



## Santee Cooper Follow-up to Additional Senate Finance Questions

March 13, 2020

### Comparative property taxes for an IOU

- NextEra’s purchase proposal includes continuing Santee Cooper’s PILOT of about \$4.5 million a year. If Santee Cooper were operated as an investor-owned utility, the total tax liability for existing and replacement property would be about \$140 million a year, based on SCE&G’s 2018 tax liability applied to Santee Cooper’s rate base (\$5.65 billion as defined in the NextEra purchase proposal.)

### Follow-up: Lonnie Carter Supplemental Executive Retirement Plans

- Defined Benefit plan: Mr. Carter receives \$37,000 a month for 20 years under this plan, which is funded by Santee Cooper contributions.
- Defined Contribution plan: Santee Cooper contributed \$525,000 into this plan over 12 years, and its balance when Mr. Carter retired was \$950,000.

### Gypsum contract

- Contract effective date: The contract with American Gypsum was signed in April 2005 and we began delivering gypsum in July 2007. The wallboard plant was operational in August 2008 and full delivery requirements were established as of Jan. 1, 2009.
- Annual losses: Santee Cooper’s cost of the contract began to exceed the benefit of not landfilling the gypsum in 2016. Prior to that it was a benefit. Here is a snapshot of costs and revenues:

	Total financial impact to supply AG contract (Cost less revenue)	Total cost to landfill of all Santee Cooper gypsum supply to AG*	Total financial impact gains/(losses)
2012	\$ 3,800,488	\$ 7,855,728	\$ 4,055,240
2013	\$ 6,108,542	\$ 7,482,611	\$ 1,374,069
2014	\$ 5,096,400	\$ 9,028,042	\$ 3,931,643
2015	\$ 5,492,543	\$ 8,149,753	\$ 2,657,210
2016	\$ 10,621,352	\$ 7,722,157	\$ (2,899,195)
2017	\$ 10,047,864	\$ 6,763,933	\$ (3,283,931)
2018	\$ 9,608,531	\$ 8,235,108	\$ (1,373,423)
2019	\$ 9,356,448	\$ 8,273,180	\$ (1,083,269)

- If we landfilled the gypsum that we provide to American Gypsum, that would cost about \$8 million per year. Although there are other limited markets for gypsum, such as agriculture applications and cement production, any sales to those markets would mitigate a relatively small portion of these landfill costs.
- Santee Cooper saved approximately \$12.4 million in 2019 buying energy from the market or running simple cycle gas units instead of running higher-priced coal units to make up the gypsum shortfall.
- Contract extension deadlines: The initial term expires Dec. 31, 2029. Santee Cooper must deliver written notice by Dec. 31, 2027, or two years prior to the contract expiration, to extend on our end. American Gypsum must deliver written notice at least 18 months prior to the contract expiration, or by June 30, 2028.
- Other contracts similar to American Gypsum that require us to take extra steps and have become long-term money-losers: None.
- NextEra’s purchase offer does include assuming the gypsum liability.