Independent Board Consultant Report

2026 Retail Rate Adjustment & Rate Designs

Prepared for:
The Board of Directors of the South Carolina Public Service Authority

FINAL REPORT
August 31, 2026

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1.0 – INTRODUCTION

Purpose

South Carolina Code Section 58-31-730 defines the retail rate adjustment process for the South Carolina Public Service Authority ("Santee Cooper"), which includes Subsection (E) stating: *"The board of directors shall utilize consultants independent from the Authority's management and is authorized to hire independent, outside experts and consultants as necessary to fulfill the board of directors' obligations and duties pursuant to this section."*

The Board of Directors ("BoD" or "Board") of Santee Cooper retained Concentric Energy Advisors, Inc. ("Concentric") to perform the statutorily required review of Santee Cooper's Management's[1] proposed retail rate adjustments (i.e., the "Retail Rates Process") prior to their implementation in February 2027 and February 2028.

Scope

Services Requested:

1. Assist the Board in interpreting the rates study report, proposed rates, and associated documents submitted by Santee Cooper's Management
2. Assist the Board in interpreting the proposed rate schedules
3. Assist the Board in interpreting comments concerning proposed rates received from the South Carolina Office of Regulatory Staff, the South Carolina Department of Consumer Affairs, customers, and other interested parties
4. Assess whether the proposed rates reasonably considered the Board-adopted pricing principles
5. Review financial analysis and customer impacts provided by Santee Cooper's Management
6. Review and assist the Board in interpreting any reports or other materials as determined necessary by the Board
7. Attend, as requested, Board meetings in person in South Carolina or virtually as necessary
8. Meet as necessary (in person or virtually) to provide support to the Board throughout the Retail Rates Process
9. As necessary, prepare written documents to assist the Board in accordance with the deadlines required by the Retail Rates Process to include:
    a. An initial report on the proposed rates and presentation to the Board of Directors to be given at the August 31, 2026 Board of Directors Public Comment Meeting
    b. Report on any revised rates presented to the Board at the September 29, 2026 meeting

[1] Hereafter referred to as "Santee Cooper Management" or "Management."

   c. Report on final considerations and analysis the Board should consider in deciding whether the proposed rates are just and reasonable and in the best interests of Santee Cooper

   d. Guidance and recommendations to the Board, as requested, which may include an opinion letter or advice letter to the Board regarding any matters that are raised throughout the Retail Rates Process including whether the proposed rates enable cost recovery, are consistent with reasonable ratemaking principles, are just and reasonable, and whether the Board reasonably could determine that the proposed rates meet the statutory best interests framework that governs the decision making of the Santee Cooper Board (See S.C. Code Ann. §58-31-55(A)(1)-(3))

10. Provide objective recommendations directly to the Board regarding issues as raised throughout the Retail Rates Process

<u>Key Objectives</u> – Questions to address on behalf of the Board:

1. 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?
2. Do the proposed rate designs properly consider and balance customer impacts, system operations, gradualism, and future technology implications?

<u>Materials Reviewed</u> – Concentric has reviewed and considered the following:

- 2024 Rate Adjustment Reports and Associated Materials *(for context)*
- 2026 Electric System Cost of Service and Rate Design Study *(NewGen Strategies and Solutions)*
- 2026 Management Recommendation – Request to Adopt Retail Rate Adjustment Process and Recommendation to Adjust 2027 and 2028 Rates – May 2026
- 2027-2028 Cost-of-Service Model
- Current Santee Cooper Rate Schedules
- Proposed Rate Schedules Effective for Bills Rendered Starting Feb 1, 2027 and Feb 1, 2028
- Other Management Reports and Materials Accessible via Rate Study Informational Webpage
- Rate Designs of Other Utilities for Benchmarking and Comparative Purposes

<u>Out-of-Scope</u> – The review did NOT include the following:

- Accounting Audit for Historic Costs or Projected Budgets
- Evaluation of Load Forecast Development
- Evaluation of Projected Debt, Fuel, or Purchased Power Costs
- Evaluation of the Appropriateness of Capital Plans or Budgets
- Review of Resource Adequacy and Reserve Margin Planning

- Development or Proposals including:
    - Additional rates study report
    - Additional or differing rate proposals

Process

1. Concentric representatives reviewed materials Santee Cooper provided through the Rate Study web page, including the materials listed above.
2. Concentric representatives met with Santee Cooper Management to understand rate design objectives for 2027-2028, the potential challenges to their achievement, and to provide clarity on changes reflected in the 2026 Management Recommendation and Proposed 2027 Rate Schedules.
3. Following additional detailed reviews of the proposed rates and cost-of-service ("COS") study analysis, Concentric provided additional clarifying questions to Management.
4. Concentric representatives evaluated proposed rate designs for appropriateness given industry best practices relative to Santee Cooper's context and pricing objectives.
5. Concentric representatives reviewed and considered comments from the South Carolina Office of Regulatory Staff, the South Carolina Department of Consumer Affairs, Nucor, the Industrial Customer Group, and the Joint Commenters[2] in the evaluation of proposed rate designs.

[2] "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.

2.0 – OVERVIEW FOR THE BOARD OF DIRECTORS

Executive Summary

It is Concentric's considered opinion that Santee Cooper's planned 2026 Adjustment to Rate Schedules and Tariffs reflects industry best practices, is appropriately sensitive to the needs of customers, and modestly extends rate design strategies initiated in the 2024 Rate Adjustment. Santee Cooper Management has thoughtfully and thoroughly considered and proposed improvements to tariffs 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. Furthermore, proposed tariffs are forward-looking and include designs that consider the ongoing expansion of distributed energy technologies as well as the potential for extra-large-load customers seeking access to reliable supplies of electricity in South Carolina.

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 tariff and rate design changes are in accordance with industry best practices and align customer prices with cost-causation.
- Pricing strategy has been appropriately informed by customer feedback, including residential, commercial, and industrial customers.
  - 2026 pricing updates reflect a natural extension of the 2024 Rate Adjustment, thoughtfully developed to improve customer satisfaction, reflect updated cost-of-service analysis, and maintain price signals that encourage system beneficial consumption patterns across all customer classes.
  - 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 rate designs do not present any abnormal risks for the collection of the revenues necessary to support Santee Cooper's operations and capital investment plans.
  - Proposed rate designs balance simplicity and customer understandability with the level of complexity necessary to align pricing with cost causation. Additionally, Santee Cooper has made efforts to support customers in understanding and responding to price signals contained in rate designs.
- Class revenues have been established in a manner reflecting cost-causation based on industry COS best practices for apportioning revenues to support production, transmission, and distribution investments.

Board Opinion and Advice Letter

Concentric confirms that the proposed retail rates are just and reasonable and meet the statutory best interest framework that governs the decision-making of the Santee Cooper Board, as defined in S.C. Code Ann. §58-31-55(A)(1)-(3) and which includes preservation of the financial integrity and property of the Public Service Authority ("PSA"), seeking the best interests of the PSA's customers, and supporting economic development and job attraction and retention in the PSA's service territory.

