



Presentation to the Senate Finance Committee

Today's Agenda



- Reform Plan Overview – Mark Bonsall
- Resource Planning – Charlie Duckworth
- Governance & Oversight – Pamela Williams
- Closing – Mark Bonsall

What Did We Find?



Low-Cost Provider

- 9% less than IOU average

Diverse Workforce

- 1st among large agencies, 2nd highest among all agencies (SC Human Affairs Commission)

Superior Reliability

- #4 of 534 IOUs and co-ops, US EIA

Award-Winning Safety

- APPA First Place 2 out of last 3 years

What Did We Find? (cont'd)



High Retail Customer Satisfaction

- 93% residential, 97% commercial

Strong Environmental Stewardship

- Received DHEC Community Star Award in 2019

Innovative Economic Development

- Volvo, statewide successes with Cooperatives

Solid Financial Metrics

- “A” Credit Rating

- VCS 2/3 Debt and Mitigation
- Transparency

We will take these in turn
in this presentation.

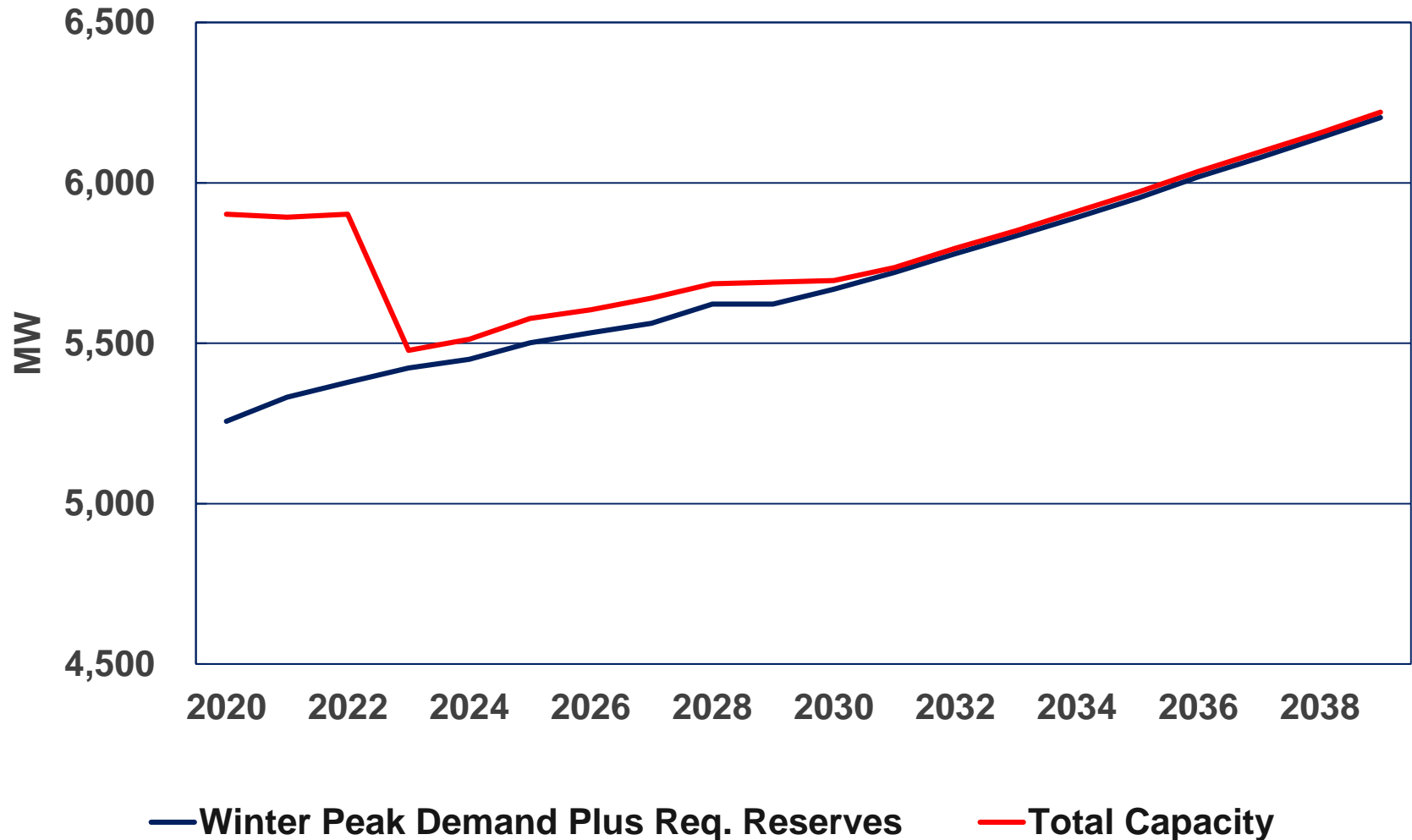
What can we save to offset VCS 2/3 while:

- Preserving reliability
- Preserving safety
- Preserving economic development
- Preserving water operations
- Preserving State and community support
- Preserving jobs
- Without cost shifts to taxpayers

The Reform Plan saves
\$4 billion
in future costs

Reform Plan

Capacity and Demand



Modernizing the Fleet



- Coal down
- CapEx down
- Solar up
- Batteries up
- Demand-side management up
- Supply and demand balance maintained
- Modular, modular, modular!

