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HEARING PROCEEDINGS

February 19, 2020

Report of the Dept. of Administration re: SC PSA (Santee Cooper)

pursuant to Act 95 of 2019

REPORTER: Jennifer Nottle

1 SENATE FINANCE COMMITTEE

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3 * * * * *

4 DATE: Wednesday, February 19, 2020

5 TIME: 9:17 a.m.

6 LOCATION: Gressette Building

7 1101 Pendleton Street, Room 105

8 Columbia, South Carolina 29201

9 IN RE: Purchase of Santee Cooper by NextEra

10 REPORTED BY: JENNIFER NOTTLE, COURT REPORTER

11
12 BEFORE:

13 Senator Hugh K. Leatherman, Sr., Chairman

14 Senator Nikki G. Setzler

15 Senator Harvey S. Peeler, Jr.

16 Senator John W. Matthews, Jr.

17 Senator Glenn G. Reese

18 Senator Thomas C. Alexander

19 Senator Lawrence K. "Larry" Grooms

20 Senator Daniel B. "Danny" Verdin, III

21 Senator Ronnie W. Cromer

22 Senator Darrell Jackson

23 Senator Kent M. Williams

24 Senator Paul G. Campbell, Jr.

25 Senator Tom Davis

1 Senator Floyd Nicholson
 2 Senator Vincent A. Sheheen
 3 Senator Shane R. Martin
 4 Senator John L. Scott, Jr.
 5 Senator Karl B. Allen
 6 Senator Chauncey K. Gregory
 7 Senator Sean M. Bennett
 8 Senator Thomas D. "Tom" Corbin
 9 Senator Greg Hembree
 10 Senator Kevin L. Johnson
 11 Mike Shealy, Budget Director

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Court Reporter's Legend:

dashes [--] Intentional or purposeful interruption

[ph] Denotes phonetically written

[sic] Written as said

1 CHAIRMAN LEATHERMAN: Let's come back and continue.

2 So with that, Mike, if you want to call the first
3 people and swear them in.

4 MR. SHEALY: Yes, sir, Mr. Chairman. For everyone who
5 would be available for testimony this morning,
6 would you please stand and raise your right hand.

7 (Representatives from NextEra Energy rise and raise their
8 hands to take the oath and are sworn in at this time.)

9 CHAIRMAN LEATHERMAN: All right, who's up first?

10 MR. SHEALY: Mr. Robo.

11 MR. ROBO: Good morning.

12 CHAIRMAN LEATHERMAN: What would you like us to call
13 you?

14 MR. ROBO: You can call me, Jim, please.

15 CHAIRMAN LEATHERMAN: Well, that's a little bit too
16 informal.

17 MR. ROBO: Is that too informal?

18 MR. CHAIRMAN LEATHERMAN: But we'll proceed.

19 MR. ROBO: So, good morning everyone. First of all, I
20 want to thank you for having us here. I don't
21 think the mic's on, because I don't know how to
22 turn it on.

23 COURT REPORTER: There's a green button. There you
24 go.

25 MR. ROBO: Okay. There we go. So, good morning,

1 everyone. Thank you for having me here this
2 morning. NextEra and myself very much appreciate
3 the opportunity to talk to you about our proposal
4 to purchase Santee Cooper. I am going to take
5 you through --

6 CHAIRMAN LEATHERMAN: Can you speak in that mic,
7 please, sir?

8 MR. ROBO: Sure. I am going to take you through some
9 opening remarks.

10 MR. SHEALY: Before you begin, Mr. Robo, would you
11 please introduce yourself, a little bit about you
12 and any other members.

13 MR. ROBO: Sure. Sure.

14 CHAIRMAN LEATHERMAN: And speak into the mic please,
15 sir. Right in front of you. Can you speak into
16 that mic a little bit?

17 MR. ROBO: I guess I can. If I lean forward like this
18 I can. So, I have been chairman and CEO of
19 NextEra Energy for eight years. I have been with
20 the company for eighteen years. Prior to being
21 chairman and CEO I was president and chief
22 operating officer for six years. And before that
23 I ran a bunch of different businesses for General
24 Electric. So, I've been in the energy business
25 now for 18 years. And we, as I said, very much

1 appreciate the opportunity today to come here and
2 speak to you. So, with that, I will really lean
3 forward into this mic and take you through our
4 presentation today. So, what I'd like to first
5 of all do is give you a little bit of an overview
6 of NextEra Energy, and then I'm going to spend
7 some time talking about our operating philosophy.
8 And then I will take you through, in detail, the
9 proposal -- our proposal to purchase Santee
10 Cooper. So, I think the first thing -- the first
11 thing to know is that -- the first thing to know,
12 because I'm probably not going to be able to lean
13 over for a foot onto this mic all day today.

14 CHAIRMAN LEATHERMAN: Can we get somebody to help him
15 with that?

16 MR. ROBO: Well, I don't think it's going to come out.

17 COURT REPORTER: Right there is perfect. If you could
18 just get -- are you comfortable right there?

19 MR. ROBO: I'm comfortable right here.

20 COURT REPORTER: If you just tilt your head down a
21 little it's beautiful. Everybody's got a little
22 speaker right here that can hear you. So -- but
23 we'll remind you if we're not getting you.

24 MR. ROBO: Okay. All right.

25 COURT REPORTER: But that's perfect.

1 MR. ROBO: All right. Right here.

2 COURT REPORTER: Right there.

3 MR. ROBO: So, we are one of the biggest companies
4 that probably many of you have never heard of.
5 We are bigger in terms of market capitalization
6 than IBM. We're bigger than General Motors. We
7 are bigger than General Electric. And to put our
8 size in terms of market capitalization
9 perspective, we are almost two times the size.

10 CHAIRMAN LEATHERMAN: Mr. Robo, speak in the mic. You
11 can look at us if you want to but please speak
12 into the mic.

13 MR. ROBO: Okay. We will try, Senator.

14 CHAIRMAN LEATHERMAN: I'd prefer to speak in the mic
15 instead of looking at us if I were you.

16 MR. ROBO: We are twice the size of Southern, twice
17 the size of Dominion. So, a little bit about our
18 culture. Who are we, we are the largest utility
19 in America by megawatt hour sales. We're also
20 the lowest cost utility in America. We are one
21 of -- we have one of the cleanest generation
22 profiles of any utility in the United States.
23 And we have one of the largest capital investment
24 programs, not necessarily of any utility in the
25 United States but also of any company in the

1 United States. I'll take you through that in a
2 minute. So, we have -- we are one of the largest
3 capital investors of any company in this country.
4 We have a culture that's focused on excellence,
5 integrity and talent. And we have an operating
6 philosophy that I'll take you through in more
7 detail that underlies that culture and -- and the
8 strategy that is to be an all-of-the-above energy
9 provider. So in terms of capital investment,
10 we've invested almost 100 billion dollars since
11 2009, across 45 states across the country. Last
12 -- in 2018, because we don't have the 2019 data
13 just yet because not everyone has filed their
14 information for 2019, we were the 5th largest
15 capital investor of any company in the country.
16 The four companies that were larger than us, to
17 give you -- to put that into perspective, was
18 Google, AT&T, Verizon and Berkshire-Hathaway. So
19 we were number five on that list. We're also the
20 world's largest renewable energy generator. We
21 in the United States own the most -- we own the
22 most wind generation megawatts, we generate the
23 most megawatt hours from wind of any company in
24 the country. Almost twice the size of the
25 nearest player in the wind business compared to

1 us. And in solar we're also the largest solar
2 generator of any company in the country. Also,
3 again, nearly twice the size of any company in
4 this country. And so we've been in the renewable
5 business for more than 25 years. Back -- our
6 first investments in the renewable business were
7 in the late 80s, early 90s. We've been in the
8 renewable business for a very long time. Way
9 before it was fashionable to be in the renewable
10 business, we were in the renewable business with
11 a focus on having a clean energy profile. And
12 from an admission standpoint in our view no one
13 in our industry has done more than ourselves to
14 address emissions reductions. We have since --
15 since 2000 reduced NOx & SOx, which are the acid
16 rain pollutants, by 94 and 99 percent,
17 respectively and we've reduced our CO2 rate by 50
18 percent. And, on top of that, we are the lowest
19 cost -- FPL is the lowest cost utility in
20 America. So you can see over on the right, not
21 only are we lower cost on an operating cost per
22 megawatt hour than the average utility, we're
23 almost 70 percent below the average. We are
24 almost 50 percent below the top quartile utility
25 and 25 percent below the top decile utility. We

1 fundamentally are living proof -- our company is
2 living proof that you can be both clean and low
3 cost at the same time. And that is the operating
4 philosophy upon which we would bring to our
5 thinking around what we would do with Santee
6 Cooper and I'll talk about that a little bit more
7 in a minute. So let me spend a minute and talk
8 about culture. I don't get asked about culture a
9 lot but culture is really, I think -- we do get
10 asked, how are you -- and I'm going to show you
11 some things about what we've done with Gulf Power
12 that we just bought at the beginning of last
13 year, as well as what we've done at our own
14 company over the last, over the last 20 or 30
15 years. And a big piece of it is culture. I am
16 very blessed that I was preceded by two terrific
17 CEOs. Jim Broadhead, who became CEO of this
18 company in the late 80s. He brought a focus on
19 cost and financial discipline to this company
20 that we have had for the last three decades. Lew
21 Hay, my former boss and mentor, came to this
22 company as CEO in 2001 and he brought -- you
23 know, he built on Jim's success and brought a
24 focus on growth and commercial skills. And what
25 I've tried to do over the last eight years as CEO