Based on our review of the 2026 Electric System Cost of Service and Rate Design Study report, supportive materials and analyses, responses to questions to Management, review of comments from other interested parties, and our industry knowledge and expertise in such topics, Concentric supports the Board's approval of the proposed retail rate modifications on the basis that they fulfill the above statutory requirements. The proposed rates are designed to supply the revenues Santee Cooper Management requests to support the operational and capital needs of Santee Cooper. Additionally, the cost-of-service analysis and rate designs were conducted appropriately and accurately reflect cost causation between the customer classes as well as within the various customer classes. Finally, the proposed rates are designed to thoughtfully balance the need to protect current customers while encouraging beneficial economic development in South Carolina.

Importantly, the South Carolina Office of Regulatory Staff ("ORS") commented on page 42 of their review of the proposed rates that "Santee Cooper's proposed COSS and rate design methodologies generally follow accepted electric utility practices and provide a framework for collecting the projected retail revenue requirements." Concentric concurs with this assessment.

Responses to Key Objectives Questions

1. 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?

   Yes. 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. Do the proposed rate designs properly consider and balance customer impacts, system operations, gradualism, and future technology implications?

   Yes. 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.

3.0 – REVIEW OF PROPOSED PRICING AND RATE DESIGN CHANGES

Residential

Tariff Availability and Options

Santee Cooper Management proposes retaining 3 main residential tariffs plus an optional rate for accounts servicing only electric vehicle charging loads. Rate RG serves approximately 97% of residential customers, as seen in Table 1.0 below, although both Rate RG and RT are available to all customers. Rates REV and EVO are options for customers with dedicated electric vehicle ("EV") charging equipment.

Schedule	Purpose	Participation (#/%)	Design Overview
RG	Whole home default rate	190,000 (97%)	• Demand charge discourages peak consumption • ~25% of revenues from demand charge
RT	Alternate rate for pre-pay and interested customers	6,300 (3%)	• Optional rate typically suitable for low load factor customers and pre-pay participants • Higher on-peak energy charges
REV	EV owner whole home rate	~150 (<1%)	• Parallels Schedule RG but includes super-off-peak charging period of 11pm – 5am daily
EVO	Dedicated EV charging rate	<10 customers	• Design resembles REV but includes monthly charge for necessary additional meter

Table 1.0 – Santee Cooper Residential Rate Options

Proposed Residential Pricing and Design Changes

- *Schedule RG - Balanced Billing Demand* – Schedule RG introduced residential customers to demand charges in the previous rate adjustment. While reflective of cost of service, demand charges can be difficult to understand and may also result in bill volatility as charges are set based on consumption within a single hour each month. Santee Cooper Management noted customer concerns with understanding the nature of demand charges and managing bill impacts, including customer discouragement experienced after a single peak event limited further bill management options for the month. Accordingly, Santee Cooper Management proposes to implement Balanced Billing Demand to establish the demand charge. Under Balanced Billing Demand, a customer's billed demand is calculated as the average of the customer's highest 4 hourly demands occurring during peak demand hours as measured on separate days.
    - Balanced Billing Demand directly addresses customer feedback with respect to the current rate design and so should improve the overall customer experience. Customers should expect reduced bill volatility as the demand charge is less susceptible to a single event, such as a frigid winter morning.
    - Importantly, the revised Schedule RG should continue encouraging load management practices, helping individual customers save via reduced energy and demand charges, while

keeping bills lower for all customers by reducing system peaks and, consequently, the overall cost of the grid.

- *Increase in Schedule RG Energy Charges* – Santee Cooper Management plans to increase revenues from energy charges relative to demand charges by increasing the energy price approximately 13% compared to the overall residential increase of 4.7%. As a result, demand charges will represent a smaller fraction of a customer's overall bill, further reducing unforeseen high bills associated with demand charges.
- *Increase in Basic Monthly Charges ("BMC")* – Santee Cooper Management proposes raising BMCs for Schedules RG and REV by 5% (from $20 to $21/month), in line with the proposed residential class increase of 4.7%. Separately, Santee Cooper Management proposes to raise the BMC of Schedule RT by 25%, from $20 to $25/month.
    - Overall, the proposed increase in the BMC is appropriate and supported by the need to recover certain fixed costs incurred to serve accounts that otherwise yield little revenue from energy and demand charges. Increasing the BMC in line with the overall increase thus maintains alignment with cost-of-service while preserving strong incentives for energy conservation and efficiency.
    - The proposed BMCs are consistent with those of neighboring utilities, which have a wide range of BMCs, with investor-owned utilities generally having lower BMCs and cooperatives generally having higher BMCs:
        - $10.84 – 12.82/mo. – Dominion (SC) – Residential Schedules
        - $11.78 – 11.96/mo. – Duke Energy (SC) – Non-TOU Residential Schedules
        - $13.09 – 14.63/mo. – Duke Energy (SC) – TOU Residential Schedules
        - $14.00/mo. – City of Georgetown Electric Utility Department
        - $18.50/mo. – Orangeburg Department of Public Utilities
        - $30.11/mo. – Palmetto Electric Cooperative
        - $31.94/mo. – Horry County Cooperative
        - $36.00/mo. – Pee Dee Electric Cooperative
        - $50.18/mo. – Tri-County Electric Coop.
    - Santee Cooper Management indicated the larger BMC increase in Schedule RT is intended to avoid potential revenue losses from the migration of very low load factor customers from Schedule RG to Schedule RT. Schedule RT is approximately revenue neutral to Schedule RG meaning that the same amount of revenue would be collected if all residential customers switched from Schedule RG to Schedule RT but with some customers paying more and some paying less. As a result, many Schedule RG customers could switch to Schedule RT and save without modifying consumption behavior or helping reduce grid operating costs. The proposed BMC increase for Schedule RT is defensible and should achieve the stated design goals with limited customer impacts, especially given the low participation rate for Schedule RT.

- *Time-of-Use ("TOU") Periods* – Santee Cooper Management proposes to retain the present TOU periods of 3-6 p.m. during the summer months of April through October and 6-9 a.m. during the winter months of November through March.
    - Santee Cooper's residential TOU periods are similar to neighboring utilities but with some notable differences, as seen in Figure 1.0. TOU periods should be designed to reflect a utility's unique system and operational challenges. Nevertheless, comparisons to Santee Cooper's neighbors may prompt future considerations for TOU modification.
    - Summer TOU Observations:
        - Summer Months: Duke and Dominion consider only the five months of May through September as summer months, compared to Santee Cooper's seven month summer period of April through October.
        - On-peak periods for Duke and Dominion include the evening hours of 6-8pm, after solar production[3] declines in the region (as seen in Figure 2.0).
        - TOU tariffs for Duke and Dominion include a super-off-peak pricing period similar to Santee Cooper's Schedule REV. As noted above, the lower-price period ideal for charging EV's could be appropriate for all customers in the future and may allow for stronger price signal differentiation between on-peak and off-peak periods.

