
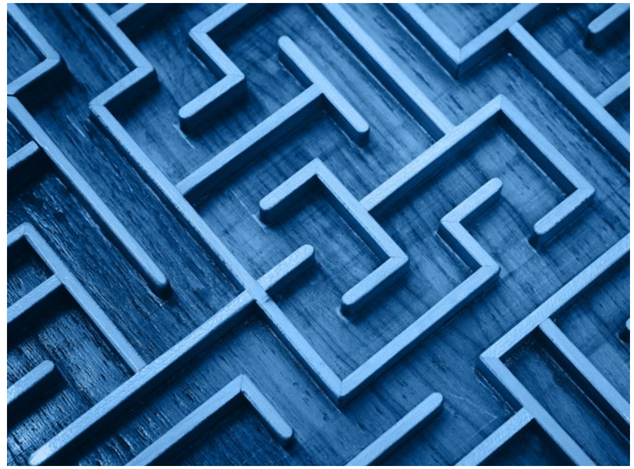


2026 Retail Rate Adjustment & Rate Designs

Independent Board Consultant Report

August 31, 2026

PREPARED FOR

The Board of Directors of the
SC Public Service Authority

Concentric Energy Advisors

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Introduction

+*Purpose*

+*Scope*

+*Process*

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INTRODUCTION

Purpose, Scope, and Process for Independent Board Consultant Review of 2026 Retail Rate Adjustment

- ❑ **Purpose:** In accordance with SC statute, the Board of Directors ("Board") of Santee Cooper retained Concentric Energy Advisors, Inc. ("Concentric") to review Santee Cooper Management's ("Management") proposed retail rate adjustments prior to implementation in 2027 and 2028.
- ❑ **Scope:** Assist the Board in interpreting the rates study report, proposed rates, and comments from other parties. Assess whether proposed rates are just and reasonable and appropriately consider Board-adopted pricing principles. Meet with the Board to review findings and respond to questions as appropriate. Answer the following Key Objective Questions:
  - Does the Cost-of-Service process utilized by Santee Cooper Management follow accepted industry practices and serve to effectively align customer prices with cost-causation across customer classes as well as for individual customers?
  - Do the proposed rate designs properly consider and balance customer impacts, system operations, gradualism, and future technology implications?
- ❑ **Process:**
  1. Review provided materials and meet with Management to provide clarity and answer questions regarding proposed changes.
  2. Conduct a detailed review of the cost-of-service study, proposed rate changes, and comments from other parties.
  3. Consider industry rate design best practices and principles in comparison to Santee Cooper proposed designs.
  4. Develop a report of findings for Board review and support Board evaluation of the report and final approval of the proposed rates.

Board Overview

+*Executive Summary*

+*Key Observations*

+*Objectives and Conclusions*

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BOARD OVERVIEW

Executive Summary and Key Observations and Conclusions for Board Consideration

❑ Summary:

- In Concentric's considered opinion, Santee Cooper's planned rate adjustments reflect industry best practices, are appropriately sensitive to customer needs, and modestly extend rate design strategies initiated in the prior adjustment.
- Management has thoughtfully and thoroughly considered and proposed improvements across customer classes that should prove beneficial to both individual customers and Santee Cooper's operations as price signals encourage lower-cost energy consumption patterns.
- Overall, Concentric affirms that the proposed rate changes are just and reasonable, support the revenue needs of Santee Cooper with fair customer price signals, and are thoughtfully designed to provide benefits to the state of South Carolina through improved operations and customer experiences.

❑ Key Observations:

- Proposed pricing updates thoughtfully consider customer satisfaction, reflect updated cost-of-service analysis, and maintain price signals that encourage system beneficial consumption patterns across all customer classes.
- Class revenues have been established in a manner reflecting cost-causation based on industry best practices for cost-of-service analysis.
- Proposed rate designs are fair and the changes to rate design relative to existing rates should contribute to more stable and predictable bills for customers while affording customers opportunities to modify energy consumption so as to further increase bill savings or reduce bill volatility.
- Proposed rates do not present any abnormal risks for the collection of the revenues necessary for Santee Cooper's operations and capital investment plans.