1 has been to bring those two things together to be
2 -- you know, one of my big operating philosophies
3 is to be a successful leader in our company you
4 have to be terrific at both growth and cost at
5 the same time, and you can be good at one or the
6 other. It's easy to be good at one or the other,
7 but it's very hard to be good at both. And we
8 have several elements that are key to that
9 culture. First of all, it's the willingness to
10 set big goals, and you'll see we set some big
11 goals. That mindset and philosophy in terms of
12 how we approach business you will see in our
13 proposal. Around Santee Cooper we've set some
14 very aggressive yet I think very make-able
15 targets and frankly have codified those into
16 commitments around what we'll do around Santee
17 Cooper's operating cost over the next several
18 years. And, you know, that is a big part of our
19 culture, is being able to do that and go out and
20 achieve those goals. A passion to be the
21 best, I can tell you process by process in our
22 company we benchmark those processes against not
23 just the best utilities because frankly utilities
24 are not the best operating -- not the best
25 operators in the world. Right, if you were to

1 ask me who the best operators in the world, I
2 would not tell you utilities. And so we go
3 industry by industry and look at the best
4 operators. For example, in customer service we
5 benchmark against the financial services industry
6 in -- you know, in what we do in terms of
7 technology, we benchmark against what folks are
8 doing in silicon valley. So our view is that we
9 have a very big passion to be the very best at we
10 do. And one of -- you know, one of the key
11 tenets of my operating -- that is one of the key
12 tenets of our operating philosophy is a focus on
13 excellence and that is a big part of who we are
14 as a company. Another big element of our culture
15 is we focus on our customers. We are ultimately
16 a hundred percent focused on bringing great value
17 and great service to our customers. And that is
18 -- and I'll take you through what we've done on
19 the FPL side over a period of time that's also
20 our operating philosophy and our unregulated
21 renewable business. We bring solutions to our
22 customers to make them cleaner and lower cost in
23 our generation, in our renewable generation
24 business. And at FPL our focus is to provide the
25 absolute best customer service experience of any

1 utility in the world and I'll speak to that in a
2 minute. And then lastly a focus on our people.
3 What sets us apart from every other utility in
4 this country is the talent that we have.
5 Everyone in our industry has access to the same
6 capital, same financial, you know, the same
7 financing sources that we do, they have access to
8 the same technologies that we do. What makes our
9 company different is our people and our focus on
10 our talent. And so that is another key element
11 of our operating philosophy. And then when you
12 bring it all together it's a focus on
13 accountability, integrity and respect for our
14 people and our customers. So I show you this
15 slide on safety because I'm a big believer of
16 show me with a company with a great safety record
17 and I will show you a company that is really well
18 run. And I'm a huge believer in this and this
19 is, you know, a key element of our operating
20 philosophy around respect for people. No injury
21 is a good injury in our view. You know, our goal
22 is zero. We have, over the last 20 years, taken
23 our OSHA recordable rate from somewhere over 2.2
24 down to -- year to date in 2019 it's .16. And
25 so, you know, that's a 90 -- you know, over 90

1 percent reduction in OSHA recordable rate over
2 that period of time. Another hallmark of our
3 culture is a focus on execution, and it's really
4 embedded in everything that we do. I show you --
5 my team sent me this a few months ago, we were
6 getting ready for -- every year we do a week of
7 hurricane storm preparation. One thing when you
8 run a utility that is based in Florida is you are
9 very good -- you get very good at hurricane storm
10 preparation and we have been doing these storm
11 dry-runs every year. This a picture on the left
12 of our first storm dry-run in 1952. And we have
13 had a commitment to doing storm dry-runs, being
14 prepared, ready to execute on storms for more
15 than 50 years. To give you a sense of our
16 capabilities in that area in 2016 I believe -- I
17 am probably getting the year wrong, we had
18 hurricane Irma. In Florida that impacted -- out
19 of our five million customers it impacted four
20 and a half million customers. So we had four and
21 a half million customers without power, we got 50
22 percent of them on within a day. We got 90
23 percent of them on within three days. And we
24 were 60 percent faster than we were in 2005 when
25 we had the last big storm which was hurricane

1 Wilma. So -- and hurricane Irma was a stronger
2 storm. So we have a focus on storm preparation
3 and execution that really permeates our entire
4 culture. The other example I would give you is
5 in engineering construction. We -- no one has
6 built more megawatts of new generation in this
7 country than we have. No utility in the country
8 has built more generation than we have over the
9 last, over the last 20 years. To give you a
10 sense most -- we built more generation in the
11 last five years than most of the utilities in
12 this country own in total. And we have done that
13 -- you know, we've done that. We've done 205
14 major capital projects and a total of nine
15 hundred million dollars under budget, 22 days
16 ahead of schedule, and 137 of our wind projects
17 met year-end targets, and that's very important
18 in the wind business. And so this culture of
19 executing and delivering on our commitments
20 really permeates our entire company. We say what
21 we do and do what we say. And that is another
22 very, very key element of our culture and one
23 that we would bring to our investment here in
24 Santee Cooper if you would choose to move forward
25 with it. Wanted to give you another example on -

1 - you know, from a -- one that's more, you know,
2 closer to home. I know one of the elements of
3 our plan for Santee Cooper is to build a combined
4 cycle gas plant and this is -- the last combined
5 cycle plant that we built in Florida it was plant
6 Okeechobee. You can see here a comparison to --
7 and this is public data, another Southeast IOU.
8 They built a combined cycle right around the same
9 time as we did. And we were -- you know, you
10 were 20 percent more efficient. We were a year
11 faster and we were almost 30 percent cheaper on a
12 cost per KW basis. That's not an accident. That
13 comes as a result of great planning, great
14 execution, great people and that has been our
15 focus over the last 20 years. And since 2003,
16 FPL has delivered 29 combined cycle projects and
17 solar projects on average, six percent under
18 budget and 26 days ahead of schedule; and that's
19 what we do. That is what we focus our teams on,
20 and that is -- you know, that's the operating
21 philosophy we bring to how we run a utility. The
22 other thing that we have done -- the other part
23 of our generation strategy over the last 20 years
24 in Florida has been to really shift away from
25 coal and oil and towards natural gas and

1 renewables. And what we have done since -- since
2 2000 is all of that generation modernization that
3 we've done has saved customers nearly ten billion
4 dollars in fuel efficiency improvements since
5 2002. That's a key element of our plan for
6 Santee Cooper. To give you a sense, FPL's non-
7 nuclear generation fleet is half the age, average
8 age, of Santee Cooper's megawatt adjusted.
9 Santee Coopers average plant age is 28 years,
10 FPL's is 14. And so we've had a focus on
11 modernization, investing in -- investing in the
12 business in order to get the most recent
13 technology, the most fuel-efficient technology in
14 order to drive the best outcomes for customers.
15 This has saved customers billions and billions of
16 dollars, this approach, over the last 20 years.
17 From an operating cost standpoint, you know,
18 there is no utility in the country that has lower
19 operating costs than we do. And it wasn't always
20 so. And this is a chart -- this chart goes back
21 to 1988, 1989 when Jim Broadhead became CEO and
22 we were, at FPL, not just an average utility and
23 operating cost, we were worse than average. And
24 we embarked on a journey that was -- we were the
25 first company in the United States to win the

1 Deming award for quality. And we restructured
2 our company in the early -- and you can see in
3 the early 90s we significantly restructure our
4 company and set ourselves on a path and a journey
5 to be lower cost than the rest of the industry.
6 You can see the rest of the industry, and this is
7 in nominal terms, have gone up pretty much every
8 year from almost \$19 a megawatt hour in 1988 to
9 nearly \$31 a megawatt hour in 2018. We have --
10 you know, when I became CEO I had a big focus, as
11 I said, on doing -- on being able to grow, be
12 good at growth and good at cost at the same time.
13 It's not a surprise that that inflection point
14 came when I became CEO. And you can see in 2012
15 that we had the best operating cost of any
16 utility in the country in 2012. We were the
17 best. And I challenged the team and said, you
18 know, a key element of our culture is the best
19 keep getting better every year. They're not
20 satisfied with their position, they're not
21 satisfied with being the best. I had, you know,
22 one of my great mentors in life was Jim McNerney
23 the former CEO of Boeing who I worked for at
24 General Electric for several years. And someone
25 asked Jim once, what is the leading indicator of

1 complacency. He said success. And I really do
2 believe that. We -- you know, my team comes to
3 work every day with a fire in the belly and a
4 worry in the pit of their belly that someone is
5 chasing us to be better than we are and that
6 we're going to get better every day. And in the
7 last year FPL -- FPL took that and this is the
8 2018 data. FPL, in 2019, got six percent better
9 on operating costs than they were in 2018. Let
10 me tell you, the rest of the industry did not get
11 six percent better they went up another one or
12 two percent like they do every year. And that is
13 the operating philosophy that we will bring to
14 Santee Cooper, to make it the best and to get
15 better every year. And that is the one of the
16 tools and we've gotten asked this question a lot,
17 how can you come into -- how can you come into a
18 utility and say you're going to run it 50 percent
19 better. And a big part of it is something -- is
20 a process that we implemented in 2012 called
21 project momentum and project accelerate. And
22 that is a bottoms-up process where we get ideas
23 from everyone in the company about how to get
24 better. And we have -- that we've generated
25 18,000 ideas, we've evaluated 11,000 of those