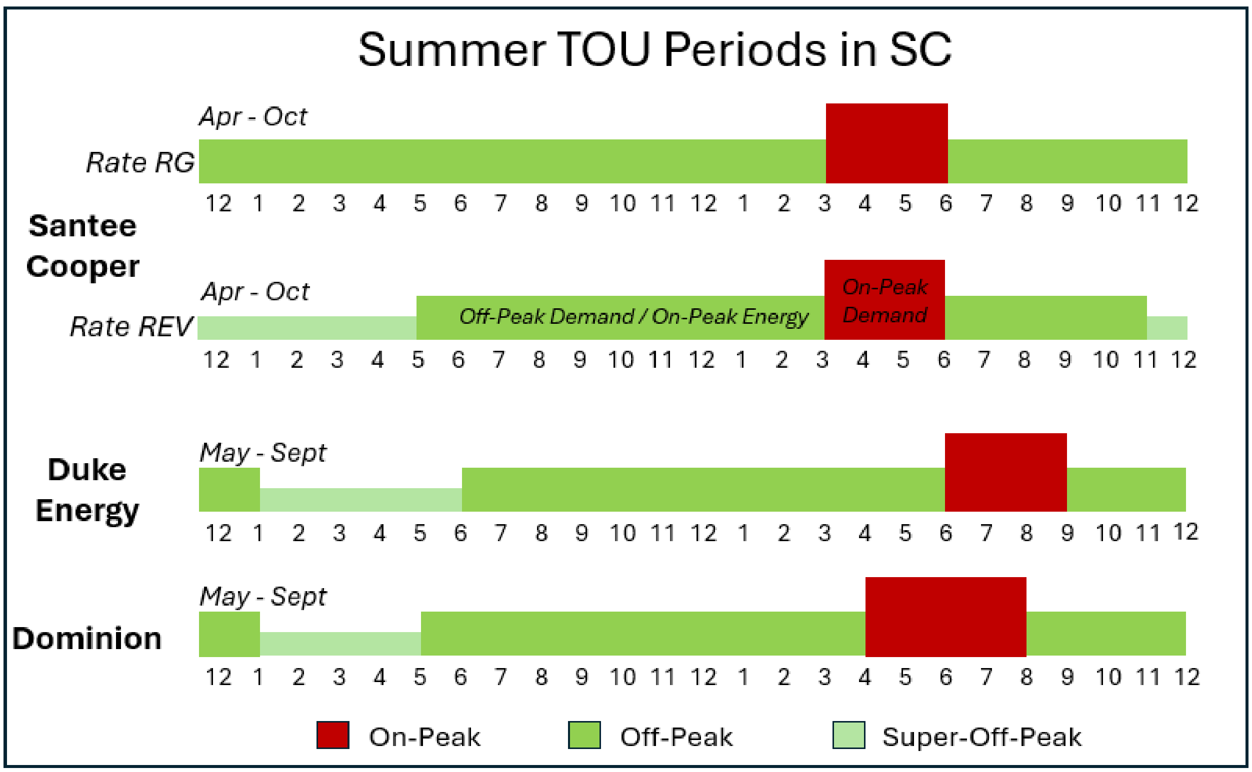

Figure 1.0 – Santee Cooper Summer Residential TOU Periods Compared to Neighboring SC Utilities

[3] Assumes a solar production profile from PVWatts using a standard fixed-tilt solar array located in Georgetown, SC. Summer Average represents the average hourly production profile for the months of April-October.

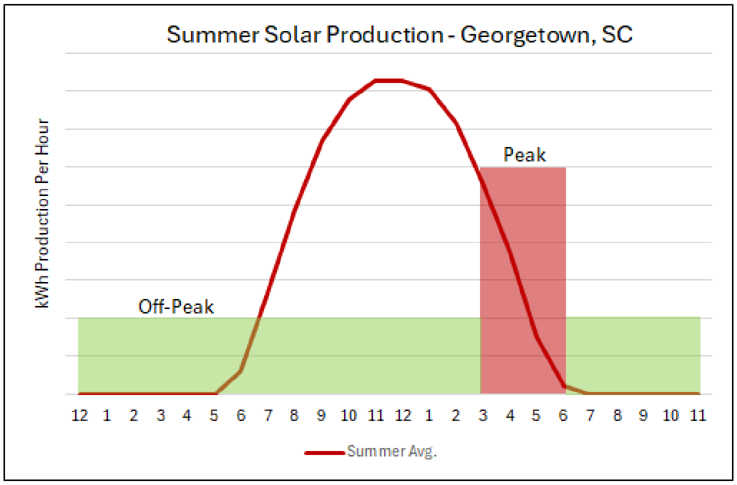

Figure 2.0 Santee Cooper On-Peak Period Relative to Summer Solar Production

- <u>Winter TOU Observations:</u>
  - Winter Months: Duke and Dominion consider winter the seven months of October through April, compared to Santee Cooper's five-month period, as seen in Figure 3.0.
  - On-peak periods are common amongst the utilities, reflecting the focus on the spike in demand due to electric heating loads.
  - Duke and Dominion include an overnight and mid-day super-off-peak period, similar to the low-price period presently included in Santee Cooper's Schedule REV.