Key Takeaway #2



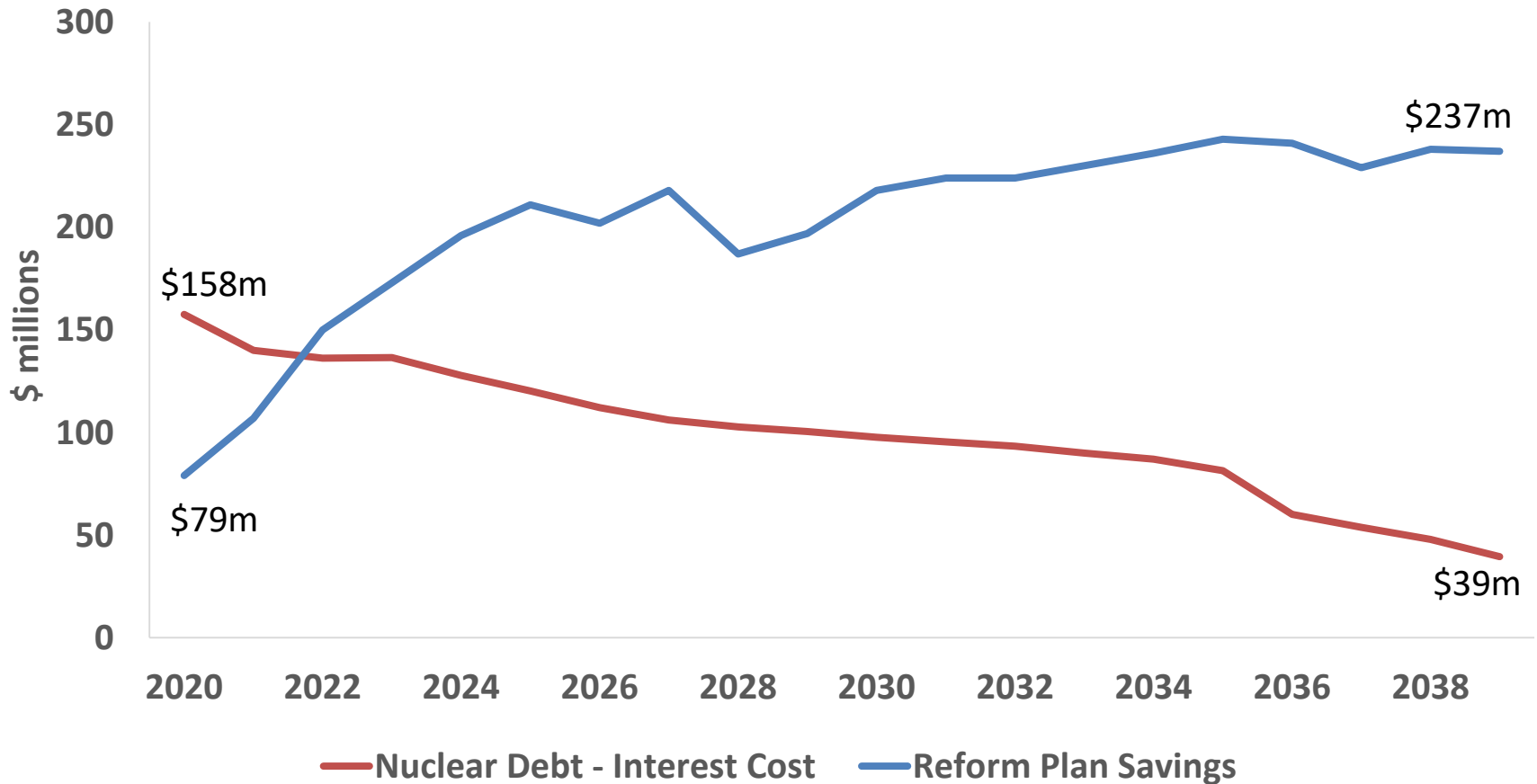
Leaner, greener and more flexible

- ✓ These are “principle-driven” changes
- ✓ They are not a guess
- ✓ They are subject to extensive oversight

Results



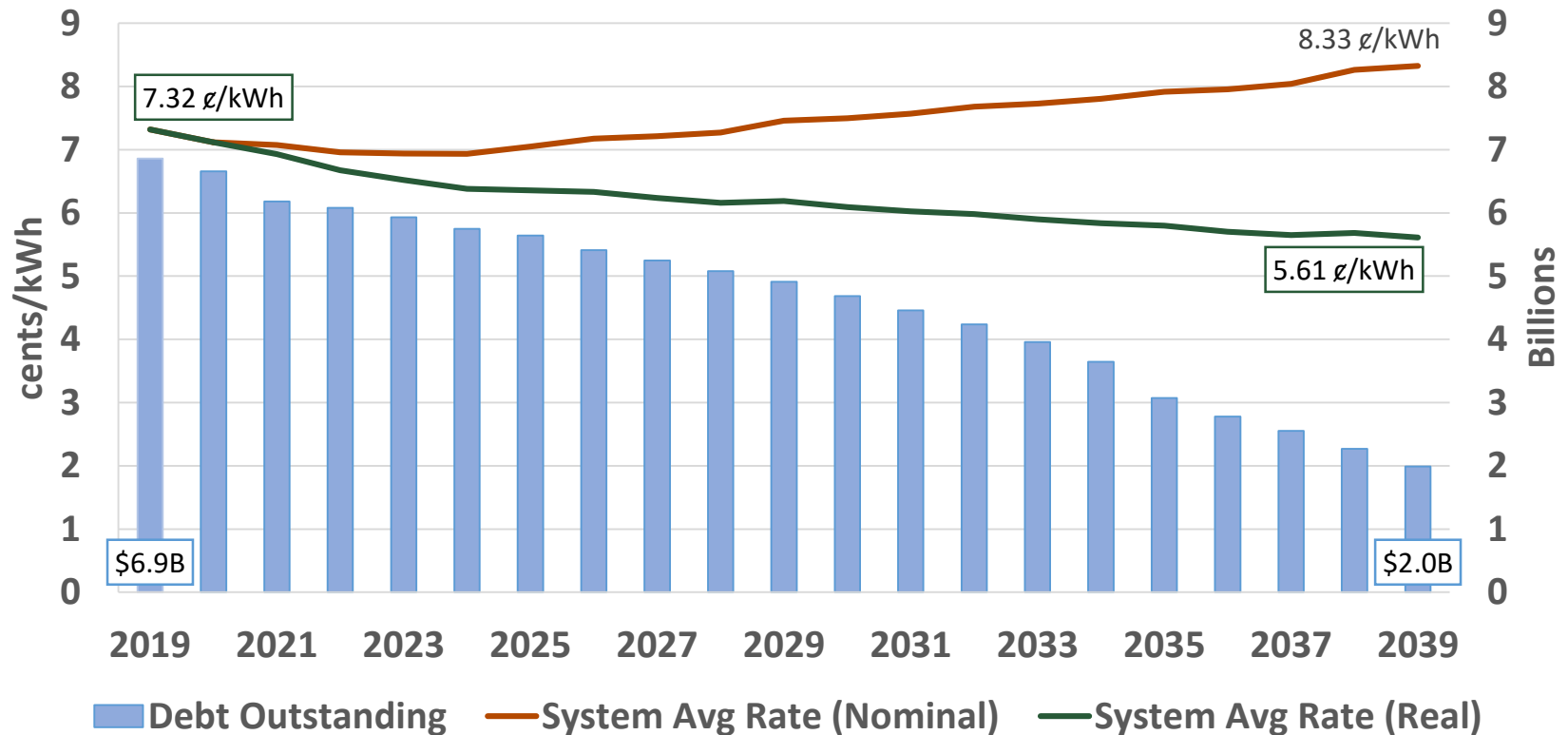
Reform Plan Savings vs. Nuclear Interest Cost