1 18,000 and we've implemented almost half of the
2 ideas that we evaluated. And that has driven
3 over a billion dollars of annual run rate savings
4 of our company since we've done this. This is a
5 process that's proven. It is something that --
6 and I'll show you in a minute what we've been
7 able to do at Gulf Power. Something that we
8 applied at Gulf Power and have been very
9 successful already in our first year of ownership
10 there. One other -- one other thing about our
11 operating philosophy. And that is that we put a
12 big premium on innovation and being on the
13 cutting edge. I view our job as leaders of this
14 company to disrupt ourselves with new technology
15 and to disrupt the rest the industry with new
16 technology. And so you will not find -- you
17 know, we have a huge push on artificial
18 intelligence. We have -- you know, to give you a
19 sense of that, we have drones that go and fly our
20 distribution network to find faults and they find
21 faults through, you know, through artificial
22 intelligence and looking at the -- and it's
23 actually visual recognition of the equipment and
24 actually being able to tell what equipment is
25 faulted and what isn't. We have a huge AI effort

1 going on in predictive analytics in our
2 distribution system. So today we know we have
3 smart meter data on every one of our customers at
4 FPL. We can tell you with 90 percent accuracy
5 when equipment is going to fail for equipment
6 reasons in our network because we get signals
7 based on that data and we built predictive
8 models. And with 90 percent accuracy we can
9 predict that it's going to fail before it does.
10 We actually dispatch somewhere close to 20 or 30
11 tickets a day to people. And we go knock on
12 people's doors and say, excuse me, your power is
13 about to go out. We have indications that it's
14 about to go out, let us fix it now so we can get
15 ahead of it and fix it before it happens as
16 opposed to after it happens. So we have an
17 enormous set of tools from an AI standpoint. We
18 have also been at the forefront of disrupting
19 generation in this country. And so what's been
20 going on generation, new technology has really
21 revolutionized the generation business.
22 Completely revolutionized the generation
23 business. And what new technology am I talking
24 about? I'm talking about from a natural gas
25 standpoint, extraordinarily fuel efficient, new

1 combined cycle technology, and I'm also talking
2 about solar and wind costs that are lower. New
3 wind and solar costs combined with battery
4 storage that are lower cost, brand new, including
5 the capital cost, than the operating cost of
6 existing coal and existing nuclear. Let me say
7 that again, we can build new solar combined with
8 batteries, brand new, including all the capital
9 charges and the depreciation and the interest on
10 those assets, the operating cost on those assets,
11 and those assets will generate electricity at a
12 lower cost than existing operating costs of coal
13 and nuclear, regardless of not taking into
14 account trying to get a capital charge on that
15 install base. So -- trying to recover a capital
16 charge on that installed base. So that very -- I
17 mean think about that, that's very disruptive.
18 It is the reason why -- it is the reason why you
19 see solar in the southeast exploding. You see
20 battery technology. We are the largest -- we're
21 not only the largest wind and solar company in
22 the world, we're the largest grid battery storage
23 company in the united states. We're building the
24 largest battery in the world, battery storage
25 project in the world, at FPL that's coming online

1 in 2021. And we have four projects that we're
2 working on, two in Colorado and two in Nevada
3 that are nearly as large as that FPL project,
4 projects in Oregon, projects that -- where we
5 combine wind and solar with batteries and produce
6 near firm power at a lower cost than the existing
7 operating costs on the grid. So that is
8 amazingly disruptive. There is not a generation
9 fleet in this country that we can't come into and
10 operate at a lower cost and make investments to
11 lower that cost for customers with this new
12 technology. And as I said we've been in the
13 renewable business for 25 years, we were the
14 first people to build a combined cycle plant.
15 GE's first combined cycle plant ever built was
16 built at Martin plant in Florida in the 19 -- in
17 the late 19 -- in the late -- in the mid 1980s.
18 So that focus on technology, that focus on
19 innovation, we will bring that same focus to how
20 we would operate Santee Cooper. And so when you
21 bring all that together, what does that do?
22 Well, here's what we've been able to do at FPL
23 over the last decade. In the last decade our
24 bills at FPL have gone down. This is our typical
25 residential bill, a thousand kilowatt hours a

1 month. Our bills at FPL have gone down nine
2 percent -- is that eight? Eight percent, sorry,
3 eight percent since 2009. And you can compare
4 that to some of the other -- other things that
5 folks buy every day. Medical costs, cable, home
6 insurance, food, right. And the average electric
7 bill in that same time in this country has gone
8 up 17 percent. Ours has gone down eight percent.
9 So taking that operating philosophy, that focus
10 on cost, the focus on innovation, focus on our
11 people and focus on talent, that has been, that
12 has been -- enabled us to drive those kind of
13 results at FPL. And then last year -- and early
14 last year we were able to buy Gulf Power and at
15 Gulf Power we made -- you know, we made the
16 following commitments to folks: that we would get
17 20 percent better service reliability, we'd cut
18 CO2 emissions by 40 percent in three years, that
19 we would cut costs by 50 percent and that we
20 would lower bills in real terms by 20 percent by
21 the middle of this decade. We are well on our
22 way, again. So in our first year we were able to
23 cut costs by 20 percent, we improved service
24 reliability by 20 percent and we improved our
25 safety performance by 40 percent. So we're well

1 on our way at Gulf and well on our way to meeting
2 our commitments there that we made when we
3 purchased Gulf back in early January. Okay. So
4 that's a little bit about our company, a little
5 bit about our operating philosophy and how we do
6 business and our track record. So let me now --
7 let me now shift to talking about our plan for
8 Santee Cooper. So first of all let me take you
9 through some of the details of our proposal.
10 First of all our proposal repays the entire debt
11 of Santee Cooper, seven point nine billion
12 dollars. It avoids interest on the portion of
13 that debt that is related to VC Summer two and
14 three, three point six billion dollars it would
15 have had to been paid over the years on that
16 debt. It provides nine hundred and forty-one
17 million dollars of refunds to Santee Cooper
18 customers. We can talk about the mechanics
19 around that. I'm sure you'll have some questions
20 about that, happy to address those. It also
21 provides an additional billion dollars of payment
22 and freeing up of existing cash on Santee
23 Cooper's balance sheet. We will invest two point
24 three billion dollars in the state over the next
25 several years and billions and billions by the

1 way more to come post that. Our view is that you
2 need to continue to invest capital to continue to
3 drive improvements in utilities. Utilities are
4 capital -- capital intensive, you need to invest
5 capital in order to take operating costs out and
6 take fuel costs out. But this is just the
7 initial investment that we would make. And that,
8 that investment totals two point three billion
9 dollars would generate by our estimate thousands
10 of jobs from that investment. Three point three
11 billion dollars in nominal local and state tax
12 revenue over the next thirty years. Above and
13 beyond what Santee Cooper pays to the state. And
14 that is, you know, a total direct value of 19
15 billion dollars. And in terms of our proposal we
16 believe, you know, there were certain things that
17 were laid out in the legislation last year that's
18 set off this process to evaluate alternatives on
19 Santee Cooper, and we believe our proposal
20 addresses every one of those -- every one of
21 those -- of that joint resolution's key
22 requirements. So I've also been asked, why South
23 Carolina? We love this state, we think it has
24 one of the best business climates in the country,
25 it's got a growing population, it's got above

1 average economic growth and a highly-skilled work
2 force and it's an opportunity for us to make I
3 think a significant difference in the state. And
4 what we would do is we would -- you know, our
5 plans and our investments would create jobs,
6 reduce emissions, and help drive the next phase
7 of growth for the state by providing low-cost
8 power to the state. So what's our vision for
9 Santee Cooper? It's the following, it's to
10 deliver, first of all, outstanding customer
11 value. That -- I said, you know, we'll have a
12 big focus on making sure the customer experience
13 is terrific and that we drive outstanding
14 customer value. Execute on best-in-class
15 operations and I've talked a lot about that. I
16 think you have an idea of what we would do on
17 that front. Modernize the generation fleet,
18 that's a very big element of what we would do.
19 And I'll go through that in a little bit more
20 detail. And then most importantly you would have
21 access to the full capabilities and the full
22 resources of the NextEra energy family. So
23 Santee Cooper would be run as a separate
24 subsidiary of next NextEra Energy, Michelle
25 Wheeler would run it, she would report to me.