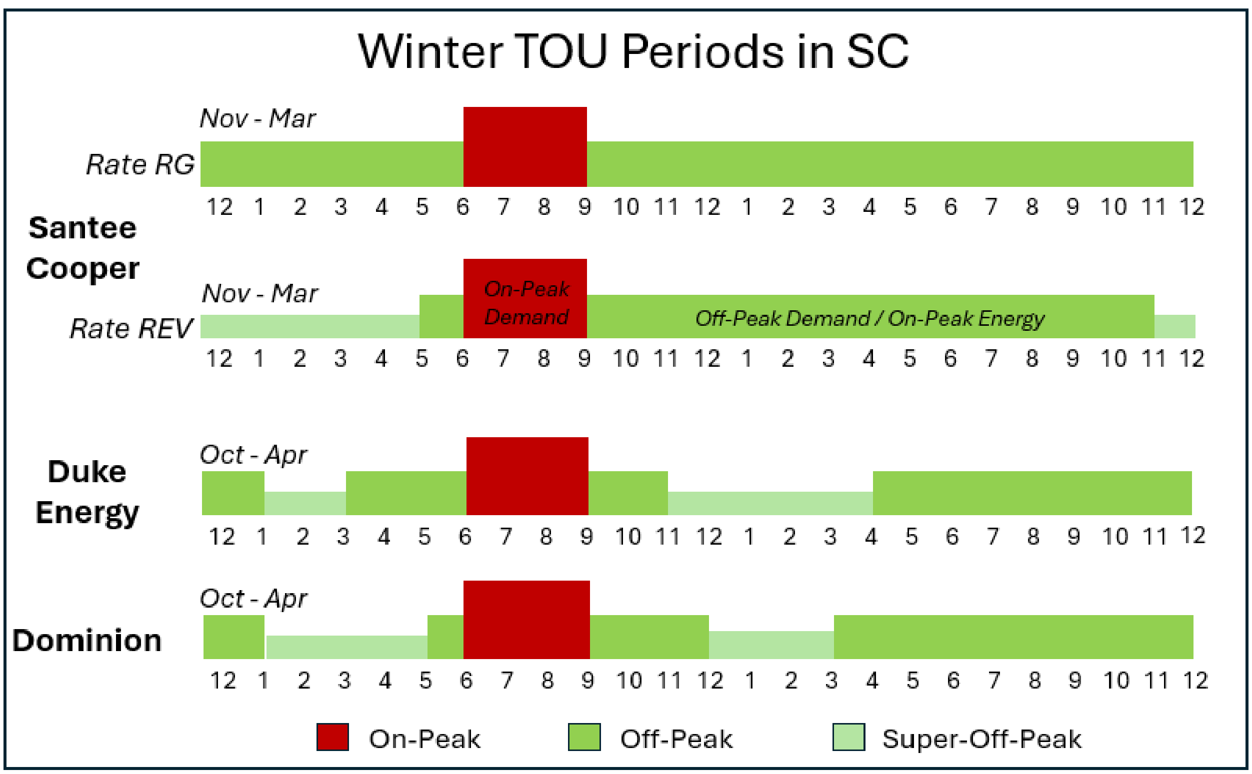

Figure 3.0 – Santee Cooper Winter Residential TOU Periods Compared to Neighboring SC Utilities

- *Electric Vehicle Charging* – Santee Cooper is retaining options for rates designed to encourage EV charging during the lower cost hours of 11 p.m. – 5 a.m. (i.e., the Super Off-Peak hours for Schedule REV that are also included in the Super Off-Peak hours of 9 p.m. – 5 a.m. for Schedule EVO).
    - Schedule REV provides meaningful billing savings opportunities for customers willing to constrain their vehicle charging to the designated Super Off-Peak periods, approaching $200/year for vehicles charged entirely at home based on average driving levels as seen in Table 2.0.

Rate Option	Monthly Energy Consumption (kWh)	Applicable Energy Charging Rate ($/kWh)	Monthly Charging Cost	Annual Charging Cost
Rate RG	340	$ 0.0899	$ 30.57	$ 366.84
Rate REV	340	$ 0.0418	$ 14.21	$ 170.52
		Savings	$ 16.36	$ 196.32

Table 2.0 – EV Driver Savings Opportunity on Schedule REV

    - Based on the design and pricing of Schedule REV, a non-EV owner could reasonably take service under this rate and receive pricing based on cost-causation. Customers with pool pumps, home energy storage, or other loads that can be scheduled may find that the Super Off-Peak period on Schedule REV provides savings opportunities. Accordingly, Santee Cooper could reasonably consider making Schedule REV broadly available to all customers, or in the future, simply create the Super Off-Peak energy period in Rate RG and merge the two tariffs into a single offering.
    - Notably, the staggered start times for the off-peak charging periods of Schedules REV and EVO are creatively designed to avoid "timer peaks" that may result from many chargers programmed to simultaneously initiate charging at the start of an off-peak period. At present, however, low participation rates limit the concerns raised by "timer peaks".
    - Schedule EVO is likely to continue with very low participation due to the limited savings opportunities relative to Schedule REV, coupled with the incremental $5.50 BMC cost.

<u>Customer Considerations</u>

- **Plan Should Reduce "Surprise" Bills** – Santee Cooper Management's proposed rate design changes should reduce "surprise" bills for residential customers relative to Schedule RG's current single-peak demand charge.
- **Rates Encourage Beneficial Price Responsiveness** – Customer efforts to manage energy consumption, particularly through conservation, should still present similar levels of bills savings opportunities, but with a greater portion of the opportunity coming from a reduction in energy charges.
- **Equipping Customers for Price Responsiveness** – Santee Cooper offers customers tools in understanding rate designs and ways to save through informational web pages, savings tips, and "Defeat the Peak" videos. In the future, Santee Cooper might consider day-ahead emails to

customers when anticipated weather is such that most customers might expect to hit one of their 4 peak demands for the month.

- **Limited Expected Rate Migration** – While Santee Cooper offers an online Rate Comparison Tool to aid in rate selection, the higher BMC for Schedule RT ($25/month vs. $21/month for Schedule RG) may create a real or perceived barrier for adoption for many customers and thus limit participation.

Future Design Considerations

1. **Minimum Bill in Schedule RT** – While addressing Schedule RT migration concerns with a higher BMC is reasonable, a future alternative for consideration is a Minimum Bill applicable to the customer's entire bill. For example, Duke Energy Florida includes a "Minimum Monthly Bill" of $30/month in its standard residential offering. Such a feature in Schedule RT could allow the BMC to remain priced the same as Schedule RG, while still ensuring very small or low load-factor customers contribute appropriately to system costs. This simple and effective solution may remove a potential adoption barrier for customers who dislike Schedule RG demand charges but might be responsive to TOU energy prices under Schedule RT.
2. **Potential Evolving TOU Periods:**
   a. Definition of Winter Months – Santee Cooper may find that the "shoulder" months of April and October, currently defined as summer months, in the future more closely resemble winter months and may need to be shifted to the winter definition to reflect their potential for peak-driving cold snaps.
   b. Summer Afternoon Peak Periods – Over time, the proliferation of solar resources in the region could push Santee Cooper's net peak (load net of non-dispatchable solar) to later in the afternoon or evening. While not necessary for the present rate adjustment, a shift in the summer afternoon peak period from 3-6 p.m. to early evening hours may prove beneficial given solar production levels that occur from 3-4 p.m.
   c. Schedule RG Super Off-Peak Period – Santee Cooper might consider including an Off-Peak charging period in Schedule RG and merging Schedules RG and REV in the future.

Commercial

Tariff Availability and Options

Santee Cooper Management proposes simplifying commercial tariff administration by merging Schedules GB and GL. Rate offerings differ based on customer size and load factor, as well as customer willingness and ability to limit consumption during certain on-peak hours, as seen in Table 3.0 below.

