expects the authority's leverage ratio will migrate below 10.0x but not until 2024 at the earliest.

The authority's leverage and financial profile are supported by strong contractual underpinnings that support revenue collections, and by the strong credit quality of Central Electric Power Cooperative, Santee Cooper's largest wholesale customer. The authority's agreement to lock rates through January 2025 and the related risks have been factored into Fitch's analysis and rate flexibility assessment. Very low operating risk, including very low operating costs and moderate capital spending requirements, also supports the authority's profile.

The Stable Outlook incorporates Santee Cooper's settlement of outstanding litigation in 2020, the enactment of legislation in 2020 and 2021 that provides operating stability, and progress related to stabilizing its management and governance structure. The Outlook is now further predicated on the authority's ability to limit the negative effect of higher fuel prices on its financial profile.

Key Rating Drivers

Revenue Defensibility: 'a'; Statewide Wholesale and Retail Electric Provider: Santee Cooper's revenue defensibility assessment reflects the strong contractual underpinnings supporting revenue collections from both retail (36% of total revenue) and wholesale customers (64% of total revenue), but is constrained by its agreement to lock rates through January 2025 and Central's credit quality.

Operating Risk: 'aa'; Very Low Operating Costs; Unlikely to Experience Upward Movement: Operating costs have averaged below six cents per kWh over the past five years, which are considered low for its wholesale business line, but very low for the retail business line. Capital requirements for current and new generation are lower than historical levels and appear very manageable.

Financial Profile: 'a'; Leverage Remains Elevated: Santee Cooper's leverage ratio is expected to exceed 11x for 2021, reflecting substantial debt that was issued to fund the Summer nuclear expansion before the project was terminated, as well as weaker operating performance in 2021. Coverage is also expected to weaken, but remain above 1.0x; cash on hand is adequate. Improving performance is expected to moderate leverage ratios below 10x, but not before 2024.

Asymmetric Additional Risk Consideration: There are no asymmetric risk considerations factored in the rating.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Although unlikely over the near term, significantly stronger than expected performance under the current rate lock that allows the authority to consistently reduce leverage ratios well below 10.0x in Fitch's base and stress scenarios;
- Demonstrated stability related to the authority's board composition, operating parameters, and management and governance challenges;
- Improved revenue defensibility, supported by the expiration of the current rate lock and/or improved credit quality of Central.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Evidence of weaker than expected operating performance as a result of higher than budgeted operating costs, including fuel, and the current rate lock;
- Failure to reduce leverage ratios to levels approximating 10.0x in Fitch's base and stress scenarios;
- Threatened or enacted legislative changes in the authority's management and governance that could reduce operating flexibility or limit rate-setting authority further.

Rating History (IDR)

Rating	Action	Outlook/ Watch	Date
A–	Affirmed	Stable	1/20/22
A–	Affirmed	Stable	10/22/20
A–	Downgraded	Negative	11/14/18
A+	Affirmed	Negative[a]	3/7/18
A+	Affirmed	Stable	10/25/17
A+	Affirmed	Negative[a]	2/17/17
A+	Downgraded	Stable	6/5/14
AA–	Affirmed	Negative	7/18/13
AA–	Downgraded	Stable	1/10/12
AA	Affirmed	Stable	11/16/05
AA	Affirmed	Negative	12/17/04
AA	Affirmed	Stable	8/2/04
AA	Upgraded	—	7/22/98
AA–	Upgraded	—	9/26/95
A+	Assigned	—	9/18/92

[a]Rating Watch.

Credit Profile

Santee Cooper is a state agency that provides wholesale power supply and direct retail electric service to approximately 194,000 retail customer accounts and 26 large industrial customers. Including the retail base of Central, the largest of its five all-requirements wholesale customers, Santee Cooper supplies electricity to a population of approximately two million, spanning much of the state of South Carolina. The authority also owns the Lake Moultrie and Lake Marion regional water systems — two drinking water treatment systems serving nearly 200,000 people.

Cancelled Nuclear Construction Strains Credit Profile

Santee Cooper's decision to suspend construction of the Summer nuclear units 2 and 3 on July 31, 2017 following the bankruptcy of the project's lead contractor, Westinghouse Electric Company LLC, triggered a number of legal, political and financial challenges for the authority. At the time of the decision, Santee Cooper had spent $4.3 billion, and construction of the nuclear plant expansion was 36% complete, with the engineering and procurement efforts both over 90% complete. While the decision may have been justified based on revised cost and timeline estimates considered in the context of revised load expectations, the halting of construction and prospects for recovering the stranded costs associated with the incomplete project ignited a series of controversies statewide.