1 And it would be very similar to how we run FPL
2 and NextEra energy resources right now. So in
3 terms of costs I wanted -- we've gotten a lot of
4 questions about how -- how will we take as much
5 operating cost out of Santee Cooper as we have
6 laid out in our plan? How can we afford to pay
7 as much money as we are paying for these assets?
8 Essentially Santee Cooper is an entity with --
9 with 50 percent of it's assets that have no
10 value, essentially. And so how we can we afford
11 -- you know, how can we afford to pay,
12 essentially, two times the value of those
13 remaining assets. And that is because we will be
14 able to take costs out in order to fund the
15 investments to be able to keep bills low over a
16 long period of time. And this is just one
17 example, it's in non-nuclear fossil generation.
18 You can see the operating cost per megawatt hour
19 of Santee Cooper versus FPL and it's dramatic.
20 And that, you know, those differences in cost are
21 dramatic across the whole chain but this is one -
22 - one set of, you know -- one important piece,
23 the generation piece, that I think is telling.
24 In terms of new investments, we plan to make two
25 point three billion dollars of investments in

1 low-cost, clean, reliable generation. Retire
2 close to 1200 megawatts of coal capacity and to
3 build new generation, including 800 megawatts of
4 solar across the state, 50 megawatts of battery
5 storage and 1250 megawatt natural gas facility in
6 Fairfield County and to get 300 megawatts of
7 additional capacity at the Rani generation
8 station. So that investment we expect would
9 create 5000 direct and indirect jobs annually.
10 And once that investment has been made over the
11 next several years we would shift the generation
12 mix and megawatt hour basis to largely -- what
13 was largely coal before to both natural gas and
14 solar with a bit of -- with the same --
15 essentially same sliver of nuclear that you have
16 so it would be a much cleaner and much lower-cost
17 generation fleet as a result of that. And as a
18 result of what we plan to do there by 2024, we
19 would reduce CO2 emissions by nearly 50 percent
20 at Santee Cooper. As part of our proposal
21 appended to that is proposed legislation that's a
22 critical part of that proposal. It is -- think
23 about it as allowing us to pursue that capital
24 investment plan swiftly. And it also at the same
25 time documents the commitments that we're making

1 to the state in that legislation and so what's
2 the legislation do? It authorizes the sale,
3 obviously, the proposed legislation. It would
4 convert Santee Cooper into an IOU so not be an
5 unregulated monopoly anymore. It would be one
6 that would be regulated by the Public Service
7 Commission of South Carolina as well as by FERC.
8 It would establish the framework for the
9 generation capital investment plan. That's very
10 important. Each year of delay in that investment
11 plan is fifty million dollars of lost savings to
12 customers. The net savings, that's after paying
13 for the plant, is fifty million dollars a year of
14 our -- just the combined cycle plan alone. So
15 that is a key element of the plan, is to be able
16 to move swiftly and to get those savings as
17 quickly as possible to customers. And then
18 lastly, as I said, and very importantly I think
19 it documents our commitments to our customers.
20 And as I said, we say what we do, we do what we
21 say. We're very comfortable with documenting
22 those commitments in the legislation. So in
23 terms of rates, our -- you know, our rates would
24 be below Santee Cooper over the rate freeze
25 period. We'd freeze rates for four years, we'd

1 have 941 million dollars of up-front customer
2 refunds and we'd have lower long term rates as
3 well. So a few things on rates that I will say.
4 First of all we've spread the refunds over the
5 four years to make it comparable. You know, you
6 can show the rates any way you want in that first
7 four-year period but even without the refund our
8 rates would be lower. And over time we believe
9 our rates would be lower. Now ours is a
10 projection of our rates and Santee Cooper's is a
11 projection of their rates. We show a range here
12 for Santee Cooper, you can see what their -- 2019
13 budget is the higher number, and the lower number
14 is the reform plan. You'll have to make a --
15 you'll have to make your own -- your own -- you
16 know, your own -- come to your own conclusion
17 around Santee Cooper's ability to execute on that
18 reform plan. I can tell you with great certainty
19 that we can execute against the plan that we have
20 laid out here. And that plan creates three
21 billion dollars of incremental value relative to
22 the Santee Cooper reform plan. And let me take
23 you through -- let me take you through the
24 elements of that. First of all there is the six
25 hundred million dollar payment to the state,

1 there is the five hundred million dollars of
2 Santee Cooper balance sheet cash that is freed
3 up. There is the NPV of that three point three
4 billion dollars -- that three point three billion
5 dollars was a nominal number over 30 years. The
6 NPV of that is one point six billion dollars in
7 state and local taxes. And an NPV of four
8 hundred million dollars of lower rates. And when
9 you combine all of that together it's three
10 billion dollars of incremental benefits compared
11 to the Santee Cooper reform plan. And what that
12 doesn't include is any value for settling the VC
13 Summer, that significant VC Summer litigation
14 around the Cook -- the Cook lawsuit. And so our
15 plan also unique among the three plans settles
16 that litigation as well. A few other things
17 about our plans. We've gotten -- I just want to
18 let -- you know, have everyone know that we are
19 committed to environmental stewardship around the
20 lakes. You have my personal commitment that
21 there will be no change. That it'll get -- that
22 we will provide the same level of -- same level
23 of environmental stewardship around the lakes
24 that's being currently provided and you have my
25 personal commitment around that. In terms of

1 support for South Carolina communities we've
2 committed -- first of all we have a great track
3 record of economic development and supporting
4 economic development in the -- in all of the
5 places that we do business in. We have a very
6 successful economic development team in Florida
7 that's a very key part of the state's economic
8 development team. And we've committed to do the
9 same in South Carolina. To continue Santee
10 Cooper's track record of economic development.
11 We hope to make it even better, because our
12 operating philosophy is to do better every year.
13 And we've also committed to remain an active
14 partner in local communities and maintain Santee
15 Cooper's current level of charitable
16 contributions as well. So most importantly we
17 think with our low rates that most important part
18 of economic development is to make sure that you
19 have low ongoing rates for customers for
20 electricity, and we think our plan in the end
21 will provide the lowest rates over the long term.
22 In terms of operations, we're -- you know, we've
23 committed to keep Santee Cooper's headquarters in
24 Monks Corner. You know, our plan and our
25 operating philosophy around employees is very

1 simple. We treat our employees with respect. We
2 have managed all of the cost reductions at our
3 company over the last ten years very simply.
4 First of all we eliminate open positions. First
5 -- second, we look to voluntary attrition.
6 Third, we have one of the most well-funded
7 pension plans in America. Our plan is funded at
8 140 -- roughly 140 percent of assets. And so we
9 have used, over the last several years, enhanced
10 retirement programs to entice people to take
11 enhanced retirement programs. We would do the
12 same thing at Santee Cooper and then only as a
13 last resort would we resort to involuntary --
14 involuntary reductions. Typically those have
15 been less than ten percent of what we have done
16 in terms of headcount reductions over the last
17 decade at our company. So in summary, we feel
18 like our proposal brings significant value to the
19 state of South Carolina and the customers of
20 Santee Cooper. We think it delivers three
21 billion dollars of incremental value relative to
22 the other proposals. And along the way we will
23 transform Santee Cooper into a clean and modern
24 and efficient utility that will be an economic
25 growth engine for this state for years to come.

1 And lastly, we think it enables access to the
2 full resources of the best utility in the country
3 and we will continue to provide that economic
4 development partnership that's been so important
5 to the state. Coupled with low cost we think
6 that will help grow South Carolina well into the
7 future. And we look forward to working with you
8 all on this process moving forward and now I'd be
9 happy to answer any and all of your questions.

10 Thank you.

11 MR. ROBO - EXAMINATION BY CHAIRMAN LEATHERMAN:

12 CHAIRMAN LEATHERMAN: Mr. Robo, thank you. Great
13 presentation. I've got a question before we
14 start, did anyone else catch Mike's eye? Or the
15 -- first of all you made a statement, how can be
16 two times the value? How can you pay 19 billion,
17 two times the value? Does that mean you believe
18 the value of Santee Cooper is approximately ten
19 billion?

20 MR. ROBO: So -- so what I was -- yeah, no. What I
21 was saying, Mr. Chairman, is roughly there is
22 eight billion dollars of debt on Santee Cooper's
23 books right now. And that is to pay for their
24 roughly eight billion dollars of assets. They
25 are a hundred percent debt-financed, Mr.

1 Chairman. And so half of that, fully half of
2 that debt, is for an asset, VC Summer two and
3 three, that really has very little if any value.
4 And so you have eight billion dollars of debt
5 against a book value of assets of four billion
6 dollars. And we're paying nine and a half
7 billion dollars for that four billion dollars of
8 book value, essentially, is what I'm saying.

9 CHAIRMAN LEATHERMAN: Okay. Anybody else.

10 MR. SHEALY: Mr. Chairman, Senator Bennett has asked
11 to be recognized.

12 MR. ROBO - EXAMINATION BY SENATOR BENNETT:

13 SENATOR BENNETT: Thank you, Mr. Chairman. It doesn't
14 look like my microphone is working. Good
15 morning, thank you for coming. Just a couple of
16 quick questions. So -- I think are quick,
17 anyway. NextEra was recently involved in that
18 JEA process, and I know that that was removed
19 from the table by that board. Give us some
20 examples, similarities, differences between that
21 JEA operation and Santee Cooper. They're both
22 public, correct?

23 MR. ROBO: They are both -- both municipals, yes,
24 that's right. That's right. It's interesting,
25 you know, the -- their customer rates are pretty

1 -- you know, pretty similar. So if you look at
2 the direct serve customer, customers of Santee
3 Cooper their rates \$117, \$118 right now and
4 that's around what the JEA rate is. FPL's rate
5 is \$99 and so FPL's rate is \$20 -- 20 percent
6 below JEA's rate. And JEA has a lot of coal,
7 very similar to Santee Cooper, and they also have
8 a investment in nuclear that is probably not
9 going to turn out very well over the next -- over
10 the next 20 years. They have a very expensive
11 investment in nuclear. So a lot of similarities,
12 frankly, to Santee Cooper. I said on our
13 investor call a few weeks ago that we were
14 disappointed they stopped the process, we thought
15 we could bring significant value to the customers
16 of Jacksonville, the city the Jacksonville. And
17 we still think that way. And, you know, they
18 have made their decision and, you know, I respect
19 that. And but should they ever change their mind
20 we'd stand ready to come and propose something
21 that would be very similar to this. Which we
22 would be able to pay more than the value of the
23 debt, it would return money to the city and that
24 money could be used for other things.