❑ Objectives and Conclusions – Answers to Key Objective Questions:

1. *After thoroughly reviewing the cost-of-service analysis, the proposed tariffs, and pricing changes, Concentric confirms that Management's proposal follows accepted industry practices and aligns customer pricing with cost-causation.*
2. *Pricing and rate design often requires that the rate analyst balance different, often competing, objectives. Santee Cooper Management has proposed pricing changes that reflect thoughtful consideration of customer impacts and such tradeoffs.*

Proposed Changes

+*Residential*

+*Commercial*

+*Industrial*

+*Large, High-Impact Loads*

03

RESIDENTIAL

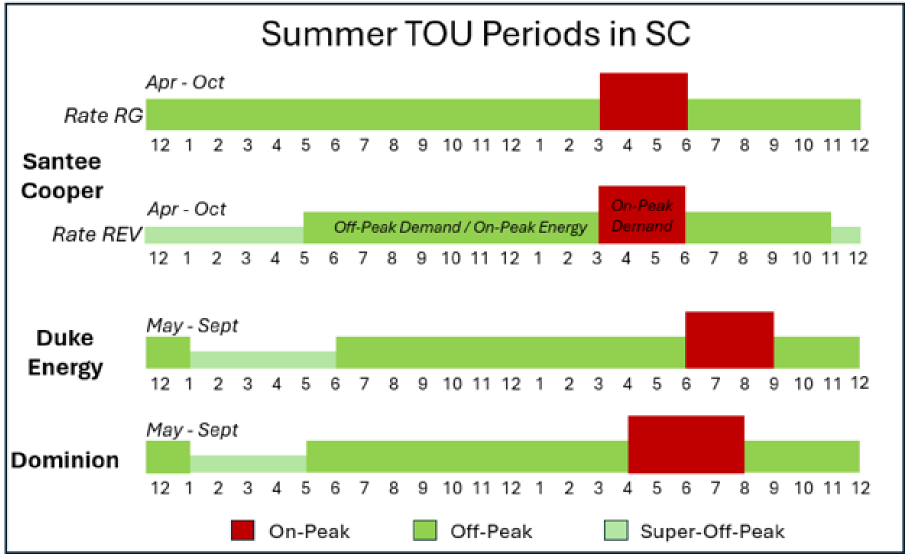
Proposed Residential Rate Designs and Changes

