

Date: April 15, 2020, 12:10 p.m.

iNote Subject: Message from the CEO



A Message From
Mark Bonsall
President and CEO

Employees,

Over the past few weeks and as last week's special legislative session approached, Santee Cooper worked with legislative staff on concerns associated with Santee Cooper's ability to conduct certain business transactions during the pandemic-related legislative recess. These transactions are abilities to capture savings and we believe we need to be sure we can comply with the Cook settlement.

On April 2, a special legislative session was announced to be held on April 8, and soon after we learned plans to include a Santee Cooper operational limitation to the continuing budget resolution legislators approve at that special session. On April 6, we received a copy of the original language of "Section 10." The original Section 10 seemed to make Santee Cooper operations more difficult, and we expressed this concern. As a result, and in response to their request, we shared a list of six capabilities we thought we needed with legislators and staff.

In the process of developing that list, I reached out to Rob Hochstetler of Central to ask for his consideration and support. His initial response was welcoming, and he asked to see our list, which I provided to him that day. Those six capabilities include:

1. Negotiate coal contracts and rail contract extensions that reduce the cost to ratepayers within the current rate freeze period during the current advantageous market environment.
2. Execute on operational efficiency arrangements with neighboring utilities, including joint dispatching agreements would be subject to regulatory review once established by the General Assembly. These arrangements be structured with exit provisions.
3. Conduct the resource planning coordination process with Central. Include the Office of Regulation in this process and complete it within six months to facilitate the phased retirement of Winyah. Success is critical so that the steps necessary to ensure system reliability and the required permitting process is completed in time.
4. Complete the RFP process for solar resources and execute contracts for the additions included in the Reform Plan (1,000 MW over 2022 - 2024). Contract terms of 20 to 30 years will be necessary to secure the most attractive pricing. One of the reasons this is critically important is that the federal solar Investment Tax Credit is rapidly declining, which will tend to drive up costs.
5. Without any long-term commitments, conduct normal course planning activities necessary for RFP items.

6. Issue short- and long-term debt as necessary for operations, and pay off, defease or refinance debt where favorable. At lower interest rates, these activities can reduce both the total debt and the average life of that debt.

Unfortunately, with the special legislative session fast approaching, Rob's initial response was characterized to some legislators as final approval. We immediately apologized to Rob and to those but as you know there was a strong negative reaction.

The House adopted an amended Section 10 that is better than the original. The Senate further amended the House's Section 10, addressing most of the items on our list of requested capabilities. Ultimately both chambers will need to agree on the same version. In the meantime, we are assessing the two versions and we will comply with either.

The legislative process is a long one, with many steps along the way. When we get closer to resolution, we are looking forward to getting out and meeting more of you face-to-face (respecting proper social distancing). Working together, we have accomplished much in the past nine months: we faced the challenge of developing a new Business Forecast, and then a Reform Plan, all while working with the Department of Administration on a tremendous data upload and continuing to produce electricity and water at exceptional prices and rates. If you add it all up, we have made a terrific amount of progress.

Please continue to do the great job you do for Santee Cooper's customers and the state.

Mark

Disclaimer:

The purpose of this communication is to provide information to Santee Cooper employees. It is not intended to be forwarded outside of the company.