25 SENATOR BENNETT: So that was their decision though,

1 right?

2 MR. ROBO: That their decision.

3 SENATOR BENNETT: They just pulled out. Dropped the --

4 MR. ROBO: That was their decision. That's exactly
5 right. That's exactly right, Senator.

6 SENATOR BENNETT: You know, nobody's going to do a
7 deal, obviously, that's not accretive to their
8 current business.

9 MR. ROBO: Right.

10 SENATOR BENNETT: I assume that's the case for you.

11 Is Santee Cooper immediately accretive to you, or
12 is it over time?

13 MR. ROBO: Yeah, no, it's immediately accretive to us,
14 Senator. And I've said that we wouldn't do deals
15 -- and I've told our investors we wouldn't do
16 deals -- that's part of our financial discipline,
17 that we won't do deals that don't make sense for
18 our investors as well, and so it would be
19 immediately accretive to -- we haven't said by
20 how much and -- but we have said it would have to
21 be significantly accretive to us for us to do a
22 transaction. You know, we have a hundred and
23 thirty billion dollars of assets. I'm not going
24 to add, essentially, ten billion of dollars of
25 assets to the company for something that is --

1 you know, for something that has no accretion to
2 our shareholders. Right, that makes -- that
3 would make no sense, so.

4 SENATOR BENNETT: And M&A is a driver of your business
5 model, I guess?

6 MR. ROBO: It's been a part of our business model for
7 a long time. We have -- I think, you know, of
8 that one hundred and thirty billion dollars of
9 assets that we have probably fifteen billion has
10 been acquired over the last, over the last 15
11 years probably close to ten billion in the last -
12 - in my time as CEO. So that gives you a sense.
13 It's been -- it's been in part but it hasn't been
14 a hundred -- you know, it's organic growth has
15 been by far the biggest driver of our growth over
16 that period of time.

17 SENATOR BENNETT: Thank you, Mr. Chairman.

18 CHAIRMAN LEATHERMAN: Thank you. Before we go, Mike,
19 as yesterday we'll be looking for questions and
20 not statements. So Mike, who's up next?

21 MR. SHEALY: Yes, sir. Senator Johnson's been
22 recognized for the next.

23 MR. ROBO - EXAMINATION BY SENATOR JOHNSON:

24 SENATOR JOHNSON: Thank you. Just a couple of
25 questions I have for clarification. Okay. You

1 mentioned that your proposal maintains the status
2 of Lake Marion and Lake Moultrie. Can you go
3 into more detail as far as when you say maintain
4 the status?

5 MR. ROBO: So those are all, you know, the -- those
6 are all regulated by FERC and we'll have an
7 obligation to just -- you know, we'll have a FERC
8 obligation to do that. We have a lot of
9 experience managing watersheds. We managed a
10 significant watershed in Maine for a very long
11 period of time because we own hydroelectric
12 assets in Maine and we hosted almost a million
13 visitors a year to rafting on our rivers in Maine
14 and we managed that watershed. And so we have a
15 lot of experience in doing it and, you know, our
16 plan is to not only maintain the status quo but
17 hopefully improve the environmental stewardship
18 of those lakes over the next -- you know, if and
19 when we move forward with this sale.

20 SENATOR JOHNSON: Okay. I was speaking more in line
21 of -- I have a lot of constituents in my area
22 that live on lake Marion.

23 MR. ROBO: Uh-huh.

24 SENATOR JOHNSON: And they living on lease lots, lots
25 that are leased from Santee Cooper. I was

1 speaking more in terms of that.

2 MR. ROBO: Yeah, no, there will be no change to that.

3 No change to that.

4 SENATOR JOHNSON: All right. And the only other
5 question I had was it was something mentioned
6 yesterday in your proposal or your bid. Most
7 pre-closing liabilities will remain behind. And
8 kind of break that down for me.

9 MR. ROBO: Sure. So, let's spend a minute and talk
10 about the liabilities, right? So first of all --
11 first of all Santee Cooper has all those
12 liabilities today, all right? And so I think
13 that's the first thing to understand. Is all
14 those liabilities exist. We are settling one of
15 the most significant of those liabilities, right?
16 Which is the Cook litigation. There are several
17 other liabilities that frankly Santee Cooper and
18 the state are in a better position to defend
19 because of sovereign immunity defenses than a
20 company would be. Those include the lawsuits
21 around the failed coal plant and the existing
22 dominion lawsuit around VC Summer two and three.
23 And a couple -- the mini-bond lawsuit and a
24 couple other smaller ones. But the significant
25 ones are -- and Charlie, correct me if I'm wrong

1 on that, those are the significant ones that I
2 just mentioned, right? So those are the
3 significant ones. The litigation around the coal
4 plant. That's been going on for a decade. That
5 coal plant was build in 2008, this is a six
6 hundred million dollar litigation. Santee Cooper
7 owns that liability today. We also didn't have
8 great access to be able to diligence any of these
9 liabilities, particularly those big ones. So
10 that was also part of the thinking around that.
11 I am more than happy to, if we're given the
12 access to diligence those liabilities, to take a
13 look at them and put a price on them. But I
14 think from -- I think most lawyers would tell you
15 that you all, as the State, are in a way better
16 position to defend those lawsuits than we would
17 be. And so that's also part of why I think it's
18 value-destructive for us to put a price on them
19 as opposed to for your to continue to litigate
20 those going forward. I think, you know, you all
21 will have strong defenses and they should --
22 particularly as the State you will have strong
23 defense and I think any exposure would be well
24 down the line.

25 SENATOR JOHNSON: Yeah I only ask that question -- my

1 final question, I only asked that question
2 because I noticed that payments to State five
3 hundred and fifteen million dollars at closing
4 and return of Santee Cooper cash around five
5 hundred million. That's about a billion dollars,
6 and I was just wondering, it sounds good but then
7 if you have other liabilities that come later on
8 and eat up that billion dollars, that's why I
9 asked the question.

10 MR. ROBO: Yeah, no. And -- and think about it this
11 way. So Santee Cooper has operated for however
12 long it's operated. It's got eight billion of
13 debt, four billion of good assets, four billion
14 of bad assets -- so it's got four billion of bad
15 assets and it's got liabilities and litigation
16 liabilities of another billion or a billion and a
17 half dollars, right? So this is a very troubled
18 company.

19 SENATOR JOHNSON: Yeah.

20 MR. ROBO: Right? When you look at it from that
21 standpoint. And so that -- those litigation
22 exposures existed before we came to the table.
23 We are putting a very significant amount of cash
24 on the table to be able to manage those
25 exposures. I think, as I said, the State has

1 very good defenses against them and better
2 defenses than we do as a public company. And so
3 I think when we looked at it with the DOA who, by
4 the way, did a terrific job -- we thought did a
5 terrific job and the work they did around this.
6 When we looked at it with the DOA and their
7 experts I think, you know, the conclusion was
8 reached by the teams that the State was in a
9 better position to deal with those. Those
10 specific -- because we're taking a lot of the
11 ongoing -- there's a lot of liabilities that we
12 do take, right? It's just a few specific ones
13 that we've excluded, in part, because it's been
14 hard to get Santee Cooper to cooperate in terms
15 of looking at the -- you know, us being able to
16 diligence those liabilities and secondly because
17 of the State frankly is in a much better position
18 to defend against them.

19 MR. SHEALY: Next is up Senator Campbell.

20 MR. ROBO - EXAMINATION BY SENATOR CAMPBELL:

21 SENATOR CAMPBELL: Good morning, sir.

22 MR. ROBO: Good morning.

23 SENATOR CAMPBELL: The Cook litigation, you've
24 mentioned that you've set aside money to handle
25 that. What confidence level do you have that you

1 are going to be able to handle it? I think it's
2 five hundred and forty-one million dollars?
3 MR. ROBO: Yeah. So of the -- of the nine hundred and
4 forty-one million, Senator, five hundred and
5 forty-one million of that is refunds to customers
6 that will be counted towards the settlement of
7 the Cook litigation. And we have agreement with
8 the Plaintiffs' attorneys that they will support
9 to the class that should settle the claims. So
10 obviously the class has to approve and the judge
11 has to approve that settlement. But we feel
12 confident that that will happen. The Plaintiffs'
13 attorneys are going to recommend that approval to
14 both the judge and the class. And so we feel,
15 you know, we feel good that -- in any case. So
16 let's say the class turns it down and they go to
17 -- they got to trial. And they win eight hundred
18 million dollars of -- of claims against Santee
19 Cooper. That five hundred and forty-one million
20 dollars would be -- would count, would reduce
21 that eight hundred million dollar claim to three
22 hundred -- two hundred and fifty-nine million.
23 So -- so it is a clear reduction. It is also, on
24 the part of the Plaintiffs' attorneys, a
25 commitment to support the approval of that

1 settlement with the class and with the -- and
2 with the judge. So we feel good that we'll get
3 that -- that that will happen. And then it also,
4 we also as part of our settlement satisfy the
5 Plaintiffs' attorneys fees as well, so customers
6 don't pay those.