Fervent customer and political opposition to the recovery of stranded costs related to the project ultimately drove state regulators and shareholders to approve the sale of co-owner South Carolina Electric & Gas and its parent company SCANA Corp. to Dominion Energy, Inc. in January 2019, and led the governor to sign Act 95, which would allow the state to consider options to sell, manage or reform the authority. In early-2020, committees in the State Senate and House of Representatives rejected all three of the final proposals considered pursuant to Act 95, including the authority's own reform plan.

Legal and Legislative Resolution

In early-2020, Santee Cooper took a major step toward stabilizing its operating profile by agreeing to resolve significant litigation challenging the authority's ability to recover costs related to the Summer project. The agreement — the Cook Settlement — provided for the release of major claims against the authority in exchange for payments for the benefit of utility customers totaling $200 million over three years, and an agreement by Santee Cooper to hold rates at levels consistent with its reform plan through Jan. 15, 2025.

Before concluding its regular two-year session in May 2020, the state Legislature passed a temporary resolution — Act 135 — that provides interim guidance for the authority's operation for up to a year, until the Legislature can return to consider other actions. Positively, the terms of Act 135 provide Santee Cooper with ample authority to operate the utility in a manner consistent with the principles of its reform plan and to adhere to the provisions of the Cook Settlement. In short, the terms of the Act will enable Santee Cooper to execute its proposed resource plan, hedge its variable-cost exposures, perform normal financing activities, resolve outstanding lawsuits and claims, and lock rates as provided in the Cook Settlement.

During June 2021, the governor signed Act 90, which amended certain provisions related to the authority. In addition to extending the expiration date of Act 135 to Dec. 31, 2021, Act 90 also provides for manageable changes related to the authority's governance, broader state oversight over certain debt issuance, real estate transactions and resource planning, and establishment of a process for challenging rate adjustments approved by the board. Importantly, Act 90 does not include any provision to sell the authority or undermine the board's sole rate-making authority.

Revenue Defensibility

Santee Cooper's very strong revenue source characteristics are rooted in the strong contractual underpinnings supporting revenue collections from both retail and wholesale customers. Wholesale revenues account for roughly 64% of Santee Cooper's electric revenue, and are largely derived pursuant to a 2013 all-requirements coordination agreement with Central. Santee Cooper provides approximately 75% of the total power and energy requirements of Central and its member cooperatives under the agreement, which cannot be terminated until 2058.

Amendments to the agreement in 2013 extended the earliest termination dates from 2030 to 2058 to facilitate longer-term debt issuance to finance the Summer nuclear project and provided Central with greater flexibility as to participation in new generating resources constructed by the authority. Earlier revisions to the agreement allowed Central to transition roughly 900MW of load from Santee Cooper to Duke Energy Carolinas, LLC, but no further load transitions are anticipated.

Nearly all of Santee Cooper's remaining wholesale revenues are similarly derived under long-term contracts that terminate between 2023 and 2033. These include all-requirements contracts with the cities of Georgetown, Bamberg, Waynesville and Seneca, as well as agreements for capacity and energy with Piedmont Municipal Power Agency (A–/Stable) and Alabama Municipal Electric Authority (AA–/Stable).

The authority also provides direct service to approximately 194,000 retail customers throughout the Berkeley, Georgetown and Horry Counties of South Carolina, and an additional 26 large industrial customers located throughout the state. These customer classes provide roughly 24% and 12% of Santee Cooper's total electric revenue, respectively. The authority has the exclusive right under state law to provide retail electric service to its assigned service territory and to serve the existing industrial customers outside its assigned territory.

Demand throughout the areas served by the authority has been supported by very strong customer growth (9.7% since 2016) and regional demographics for income and unemployment that are consistent with, or narrowly below, national averages. All of the authority's large industrial customers are supplied under contract, including Nucor Corp. (4.8% of revenue) and Century Aluminum Co. (1.3%). Contract durations are relatively short, but Nucor and Century have been customers of the authority since 1996 and 1977, respectively. Recent expansions by Century have contributed to a meaningful increase in retail sales and revenue in 2021. Santee Cooper's water operations account for less than 1% of total revenue.