Strategic Choices



Reform Plan – Debt Outstanding and System Rate



Key Takeaway #3

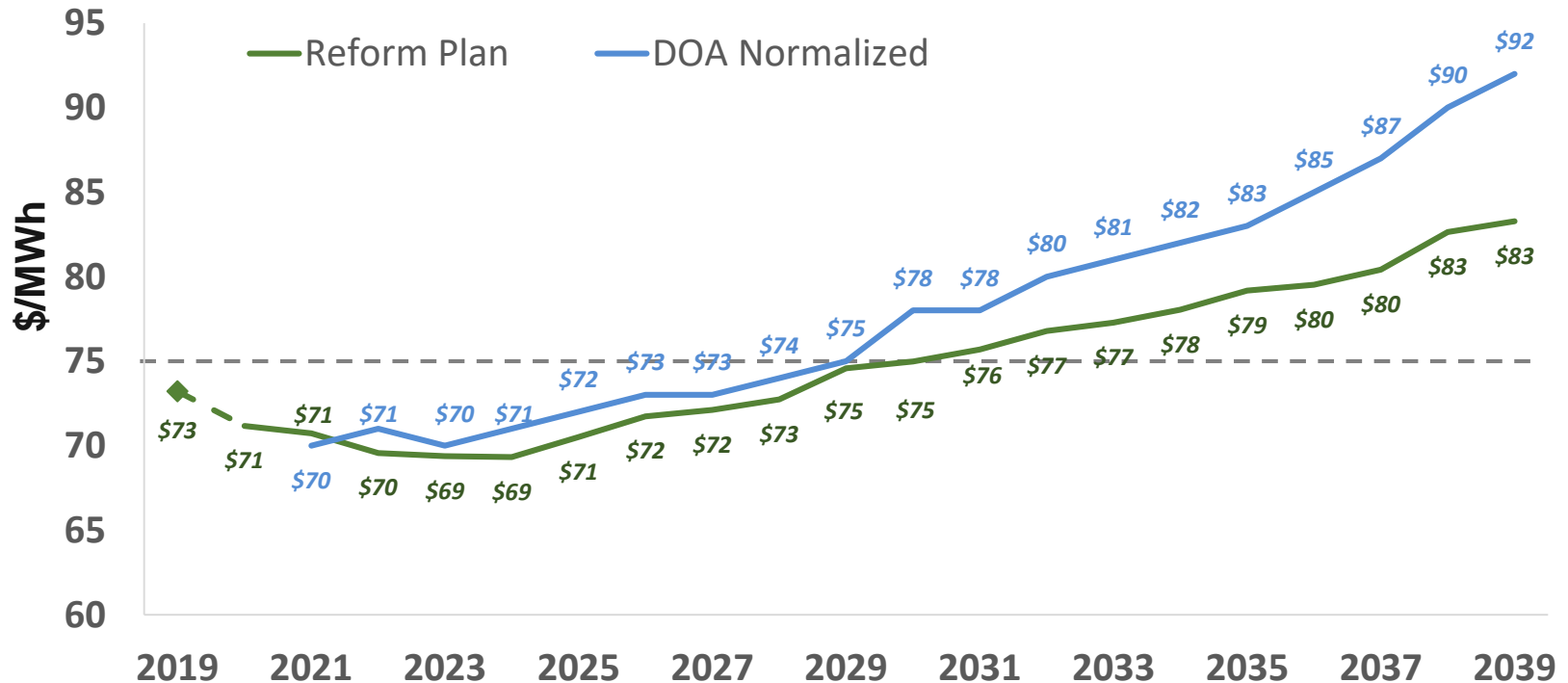
Reform Plan savings provide:

- ✓ Long-term price stability
- ✓ Aggressive debt reduction

DOA Normalized: Santee Cooper



DOA's experts normalized Santee Cooper prices for comparison



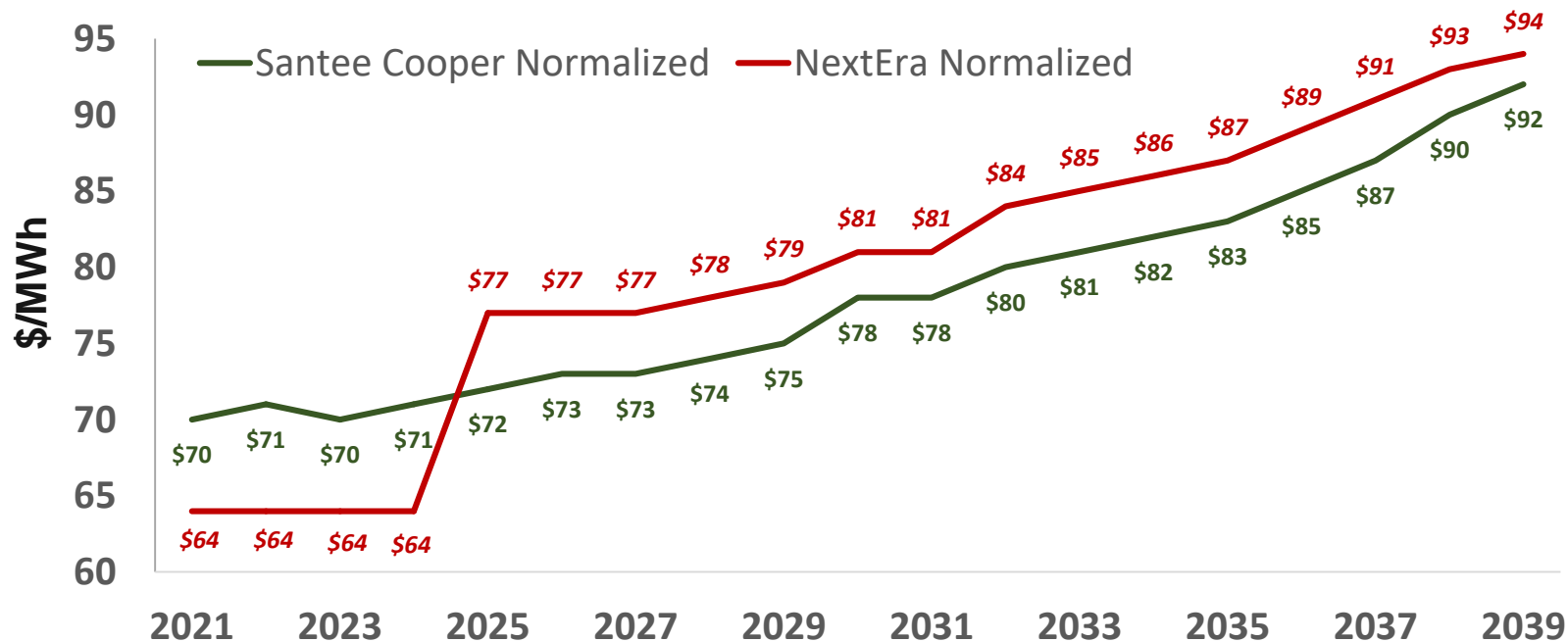
Reform Plan vs DOA Normalized (21-39)