7 SENATOR CAMPBELL: Question, in relation to that, what
8 kind of relationship do you think you can
9 establish with the cooperatives in South
10 Carolina? Have you talked to them about the --
11 they're the largest power consumer, I think about
12 60, 65 percent of the revenue.

13 MR. ROBO: They are. So we've had a set of -- we've
14 had a set of negotiations with Central that have
15 been, I think, extraordinarily constructive and
16 we have -- and as part of our proposal and this
17 is public a revised power purchase agreement with
18 Central that addresses many of the complaints
19 that Central had with the existing power purchase
20 agreement they had with Santee Cooper. Provides
21 them significant more flexibility for their
22 customers and, you know, we -- we look forward to
23 having a terrific relationship with Central,
24 going forward, if we're selected to move forward
25 with this process. The -- you know, they serve

1 many co-ops here in the state, we look forward to
2 having a great relationship with them as well.
3 We -- co-ops are some of -- and around the
4 country are some of our biggest customers. And
5 so probably -- you know, probably a third of our
6 wind generation that we built over the last
7 decade has been for co-ops. We have -- we are
8 also the fourth largest marketer of power in the
9 country. And many of those, many of the co-ops
10 across the country are our biggest customers. In
11 fact, I spoke at the national co-op convention a
12 couple years ago in front of 3,000 folks in
13 Indianapolis. And, you know, they were very --
14 you know, we have great relationships with co-ops
15 in Florida and they're some of our biggest
16 customers in Florida as well.

17 SENATOR CAMPBELL: Kind of a follow-up question to
18 that, if you would, you know, that's say 60, 65
19 percent but you've also got direct-serve
20 customers in Berkley, Georgetown and Horry
21 County. You've also got industrial customers.
22 What kind of relationship would you have with
23 those people?

24 MR. ROBO: So, you know, obviously, you know, on the
25 direct-serve front we would look forward to being

1 able to bring to bear all of the tools that we've
2 developed, around the smart grid and in analytics
3 and customer building and all of the things that
4 we've been able to do to, you know, websites,
5 mobile apps, all of the things that we've been
6 able to do, to bring a terrific customer
7 experience to our customers and we would look
8 forward to being able to do that with the direct-
9 serve customers in those communities. With our
10 industrial -- with the industrial customers --
11 industrial customers tend to be focused one thing
12 and that's rate. And, you know, I think our
13 proposal has the lowest rates and we would be
14 very focused on making sure that we could deliver
15 low rates to the industrial customers. They're a
16 very important part of economic development in
17 the state and we understand the importance of
18 those customers to economic development in the
19 state.

20 SENATOR CAMPBELL: Another -- you -- looked at your
21 employees per megawatt hour generated, which,
22 whatever the number was on the graph. That's
23 going to require -- and you show a significant
24 reduction in force of the folks at Santee Cooper,
25 much I think three or four hundred more than

1 they've got, maybe little lower than that. But
2 what about those employees that are going to be
3 rified or taken out? What kind of plan do you
4 have for those people?

5 MR. ROBO: So, first of all, we will take the approach
6 that we've always taken. Which is number one, to
7 eliminate open positions first. Second, to look
8 to voluntary attrition. So if we're going to --
9 you know, typically I haven't seen a company in
10 the country that doesn't have six percent
11 voluntary attrition. People move, they get new
12 jobs, that's a natural part of life and business
13 and we would plan on six percent of that coming
14 from voluntary attrition. On top of that, as I
15 said, we would do an enhanced retirement program
16 where we would offer folks an additional year of
17 pay on top of what they would get otherwise from
18 -- from the pension in order to entice them to
19 retire. And so we've done that at Gulf, we had
20 several hundred people take that at Gulf. And
21 we've been able to manage it so far with very --
22 what we've done at Gulf with very few involuntary
23 layoffs. If we did have an involuntary layoff,
24 we would do what we do with any employee that
25 ever faces involuntary layoff. First of all they

1 would get credit for all of the service they had
2 at Santee Cooper in terms of severance. So they
3 get two weeks of severance for every year of
4 service. They would get outplacement, they would
5 get training, they would get the full force of
6 what we do in order to find folks new jobs. So
7 we take that very seriously and that's a serious
8 commitment on our part. But most importantly, my
9 goal is to try to do this without a lot of
10 involuntary layoffs through the first three tools
11 that I talked about, particularly the enhanced
12 retirement program. And we're able to do the
13 enhanced retirement program, as I said earlier,
14 in that -- because we have one of the most well-
15 funded pensions of any company in the country.

16 MR. SHEALY: Next up, Senator Scott.

17 MR. ROBO - EXAMINATION BY SENATOR SCOTT:

18 SENATOR SCOTT: Thank you. Let me thank you also for
19 being here. Outside of looking at Santee Cooper
20 compared to NexEra, reorganizing debt, whether we
21 use your model to pay the debt off early or your
22 Santee Cooper model at the end of the 20-year
23 period of time, costs of utilities to the
24 customer on your plan, is it more or less?

25 MR. ROBO: I believe it'll be less. And the reason I

1 believe it'll be less -- and so first of all,
2 Senator, I will tell you that any projection you
3 see that is 20 years out is extraordinarily
4 speculative, okay? And -- and I can't tell you
5 what technology we're going to be able to bring
6 to bear in 20 years, right? Twenty years ago I
7 would not have told you that battery storage
8 would be as cost effective as it is today, right?
9 I would not have expected the real cost of
10 electricity and the nominal cost of electricity
11 in Florida actually have come down over the last
12 20 years as opposed to go up, okay. So I start
13 with any forecast I think is speculative. I
14 think what you all -- the decision you have --
15 you all have to make, I think is a very simple
16 one. It is, do you think that Santee Cooper, as
17 an unregulated monopoly, will operate better than
18 we will over the next 20 years. And I think, you
19 know, our focus is on low cost. Just the very
20 fact that you have put together this process has
21 led Santee Cooper to lower their rates quite
22 significantly, right? Which tells you something.
23 They didn't do it as -- they didn't do it on
24 their own, right? It's not part of their culture
25 to do it on their own, right? They did it

1 because you set a process up to bring competition
2 to the state and they have laid out a plan to
3 take costs out. We have a proven track record of
4 doing that. And I think you all have to decide,
5 does Santee Cooper have a proven track record of
6 executing in the same way.

7 SENATOR SCOTT: But I mean you take that same
8 discussion a step further you do have obligation
9 to your stockholders. I think yesterday your
10 stock was at \$282 a share, which is some of the
11 highest value of the stock in the country. So
12 outside of looking at Santee Cooper and you
13 spending nine billion dollars for a four million
14 dollar asset, which means it's upside down in the
15 business world, what really makes Santee Cooper
16 so attractive to your company? What do you see
17 outside of just that -- just outside of just the
18 utility side that you're going to be able to do,
19 and come in that region, make a major
20 improvement, especially in residential along with
21 the business community?

22 MR. ROBO: So Senator, I think it's two things. It is
23 South Carolina is a terrific state, and it is a
24 very attractive state to do business in. It's a
25 state that we would very much like to make some

1 major investments in. So that's one. And two is
2 we see -- when we see a utility that's been run
3 like Santee Cooper has been run for the last 20
4 years, we see opportunity. We see opportunity to
5 make it better. And through that opportunity to
6 make it better we know that we'll be able to
7 deliver lower cost for customers and we'll be
8 able to make investments. Those investments will
9 be good for customers, and you know what, they'll
10 be good for our shareholders too. Right? I
11 mean, we've been able to at Florida Power and
12 Light to lower customer bills by ten percent --
13 by eight percent over the last decade. And we've
14 been able to grow net income at FPL and it's been
15 terrific for our shareholders as well. So it's
16 been win-win. It's been a win for customers,
17 it's been a win for shareholders. And it's
18 because we have that operating philosophy that is
19 focused on being better every day and getting
20 better every year and I -- you know, I fully, I -
21 - you know, we have a 20 year forecast in there
22 because that was part of the process. I would be
23 shocked if we don't do better than that.

24 SENATOR SCOTT: I would hope so, your numbers were
25 little higher than theirs for the 20-year

1 forecast. And looking at other locations you've
2 been in New Hampshire, Iowa, Florida, Wisconsin,
3 other types of investments that you've made
4 outside the utility, you're coming into an area
5 where broadband is really needed. Maybe some of
6 the larger urban you may pick it up, but the
7 rural is not there, struggling school systems.
8 What other type of investments does your track
9 record show that need to make that kind of
10 decision to make major turn such as that looking
11 at further -- looking at not only what the rate's
12 going to be but also what you actually invest
13 back in since you come with one of the top
14 companies in the country? Tell me a little bit
15 about what you've done, and tell me about what
16 you're thinking about.

17 MR. ROBO: Yeah, yeah, yeah, no that's --

18 SENATOR SCOTT: Because one of the things in looking
19 at your track record, you're a Harvard Business
20 School MBA undergraduate.

21 MR. ROBO: Uh-huh.

22 SENATOR SCOTT: Top five percent, Baker scholar, so
23 you've already looked way down the road on this
24 project and tell me a little bit about what that
25 vision that you look down the road for?