Rate Flexibility

Santee Cooper's enabling legislation gives its board the autonomous power to set electric rates. The terms of its revenue obligation resolution require that the authority set rates to provide revenue to meet all obligations, including principal and interest on indebtedness. These factors, together with the competitiveness of its rates and timely cost recovery, support very strong rate flexibility. However, rate flexibility will be constrained through January 2025 as a result of the Cook Settlement. The authority's ability to manage its fuel and purchased power costs, as well as defer for later recovery a wide range of expenses, including those related to changes in law, storm events, cyberattacks and certain changes in Central's load, alleviate some concern and all support Fitch's assessment.

Rate-setting authority rests solely with the Santee Cooper board, which has historically exercised its authority to achieve financial targets of 1.4x debt service coverage and 90 days cash on hand. However, under the terms of the Cook Settlement, the board agreed to impose a rate lock effective for all service beginning in August 2020. The agreement applies to the vast majority of the authority's customers, suspending the rate adjustment mechanisms in place and locking rates at levels that are consistent with those proposed by the authority under its reform plan. Given its active hedging of fuel costs into 2025, expectations for reducing operating costs (also consistent with the reform plan) and the allowance for deferring certain unanticipated expenses, Fitch expects that the authority's ability to produce cash flow sufficient to meet its obligations and achieve its targets will not be compromised.

The rate lock should further support the competitiveness of the authority's retail rates, which have not been increased since 2017. According to U.S. Energy Information Administration data, Santee Cooper's total average retail revenue per kWh has consistently remained 15%–20% below the state average.

Act 90 establishes a process for challenging rate adjustments approved by the board, but the statutory process is otherwise substantially similar to the authority's current practice and does not undermine the board's power and responsibility to establish rates sufficient to meet its obligations nor the state's covenant not to impair the board's authority to do so.

Purchaser Credit Quality

Purchaser credit quality is midrange, largely based on the credit quality of the authority's dominant purchaser, Central, as assessed by Fitch using publicly available information. Fitch's assessment reflects the cooperative's leverage ratio, measured as net adjusted debt/adjusted FADS, of roughly 8.0x and weaker liquidity as evidenced by historical cash on hand of roughly three days. Central's credit quality is supported by revenue derived pursuant to a very strong contractual framework that includes all-requirements wholesale power contracts with each of its 20 members, and legal authority to set rates to members.

Central's members, in turn, provide electric service to approximately 770,000 customers throughout South Carolina. The areas served by Central's largest members generally exhibit midrange demand characteristics, including customer growth rates above 1.5% per annum, unemployment metrics consistent with the national average and income metrics that are weaker than the national average. Additionally, Central's operating risk profile and cost burden are low, reflecting the cost, terms and characteristics of its power supply arrangement with Santee Cooper.

Although the wholesale purchaser cities of Georgetown, Bamberg, Seneca, SC, and Waynesville, NC are not rated by Fitch, the credit quality of purchasers Piedmont Municipal Power Agency and Alabama Municipal Electric Authority further support overall revenue defensibility.

Operating Risk

Santee Cooper's operating cost burden is assessed as very low, factoring its role as both a wholesale and retail supplier. The authority's Fitch-calculated cost of power of 5.9 cents per kWh over the past five years suggests a cost burden assessment of 'a' for wholesale systems, but the burden is consistent with the 'aa' assessment for retail systems. The relative stability of the cost burden reflects the relative efficient operation of the authority's generating resources, and factors annual payments in lieu of taxes and distributions to the state totaling $22 million.

Operating Cost Flexibility

The authority's operating cost flexibility is neutral to the rating and driven by a power supply portfolio that is well diversified in terms of fuel sources and unit capacity. Summer peak capability, which includes a mix of owned (5,048MW) and purchased (541MW) resources, remains generally sufficient to meet peak demand, which declined to 4,467MW in 2020 from 5,869MW in 2015 due to lower Century load, declines in Central's purchases and generally weaker demand as a result of the coronavirus pandemic.

