South Carolina Public Service Authority

Proposed Plan for Electric Rate Revisions

Presentation to the Santee Cooper Board of Directors
June 26, 2017
Outline

• Process and Key Takeaways
• Key Factors Driving Need for Rate Revisions
• Load and Financial Projections
• Proposed Rate Revisions
• Impact on Customers
• Timeline and Process for Public Comment
Process & Key Takeaways

• In March 2017, Board authorized management to complete a comprehensive review of the Authority’s electric rates and charges

• Management retained NewGen Strategies & Solutions, LLC to assist in developing/reviewing analyses and evaluations to support the 2017 rate study
  – Created in 2012 by former R. W. Beck / Leidos employees
  – Provide Cost of Service / Rate Design and public utility economics analysis
    o 130+ successfully completed projects
    o Expert witness testimony in 100+ regulated utility findings
  – Project team has 7 year history of working with Santee Cooper

• Based upon review of analyses and studies:
  – Existing rates would result in revenue deficiency of ~$22 million in 2018 and ~$45 million by 2019
  – Proposed rates result in annual adjustment of 3.5% and 3.9% in 2018 and 2019, respectively (1)
    – Includes impact of CIF increase to 10% for all customer classes

• Analyses and studies based on current financial projections
  – Key drivers include load decline, growing debt service expense and projected decline in debt service coverage

1) Includes impact of non-firm load and rates.
Key Factors Driving the Need for Rate Revisions

- Slow load growth combined with migration of upstate load
- Costs associated with V.C. Summer Nuclear Units 2 and 3
  - New units’ commercial operation date assumed to be beyond test years
  - Portion of debt service related to new nuclear units excluded from projected costs and rates during test years (through capitalization of interest)
  - Following completion of ongoing evaluation of the future of nuclear units, management to update financial plan and demonstrate prudent cost recovery through projected rates
- Cost associated with environmental compliance
- Need to maintain financial metrics
Cumulative Deficiency for Firm Retail Customers

Cumulative Retail Revenue Shortfall with Existing Rates

Wholesale 63%
Retail Firm 29%
Industrial Non-Firm 8%

$22 2018
$45 2019

$0 $20 $40 $60

$ Million

06262017-29200-5
Test Years Firm Demand

Firm Demand\(^{(1)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail Firm</th>
<th>Wholesale</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2,629</td>
<td>861</td>
</tr>
<tr>
<td>2018</td>
<td>2,550</td>
<td>880</td>
</tr>
<tr>
<td>2019</td>
<td>2,501</td>
<td>892</td>
</tr>
</tbody>
</table>

\(1\) Based on 2016 Load Forecast projections (LF1601) and annual average of monthly coincident peaks

\(2\) 2017 data included for informational purposes only

06262017-29200-6
1) Based on 2016 Load Forecast projections (LF1601)
2) 2017 data included for informational purposes only
Gross Revenue Requirements

Gross Revenue Requirements Projections


<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIF / Other</td>
<td>$204</td>
<td>$209</td>
</tr>
<tr>
<td>O&amp;M</td>
<td>$439</td>
<td>$447</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$448</td>
<td>$497</td>
</tr>
<tr>
<td>Fuel &amp; Purchase Power</td>
<td>$720</td>
<td>$703</td>
</tr>
</tbody>
</table>
Santee Cooper’s Guiding Principles for Rates

• Provide the revenue required to preserve the financial integrity of Santee Cooper

• Allocate costs to specific rate / customer classes in a reasonable, equitable and defendable manner

• Support economic development, job attraction and retention

• Develop rates that encourage customers to use electricity in an efficient manner

• Avoid undue price fluctuations

• Maintain a system of rates that is understandable to customers and not unduly burdensome to administer
Proposed Rate Revision Plan

• Series of two base rate increases effective for bills rendered on or after April 1, 2018 and 2019, respectively

• Proposed base rates are adjusted accordingly to recover projected costs from customers
  - Residential
  - Commercial
  - Lighting
  - Industrial

• Modification to Retail Terms & Conditions
  - Recommendation to require new customers to obtain an approved meter base from a vendor of choice
## Impact of Proposed Rate Revisions

