



## **Santee Cooper 2023 Year-End Review**

Santee Cooper has built a strong legacy as a leading resource in meeting the electricity needs in communities across South Carolina. We energized rural South Carolina beginning in the 1940s and have been serving the people of the state since that time. Today, we are planning for the future so we can continue to reliably and affordably serve our customers and communities for years to come.

Santee Cooper's 2023 Integrated Resource Plan (IRP), submitted to the Public Service Commission (PSC) in May 2023 and unanimously approved by the PSC in February 2024, was the result of 18 months of detailed analysis and extensive public input. The preferred portfolio provides a road map for meeting the future power needs of our customers through a modern generation mix that prioritizes flexibility, reliability and affordability. The plan significantly reduces Santee Cooper's carbon footprint by closing coal units, adding flexible natural gas generation, and significantly increasing solar power on the system.

We are also addressing short-term resource needs. In 2023, Santee Cooper purchased Cherokee County Cogeneration Partners LLC, a roughly 100-megawatt (MW) natural gas combined cycle power plant in Gaffney. The transaction was supported by Central Electric Power Cooperative and approved by the PSC. Santee Cooper also signed new purchased power agreements for an additional 250 MWs of power. The new purchased power and Cherokee generating station bring a total 350 MWs to our system.

The Southeast Energy Exchange Market (SEEM), of which Santee Cooper is a founding member, observed its one-year operational anniversary in late November and continues to deliver value to Santee Cooper customers. Santee Cooper was very active in that first year, trading more than 110,000 MWh of energy, or roughly 17% of all completed trades across the SEEM footprint. Those transactions provided approximately \$750,000 of fuel cost savings to our system.

Santee Cooper again earned APPA's Reliable Public Power Provider Program, or RP3, Diamond-Level Award. The award, which is given every three years, recognizes utilities that demonstrate high proficiency in reliability, safety, workforce development and system improvement. Thanks to the continuing dedication and hard work of our team, Santee Cooper has maintained the RP3 designation since it was first offered in 2006.

### **NEW FERC LICENSE**

Santee Cooper achieved a significant milestone on Jan. 20, 2023, when the Federal Energy Regulatory Commission (FERC) issued a new 50-year license order for the continued operation of the Santee Cooper Hydroelectric Project (Lake Marion and Lake Moultrie). This feat is the result of numerous Santee Cooper team members' hard work and dedication and their extensive collaboration with other agencies over the past 20+ years.



The terms and conditions of the license have a focus on threatened and endangered species protection, including increased flows and expanded water quality monitoring in the lower Santee River to protect fish. We are working with a number of other agencies to find achievable solutions that allow us to comply with these important environmental requirements.

### **PAYMENT TO THE STATE**

Santee Cooper does not receive any state appropriations and continues to make an annual payment to the state. In 2023, that payment was \$19 million. In accordance with statutory provisions, the payment reflects 1% of the projected electric and water revenues in Santee Cooper's 2023 operating budget and is paid through revenues collected from electric and water customers.

### **SAFETY**

Santee Cooper had a strong safety showing in 2023 and earned the American Public Power Association's Diamond Safety Award of Excellence for the seventh time since 2016.

### **CUSTOMER GROWTH AND PROGRAMS**

Throughout 2023, the number of new customers joining Santee Cooper's system outpaced prior years, with most of that growth occurring along the Grand Strand. Santee Cooper added 7,832 customers in its retail territory, bringing our total number of residential and business customers to 212,597 at year-end.

That represents a record year for customer growth at Santee Cooper, and it is a nearly 4% increase, surpassing 2022's strong growth of 3%. Myrtle Beach was ranked as the fastest-growing area in the United States for 2023-2024, and so continued growth is likely in 2024.