Reform Plan aggregate revenues \$1.4 billion lower than DOA normalized scenario (\$900 million present value savings)

DOA Normalized: Santee Cooper and NextEra



Santee Cooper versus NextEra ('Market Case' Normalized by DOA)



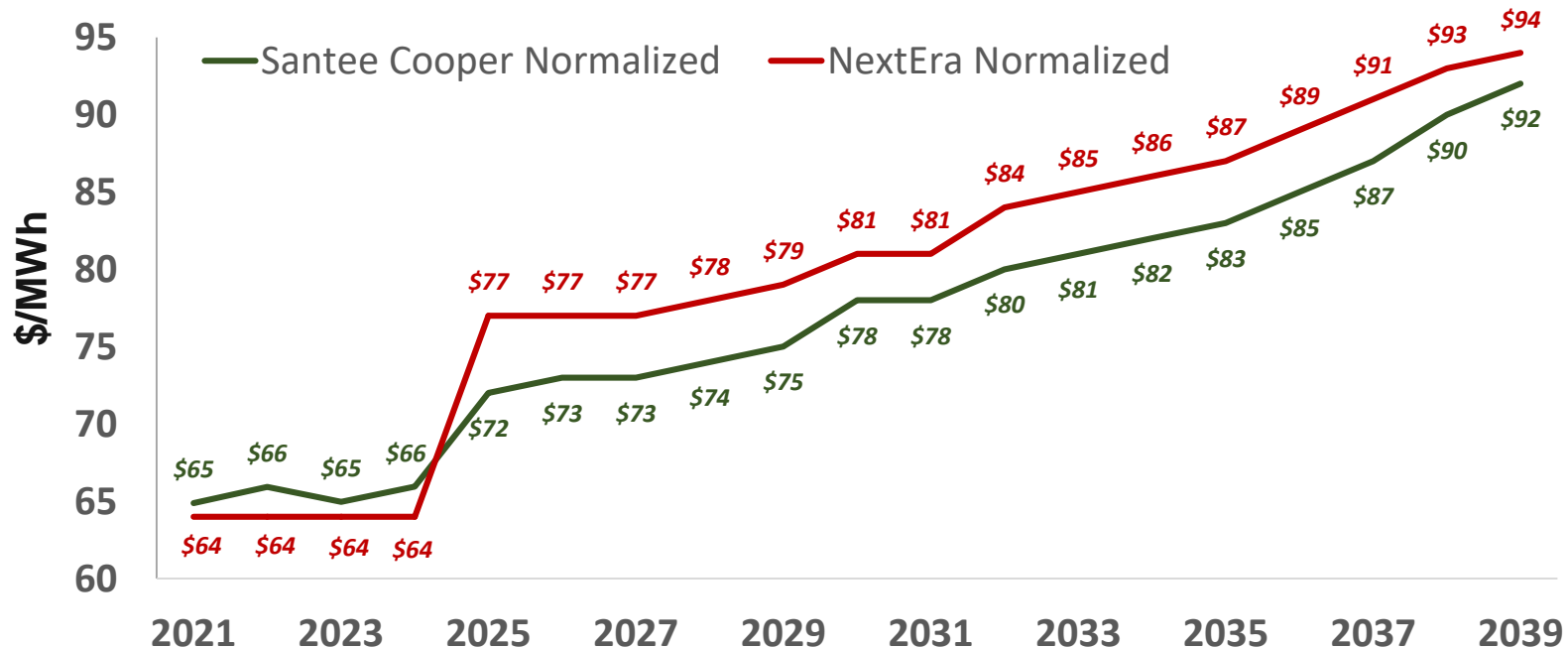
Santee Cooper Normalized vs NextEra Normalized (21-39)

Santee Cooper plan saves estimated \$840 million over NextEra bid, after normalized by DOA (\$450 million present value savings)

DOA Normalized (incl. credits): Santee Cooper and NextEra



Assuming a \$500m settlement, Santee Cooper's rates are comparable during rate freeze and lower following 2024



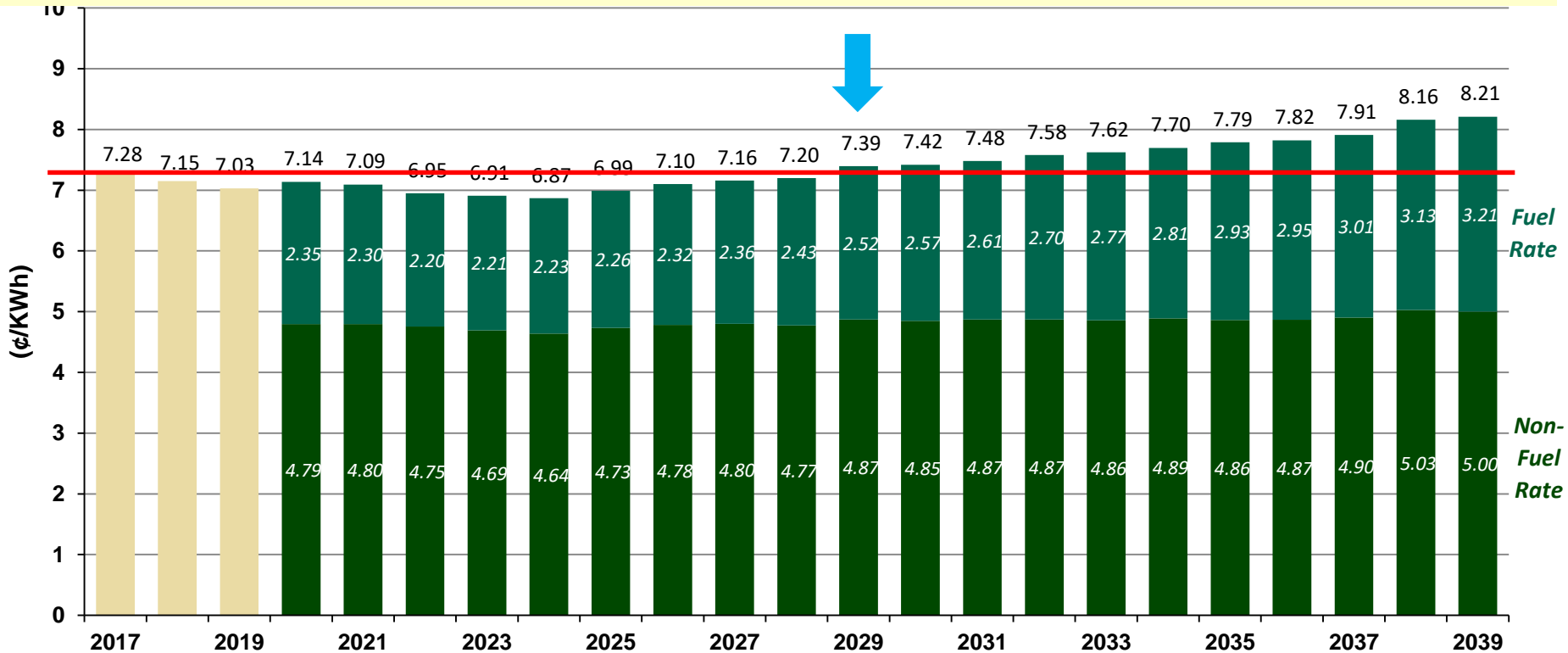
Santee Cooper Normalized vs NextEra Normalized (21-39)