1 MR. ROBO: Yeah. So that's a great question. You
2 know, what can we -- you know, what can we bring
3 to bear in the communities we do business in?
4 And you mentioned broadband, and let me -- I'm
5 very excited about 5G broadband, the ability to -
6 - and we are spending a lot of time at our
7 company right now looking at -- we had a very
8 large broadband business that we grew from
9 nothing and we sold three years ago -- two years
10 ago for one point seven billion dollars and we
11 had a two-year non-compete and we're getting back
12 in the broadband business now. And so we are
13 very excited about 5G and the technology now to
14 be able to bring -- to street light poles and to
15 poles in very -- with, you know, small antennas
16 and small, you know, small edge computing, the
17 ability to deliver that kind of broadband in a
18 very distributed way. We're very excited about
19 that. And so we're spending a lot of time
20 looking at that and would be very excited about
21 looking at that here in South Carolina. In terms
22 of what we bring to our communities, I, you know,
23 I will -- let me tell you a story of when I --
24 when I became president of the generation
25 business at energy that essentially it wasn't

1 called NextEra Energy Resources then but it is
2 that now. In 2003 we built 1,000 megawatts of
3 wind farms around the country, and a 200-megawatt
4 wind farm was in New Mexico. It was in a place
5 called House, New Mexico. And population, 50,
6 maybe, in that county. And that investment
7 brought property taxes to that county that
8 completely revolutionized their ability to spend
9 money on schools, on fire, on police. It was --
10 when we did the ground breaking in the --
11 actually the ribbon cutting of opening the wind
12 farm, they cancelled school that day and had all
13 the kids come to that ground breaking because it
14 was so transformational for that community. And
15 so the investments that we make in the
16 communities around the country, in renewables, in
17 the investments we make and the utilities that we
18 own, that comes with a responsibility for us to
19 do the right thing in those communities and to
20 make those communities better places to live.
21 So, you know, we take that very seriously it's a
22 very core part of what we do. We have a very
23 large charitable foundation that we bring to bear
24 wherever we -- you know, wherever we go to do
25 business. So it's an important part of who we

1 are.

2 SENATOR SCOTT: A reason why I asked it because, in
3 any event, if NextEra was able to gain Santee
4 Cooper, you control the right-of-ways and the
5 easements, which also controls the growth,
6 expansion, and economic development. And so I
7 really would want more information about up front
8 what you plan to do. Because you either speed up
9 the process with your investment or you can slow
10 it down.

11 MR. ROBO: Right.

12 SENATOR SCOTT: Or really just kill the whole process
13 of trying to grow those particular projects.

14 MR. ROBO: We are very excited about broadband, you
15 could -- Senator, you would see us running as
16 fast as we could to be able to enable broadband
17 in those communities.

18 SENATOR SCOTT: Thank you, sir.

19 MR. SHEALY: Next one is Senator Davis.

20 MR. ROBO - EXAMINATION BY SENATOR DAVIS:

21 SENATOR DAVIS: Morning, Mr. Robo.

22 MR. ROBO: Morning, Senator.

23 SENATOR DAVIS: Excellent presentation,
24 extraordinarily impressive operations and
25 presentation. Some philosophical question, first

1 with a confession. Before July 2017, I gave very
2 little thought to energy production,
3 distribution, transmission. I mean until what
4 happened at VC Summer two and three, this wasn't
5 on my radar screen. I'll just admit that right
6 up front. But then I dug into it, and then try
7 to understand the underlying problems, how did
8 that happen and what should we do going forward.
9 And I'm going to share it with you, some of my
10 general thoughts and then ask how you envision
11 how NextEra fitting in with that. Essentially
12 what we have in South Carolina, and you know this
13 far better than I do, is territorial areas that
14 we have assigned to utilities which are more or
15 less vertically integrated. And I think that was
16 in one sense what led to what happened at VC
17 Summer two and three is that moneys were
18 continued to be expended by then SCANA and Santee
19 Cooper because that money went into their rate
20 base, and then they got a return on that rate
21 base and their wasn't really the sort of due
22 diligence and the sort of corporate
23 responsibility regarding those payments, with
24 natural gas falling and the economic projections
25 being run awry. And so one of the conclusions

1 that I've drawn from that is that instead of
2 rights being primarily a function of what a
3 utility invests in capital with the rate of
4 return that they're allowed, moving toward a
5 model whereby what a rate-payer pays is more of a
6 function of what competition in the energy
7 production market yields, as opposed to a
8 vertically-integrated monopoly. And I guess my
9 question is this, does is NextEra -- does it
10 compete in, for instance, an ISO RTO models? Is
11 it prepared to compete with IPPs and to, if their
12 avoided cost as determined by the PSE is such
13 than an IPP can better it, does your model
14 contemplate that degree of competition or does it
15 contemplate NextEra being the one that invests
16 the capital, creates the power production? I
17 guess I'm looking longer term. Because I think,
18 you know, at least intuitively I think that if we
19 can move toward a system -- and I understand it
20 would take years if not longer to move away from
21 what we have historically had, which are
22 territorial monopolies with vertically-integrated
23 utilities and more toward a model whereby there
24 was competition on the production side and choice
25 on the consumption side. Talk to me a little bit

1 about NextEra's comfort in playing in that
2 particular environment.

3 MR. ROBO: So -- so Senator, first of all, we operate
4 in 45 states in the U.S. And so that means we
5 operate in fully vertically-integrated markets
6 such as Florida. We also operate in RTO markets
7 in New England and PJM, and Pennsylvania, and New
8 Jersey, and Maryland in their footprints. And so
9 we have experience in both. And I -- and we
10 don't fear competition. We've haven't -- we've
11 never feared competition in Florida. We have
12 competition for generation in Florida because,
13 you know, if you build a new combine cycle plant
14 in Florida, you know, they'll -- in fact,
15 Okeechobee was part of a competitive process,
16 that we allowed folks to put bids in on
17 Okeechobee. No one came close to us in terms of
18 our ability to build low cost generation in
19 Florida. So on the one hand, you know, we feel
20 like that we are quite able to compete on that
21 basis, on a cost basis, on an avoided-cost basis
22 as well. No one has every really, in Florida,
23 been able to beat us on an avoided-cost basis as
24 well in Florida. That said, when you look at RTO
25 markets around the country, they're some of the

1 highest cost markets in the country. And so I
2 think it comes down to what you said earlier. Do
3 you have a good process by which you're doing
4 generation planning? And one of the problems
5 with RTO markets is there's no long-term
6 generation planning. And so they haven't made
7 the -- they haven't made the -- they haven't made
8 the transition from coal to solar and to wind
9 because there's no long-term planning, it's all
10 very short-term oriented. The right process with
11 the right long-term generation planning will lead
12 to really low cost in a vertically-integrated
13 market. And the FPL is living proof of that.
14 Our rates at FPL are 40 percent below the
15 national average, as of last year. And that's in
16 a vertically-integrated -- that's in a
17 vertically-integrated market. And so I think the
18 most important thing, Senator, is to have good
19 generation planning and I think that, you know,
20 when you look back at -- you know, I have some
21 thoughts on how VC Summer happened. I think one
22 of them was it is easy to get enamored with one
23 technology. And I think the reason I said that
24 we're believers in all of the above is that we
25 evaluate the economics of all technologies, and

1 we have a focus on being clean and low cost. And
2 I think there is, you know, in this country, an
3 energy policy it's become very dogmatic as
4 opposed to practical and economic. And, you
5 know, there are folks on the right who are very
6 enamored of new nuclear. And there are folks on
7 the left who are very enamored of offshore wind.
8 I think both are terrible -- have terrible
9 economics associated with them. And I would --
10 you know, we would never do either as a company.
11 And I've been very vocal about that. And, in
12 fact, we went through the process of getting new
13 nuclear back when gas was eight dollars. We got
14 a new nuclear plant license. We have a license
15 to build a new nuclear plant in Florida. Turkey
16 -- at Turkey Point, Turkey Point six and seven.
17 We got the license and we've made a decision not
18 to build it right now because the economics make
19 no sense. And I think it's also good regulation
20 that's very important as well, right? Good
21 planning and good regulation.

22 SENATOR DAVIS: Let me follow up on that and move away
23 from a discussion on an RTO and ISO and talk
24 about where we are right now in South Carolina,
25 or where I think we are. We enacted, last year,

1 legislation, the Energy Freedom Act 62 which
2 essentially really is, is enforcement of PURPA --
3 or taking the spirit of PURPA and charging the
4 PSC with developing avoided-cost methodologies
5 that are transparent, that are fair. And then
6 getting IPPs, you know, ten-year contracts, for
7 instance, so that they have the ability to
8 recover capital costs. Does NextEra anticipate
9 or is it willing to participate in that
10 particular environment whereby when it brings
11 power production online that -- that it is
12 subject to IPPs coming forward and demonstrating
13 that perhaps it can generate the power for less
14 than the avoided cost because -- and I haven't
15 read it thoroughly, but it seems that for a four-
16 year period anyway, there seems to be somewhat of
17 an insulation in regard to the power generation
18 capital outlays by NextEra from that particular
19 process. If you could speak to that for a little
20 bit?

