



**Request to Adopt Retail Rate Adjustment
Process and Recommendation to
Adjust 2027 and 2028 Rates**

Management Recommendation
May 2026

Request to Adopt Retail Rate Adjustment Process

The South Carolina Public Service Authority's (the "Authority" or "Santee Cooper") Senior Management Team and Senior Director of Financial Planning (collectively the "Management Team") recommends the Board of Directors (the "Board") consider an adjustment of the Authority's retail rate schedules and tariffs effective for service billed on or after February 1, 2027, and February 1, 2028, and requests that the Board adopt a process to consider this adjustment ("Request"). As described in this Request, the Management Team is submitting information in support of the Request to the Board and is proposing a process that will meet the statutory requirements for this Board to consider and approve a rate adjustment.

As part of a retail rate adjustment process, pursuant to S.C. Code Ann. § 58-31-730(B)(2), the Authority must complete a comprehensive review of its rate structures and rates consistent with applicable statutes and the Authority's bond covenants with respect to its revenue requirements. To meet this need, the Management Team retained NewGen Strategies and Solutions, LLC ("NewGen") to assist with completing the comprehensive review. NewGen's report, titled 2026 Electric System Cost of Service and Rate Design Study (the "Study"), is included as **Attachment A**. The Management Team has also provided two additional reports: the "Financial Planning & Requirements Report" and the "Generation, Transmission, and Distribution Report" (collectively referred to as "Supplemental Reports"). These reports help assess the analysis, assumptions, and findings in the Study. The Financial Planning & Requirements Report is included as **Attachment B**, while the Generation, Transmission, and Distribution Report appears as **Attachment C** in this Request.

Together, the Study, the Supplemental Reports, the Management Team's May 1, 2026 presentation to the Board, and this Request support the rate adjustment recommendation, which in addition to being submitted to the Board, is also being provided to the South Carolina Office of Regulatory Staff ("ORS") and the Authority's customers consistent with S.C. Code Ann. § 58-31-730(B)(4).

Executive Summary

The Authority's financial projections show that current rates will under-recover revenue requirements beginning in 2027 by approximately \$35 million and an additional \$32 million in 2028, primarily due to significant load growth, rising operating costs, and proactive investment in new generation, transmission, and distribution resources needed to reliably serve the Authority's customers over time. The need to support these essential activities while preserving financial stability is the main reason for this Request.

The Management Team recommends retail rate adjustments of 3.3% in 2027 and 3.1% in 2028, for a cumulative two-year increase of 6.4%. These adjustments are allocated across customer classes consistent with the cost-of-service findings, and they also maintain the Authority's competitive position, with average retail rates remaining below national and regional peer utilities.

In addition to revenue-based changes, the Authority is proposing several structural modifications in response to customer feedback and as a result of the analysis. Key structural modifications include a “Balanced Demand Billing” concept for residential and small commercial customers, retirement of the Large General Service rate, and permanent adoption of the Low Load and Large Load (renamed High Impact Load) rates.

At the Board meeting on May 1, 2026, the Management Team will request the Board adopt the proposed process and schedule for revising its retail rate schedules, which complies with the Authority’s statutory requirements (the “Rate Adjustment Process”). The proposed retail Rate Adjustment Process includes providing notice to customers and the ORS, receiving oral and written public comments, responding to customer and ORS questions and requests, and conducting a series of Board meetings leading up to the Board’s final consideration of the proposed rates.

Obligation to Set Rates

The Authority was created by an act of the State of South Carolina which is codified under S.C. Code Ann. § 58-31-10 to –740 (the “Enabling Act”). The Enabling Act, obligates the Board to, among other things, establish and maintain rates at least sufficient to provide revenues to pay debt service, the cost of operation and maintenance of the Authority’s system, and all other such costs as are necessary. Further, the terms of the Authority’s Master Revenue Obligation Resolution, adopted April 26, 1999 (“Master Revenue Obligation”), requires the Authority to collect rates at least sufficient to pay all the Authority’s expenses and make specific deposits into the capital improvement fund.

The Authority’s retail rate adjustment process is established in S.C. Code Ann. §58-31-730, which outlines the required procedures for creating or revising retail rate schedules. The process required by statutes provides notice and an opportunity for interested parties to be heard.

Pricing Principles

To guide the Authority’s process for evaluating retail rates, the Board adopted a set of pricing principles in January 2020 and readopted these principles in June 2024 consistent with S.C. Code Ann. § 58-31-710 (the “Pricing Principles”). The pricing principles are as follows:

1. **Mission** – Limit price increases to less than inflation;
2. **Equity** – Allocate costs to specific customer classes in a reasonable, equitable, and defensible manner;
3. **Efficiency** – Design prices so that conservation savings are shared with the customers;
4. **Adequacy** – Provide sufficient revenue to preserve the financial integrity of the Authority;
5. **Notice** – Ensure customer notice and engagement in rate proceedings;

6. **Protection** – Allow reasonable relief mechanisms for financially distressed customers; and
7. **Transparency** – Require openness in annual review of compliance with Pricing Principles.