After adjusting for assumed settlement, Santee Cooper plan saves \$1.3 billion over NextEra bid (\$910 million present value savings)

Prices to Central



Central Cost of Service 12 years of stable prices



Pricing Principles



- Santee Cooper to adopt Pricing Principles, subject to annual compliance review by the ORS, which are:
 - **Mission** – Limit price increases to less than inflation and maintain competitiveness in the region
 - **Equity** – Allocate costs to specific customer classes in a reasonable, equitable and defensible manner
 - **Efficiency** – Design prices so that conservation savings are shared with the customers
 - **Adequacy** – Provide sufficient revenue to preserve the financial integrity of Santee Cooper
 - **Notice** – Ensure customer notice and engagement in rate proceedings
 - **Protection** – Allow reasonable relief mechanisms for financially distressed customers
 - **Transparency** – Require openness in annual review of compliance with Pricing Principles

Resource Planning

Resource Planning Principles



- **Customer Focus**
- **Cost Management**
- **Ensuring Reliability**
- **Environmental Stewardship**
- **Optionality: Long-Term View**
- **Resource Additions in Small Increments**
- **Embracing Innovation**
- **Transparency**

Meaningful Reduction in Coal

- Retire Winyah 3&4 in 2023
- Retire Winyah 1&2 in 2027

Reliability

- 100 MW of dual-fuel aeroderivative CTs in 2023

Natural Gas Resources

- Addition of ~500 MW of combined cycle generation in 2027
- Power Purchases in 2030s to match needs

Sustainable Resources

- 1,000 MW of solar by 2024 and another 500MW by 2031

Energy Storage

- 200 MW of energy storage, phased in 2024-2028

Demand Side Programs

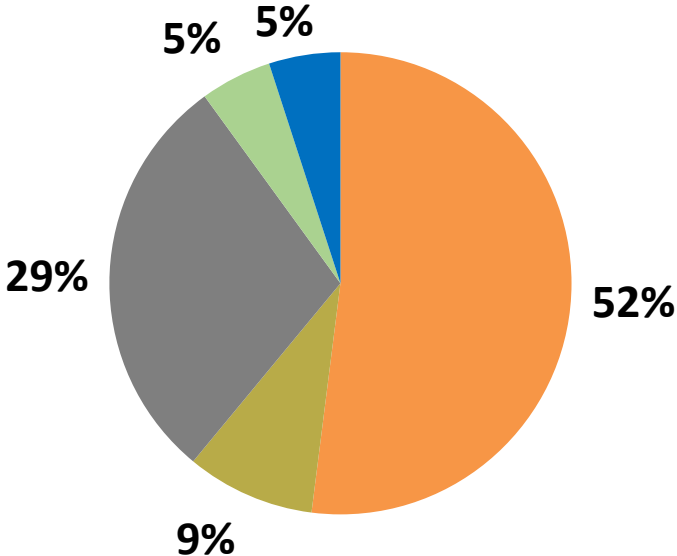
- 150 MW phased in 2020-2027
- 50 MW phased in 2028-2037