Schedule	Purpose	Participation (#/%)	Design Overview
GA	Small accounts up to 50kW	23,000 (79%)	• Demand charge discourages peak consumption
GA-LL	Small accounts up to 50kW	300 (1%)	• No demand charges to avoid adverse impacts for low load-factor customers
GB	Account sizes 50kW – 300kW	2,000 (7%)	• Single-peak demand charge and modestly time-differentiated energy prices
GL *(present state)*	Accounts >300kW	40 (<1%)	• Similar design to Schedule GB, but with slightly more revenue collected through the demand charge at present
GV	Seasonal customers	70 (<1%)	• Similar design to Schedule GB, but higher demand charges in exchange for removal of 30% demand ratchet
GT	Controllable Loads	20 (<1%)	• Time-differentiated demand pricing beneficial for customers who can constrain demand during on-peak hours
TP	Temporary Service	4,000 (13%)	• Temporary service with review for transfer to another schedule after 12 months
TL	Traffic Signal	all traffic signals	• Specific tariff for traffic signals

Table 3.0 – Commercial Tariff Offerings

Proposed Commercial Pricing and Design Changes

- *Schedule GA* – Santee Cooper Management proposes Balanced Billing Demand for Schedule GA, mirroring residential Schedule RG changes. Additionally, Santee Cooper Management is proposing to remove time-differentiated energy pricing but to retain the on-peak price signal for demand charges to encourage more beneficial consumption. Balanced Billing Demand is intended to improve customer experience (similar to the residential Rate RG) while the removal of time-differentiated energy pricing is reasonable due to the lack of meaningful price spreads between periods.
- *Schedule GA-LL* – Santee Cooper introduced Schedule GA-LL as an experimental offering to address a relatively small number of low-load factor accounts that would have been negatively impacted by the demand charge structure of Schedule GA. Higher energy charges align bills with operational costs, while the absence of a demand charge reflects limited impact on peak demand from these customers with intermittent loads. Santee Cooper Management proposes making GA-LL permanent going forward.
- *Schedules GB and GL* – Notably, Santee Cooper Management proposes merging Schedule GL and Schedule GB into a single offering as the rate designs and pricing differences are minimal. While the rates serve customers with a range of load factors at present, such differences are appropriately

aligned with cost-causation through demand charges, thus the combination presents no incremental subsidization concerns. Accordingly, Management proposes increasing the BMC and demand charges for Schedule GB, leaving energy charges unchanged. Overall, the proposal is a reasonable administrative simplification that aligns with cost-of-service ratemaking and should not create material adverse pricing outcomes due to the reassignment of Schedule GL customers to Schedule GB.

- *TOU Periods* – On-peak periods for commercial rates are proposed to be shortened from a 4-hour window (3-7 p.m. in summer, 5-9 a.m. in winter) to a 3-hour window (3-6 p.m. in summer, 6-9 a.m. in winter). The proposed changes are intended to allow customers a more manageable window for reducing their demand, thus producing both bill savings and system benefits. Proposed Commercial TOU periods will also now align with Residential TOU periods. While reasonable and appropriate at present, Santee Cooper may consider reviewing on-peak periods in future, consistent with the residential considerations referenced above.
- *No Design Changes* – No notable design changes are proposed for Schedules GV, GT, TP, or TL.

Customer Considerations

- **Plan Should Reduce "Surprise" Bills** – Similar to residential Schedule RG, implementation of Balanced Billing Demand should reduce "surprise" bills for small commercial customers on Schedule GA, relative to the present design.
- **Appropriate Administrative Simplification** – Combining Schedules GB and GL should not have any negative pricing outcomes for customers while helpfully reducing the need to maintain two separate schedules and monitor customer sizes to determine appropriate service.
- **Plan Addresses Unique Customer Needs** – Schedules GA-LL, GV, GT, and TP are thoughtfully designed and included in the suite of rate options for customers with unique load profiles, including temporary or highly controllable loads.
- **Rates Encourage Beneficial Price Responsiveness** – Schedule GT offers a meaningful price signal to shift loads off-peak and avoid high demands during on-peak windows. By comparison, Schedule GB (most popular for customers >50kW) offers only a modest time-differentiated pricing variation. Some of the customers presently served under Schedule GB, particularly those with partially controllable loads, might benefit from Schedule GT. Greater Schedule GT adoption and price signal responsiveness could beneficially reduce system peak demand levels. In short, the present rate designs may offer opportunities to customers that are presently underutilized.

Future Design Considerations

1. **Direct Current Fast Charge ("DCFC") Consideration** – At present, DCFC customers that offer public charging would take service under Schedule GB. However, Schedule GB demand charges paired with DCFC customer's low-load factors (especially at newer locations) could result in high bills. In future retail rate adjustments, Santee Cooper might consider modifying Schedule GB to address such customers with very low load-factors whose operations may not actually drive system peaks.

Lighting

Santee Cooper is making reasonable adjustments to pricing to reflect cost-of-service for lighting charges and to reflect LED-only lighting options going forward. The Board should have no concerns regarding Management's planned lighting rates given the limited changes and straightforward designs.

Industrial

Tariff Availability and Options

Santee Cooper proposes limited changes to industrial schedules, which are offered to customers with demands greater than 1,000kW and seen in Table 4.0 below.

Schedule	Purpose	Participation	Design Overview
L	Industrial Firm Power Customers	28 customers	• High demand charges with energy charges priced to essentially recover variable costs.
L-I	Interruptible Power Customers	14 customers	• Interruptible demand charges are priced relative to firm demand charges based on the value of a peaking unit of capacity.
L-EP and L-EP-O	Economy Power	7 customers	• Niche offerings for large customers with interest in as-available power with variable pricing.

Table 4.0 – Industrial Tariff Offerings

Proposed Industrial Pricing and Design Changes

Pricing Updates – Santee Cooper is proposing to update only the BMC and Demand Charges for the industrial schedules, leaving the energy charges unchanged from present levels. Such pricing updates are reasonable and supported by the cost-of-service analysis.

Interruptible Power – Santee Cooper is not proposing to modify the Interruptible Power pricing for 2026. While the peaking demand capacity value typically used to determine the interruptible demand discount is increasing, Management considered multiple factors (as discussed below in response to Nucor's recommendations) in its determination to leave the interruptible rate unchanged. The proposed pricing is reasonable and appropriate.

Customer Considerations

- **Rate Offerings Meet Customer Needs** – 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

1. Santee Cooper's 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

Tariff Availability and Rate Design

Santee Cooper Management proposes the Experimental Large Load Schedule (Schedule L-25-LL) be made permanent and renamed the High Impact Load Schedule (Schedule L-27-HIL, "Schedule HIL").

In general, the following Large Load Customers ("LLCs"), inclusive of new and existing customers, will be required to take service on Schedule HIL:

- Computational loads with aggregate monthly maximum demand greater than 20MW;
- Mobile computational loads (including cryptocurrency mining) with demands greater than 1MW;
- Any loads requiring greater than 20MW of service "with high load factors" that do not meet economic development rate criteria.
    - At present, economic development rate criteria in general includes customers greater than 2MW of firm load meeting industrial classification requirements and bringing prescribed levels of employment and/or capital investment to South Carolina.
- Santee Cooper retains the discretion to serve unusual or highly fluctuating loads separately from Schedule HIL, as unique circumstances warrant. Additionally, Santee Cooper may require other high demand or high load factor customers to take service under Schedule HIL.

Table 5.0 provides an overview of the major features of Schedule HIL while Table 6.0 provides an overview of the proposed changes to Schedule HIL.