Coal-fired generation dominates the authority's portfolio of resources, accounting for nearly 60% of existing capacity, and supplied only 37% of energy needs. Natural gas-fired and nuclear generation account for about 24% and 11% of energy needs. Going forward, the diversity of the authority's portfolio should improve further. Additionally, although the authority is not subject to a state renewable portfolio requirement, its reliance on coal-fired capacity should decline. Current resource plans call for the retirement of roughly 860MW of capacity at the Winyah generating station by 2028 in an effort to right-size resources against lower peak demand, and eliminate costly and inefficient generation.

The authority has also executed contracts for 425MW of new solar capacity across five projects, all of which are scheduled to be operational by the end of 2023. While the authority is not subject to a renewable energy requirement or mandate, up to 1,000MW of solar capacity and 200MW of phased battery energy storage may be implemented by the mid-2020s. Pursuant to the authority's 2020 Integrated Resource Plan, reliance on coal-fired generation will decline to only 19% from the current levels. Additional new fossil-fired capacity will likely be limited to new gas-fired resources targeted for 2028.

Capital Planning and Management

Despite historical challenges related to the Summer nuclear project, Santee Cooper's capital planning and management is assessed as strong, factoring in the authority's age of plant of 16 years and continued reinvestment in its system. Capex/deprecation ratios have averaged a significant 276% over the past five years, reflecting very high capex in 2016 and 2017 related to the Summer expansion. The ratio declined to only 57% in 2020, but expenditures should approximate or exceed depreciation over the next five years.

The authority's capital planning continues to evolve following the decision to halt nuclear construction in 2017. Spending approximated $3.39 billion over 2015–2019 and included substantial investment in the Summer project, and Santee Cooper's current five-year plan contemplates total spending of roughly $1.5 billion through 2025 and will focus on general improvements, environmental compliance and transmission. Significant expenditures related to new gas-fired generating resources have been pushed into the years after 2025.

The majority of planned expenditures are expected to be covered by internal funds and modest amounts of additional debt.

Financial Profile

Santee Cooper's leverage trended downward from 2016 to 2020, but rose in 2021 and remain stubbornly elevated for the current rating. Debt balances rose steadily beginning in 2008 when construction of the Summer nuclear project began, but have declined modestly since peaking in 2016 at $8.7 billion to reach roughly $7.2 billion at YE 2020. Similarly, the authority's leverage ratio trended down from a peak of 13.2x to 10.7x over the same period. Scheduled amortization and the use of funds from the authority's Summer-related settlements to defease debt, together with improved FADS, have contributed to the stronger metrics.

Weaker performance over the last half of 2021 drove leverage higher, stalling the previous trend. Challenges related to coal supply, higher natural gas consumption and rising gas prices have all combined to reduce operating income by roughly $58 million from projected amounts. While total debt declined in 2021, the authority's lower operating income and FADS pushed leverage higher.

Liquidity is neutral to the rating. Cash balances have remained consistently strong, ranging between 160 and 225 days over the past five years. At the end of fiscal 2020, unrestricted cash balances totaled approximately $442 million. Including available borrowing capacity under revolving credit agreements and available CP capacity, Santee Cooper's liquidity cushion totaled 360 days. Fitch-calculated coverage of full obligations has been healthy, and will likely remain above 1.0x in 2021; cash and total liquidity should also remain adequate.

Fitch Base Case and Stress Case Scenario Analysis

Fitch's base scenario analysis suggests the authority's leverage ratio should decline in 2022 and 2023, stabilizing below 10.0x. Base case assumptions are informed by Santee Cooper's own financial forecast and include a continued increase in energy sales (4.9% in 2022), largely attributable to the current and planned expansion of Century's operations and a general recovery from the pandemic. Energy sales are then expected to remain relatively unchanged through 2025.

The base scenario further incorporates the weaker than anticipated performance in 2021, the current rate lock, expected payments related to the Cook Settlement in 2022, cash receipts from the sale of certain Summer assets and manageable capital spending of approximately $326 million per annum through 2025. Liquidity through the scenario analysis is also expected to remain adequate and neutral to the rating, with cash on hand above 130 days and coverage of full obligations above 1.1x.

Fitch has also considered an alternative stress that models a continuance of coal supply challenges and weaker operating earnings through April 2022. In this stress scenario, leverage declines at a slower rate, falling below 10.0x in 2024 and remaining in line with the current rating. To the extent that operational challenges persist through 2022 and the authority is unable to offset the impact on earnings, the financial profile assessment could be lowered and the rating downgraded.