New, Diverse L&R Path

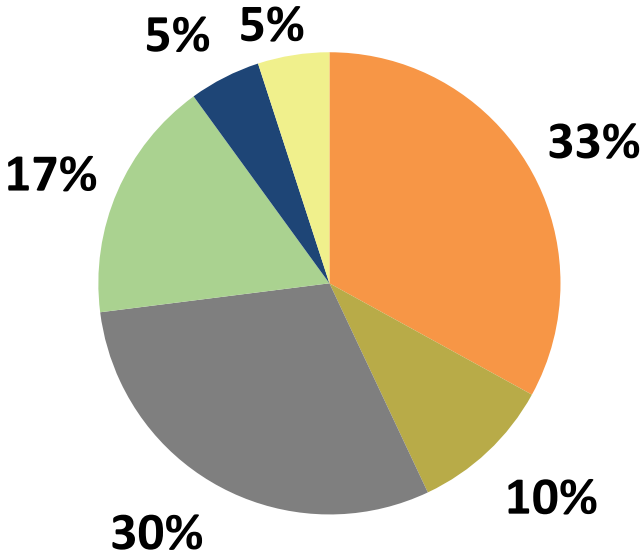


2030's Energy Mix

Old L&R



New Plan

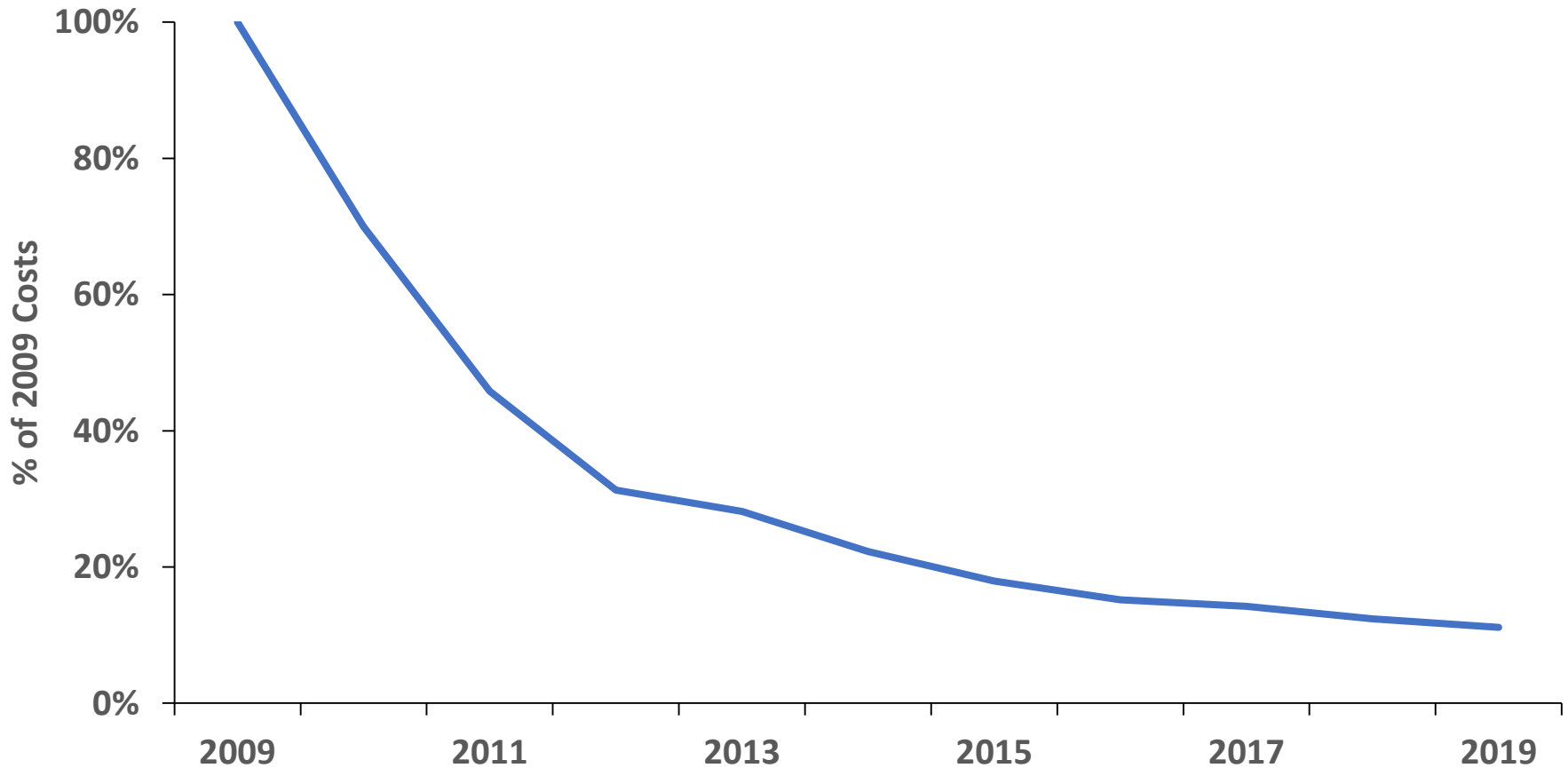


- Coal
- Nuclear
- Natural Gas
- Sustainable Res.
- New PPA
- Economy Purchases

Solar Resources



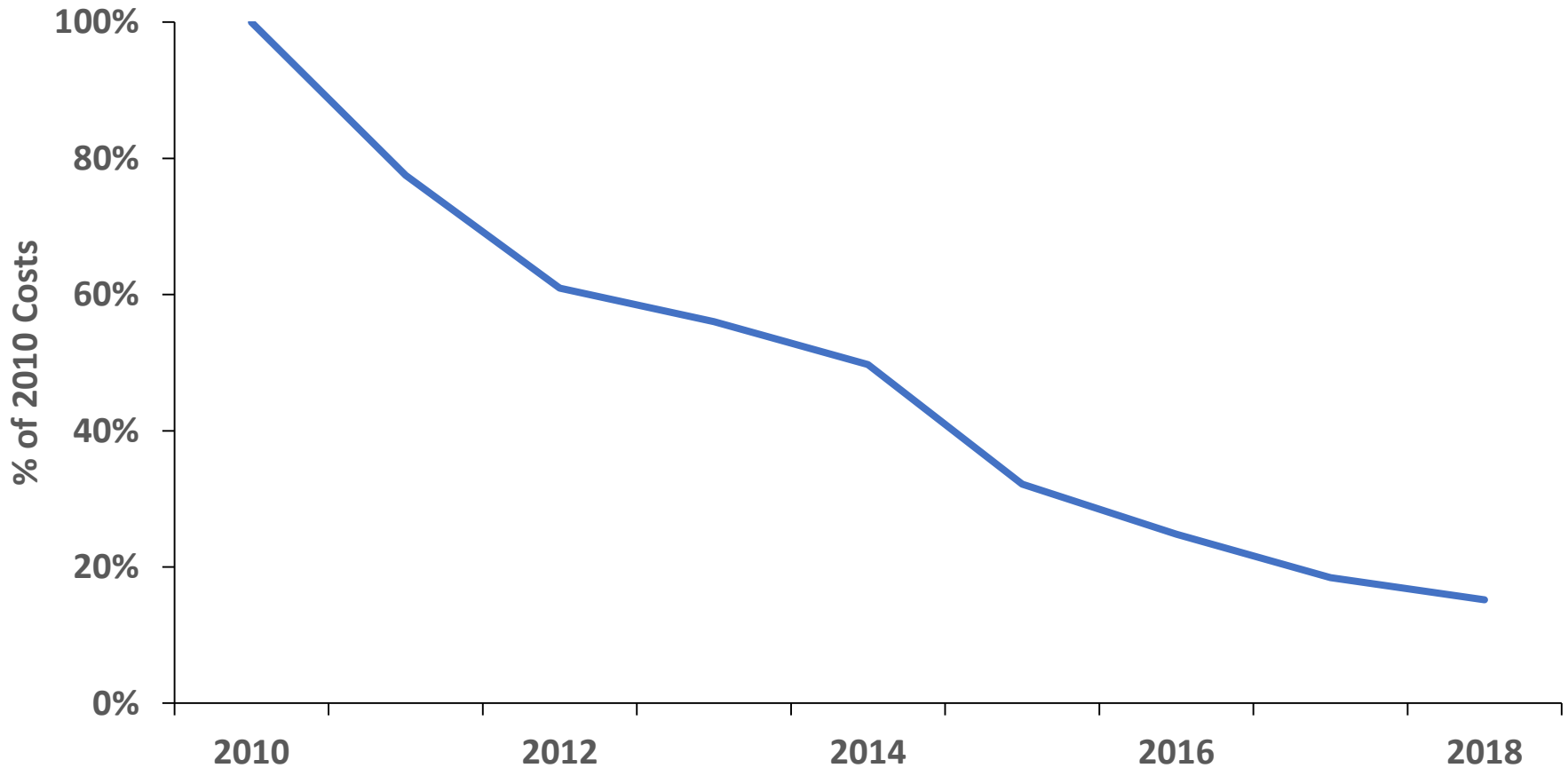
Utility scale solar costs have declined by 89% since 2009.