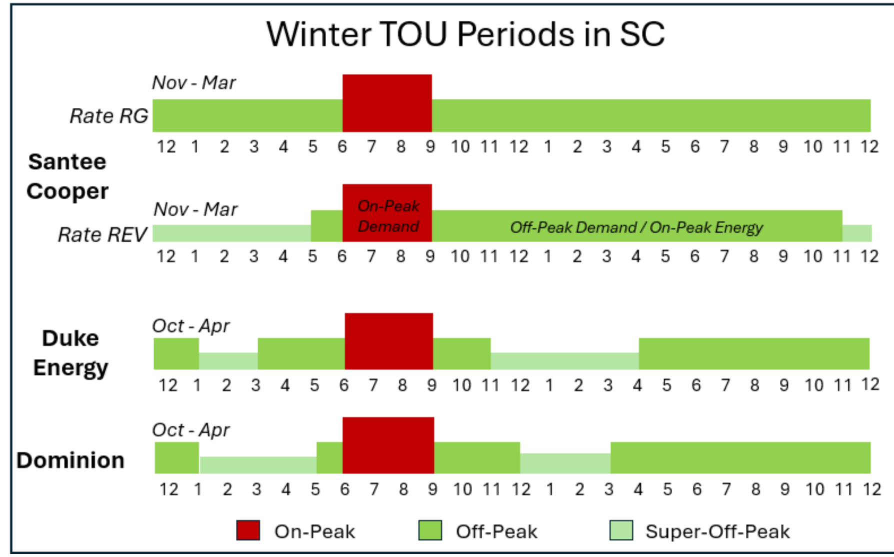
Schedule	Purpose	Participation	Design Overview	Proposed Changes and Considerations
RG	Whole home default rate	190,000 (97%)	• Demand charge discourages peak usage • ~25% of revenues from demand charge	• Balanced Billing Demand bases the demand charge on the average of the 4 highest hours on separate days, avoiding single-event issues with the present design that has created some customer concerns around bill control and volatility. • Increase in Basic Monthly Charge ("BMC") in line with overall class increase and supported by cost of service.
RT	Alternate rate for pre-pay and interested customers	6,300 (3%)	• Alternative for low load factor, pre-pay cust. • Higher on-peak energy charges	• No proposed changes to Time-of-Use ("TOU") periods • Increase BMC by 25% to address concerns associated with potential savings for low load factor customers.
REV	EV owner whole home rate	~150 (<1%)	• Parallels Schedule RG but includes super-off-peak charging period of 11pm – 5am daily	• No proposed changes. Design saves EV drivers ~$200/yr. for at-home charging during off-peak hours. • Schedule is presently available only to EV drivers but could be appropriate for interested non-EV customers also.
EVO	Dedicated EV equipment charging rate	<10 customers	• Design resembles REV but includes monthly charge for necessary additional meter	• No proposed changes. Remains exclusive option for dedicated EV charging via separate meter. • Expect continuation of very low participation due to the limited savings opportunities relative to Schedule REV, coupled with the incremental $5.50 BMC cost.

- ❑ **Customer Considerations:** Proposed changes should reduce unexpected high bills while maintaining price signals in present designs that encourage beneficial price responsiveness.
- ❑ **Future Design Considerations:** Schedule RT and REV designs could be modified to create more broadly acceptable alternatives to Schedule RG for customers concerned about demand charges. TOU periods should be monitored for modification based on evolving grid dynamics, particularly if the pace of solar adoption accelerates.

RESIDENTIAL TOU PERIOD CONSIDERATIONS

Santee Cooper is retaining its present Residential TOU period designations for now





- ❑ Santee Cooper's residential TOU periods are similar to those of neighboring utilities but with some notable differences, including more months priced as summer months and on-peak summer hours falling earlier in the afternoon.
- ❑ **Future Design Consideration:** The Super-Off-Peak Hour feature in Schedule REV may be beneficial for some non-EV owners and thus may be a useful feature to consider for Schedules RG and RT for future rate revisions.

COMMERCIAL

Proposed Commercial Rate Designs and Changes

Schedule	Purpose	Participation (#/%)	Design Overview	Proposed Changes and Considerations
GA and GA-LL	Small accounts up to 50kW	GA – 23,000 (79%) GA-LL – 300 (1%)	• GA – Demand charge discourages peak usage • GA-LL – Designed with no demand charges for low-load factor customers	• Balanced Billing Demand proposed, matching Schedule RG design and similarly addressing potential customer concerns. • Aligning TOU On-peak periods with Residential (3-hours windows both summer and winter). • GA-LL made permanent offering as it is fulfilling design intent for low-load factor customers.
GB and GL	Account sizes >50kW	GB – 2,000 (7%) GL – 40 (<1%)	• Single-peak demand charge and modestly time-differentiated energy prices	• Schedule GL merging into Schedule GB, with price increases for BMC and demand charges only. • No change to basic design with no expected adverse customer impacts from the consolidation of schedules.
GV and GT	Seasonal or controllable loads	GV – 70 (<1%) GT – 20 (<1%)	• Modified Schedule GB design reflecting unique customer characteristics	• Schedule GV retains design for seasonal customers with higher demand charges but no ratchet. • Schedule GT maintains offering suitable for customers with ability to constrain on-peak consumption.
TP and TL	Temporary service; and Traffic Signals	TP – 4,000 (13%) TL – traffic signals	• 12-month energy-only rate for temporary service • Energy and lamp charge for traffic signals	• No proposed design changes