Design Feature	Santee Cooper Approach	BoD Consultant Observations
Long-term contracts	• Not less than 15 years	• Consistent with industry standards and reflective of long-term investments needed to serve LLCs
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 LLC customers than typical industry practices, but such practices are rapidly evolving
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 vs. Schedule L	• Coincident Peak Billing Demand is a relatively unique charge • Periodic recalculations could be challenged by LLCs

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
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 • Industry examples of similar damages provisions typically allow for mitigation (e.g., credits reflecting residual value of "stranded" assets)
Credit Provisions	• Financial assurances totaling 15 years of Minimum Bills • 12-months Minimum Bills as cash deposit • 50-100% of remaining financial assurances provided in cash or Letter of Credit with balance as a guaranty	• Stiffer credit requirements than industry norms • Cash deposit requirements may be a deterrent for some economic development prospects
Contract Reductions	• Allowed after initial 15 years of service with notice and subject to 5-year ramp down limits	• Industry practices are evolving around contract reductions • Declining ramp approach should provide meaningful resource planning flexibility
Notice Provisions	• 1-year of notice required for contract reductions after initial 15-year term; reductions governed by 5-year ramp down limitations	• Glide path for reduction through notice requirement and ramp period should smooth load (or at least revenue) uncertainty
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 LLC customers, however, customers may not view it as meaningfully different from traditional regulatory uncertainty

Table 5.0 – Major Features of Schedule HIL

Proposed High-Impact Load ("HIL") Pricing and Design Changes

Proposed Change	Observation
Lower Demand Threshold – Santee Cooper Management proposes lowering HIL applicability from 50MW to 20MW, following general industry trends (at least for smaller utilities).	Importantly, Santee Cooper's applicability language should limit the impacts of HIL in circumstances where such protections are less warranted – lower load factor loads, larger customers creating jobs and receiving economic development benefits, or highly fluctuating loads.
Removal of Credit Adjustments – Santee Cooper Management proposes Schedule HIL customers receive no benefits via the Demand Sales Adjustment Rider and, furthermore, prohibits Schedule HIL customers from receiving Economic Development Credits.	Modification is consistent with an intentional focus on ensuring the revenues from HIL customers cover their incremental cost of service.
"Retail Sufficiency Recovery Charge" Replaces "Peak Pricing Power Charge" – The revision focuses on a comparison of retail revenues relative to incremental costs to serve the LLC, rather than a defined peak pricing mechanism designed to reflect periods of high market costs.	While the proposed charge is somewhat more loosely defined, Santee Cooper Management indicates that discussions with customers supported the change and that implementation of a Retail Sufficiency Recovery Charge would be based on a transparent and measurable demonstration of project revenue insufficiency.
Minimum Billing Demand Factors – Santee Cooper Management proposes to simply use a flat Minimum Billing Demand Factor of 90% for both the Firm Billing Demand and the Coincident Peak Demand. Experimental Schedule LL used factors that varied over time.	Proposed change reduces administrative complexity while avoiding material impacts on overall Schedule HIL economics.
Mitigation for Interconnection and Network Costs – Santee Cooper Management proposes allowing cost mitigation for transmission investments funded by the LLC that subsequently prove beneficial for other customers. In such cases, the LLC may receive some form of rate adjustment or credit to recognize measured system benefits.	Proposed change provides an appropriate offset to Schedule HIL's required contribution in aid of construction requirements, which are high relative to industry norms. The new language recognizes that such investments may create grid benefits but defers recognition until substantiated.
Curtailment – Language providing for LLC curtailment during high system loads is new and was not included in experimental Schedule LL.	Customer acceptance of proposed extended curtailment requirements may be predicated upon each LLC's unique ability to sustain operations through the use of backup generation or other load reduction measures.

Table 6.0 – Proposed Changes to Schedule HIL

Rate Design Objectives for Large Loads and Customer Considerations

The NewGen report indicates that the changes proposed for Schedule HIL are "intended to protect existing customers from the costs caused by new large customers and to simplify the Schedules."[4] The proposed changes are indeed supportive of these goals and reflect the dynamic environment for large load tariffs in the electric industry today as well as Santee Cooper's particular resource planning challenges, including present size and growth expectations.

In general, large load tariffs and contract provisions are designed to protect other customers from three distinct categories of risk:

1. What Happens if the Load Doesn't Show Up
2. What Happens if the Load Does Show Up
3. Who Pays for Costs That Occur Before the Load Shows Up

Santee Cooper Management has adequately addressed each of these concerns in its proposed Schedule HIL, as outlined below.

1. **What Happens if the Load Doesn't Show Up** – Typical industry concerns relate to so-called "stranded" resources, which are assets constructed (and investments made) to serve load that doesn't materialize (at all or in the timeframe anticipated). In the case of Schedule HIL customers, such investments could include production (generation assets), network transmission, and direct site-specific interconnection resources. Santee Cooper's suite of contractual provisions ensure that even if loads do not materialize as expected, the expected revenue still does. Importantly, interconnection and network transmission costs are covered fully by each LLC, with the potential for future refunds if such assets prove beneficial to other customers. Separately, long-term contracts with Minimum Billing provisions and credit assurance policies provide revenue to support generation resources built to serve load that may not fully materialize. In short, Schedule HIL customers are effectively committing to pay their share of demand costs whether their meter spins 24/7 or, alternatively, not at all.

    a. *Note:* Demand costs are the focus of recovery efforts for loads that do not materialize. While a 100MW, 95% load factor customer on Schedule HIL might expect to pay $65-70m per year at full operation, the annual Minimum Bill is around $32m. The difference is appropriate because Santee wouldn't incur certain costs (e.g., fuel) for energy that is not actually consumed.

2. **What Happens if the Load Does Show Up** – Schedule HIL protections for LLCs that do materialize are also substantial. In combination, Firm Billing Demand and Coincident Peak Demand charges cover costs associated with production and transmission to serve each LLC. Santee Cooper has addressed low power factor concerns and included a provision for Excess Demand for customers attempting to overconsume relative to contracted levels. Ultimately, if some unforeseen circumstance leaves revenue short of the incremental costs, Santee Cooper can use the Retail Sufficiency Recovery Charge to close the funding gap. In short, small and existing customers can

[4] 2026 Electric System Cost of Service and Rate Design Study (NewGen Strategies) – page 5-3

be assured that Santee has adequate rate provisions to ensure their bills are not adversely impacted by costs to serve LLCs.

3. **Who Pays for Costs That Occur <u>Before</u> the Load Shows Up** – Santee Cooper addresses issues of timing by requiring LLCs to pay for interconnection and network transmission costs up-front, where asset investments necessarily precede revenues from a specific LLC. Regarding generation capacity, Schedule HIL affords Santee Cooper the ability to curtail service to LLCs, forcing them to rely on backup generation resources during times of system constraints. Together, such provisions address resource planning timing challenges for both wires and non-wires costs to serve large load customers, insulating smaller customers from temporarily bearing costs associated with large loads.