We advanced electric vehicle (EV) infrastructure in our direct-serve territory through our Evolve Grant program. In 2023, Santee Cooper awarded grants to seven new infrastructure projects submitted by our commercial customers and participated in four ribbon-cutting events showcasing completed EVolve Grant projects with the City of Conway, Coastal Carolina University, McLeod Health and Myrtle Beach Area Chamber of Commerce.

We offer rebates to customers who install qualifying charging stations at their residence, and we have an experimental rate program, ChargeSmart, for residential customers who own or lease electric vehicles. ChargeSmart offers time-of-use rates, which encourage customers, through a discounted pricing structure, to shift the electric use for charging their EVs to times of low demand.

We saw strong customer satisfaction among residential (96.1% satisfied), commercial (98.7% satisfied), municipal customers (100%) and industrial customers (97.4%). While satisfaction among our cooperative customers has improved (57.1% satisfied,) it remains below where we would like it to be, and we will continue working on those relationships as we move forward.



In terms of distribution reliability, Santee Cooper again ranked near the top of a national peer group, coming in 10th (top 2%) among nearly 500 investor-owned utilities and electric cooperatives, as reported by the U.S. Energy Information Administration. The average retail customer experienced only 22 minutes of outage time in 2023. Our transmission reliability is also very strong at 99.97%, with an average outage time of only 15 minutes.

## **FINANCIAL**

Santee Cooper continued to advance its strategic financial plan and successfully improved its performance across several metrics in 2023. Santee Cooper finished 2023 with \$135 million in reinvested earnings and improved its debt service coverage and days' cash on hand compared to 2022.

Our debt/equity ratio was 76/24, consistent with levels over the past decade. As a public power company that has access to tax-exempt (and therefore low-cost) financing, Santee Cooper finances roughly 75%, on average, of our capital investments through debt financing, generally over the lifetime of those assets. That strategy means we can charge customers over time as they use and benefit from those assets. This minimizes the impact of capital projects on customer bills.

Moody's Investors Service upgraded its outlook on Santee Cooper revenue bonds to stable (from negative) and affirmed its A3 rating on our debt. Our ratings with Fitch and Standard & Poor's remained at A- with negative outlooks.

In terms of operating results, lower fuel prices contributed to lower operating revenue and operating expenses in 2023. Santee Cooper's 2023 operating revenue was \$1.85 billion, down 5% from 2022 primarily due to lower fuel commodity prices.

Combined operating expenses for 2023 totaled \$1.4 billion, down \$241.7 million (15%) as compared to 2022, also due primarily to lower fuel and purchased power expenses.

## **RATES**

In June, the Santee Cooper Board of Directors approved a comprehensive study of its retail electric rates to address a projected revenue shortfall beginning in 2025. Santee Cooper's current base rates were approved in 2015 and implemented in 2017. A 2020 rate freeze extended those rates through Dec. 31, 2024. The rate study is necessary to ensure we can continue to invest in the reliability of our system as it grows, while also continuing to transition to a greener power mix.

Any recommendations from the rate study will require an open and transparent public review and comment period of several months, most likely beginning in summer 2024, prior to any action on new rates.

Santee Cooper remains focused on providing safe, reliable, and affordable electricity while balancing the cost impact on our customers and maintaining the financial integrity of this state asset.

## **COOK SETTLEMENT**

Santee Cooper is complying with terms of the Cook Settlement and filed its 2022 Annual Compliance Report on April 28, 2023. The report identified 11 situations in 2022 falling within four categories of costs and expenses as Rate Freeze Exceptions. The four categories include approximately \$7.6 million resulting from various changes in law; approximately \$297 million resulting from fires; approximately \$77 million resulting from public enemy (Russian invasion of Ukraine); and approximately \$21 million resulting from named storms.

The Board has authorized the use of regulatory accounting for documented rate freeze exceptions. We will develop a plan to recover allowable exceptions from customers beginning in 2025, after the rate freeze expires.

## **ENVIRONMENTAL STEWARDSHIP**

Santee Cooper intends to seek contracts for another 2,150 MW of solar power to be installed by 2032. We secured approval by the Public Service Commission of our Competitive Procurement of Renewable Energy Program and are following that process.