- **Customer Considerations:** Proposed changes should reduce unexpected high bills while maintaining price signals in present designs that encourage beneficial consumption. Consolidation of Schedules GB and GL should simplify rate administration and customer experience without any transition issues for affected customers.
- **Future Design Considerations:** Direct Current Fast Charge customers (public facing EV chargers) may benefit from tariff options that consider the potentially small contribution to system peak from such loads. Additionally, Schedule GT contains price signals that may benefit a broader set of customers – greater adoption could yield grid and customer benefits long-term.

INDUSTRIAL

Proposed Industrial Rate Designs and Changes

Schedule	Purpose	Participation	Design Overview	Proposed Changes and Considerations
L	Industrial Firm Power Customers	28 customers	• High demand charges with energy charges priced to essentially recover variable costs	• No proposed design changes. • Proposed price changes include only increases to the Basic Monthly Charge and Demand Charges, as supported by the cost-of-service analysis.
L-I	Interruptible Power Customers	14 customers	• Interruptible demand charges are priced relative to firm demand charges based on the value of peaker generation	• No proposed design changes. • No proposed pricing changes given the changes in peaking capacity relative to the revenue requirements.
L-EP and L-EP-O	Economy Power	7 customers	• Niche offerings for large customers with interest in as-available power with variable pricing	• No proposed design changes. • The price threshold for designating additional hours as On-Peak hours will be increased to $60/MWh to reflect prevailing market conditions and improve customer expectations of event likelihood.

- ❑ **Customer Considerations:** Santee Cooper Management has received feedback from its industrial customer base supportive of the present suite of rates, thus Management is not proposing meaningful changes to the industrial schedules.
- ❑ **Future Design Considerations:** Present rate offerings for industrial customers differentiate between firm and non-firm customer needs. In the future, a standalone TOU option could be considered for customers unable or unwilling to receive non-firm power, in addition to the off-peak demand provision available in Schedule L. Santee Cooper Management would need to consider whether customer participation and interest warrant such an offering or if present offerings remain sufficient.

LARGE, HIGH-IMPACT LOADS

Major Design Features

Design Feature	Santee Cooper Approach	BoD Consultant Observations
Long-term contracts	• Not less than 15 years	• Consistent with industry standards reflecting long-lived assets
Pricing Design	• High demand charges with relatively low energy charges	• Industry-standard appropriate for high-load factor customers
Minimum Billing Demands (Base and Coincident Peak)	• Minimum Billing Demand of 90% of Firm Contract Demand	• High relative to industry norms of 75-80%, but not unreasonable given load size relative to Santee Cooper
Coincident Peak Demand Charge	• Charge for demand during Santee Cooper's system peak hour each month • May be revised periodically to reflect differences in incremental demand costs	• Coincident Peak Billing Demand is a relatively unique charge • Recalculations could be challenged by Large Load Customers ("LLCs")
Termination Damages	• Contract reductions are only allowed after initial 15 years of service with Minimum Bills applicable until that time	• Design provides protections for non-LLC customers stronger than industry norms • Similar industry damages provisions typically allow for mitigation (e.g., credits reflecting residual asset value)
Credit Provisions	• Financial assurances totaling 15 years of Minimum Bills • 12-months Minimum Bills as cash deposit • >50% of remaining assurances provided in cash or Letter of Credit	• Stiffer credit requirements than industry norms • Cash deposit requirements may be a deterrent for some economic development prospects

- Santee Cooper Management proposes renaming the Experimental Large Load Schedule (Schedule L-25-LL) as the High Impact Load Schedule (Schedule L-27-HIL, "Schedule HIL").
- Schedule HIL is Applicable to:
  - New and Existing Customers
  - Loads >20MW with high load factors that do not meet economic development criteria
  - Mobile computational loads >1MW
- Foundational design features such as long-term contracts, Minimum Billing Demands, Termination Damages, and Credit Support are industry standards.