Data Source: Lazard, "Lazard's Levelized Cost of Energy Analysis – Version 13.0", November 2019.

Battery Storage

Battery storage costs have declined by 85% since 2010.



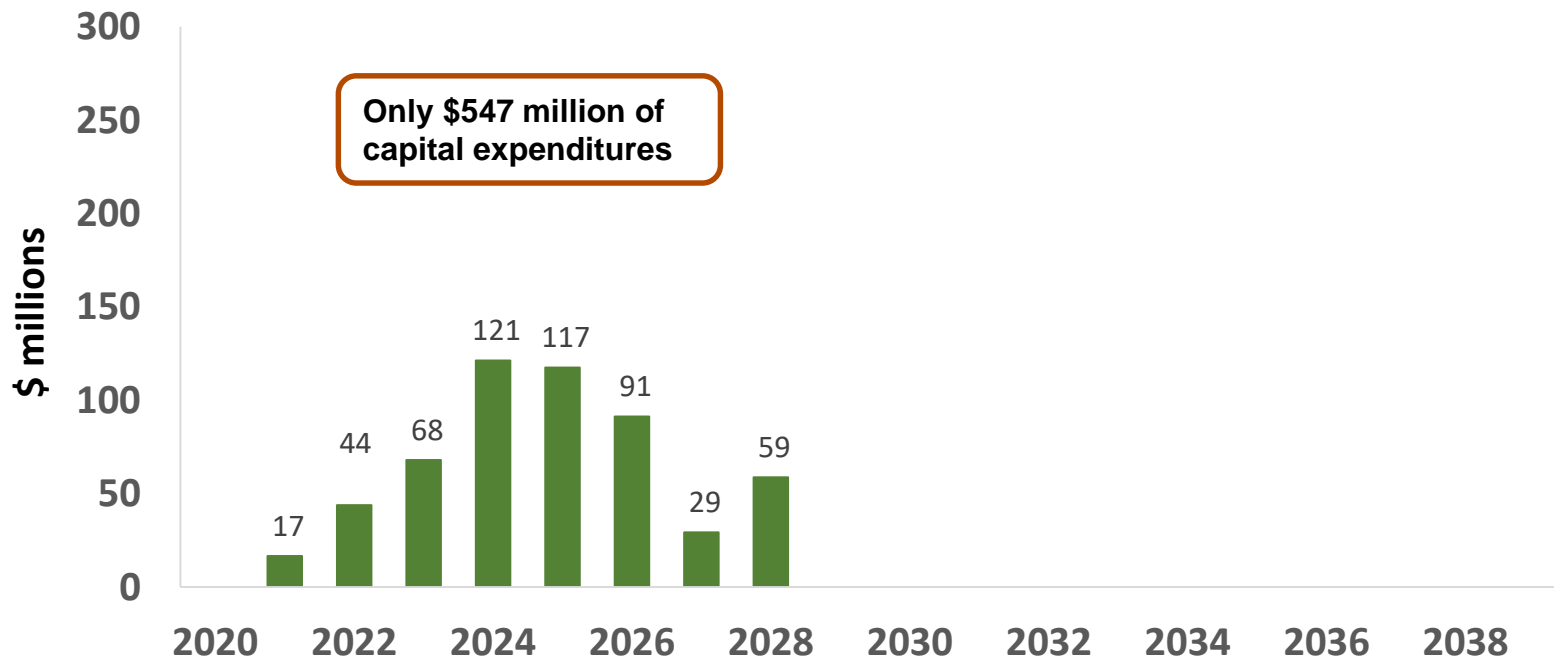
Data Source: Bloomberg New Energy Finance, "A Behind the Scenes Take on Lithium-ion Battery Prices, March 2019.

Reform Plan

New Generation Capex



Santee Cooper's plan is low risk with low capital needs



Moving Forward under the Coordination Agreement (CA)



- Reform Plan provides over a decade of price stability
- CA remains fully effective with beneficial changes
 - 5-year contract term reduction to 2053
 - Remove Cap on distributed energy resources
 - subject to implementing policies and processes that avoid cost shifts between Central and retail customers
 - Evaluate sale of transmission assets after Act 95 process
 - Improved communications and coordination on energy risk management

Moving Forward under the Coordination Agreement (cont'd)



- Resource planning and implementation
 - Central would work side-by-side with Santee Cooper through new planning and oversight processes to meet full Combined System loads
 - Would together consider options for improving economics of Reform Plan resources, which can be implemented by
 - Santee Cooper on behalf of all customers or
 - Central and Santee Cooper on a load ratio share basis
 - Santee Cooper's Commitment
 - Integrated Resource Planning to be based on best interests for all customers - Central and all retail customers
 - Subject to new State Energy Office review process
 - Mediation if Central and Santee Cooper cannot agree on resource plans

Together Santee Cooper and Central can ...



- The Reform Plan has been structured to:
 - Minimize implementation challenges and risks
 - Shift significant project risk from customers to developers
 - Moderate longer-term risks
- Central and Santee Cooper share similar missions
 - Low cost, reliable service to Customers
- Together, we can realize benefits of the Reform Plan
 - Economic benefits and reliability

Governance & Oversight

- The General Assembly determines Santee Cooper's governance structure
- Reform Plan attempts to address areas of concern
- Balance – appropriate oversight with efficient operations and legal requirements
- We are ready to assist as requested

Focus on:

- Board structural changes
- Pricing and Planning Principles
- Stakeholder engagement and transparency
- Regulatory oversight

Board Changes

- Term Limits (2 full terms)
- PSC qualifications
- Independent Experts
 - Resource planning
 - Pricing
 - Finance
- Livestreaming of Board/Board Committee meetings
 - Board Materials and archived livestreams publicly available

- Established by Santee Cooper Board
 - Resource Planning Principles (ultimately drives pricing)
 - Pricing Principles
- Compliance reviews by independent groups