The proposed retail rate study adheres to these pricing principles.

Current Rates

Following a comprehensive base rate review, the Authority’s current base rates were approved by the Board on December 9, 2024, and took effect for services charged on and after April 1, 2025. This adjustment was the Authority’s first base rate increase since 2017. As shown below and per the U.S. Energy Information Administration, in 2024, prior to the 2025 rate adjustment¹ the Authority’s average rates (shown as cents per kWh) for its retail customer classes were approximately 30% below the national average. This competitive rate position underscores the Authority’s ability to provide reliable service at highly competitive prices.

Utility	Residential	Commercial	Industrial
Santee Cooper	11.38¢	9.43¢	5.08¢
U.S. Average	16.48¢	12.75¢	8.13¢

The Authority’s rates are also competitive as compared to its peer utilities and are below the peer average rates by 10-17%, depending on the customer class. The chart below compares the average cost per kWh for firm service at selected monthly usage levels for the period January 1, 2025, to December 31, 2025:

Utility	Residential 1,000 kWh	Commercial 5,000 kWh	Industrial 9,000 kW- 5,000,000 kWh
Santee Cooper	12.78¢	10.52¢	6.95¢
Peer Average	14.55¢	12.65¢	7.74¢
<i>Duke Energy Carolinas</i>	13.33¢	12.35¢	6.74¢
<i>Duke Energy Progress</i>	14.98¢	11.99¢	8.06¢
<i>Dominion</i>	15.35¢	13.60¢	8.41¢

¹ 2025 EIA data is not available as of April 2026.

Recommended Rate Adjustment

In compliance with its statutory obligation, the Authority conducted a comprehensive review of its rate structures and rates. Based on the results of the Study, the Authority's current rates are expected to under-recover revenue requirements by approximately \$35 million in 2027 and under-recover by an additional \$32 million in 2028. That is, based on the Study, the current rates would not collect revenues sufficient to meet the Authority's cost of providing service to customers. The following chart details the proposed allocation of the revenue shortfall in 2027 and 2028.

Service	Calendar Year 2027 (\$000)		Calendar Year 2028 (\$000)		
	Amount	Percentage	Amount	Incremental Percentage	Cumulative Percentage
Residential	\$15,136	4.7%	\$30,237	4.6%	9.3%
Commercial	\$6,522	2.9%	\$12,936	2.9%	5.8%
Lighting	\$583	3.2%	\$1,135	3.0%	6.2%
Total Distribution	\$22,241	3.9%	\$44,307	3.9%	7.9%
Industrial (Firm & Non-Firm)	\$12,654	2.6%	\$23,016	2.1%	4.7%
Total	\$34,896	3.3%	\$67,323	3.1%	6.4%

To ensure the Authority's sound financial condition, and to fulfill its statutory obligation to, among other things, establish and maintain rates at least sufficient to provide revenues sufficient to pay the Authority's expenses, an adjustment of rates is required to address the projected shortfall.

Rate Adjustment Drivers

The primary drivers of this shortfall are the following:

1. Significant capital investments including new generation resources, investments in existing generation assets, and upgrading and maintaining the transmission and distribution systems to ensure the Authority's ability to reliably serve its customers over time;
2. Increasing operating costs, including costs to acquire capacity from neighboring systems and to secure prepaid transmission arrangements that enable the Authority to obtain capacity and purchase power from other utilities when economically advantageous;
3. Increasing costs to operate and maintain the Authority's existing generation fleet and ensure the units are available when needed to support our customers;
4. Increasing the winter reserve margin (the amount of capacity available above the expected peak needs) from 18% to 20% requires additional investment and provides increased reliability over time, and

5. Increasing the Capital Improvement Fund Requirement by 1% to maintain financial health during the build cycle and reducing debt service costs.

Further, as further detailed below, the Authority is facing significant load growth, which is also occurring throughout the Southeast and the United States, and places upward pressure on costs beyond historical inflationary pressures.

Load Growth on the System

The electric industry continues the transition from slow-to-no load growth over the past several decades to an era of unprecedented growth resulting from population growth in the state, new technologies, and reindustrialization. The Authority's system is growing significantly, with a total expected winter load of over 7,200 MW expected by 2035. This is an increase of 1,700 MW compared to 2025 and translates to an expected load growth of 18% by 2030 and 32% by 2035.

According to the U.S. Census Bureau, South Carolina was the Nation's fastest growing state between July 2024 and July 2025 at 1.5% with a total population growth of 79,958.

This population growth is supported by a robust economy in the state. In 2025, South Carolina added approximately 8,100 new jobs and enjoyed over \$9.1 billion of announced investment in the state. This is the third highest announced investment in the state on record, following \$9.2 billion in 2023 and \$10.3 billion in 2022.