LARGE, HIGH-IMPACT LOADS

Major Design Features (Emerging or Less Prevalent in Industry)

Design Feature	Santee Cooper Approach	BoD Consultant Observations
Interconnection Costs	• Covered by LLC, including network upgrades, with potential future credits for subsequently determined grid benefits	• Requires LLC to fully cover costs for grid connection up front • Relatively more burdensome on LLCs than typical industry practices, but such practices are rapidly evolving
Charges for Excess Demand	• Incremental charges for demands during on-peak periods in excess of the LLC's current contract demand	• Creative approach to deter gaming through intentionally undersized contract demands
Contract Reductions	• Allowed after initial 15 years of service with notice; subject to 5-year ramp down limits	• Industry practices are evolving around contract reductions • Declining ramp approach should provide resource planning flexibility
Notice Provisions	• 1-year of notice required for contract reductions after initial term	• Glide path for reduction through notice requirement and ramp period should smooth uncertainty for end of contract
Curtailment	• Allowed for operational or reliability purposes	• Curtailment remains atypical for most LLC tariffs, especially for full contract duration
Automatic Contract Extensions	• Contract effectively continues in perpetuity unless reduced based on contract reduction provisions	• Design should support resource planning needs after initial contract term
Retail Sufficiency Recovery Charge	• Assessed charge to address shortfalls in retail revenues relative to incremental costs to serve LLC	• Backstop protective feature to ensure LLC revenues are sufficient to avoid adverse rate impacts to other customers • Uncertainty and potential costs may be a deterrent for some large load customers. However, some may consider it similar to traditional regulatory uncertainty

LARGE, HIGH-IMPACT LOADS

Maintaining Customer Protection Without Jeopardizing Economic Development

Transmission Costs

- Industry trends are towards requiring capital contributions for interconnection costs, but such requirements are less common for network costs.
- Substantial up-front costs may prove a meaningful deterrent for some LLCs, and such costs may be effectively already included in rates.

Termination Damages

- Consider if termination damages of Minimum Bills for the remainder of the contract are necessary for relatively smaller large loads.

Credit Provisions

- Considerable levels of up-front cash requirements may prove a barrier even for customers with excellent credit ratings.

Curtailment Provisions

- While some large load customers may be required to curtail during the load ramp phase elsewhere, Santee Cooper's provision extends to the full term of the contract.

Santee Cooper's Large Load provisions provide substantial protections for existing customers to prevent subsidization of large loads.
Future Rate Adjustments should consider whether the terms provide adequate balance with Economic Development goals.

Cost of Service

+ *Overview*
+ *Perspectives of Other Parties*

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SANTEE COOPER COST-OF-SERVICE STUDY ("COSS")

Santee Cooper's COSS aligns with industry best practices

❑ Overview:

- Santee Cooper is using accepted industry practices for cost allocation amongst customer classes and is maintaining the same approach from the prior retail rate adjustment.
- The Board should feel confident that Santee Cooper Management's approach is reasonable and appropriate, even considering critiques from other parties.

❑ Perspectives of Other Parties:

- Office of Regulatory Staff: The ORS reviewed Santee Cooper's cost of service study and concluded that the "functionalization, classification, and allocation methods used in the COSS generally align with electric utility industry practices."
- Department of Consumer Affairs: The DCA expressed concerns about potential over-emphasis on the peaking function of generation in the allocation of costs. However, Concentric notes that Santee Cooper's fuel cost allocation methodology provides appropriate balance to the generation cost allocation methodology and is therefore reasonable given the full picture of cost allocation.
- Nucor: Nucor states that "Santee Cooper's allocation approach is reasonable, generally reflective of cost-causation, and consistent with how Santee Cooper currently allocates costs." Class revenues have been established in a manner reflecting cost-causation based on industry best practices for cost-of-service analysis.
- Joint Commenters[1]: Presented similar positions to DCA.