Debt Profile

Santee Cooper's debt profile is neutral to the rating. Nearly all of the authority's approximately $7 billion of outstanding revenue obligations are fixed-rate, and scheduled amortization is manageable through final maturity. At YE 2020, variable-rate debt was limited to 6.6% of total debt, or approximately $470 million including outstanding CP ($171 million), borrowings under revolving credit agreements ($136 million) and a single series of variable-rate revenue obligations ($163 million).

The authority's $300 million CP program is supported by an irrevocable direct-pay LOC with Barclays Bank PLC, and additional borrowing capacity is available through separate revolving credit agreements with each of Bank of America; TD Bank, N.A.; and J.P Morgan Chase bank, N.A totaling $550 million. The agreements expire at various dates in 2022 and 2023.

Total Fitch-calculated debt further includes capitalized fixed charges related to purchased power ($411 million in 2020) and unfunded pension obligations as adjusted pursuant to Fitch's methodology ($446 million). Santee Cooper is a participant in the South Carolina Retirement System and contributes to the state's pension plan on behalf of its roughly 1,700 employees. Annual contributions are minimal, equal to less than 1% of total revenue.

Asymmetric Additional Risk Considerations

The Cook Settlement and progress related to stabilizing Santee Cooper's management and governance structure have meaningfully addressed historical asymmetric risk factors confronting the authority. Certain challenges and limitations remain, but these factors no longer actively constrain or weigh on the rating.

The Cook Settlement significantly reduces the authority's exposure to material and costly litigation, and the denial of its legal authority to recover costs related to the Summer nuclear project, including over $3.6 billion of outstanding debt. The settlement further appears to have repaired Santee Cooper's working relationship with its largest customer, Central.

Governance challenges also appear to be lessening. The State Senate confirmed Peter McCoy, an attorney and former member of the South Carolina House of Representatives, as chairman through 2025 filling the vacant seat. Other board related changes pursuant to Act 90 include updated terms, limits on tenure and required experience, as well as the inclusion of two non-voting ex-officio representatives named by Central. Currently, only one seat remains vacant.

Overall, Fitch does not expect any meaningful changes in the authority's strategic direction as a result of these changes in governance. The newly imposed oversight and monitoring by the Office of Regulatory Staff are typical and could prove frustrating over time, but the principles and guidelines established pursuant to Acts 135 and 90 should support efficient and disciplined operations.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Financial Summary