- IRP Group
 - Broad Representation
 - Participates in Act 62 IRP Process
 - Public Meetings & Compliance Report
- Public Hearings for Major Project Siting
 - Public notice
 - ORS participation
- Public Hearings for Pricing Changes
 - Public notice
 - ORS participation

Regulatory Oversight



- In cooperation with Central, Act 62 IRP submitted to the State Energy Office (or other appropriate regulatory body) for review and concurrence
- ORS reviews and comments on the Board's siting decisions, with differences resolved by PSC
- ORS reviews and comments on the annual pricing compliance report
- Annual Act 95 report to the General Assembly

Key Takeaway #4

- ✓ We recognize the need for reforms
- ✓ Four critical areas
 - ✓ Board changes
 - ✓ Principle-based decision-making
 - ✓ Stakeholder engagement and transparency
 - ✓ Regulatory oversight
- ✓ The final decision is yours

Additional Information

Reactor Coolant Pump



Escrow in Progress

What We Have Done



- Hired new leadership
- Held headcount to 10% below 2017 budget
- Produced Business Forecast
- Developed Reform Plan
- Reorganized to focus on customers, planning and innovation
- Issued RFI for new solar projects
- Debt: paid off \$1.3B, refinanced \$163M
- Reduced use of coal to 38% of energy mix (down from 52% in 2016)

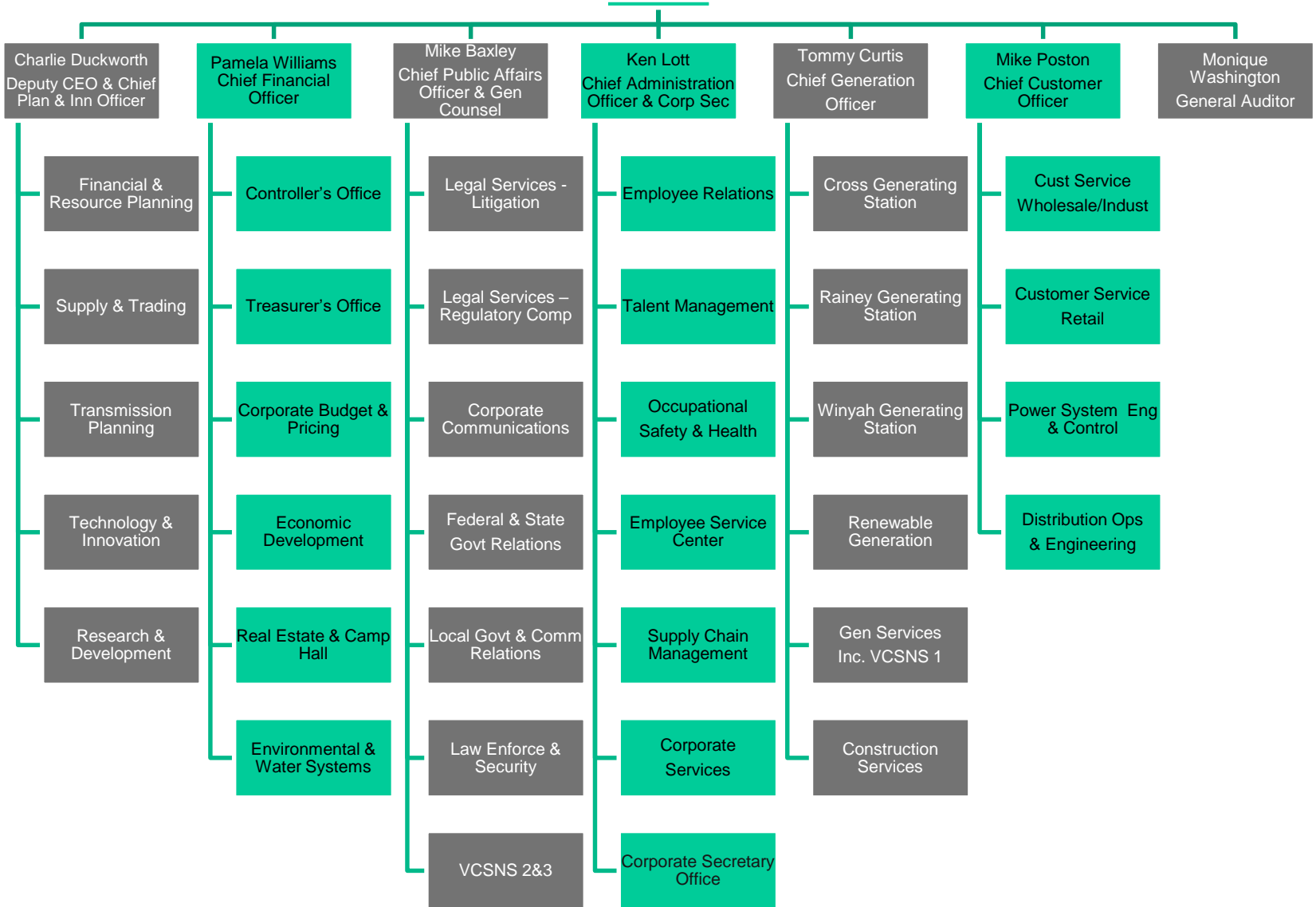
Act 95 Process



- 300 employees
- 300 requests from DOA bankers, lawyers, consultants
- 20,000+ documents initially into data room
- 450 questions before management presentations
- 5 management presentations
- 10 site visits
- 2,000 incremental questions
- 52 conference calls
- 30,000 documents ultimately in data room
- 50 due diligence schedules
- Reform Plan submitted on time and in full compliance

- 30% reduction in officer positions
 - vice presidents and above
- Maintain 10% headcount reduction from 2017 budget
- 2020 budget headcount = 1,675
- Headcount will decline through attrition and retirement with closure of Winyah
- Supplemental retirement plans closed to new participants

New Org Structure



- Be responsive to legislative guidance
- Lock in natural gas and purchase power pricing, and study joint savings with neighboring utilities
- Coordinate with Central – CA and resources
- Work with state regulators to define new working relationships
- Launch IRP group and process
- Initiate Winyah redeployment plan
- Issue initial solar RFP
- Depth assessment and succession planning

Benefits for South Carolina



The Santee Cooper Reform Plan :

- ✓ **Transforms customers' power supply**
- ✓ **Aggressively pays down debt**
- ✓ **Stabilizes prices**
- ✓ **Continues excellent reliability and safety**
- ✓ **Continues strong economic development**
- ✓ **Continues strong commitment to the Santee Cooper Lakes**
- ✓ **Adds substantial oversight and public input**
- ✓ **Holds us accountable to you**

Questions?