Among other highlights:

- We are managing water quality on the Santee Cooper Lakes and are working to safely combat invasive weeds that threaten water quality and navigation.
- Our energy management programs have goals to help customers reduce energy consumption, which in turn reduces the amount of generation we need to build going forward and reduces related emissions.
- Santee Cooper continues to excavate ash from storage ponds at the former Jefferies Generating Station and at Winyah Generating Station and to beneficially reuse as much of that ash as is possible, along with beneficial reuse of our dry ash and gypsum.
- We have secured Joint Bond Review Committee approval to transfer ownership of the former Grainger Generating Station site to the City of Conway for development as a flagship recreation facility, including an inland beach and walking trails, for residents and to help attract visitors.
- Santee Cooper received the Lower Region Group Leadership Award from South Carolina Litter Control Association and Palmetto Pride/Keep South Carolina Beautiful for our partnership with Keep Conway Beautiful.

## **ECONOMIC DEVELOPMENT**

Santee Cooper helped our economic development partners secure more than \$3 billion in capital investment and approximately 5,000 announced jobs in 2023. Our low rates, incentive loans and grants are powerful tools in helping to secure deals. In addition, Camp Hall Commerce Park, home to Volvo and future home to Redwood Materials, was named 5th best industrial park in the nation, and the only one in the Southeast to be ranked by Business Facilities Magazine.

Santee Cooper was named the South Carolina Economic Development Impact winner by the Coastal Carolina University Grant Center for Real Estate and Economics.

Additionally, our Lakes Marion and Moultrie support \$434 million in annual tourism spending and over 3,600 jobs.

## **OTHER HIGHLIGHTS**

- Grid Resiliency: Our Grid Reliability Grant team, working with independent consultant Guidehouse, provided to the U.S. Department of Energy for final approval 18 proposals, totaling \$10,766,899 in project costs. The proposals were submitted by electric cooperatives and municipal and other utilities seeking Bipartisan Infrastructure Law funding for federal fiscal years 2022 and 2023 that we are administering on behalf of the state. These proposals offer projects that would strengthen grid reliability against adverse weather events primarily in disadvantaged areas of South Carolina.
- Just Transition: Santee Cooper advanced our just transition process to maximize opportunities for the Georgetown community as we seek to retire Winyah Generating Station, hiring a consultant in 2023 to facilitate a community engagement process.
- Providing Essential Drinking Water – Santee Cooper’s two regional water systems continue to grow and expand to meet area needs. The Lake Moultrie system serves more than 220,000 consumers across the Lowcountry and is growing. The Lake Marion Regional Water System’s five-year plan is designed to meet aggressive system growth, with new reaches under construction and five more planned, along with two elevated water tanks and a water plant expansion. We are also helping the S.C. Department of Health and Environmental Control test treatment technologies for removing PFAS, also known as forever chemicals. Based on our testing, public water systems across the state will be better equipped to choose the best treatment for their plants.
- Impacting Communities: Santee Cooper’s team members are dedicated to making their communities better places to live. In 2023, team members donated more than 25,000 hours of their time in community outreach and volunteerism efforts. They also donated \$528,000 to the Trident, Black River (Georgetown), Horry and Anderson United Way organizations. Santee Cooper also organizes and hosts Celebrate The Season, an annual holiday lights driving tour and festival that has raised nearly \$1.3 million since 2011 for charity. Supported by dozens of other community business and organization sponsors, the event raised more than \$154,000 for area charities during its 2023 season.

## **SUMMARY**

Santee Cooper powers South Carolina by energizing homes and businesses, hydrating communities with clean, safe water, and helping the state thrive through economic development efforts, strategic partnerships and community support. We are navigating today’s challenges and investing in the future, and our team will continue to work each and every day to help improve the quality of life for all South Carolinians.