($ 000)	2016	2017	2018	2019	2020
(Audited Fiscal Years Ended Dec. 31)					
Net Adjusted Debt/Adjusted FADS (x)	**13.20**	**10.97**	**10.73**	**10.60**	**10.70**
Net Adjusted Debt Calculation					
Total Short-Term Debt	399,899	363,484	260,132	232,617	197,351
Total Current Maturities of Long-Term Debt	134,055	48,546	63,450	89,285	104,575
Total Long-Term Debt	8,134,916	7,897,142	7,355,557	6,901,130	6,857,277
Total Debt	**8,668,870**	**8,309,172**	**7,679,139**	**7,223,032**	**7,159,203**
+ Capitalized Fixed Charge - Purchased Power & Gas	344,558	475,577	456,228	462,358	411,151
+ Total Pension Obligation (GASB Fitch-Adj. NPL + FASB PBO)	446,597	462,834	455,257	430,680	446,205
- Total Unrestricted Cash	816,738	574,861	729,591	481,379	441,993
- Restricted FADS	93,576	1,002,136	292,545	70,624	67,803
Net Adjusted Debt	**8,549,712**	**7,670,586**	**7,568,488**	**7,564,066**	**7,506,763**
Adjusted FADS for Leverage Calculation					
Total Operating Revenue	1,745,657	1,756,983	1,806,620	1,722,676	1,627,427
Total Operating Expenses	1,374,942	1,357,171	1,400,061	1,319,872	1,263,683
Operating Income	**370,715**	**399,812**	**406,559**	**402,804**	**363,744**
+ Adjustment for Deferred and Subsidy Revenue	7,575	7,583	7,612	7,640	7,652
+ Depreciation and Amortization	205,129	205,886	210,172	223,857	265,237
+ Interest Income	13,001	12,403	11,103	7,922	3,216
FADS	**596,420**	**625,684**	**635,446**	**642,223**	**639,849**
+ Adjustment for Purchased Power	43,070	59,447	57,029	57,795	51,394
- Total Transfers/Distributions	19,192	17,751	17,397	17,496	17,479
+ Pension Expense	27,600	32,000	30,600	30,800	27,800
Adjusted FADS for Leverage	**647,898**	**699,380**	**705,678**	**713,322**	**701,564**
Coverage of Full Obligations (x)	**1.32**	**1.31**	**1.44**	**1.45**	**1.45**
FADS	596,420	625,684	635,446	642,223	639,849
+ Adjustment for Purchased Power	43,070	59,447	57,029	57,795	51,394
- Total Transfers/Distributions	19,192	17,751	17,397	17,496	17,479
Adjusted FADS for Coverage	**620,298**	**667,380**	**675,078**	**682,522**	**673,764**
Full Obligations Calculation					
Cash Interest Paid	252,675	314,532	364,726	348,597	322,535
Prior-Year Current Maturities	172,896	134,055	48,546	63,450	89,285
Total Annual Debt Service	**425,571**	**448,587**	**413,272**	**412,047**	**411,820**
+ Adjustment for Purchased Power	43,070	59,447	57,029	57,795	51,394
Total Fixed Obligations	**468,641**	**508,034**	**470,301**	**469,842**	**463,214**
Liquidity Cushion (Days)	**286**	**208**	**322**	**332**	**360**
Unrestricted Cash (Days)	**255**	**182**	**224**	**160**	**162**
Liquidity Calculation					
+ Total Unrestricted Cash	816,738	574,861	729,591	481,379	441,993
+ Total Borrowing Capacity	200,000	400,000	400,000	650,000	850,000
- Amounts Unavailable	100,000	318,000	81,500	135,300	307,351
Total Liquidity	**916,738**	**656,861**	**1,048,091**	**996,079**	**984,642**
Cash Operating Expense Calculation					
Total Operating Expense	1,374,942	1,357,171	1,400,061	1,319,872	1,263,683
- Depreciation and Amortization	205,129	205,886	210,172	223,857	265,237
Cash Operating Expenses	**1,169,813**	**1,151,285**	**1,189,889**	**1,096,015**	**998,446**

FADS – Funds available for debt service. GASB – Government Accounting Standard Board. NPL — Non–pension liability. FASB – Financial Accounting Standard Board. PBO – Pension benefit obligation.
Source: Fitch Ratings, Fitch Solutions, Lumesis, EIA, South Carolina Public Service Authority (Santee Cooper) (SC).

Key Definitions

Terms	Definition	Significance
Issuer Default Rating (IDR)	An expression of overall enterprise risk and relative vulnerability to default.	Provides an opinion of the relative ability of an entity to meet financial commitments, expressed as an ordinal measure of credit risk.
Standalone Credit Profile (SCP)	An expression of overall enterprise risk.	Provides an opinion of the credit quality of an entity on a standalone basis, irrespective of its relationship with, or the credit quality of, its related municipality.
Net Adjusted Debt	Adjusted debt – unrestricted cash – funds restricted for debt service	Provides an inclusive evaluation of long-term liabilities offset by funds available for debt service.
Adjusted FADS	EBITDA + interest income + 30% of purchase power expense + operating lease expense – transfers/distributions + pension expense	Provides an indication of cash flow available for the payment of debt service, adjusting for purchased power, operating lease and pension obligations.
Net Adjusted Debt to FADS	Net adjusted debt/adjusted FADS	Provides an indication of net total leverage position against available operating cash flow.
Full Obligations	Cash interest paid + scheduled long-term principal payments + 30% of purchase power expense	Provides an indication of inclusive fixed and debt service obligations.
Coverage of Full Obligations	(EBITDA + interest income + 30% of purchase power expense + operating lease expense – transfers/distributions)/full obligations	Provides an indication of the relative cushion of operating cash flow to fixed charges.
Base Case	The expected forward-looking case in the current macroeconomic environment.	Provides the analytical starting point in the forward-looking analysis, and also informs the stress case.
Stress Case	The potential performance under a common set of assumptions.	Illustrates how cycles affect individual issuers differently, and informs the level of rating stability and credit resiliency.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.