[1] "Joint Commenters" refers to Santee Cooper customer Sara Rich, the South Carolina Coastal Conservation League, Southern Alliance for Clean Energy, the South Carolina Small Business Chamber of Commerce, and the South Carolina Appleseed Legal Justice Center.

Other Rate Design Perspectives

+ *Office of Regulatory Staff*
+ *Department of Consumer Affairs*
+ *Nucor*
+ *Joint Commenters*

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OTHER RATE DESIGN PERSPECTIVES

Santee Cooper's proposed designs received some comments and alternatives from other parties

- **Office of Regulatory Staff:**
  - ORS recommends that "Santee Cooper evaluate customer impacts following each proposed rate increase," including potential price-responsiveness, bill volatility, and customer preferences regarding various available schedules.
  - Additionally, ORS recommended Santee Cooper continue educational efforts around demand charges to support price-responsive actions.
- **Department of Consumer Affairs:**
  - DCA recommends no increase to the Residential BMC as proposed by Santee Cooper Management for both Schedule RG and Schedule RT.
  - DCA supported proposed changes to demand charge structures but expressed concern with respect to the potential impacts to electric heating customers.
- **Nucor:**
  - Nucor's comments on rate design generally support lower rates for interruptible customers, making several recommendations that would increase the discount applied to interruptible demand charges.
- **Joint Commenters:**
  - Joint Commenters recommend Santee Cooper transition to a TOU energy rate (i.e., no demand charge) for the standard residential tariff and allow customers with self-generation to participate on the TOU energy rate.

> - Concerns by DCA, Nucor, and Joint Commenters are addressed more fully in the Independent Board Consultant Report.
> - At a high level, concerns are not sufficient to warrant modification of Santee Cooper's proposed 2027-28 Rate Adjustments.

Considerations & Observations

+ *Overall Benefits*
+ *Future Considerations*

06

CONSIDERATIONS AND OBSERVATIONS

Executive Summary and Key Observations and Conclusions for Board Consideration

❑ Summary:

1. Proposed rate implementation appropriately aligns customer charges with cost-causation, both across the customer classes (via the Cost-of-Service process) and within classes (via the rate design process).
2. Proposed rate design changes should reduce "surprise" bills relative to current rates for smaller customers while still retaining price signals to encourage customers to shift load away from times that are the most expensive to serve.
3. None of the proposed changes appear to jeopardize Santee Cooper's ability to collect the anticipated revenues needed to fund operations and capital investment.

❑ Future Considerations:

1. Echoing recommendations by ORS and others, consider additional ways to support customer education and communication around pricing and steps customers can take to reduce bills.
2. Review options for making residential Schedules RT and EVO more viable alternatives to Schedule RG, including features that would limit unwarranted subsidization of low load factor customers without becoming an adoption barrier for higher load factor customers.
3. Monitor time-of-use periods as demands shift over time, particularly if solar adoption increases in Santee Cooper's service territory.
4. Consider options to address potential DCFC customer concerns given the structure of demand charges on the proposed commercial tariffs.
5. Monitor market impacts of proposed changes to Schedule HIL, particularly with respect to achieving and maintaining the balance between beneficial economic development and protecting other customers from adverse cost impacts from large loads.

❑ Acknowledgements:

Concentric Energy Advisors appreciates the opportunity to support the Board in reviewing the proposed 2027-2028 retail rate adjustments. Additionally, we appreciate the cooperation of Santee Cooper Management, who provided helpful and thorough responses to questions as well as access to information throughout the course of this review.