New Capacity Additions

To support this load growth, the Authority's financial plans include significant investment in new resources consistent with the results of the 2025 Integrated Resource Plan. These new resources include:

1. Canadys Station Joint Build: On October 24, 2025, the Board approved \$2.5 billion in capital costs associated with the joint build of the Canadys Station units, which is expected to add 1,100 MW of capacity by the early 2030s. The capital plan includes approximately \$460 million of construction costs by 2028 for Canadys Station.

2. Rainey Combined Cycle Conversion: On December 20, 2024, the Board approved \$470 million in capital costs to convert Rainey Generating Station combustion turbines 2A and 2B to a combined cycle by installing a Heat Recovery Steam Generator. Consistent with the 2025 IRP update, the Authority is also planning to upgrade the Rainey combustion turbines 3, 4, and 5. This project will add over 250 MW of capacity to the system by 2028.

3. Winyah Generating Station Simple Cycle Turbines: On October 24, 2025, the Board approved \$293 million for the Authority to begin a project to add two LM6000 aeroderivative combustion turbine units to be placed at the Winyah Generating Station site. This project will come online in 2028 with a total capacity of 108 MW.

4. The financial plan also includes 300 MW of utility scale battery energy storage through a 20-year service agreement with AYPAs Power Development. The batteries will be located at the Jeffries Generating Station and are planned to begin commercial operation in 2027.

Preparing for the 2026 Rate Review Process

Stakeholder Group Meetings

After the 2024 Rate Review process, the Authority initiated efforts to ensure our customers and other stakeholders remained informed and engaged in considering the Authority's rates beyond the statutorily mandated processes. To promote transparency and collaboration, the Authority hired Vanry Associates, an independent third-party moderator, to hold meetings in 2025 and early 2026 to give stakeholders a chance to learn about the Authority's process and rates.

Focus Group Meetings

In addition to the earlier Stakeholder meetings, in January 2026, the Authority commenced a process to facilitate customer engagement through focus groups moderated by the Brandon Agency, an independent third party. The objective was to obtain actionable insights from the Authority's customers. Throughout January and February 2026, focus groups were conducted with residential customers (11 participants), commercial customers (11 participants), property managers (10 participants), representatives of energy-burdened customers (seven local agencies), and industrial customers (three participants). Additionally, municipalities and the Customer Advisory Council were invited to provide feedback, with 25 individuals surveyed.

An executive summary of the Brandon Agency report is posted on the Authority's website. The Authority considered these customers' comments in the proposed rates and will address them in the May 1, 2026 presentation to the Board.

Rate Structural Changes

As explained in the Study, the Authority is proposing several structural changes to better reflect cost causation and modern usage patterns. Key proposed rate structure changes include the following:

1. Introduction of a "Balanced Demand Billing" concept for the Residential Standard (RG) and the Small General Service (GA) classes that averages a customer's top demand from four peak periods during a billing cycle to mute the impact of a single peak period on a customer's bill. This proposed change is intended to address customers' concerns that a single peak demand billing period feels punitive while balancing the Authority's goal of sending an appropriate price signal that their usage during the peak is driving investment in new resources.

2. Elimination of the Large General Service (GL) rate, which offers a slightly higher demand charge in return for a slightly lower energy charge. The Authority determined that the financial impact of this slight adjustment in rate design does not provide a substantially different pricing option for customers and so is being removed.

3. Permanent adoption of the General Service – Low Load (GA-LL) rate and the Experimental Large Load (L-LL) rate, which is being renamed to the High Impact Load (HIL) rate. The GA-LL rate is substantially similar to the experimental rate, while the HIL rate includes changes that improve protections for the Authority’s existing customers while continuing to support large load growth on the system.

4. Alignment of on- and off-peak hours across residential and commercial rate schedules and the removal of a minimum demand charge for Small General Service to simplify our rate portfolio and simplify and streamline usage management by customers that have both residential and commercial accounts.

5. An adjustment to the proposed Demand Sales Adjustment clause to provide for incremental recovery or credits to customers for deviations in purchased power capacity costs compared to the amounts embedded in the proposed rates. This change is designed to improve the Authority’s ability to manage market volatility around purchased power capacity needs.

Management Recommendation

The Enabling Act, Master Revenue Obligation, and the Pricing Principles, charge the Authority’s Board with providing reliable, adequate, efficient, and safe electric service to its diverse and growing customer base at just and reasonable rates while preserving the financial integrity of the Authority. The comprehensive Study demonstrates that the Authority’s existing rate structure would not provide sufficient revenues to enable the Authority to meet this obligation over time. A continued revenue deficiency does not support the Authority’s financial stability. Specifically, the Study supports a required increase of 3.3% in 2027 and an additional 3.1% in 2028, for a total increase of 6.4% over the two-year period. These increases are allocated among customer classes using customary ratemaking methodologies designed to reflect how different customers impose costs on the system and the Authority’s pricing principles.

Accordingly, the Management Team recommends that the Board adopt a retail rate adjustment process consistent with the requirements of S.C. Code Ann. § 58-31-730 and, at the conclusion of that process, adopt the proposed rates set forth in the Study or as may be amended by the Management Team or directed by the Board.