In short, the BoD should be assured that Schedule HIL contains considerable protective provisions that insulate existing customers from costs to serve new large loads, to the extent such large loads are subject to Schedule HIL. Santee Cooper has implemented protections in some cases in line with general industry practices, while some provisions are among the strongest in the industry at present (although the industry continues to evolve).

Design of Schedule HIL requires substantial commitments and guarantees from large load customers such that the BoD can be confident other customers will not pay for services provided to large, high-impact loads such as data centers.

<u>Future Design Considerations</u>

1. **Potential for Economic Development Deterrence** – In some cases, proposed Schedule HIL provides protective measures that are among the strongest in the industry, potentially discouraging some large load customers from locating in Santee Cooper's service territory. Santee Cooper will need to actively monitor potential customer interest and evaluate future changes to tariffs if provisions intended to balance economic development with customer protection prove tilted too far in one direction or the other. Indeed, the market continues evolving – virtually every utility is reviewing such practices and implementing or adjusting terms as large load expectations continue to diverge from historic utility growth experiences. Four provisions in particular stand out as warranting future reviews to rebalance desired rate outcomes, as needed:

    a. <u>Up-Front Costs for Network Transmission</u>: While the industry has been trending towards requiring capital contributions or refundable advances for interconnection costs, network costs are less commonly funded by such prepayments. While Santee Cooper may provide refunds/credits to reflect value to other customers after substantiation, an evaluation of how transmission costs are already included in Schedule HIL demand charges (or Schedule L) may demonstrate that large load customers are already paying an appropriate share of transmission system costs through base tariff charges and such direct-assigned costs are not required. While this consideration may be part of the intended future refund/credit, the up-front nature of supporting funds for network costs may nevertheless prove a meaningful deterrent for some LLCs.

b. Termination Damages: Schedule HIL essentially requires Minimum Bills for the entirety of the contract with no ability to terminate or lower contract demands. While providing assurance that LLCs cover their costs, the structure generally does not allow for resource planning adjustments that may be possible by Santee Cooper over such an extended time horizon. While adjustments in loads on the order of a GW or more may be challenging, Santee Cooper might consider earlier termination options for contracts less than a certain size relative to the overall resource plan or load growth expectations. In other words, Santee Cooper may find that adjusting resource plans over a 10-or-15-year time horizon for a 100MW load is manageable, at least compared to a 1GW load, and, as such, greater allowances for termination or contract reductions could be accommodated. While the proposed design certainly provides strong, beneficial protections for other customers, if it proves to be a deterrent or challenge for prospective LLCs, Santee Cooper could evaluate potential changes to help ensure the realization of economic development benefits such as local investments, tax revenues, etc.

c. Credit Provisions: Schedule HIL requires considerable amounts of up-front cash and Letters of Credit, even from customers with excellent credit ratings. However, the size of such requirements may prove a substantial barrier for some customers. By way of example, a 100MW large load customer with a 95% load factor might expect to pay $65-70 million per year at full operation. Under the credit terms of Schedule HIL, that customer would need to provide around $250 million in cash or letters of credit as an up-front credit deposit.

d. Curtailment Provisions: While some large load arrangements include provisions supportive of maintaining grid reliability, Schedule HIL allows Santee Cooper to call upon the customer to reduce load or utilize backup generation in response to high system loads or system emergencies over the full contract term. While uncertainty during the load ramp period and generation planning/construction periods may call for additional reliability support from each LLC, Santee Cooper could review the need for such support during later contract periods. In other words, once the customer's load stabilizes and Santee Cooper has constructed sufficient generation and reserve margins to serve the load, the curtailment provision may potentially be modified or reduced. Santee Cooper should continue to engage with prospective customers regarding the balance needed between LLC operational needs and grid reliability concerns.

2. **Risks Associated with Traditional Large Loads** – Santee Cooper might also consider risks associated with larger load customers to whom Schedule HIL is not explicitly intended to apply – for example, customers requesting 20-50 MWs with a high load factor but meeting economic development criteria for Rider L-27-ED. While Schedule HIL allows Santee Cooper to "in its sole discretion…elect to apply this Schedule to other high demand or load factor customers," some new customers that may bring significant jobs and investment to South Carolina could present meaningful risks to existing customers if resources to serve their loads are constructed but the load fails to show up as anticipated. Schedule HIL provides meaningful protections addressing

costs for interconnections, network transmission, and production resources (as discussed above), and Santee Cooper may be challenged to address those same risks in circumstances where Schedule HIL is not explicitly applicable. Indeed, in some cases, such loads may present greater uncertainty relative to meeting the expected load ramp timelines and thus carry greater risks than a 100MW data center (to which Schedule HIL clearly applies) – especially in cases where significant wires infrastructure is needed for service requirements.

Notable Proposed Changes to Riders

- Economy Power Service (Rider L-27-EP) and Economy Power Service Rider (L-27-EP-O)
  - Santee Cooper Management proposes to increase the Monthly Reservation Charge, following up on an increase proposed but only partially implemented in the 2024 Retail Rate Adjustment. The charge reflects transmission system costs and should generally comprise only a small portion of participating customer bills.
  - Santee Cooper Management also proposes to increase the threshold energy price above which additional On-Peak hours may be called for a particular day. The increase reflects general increases in market prices and essentially improves customer signaling due to the low likelihood of events being called based on the current threshold price.
- Distributed Generation Rider (Rider L-27-DG)
  - Santee Cooper Management proposes to increase the maximum allowable amount of self-generation installed behind a customer's meter eligible for compensation by Santee Cooper from 2MW to 10MW. As the size is also limited to the Customer's contract demand, the increase is reasonable.

4.0 – COST OF SERVICE REVIEW

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, as described in the NewGen Report[5]. Santee Cooper has appropriately adjusted rates between classes to reflect cost-causation, including a "Policy Adjustment" that includes an element of gradualism to avoid potential adverse rate outcomes (e.g., "rate shock") for any particular class. The BoD 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 ("COSS") and concluded that the "functionalization, classification, and allocation methods used in the COSS generally align with electric utility industry practices."[6]
- Department of Consumer Affairs ("DCA")
    - In contrast to the ORS conclusion, DCA argued that Santee Cooper's COSS approach contains a "methodological flaw" that "over-emphasizes the importance of the peaking function of Santee Cooper's generating units while under-emphasizing the role that these units play in supplying basic electricity to customers."[7]
    - DCA comments argue for an alternative Average & Peak ("A&P") methodology, which would materially shift production plant costs from an allocation based on demand to an allocation based on energy. For example, based on DCA's proposed methodology, more than 90% of Santee Cooper's production costs associated with V.C. Summer nuclear ownership would be allocated based on energy consumption (rather than demand) between rate classes.[8]

      Independent BoD Consultant Commentary: While the A&P method does recognize the trade-off between capacity and energy, it alone does not consider the fuel benefits associated with generation assets with high capacity factors (such as nuclear). If a methodology similar to the A&P is used for production cost allocation, a modified approach for fuel cost allocation would need to be selected that appropriately recognizes the benefits of low-cost fuel (e.g., nuclear) that energy intensive customers bring to the system. Thus, the DCA's approach appears inconsistent with how Santee Cooper allocates fuel costs – indeed, implementing both the alternative cost-of-service approach as well as time-differentiated fuel costs would result in offsetting (at least in part, if not fully)

[5] 2026 Electric System Cost of Service and Rate Design Study – 4-20-26; pages 4-1 through 4-9.
[6] ORS Review of SC PSA 2026 Request for Rate Adjustment; page 5.
[7] DCA Comments on Santee Cooper 2026 Electric System Cost of Service and Rate Design Review; slide 31.
[8] DCA Comments on Santee Cooper 2026 Electric System Cost of Service and Rate Design Review; slide 28.

adjustments affecting the balance of costs apportioned between higher and lower load factor customer classes.