### Average Annual Increase In Revenues (1)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>4.6%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Commercial</td>
<td>4.8%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Lighting</td>
<td>5.8%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Large Light &amp; Power – Firm</td>
<td>2.9%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Total Firm Average (2)</td>
<td>4.4%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Large Light &amp; Power – Firm &amp; Non-Firm</td>
<td>1.2%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Total Average – Firm &amp; Non-Firm (3)</td>
<td>3.5%</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

1) Average increase in total revenues for all customers in class. Not all customers in a class will experience the same level of adjustment

2) The average annual increase resulting from the two adjustments, excluding non-firm, is approximately 4.5%

3) The average annual increase resulting from the two adjustments, including non-firm, is approximately 3.7%
Impact on Residential Customer Bills

<table>
<thead>
<tr>
<th></th>
<th>Present Rates (2017)</th>
<th>2018 Rates</th>
<th>2019 Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Bill(1)</td>
<td>$127.60</td>
<td>$133.80</td>
<td>$139.90</td>
</tr>
<tr>
<td>Increase per Month</td>
<td>$6.20</td>
<td>$6.10</td>
<td></td>
</tr>
<tr>
<td>Increase per Day</td>
<td>$0.21</td>
<td>$0.20</td>
<td></td>
</tr>
</tbody>
</table>

- Results based on residential weighted average energy rate applied to usage of 1,000 kWh
- Excludes changes in bills due to fuel adjustment clause and demand sales adjustment clause

1) Bill impacts for individual customers will vary depending on each customer’s applicable rate schedule and specific usage characteristics. Results will vary from comparisons based on summer or non-summer rates only.
# Proposed Rate Revision Process and Timeline (1)

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 26, 2017</td>
<td>Seek Board approval to make formal notice of proposed rate revisions</td>
</tr>
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</table>
| June 26 – September 22, 2017 | Obtain written comments and conduct public meetings  
|                          | • Public and customer comment meetings complete by August 23, 2017  
|                          | • Final written public comments by September 22, 2017 |
| October 13, 2017         | Board holds public meeting to receive additional public comments.  
|                          | Presentation by staff on public comments received through hearings and the rate revision process |
| November 10, 2017        | Provide final proposed rate revisions to Board including any changes as a result of public input |
| December 11, 2017        | Board action on proposed rate revisions                                     |
| April 1, 2018            | New rates become effective, if approved                                      |

1) *Timeline is subject to Board approval*
Plan for Public Notice

• Press release on June 26 followed by public notices
  – Berkeley Independent
  – Georgetown Times
  – Sun News

• Direct mail notices (early July)

• Notices in all retail offices along with copies of proposed rate revision information for examination in the offices

• Santee Cooper website (beginning June 26)
  – Notice will be posted
  – Proposed rates and rate study report will be available for download
  – Provisions for public comments via the website
# Public Comment Meetings

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
<th>Time</th>
<th>Place</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 14</td>
<td>Moncks Corner</td>
<td>6:00 pm</td>
<td>Santee Cooper Office</td>
</tr>
<tr>
<td>August 15</td>
<td>N. Myrtle Beach</td>
<td>2:00 pm</td>
<td>North Myrtle Beach City Hall</td>
</tr>
<tr>
<td></td>
<td>Pawleys Island</td>
<td>6:00 pm</td>
<td>Waccamaw Branch Georgetown Library</td>
</tr>
<tr>
<td>August 16</td>
<td>Conway</td>
<td>2:00 pm</td>
<td>Santee Cooper Office</td>
</tr>
<tr>
<td></td>
<td>Myrtle Beach</td>
<td>6:00 pm</td>
<td>Myrtle Beach Law Enforcement Center</td>
</tr>
</tbody>
</table>

- CEO to appoint panel of company officers to facilitate public meetings
- Public meeting proceedings will be documented by a stenographer

- **October 13, 2017 (Board Meeting)**
  - Pawleys Island
  - Board will receive verbal comments from public
  - Staff will provide public meetings transcripts and a presentation summarizing written comments received to date
Rate Revisions and Rate Revision Process and Schedule

- Directs Management to publish the Proposed Rates pursuant to the Process and Schedule
- Establishes the Process and Schedule for receiving public comments and final Board consideration
- Authorizes the President and CEO to appoint a panel for conducting the public meetings