- 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."[9]
    - Notably, and in direct contrast to DCA's position, Nucor argues that because "fuel costs are generally higher during on-peak periods and lower during off-peak periods…time of use elements that are incorporated into other demand and energy charges under Santee Cooper's rates should be applied to the [fuel adjustment clause] as well."[10]

      Independent BoD Consultant Commentary: The challenge in COSS approaches with respect to demand and energy is finding a balanced means by which to reflect production assets that supply both energy and capacity. As with the DCA, Nucor supports increasing the recognition of the energy benefits associated with high capacity factor generation, but only with respect to one facet of the overall cost-of-service picture. Indeed, recognizing or pricing fuel costs on a time-differentiated basis (as recommended by Nucor) and simultaneously attributing more production costs to energy (as recommended by DCA) are changes that would at least partially, if not fully, offset one another. Santee Cooper Management's approach attempts to balance these perspectives, providing reasonable and consistent COS outcomes across customer classes.
- Joint Commenters
    - In general, COS recommendations from the Joint Commenters support positions similar to the DCA.

[9] Formal Comments by Nucor Steel – In the Matter of SC PSA (Santee Cooper) 2026 Rate Study; page 7.
[10] Formal Comments by Nucor Steel – In the Matter of SC PSA (Santee Cooper) 2026 Rate Study; page 24.

5.0 – NOTABLE RATE DESIGN PERSPECTIVES FROM OTHER PARTIES

Office of Regulatory Staff

- ORS recommends that "Santee Cooper evaluate customer impacts following each proposed rate increase"[11], including potential price-responsiveness, bill volatility, and customer preferences regarding various available schedules.
- Additionally, ORS recommends the continuation of "customer education concerning Balanced Demand Billing [sic], applicable peak periods, and the actions customers may take to manage demand related charges."[12]

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.

  Independent BoD Consultant Commentary: Santee Cooper Management has proposed to increase the BMC for Schedule RG roughly in line with the overall class so as to not disadvantage either higher or lower load factor customers. The BMC increase for Schedule RT is considerably higher than the class average but is supported by Santee Cooper's analysis demonstrating the need to collect certain fixed costs from very low load-factor customers who are most likely to select Schedule RT. (As described above, future alternatives such as a Minimum Bill feature may allow for moderation in the BMC for Schedule RT.)

- DCA supports the proposed Balanced Billing Demand charge and recommends continuing education for customers with respect to the demand charges on Schedule RG. However, DCA further comments that "the proposed demand charges will negatively impact customers who rely on electric heating during winter months and thus have high morning energy demands."[13]

  Independent BoD Consultant Commentary: Continuing Santee Cooper's efforts around customer education, as proposed by both ORS and DCA, could certainly benefit customers as well as overall system costs if successful. However, the proposed demand charge changes are unlikely to adversely impact customers with resistance electric heating relative to the class overall. While the demand *rate* on Schedule RG is increasing, the Balanced Billing Demand modification should reduce demand *charges* for such customers because the average of the highest 4 on-peak hours will always be less than the single highest on-peak hour. Indeed, the change is most likely to be beneficial to electric heating customers with very high demands on cold winter mornings, especially with respect to a reduction in "surprise" bills. Additionally, Santee Cooper is raising the percentage of

[11] ORS Review of SC PSA 2026 Request for Rate Adjustment; page 5.
[12] ORS Review of SC PSA 2026 Request for Rate Adjustment; page 5.
[13] DCA Comments on Santee Cooper 2026 Electric System Cost of Service and Rate Design Review; slide 49.

revenues collected from energy charges on Schedule RG, thus reducing the impact of demand charges overall for Schedule RG 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, noting specifically that "Santee Cooper does not incur fixed generation and transmission capacity costs to serve interruptible customers"[14].

Independent BoD Consultant Commentary: Similar to the discussion above regarding COS allocation methodology, Nucor's position fails to consider that while interruptible customers may be curtailed during system peaks, such high-load-factor customers still make significant use of system assets during many hours of the year. As mentioned above, the challenge in COSS approaches with respect to demand and energy is finding a balanced approach that recognizes production assets are supplying both energy and capacity. Nucor's desired outcome with respect to interruptible loads is an inter-class issue – if prices for non-firm loads are reduced, rates for all other firm load classes must be adjusted in order to achieve required revenues, necessarily yielding higher rates for all firm load customers. As with the COS discussion above, Santee Cooper's rate design approach intends to balance the meaningful system value brought by interruptible customers while acknowledging that system operational costs must be collected in rates, which includes a reasonable amount of revenue from interruptible customers to support the system they use during the majority of hours each year.

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.

Independent BoD Consultant Commentary: In general, Joint Commenters' recommendations risk exposing Santee Cooper's non-solar customers to increasing levels of cross-subsidization if rooftop solar adoption expands. Accordingly, Santee Cooper's present requirement that all customers with distributed generation (e.g., solar) participate on a rate with demand charges (e.g., Schedule RG) is reasonable and appropriate. As described above, Schedule RT already serves as a reasonable alternative for non-solar customers wishing to avoid exposure to demand charges. In the future, incremental design elements such as a Monthly Minimum Bill could be used to address cross-subsidization concerns and potentially allow solar customers to take service under Schedule RT. Such changes, however, would need to be evaluated and carefully considered by Santee Cooper Management to ensure the Minimum Billing feature sufficiently addresses cross-subsidy concerns so as to allow solar participation.

[14] Formal Comments by Nucor Steel – In the Matter of SC PSA (Santee Cooper) 2026 Rate Study; page16.

6.0 – CONSIDERATIONS AND OBSERVATIONS

In Summary, Concentric notes the following overall benefits of Management's proposal for Board consideration:

1. Proposed rate implementation appropriately aligns customer charges with cost-causation, both across the customer classes (via the COS 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.

Concentric also notes a few options for consideration in future rate adjustments (e.g., for rates effective in 2029 or later), subject to further study and evaluation by Management:

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.

7.0 – ACKNOWLEDGEMENTS

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