21 MR. ROBO: Yeah, sure. The reason we have that four-
22 year period in there is it's tied to the rate
23 freeze, it's our ability to be able to invest
24 that generation capital. We have caps in there,
25 there are hard caps of cost caps in there that

1 are quite competitive if you were to look at
2 those relative to some of the costs that folks
3 have been able to build those projects for around
4 the country you'll see they're quite competitive.
5 Post-that we would be subject to that same
6 legislation and would have no issue with that.
7 And we feel like there's no one who can build
8 renewables cheaper than we do. We build -- we're
9 going to build six billion dollars of renewables
10 this year. I buy two billion dollars of solar
11 panels a year. No one can beat us on cost and so
12 we're happy to take on all comers on that front.

13 SENATOR DAVIS: And I guess the way I'm thinking about
14 it is that at least for the four-year period when
15 we're talking about the project -- the energy
16 production facilities you want to bring online,
17 we're almost, in a sense, this general assembly,
18 a collective PSC in regard to at least that four-
19 year window, right? Because, I mean, we're
20 looking at it and performing the function
21 essentially what the PSC would do. And I'm not
22 saying that's right or wrong. I'm just trying to
23 think of it conceptually. So one of the things
24 that we would do as a general assembly is the
25 role that the PSC might play absent -- absent

1 this, I think. In regard to that.

2 MR. ROBO: So as it relates to the generation plan, I
3 think that's a fair -- for the generation plan I
4 think that's a fair statement. And think part of
5 -- part of the reason why we're doing that is the
6 necessity for us to be able to move quickly. And
7 to have -- to lose another year in a PSC review
8 would cost customers just on the generation --
9 just on the combined cycle, fifty million dollars
10 of lost savings on that. And it's also an
11 integral part of our ability to deliver the rate
12 freeze, deliver low rates over a long period of
13 time and also be able to deliver the -- be able
14 to pay what we're being able to pay for the
15 assets. So it is all part of that whole entire
16 proposal. And it's been a key part of our
17 proposal from the beginning. And I think it's
18 integral to it and so, yes, that is the -- that
19 is something that we are asking you to do which
20 is to approve that generation proposal with the -
21 - with the cost caps and knowing that we wouldn't
22 be able to recover if our costs went above that.

23 SENATOR DAVIS: Just one more question, Mr. Chairman,
24 if I could. And it's -- again these sound like
25 philosophical questions to me but for me even

1 beyond obviously the merits, the immediate
2 consequences I think the case is very well made.
3 I'm trying to look at what are the implications
4 longer term. You indicated I think -- explain to
5 me, because intuitively I think that whenever a
6 producer of something, you know, has to compete
7 with others and whenever the consumer of that
8 something has choices that as a result of that
9 dynamic you usually get a better product at a
10 lower cost. You seem to be saying that maybe in
11 the energy context that what I intuitively think
12 is correct may not apply and that perhaps a well-
13 regulated utility in a vertical integration model
14 may be superior to that. Talk to me a little bit
15 about why that's the case. What is it that's
16 unique about energy that that intuitive sense I
17 have about competition and choice doesn't
18 necessarily obtain?

19 MR. ROBO: Yeah, so there have been more bankruptcies
20 in the unregulated generation business than any
21 other industry, other than perhaps oil and gas
22 production. It is a -- it is a un-bankable kind
23 of activity by the rating agencies right now. It
24 is very hard to raise capital very attractively
25 to build new plants. And so what see in these --

1 what you see in unregulated markets around the
2 country fundamentally is not a lot of new
3 modernized generation going into place. And we
4 feel like if you have good regulation and you
5 have our operating philosophy that you will get
6 great outcomes for customers. When you look at
7 our bills at FPL compared to bills in the
8 unregulated markets around the country, our bills
9 are 40 or 50 percent lower. Some of the highest
10 bills in the country are in New England, New
11 York, and those are markets where there's really
12 almost no generation investment going on in those
13 markets because it's impossible to get a long-
14 term contract for new generation, it's impossible
15 to get any kind of infrastructure built in those
16 markets and it is -- you know, being able to
17 provide customers choice sounds great, and
18 customers love choice, right? I mean, all -- you
19 know, if you go out and you poll -- you poll a
20 hundred Americans they will tell you 80 percent
21 of them will tell you that they would love
22 choice, right? And yet when you look at the
23 data, the data says choice hasn't led to terrific
24 outcomes for customers, right? You can look at
25 some of the consumer protection issues that

1 you've had in places like Texas where you've had
2 some real issues with people marketing --
3 marketing that power unscrupulously. And I am a
4 big believer that if you have good regulation
5 that these are natural -- this business is a
6 natural monopoly, right? Generation and
7 distribution is a natural monopoly. You can have
8 competitive forces brought to bear in building a
9 new plant. And essentially that's what we do in
10 Florida is we have a RP to look at building new
11 plants, new combined cycle plants in Florida.
12 And I think that's -- I think that's terrific.
13 But having the right fully integrated plan that
14 makes the right decisions around how much
15 renewables, how much natural gas, how much
16 nuclear, how much coal, you know. What kind of
17 generation mix do you want to have for the long
18 term, not necessarily for a year. All of these
19 unregulated markets are very driven by one year
20 forward prices and two year forward prices. They
21 don't lead to any kind -- there is no long-term
22 planning going on in any of those markets. And
23 these assets are 40-year assets, you need long-
24 term planning. So those are some of the reasons
25 why it's been -- deregulation has not been a --

1 and it's why no one's deregulated since Enron.

2 No state has deregulated since Enron.

3 SENATOR DAVIS: Thank you, Mr. Chairman. Thank you,
4 Mr. Robo.

5 MR. SHEALY: Next up on the list is Senator Grooms.

6 MR. ROBO - EXAMINATION BY SENATOR GROOMS:

7 SENATOR GROOMS: Thank you, Mr. Chairman. And thank
8 you for willing to come -- your willingness to
9 come here today and answer some questions. In
10 your opening statement, one of them, you said
11 show me a company with a good safety record and
12 I'll show you a great run company. How would you
13 compare NextEra's safety record with that of
14 Santee Cooper?

15 MR. ROBO: I -- that's a great question, Senator. I'm
16 not sure we had access to the OSHA recordable
17 rate of Santee Cooper. And so I wouldn't want to
18 make up a number to compare our OSHA recordable
19 rate to Santee Cooper's unless someone from the
20 team has the OSHA recordable rate at Santee
21 Cooper I don't have it. We can get it to you,
22 though, I'm sure and we'll be happy to provide
23 that comparison.

24 SENATOR GROOMS: Okay. The -- you mentioned that you
25 were having difficulty being be able to do due

1 diligence on some of the sites; is that correct?

2 MR. ROBO: So the -- it was really more around the
3 liabilities, Senator and so, you know, we -- it
4 was hard to get good details around the
5 liabilities.

6 SENATOR GROOMS: But I thought you said we spoke about
7 the coal plant in Florence? That you said you
8 were unable to do due diligence there?

9 MR. ROBO: No, no, that's not --

10 SENATOR GROOMS: That's not what you said?

11 MR. ROBO: That's not what I said, Senator, no. No.

12 SENATOR GROOMS: What did you say about that?

13 MR. ROBO: The -- I said around the litigation around
14 the failed coal plant. That -- there was no
15 physical -- there was no coal plant there, right?
16 So no physical diligence needed. It was really
17 more around the liability and ability to get
18 access to the litigation, you know. All of the
19 things you would want from a litigation
20 standpoint to be able to diligence that
21 liability.

22 SENATOR GROOMS: Okay. The Cook liability, the Cook
23 case, you've mentioned things in conversations
24 with the other senator from Berkley. Talk to me
25 a little bit about the settlement. I mean, you

1 made reverence that you've settled the Cook case.
2 What about the cross claim, would that be
3 settled?

4 MR. ROBO: Yes, is the answer.

5 SENATOR GROOMS: Total settlement?

6 MR. ROBO: Yes.

7 SENATOR GROOMS: Let's talk a little bit about the
8 purchase price for Santee Cooper. And we had
9 some discussions yesterday with the Department of
10 Administration officials and it -- the total
11 purchase price 9.461 billion dollars?

12 MR. ROBO: That's right.

13 SENATOR GROOMS: And it's listed out as 5.4 cash
14 contribution from NextEra, 2.720 billion in
15 corporate bonds, and 1.330 in securitized bonds.
16 Talk to me a little bit about the NextEra cash
17 contribution. Would that be money from the
18 parent company at NextEra energy that would flow
19 to the Santee Cooper Power and Light, which would
20 then be used for the purchase to the State or --
21 how does -- take me through that --

22 MR. ROBO: We would finance it as part of our
23 financing that we do at NextEra as a matter of
24 course. We do twenty billion dollars of
25 financing a year. In fact, we issued two and a

1 half billion dollars of equity last night and,
2 you know, if we were successful, you know, that
3 two and a half billion dollars would be part of
4 the financing that we would do for this, for this
5 transaction.

6 SENATOR GROOMS: But we -- we know we're going to have
7 corporate bonds and securitized bonds?

8 MR. ROBO: Yeah, Santee Cooper -- there will be Santee
9 Cooper Power and Light bonds, those utility
10 bonds, yes. So they wouldn't be corporate
11 NextEra bonds.

12 SENATOR GROOMS: But the parent company, the 5.4
13 billion in equity, that would come from the
14 parent company?

15 MR. ROBO: That would come from the parent company and
16 we would finance it at the parent company.

17 SENATOR GROOMS: And it's listed as cash but you're
18 saying you would finance it?

19 MR. ROBO: Well -- we would write you all a check,
20 it's cash to you.

21 SENATOR GROOMS: It's cash to us, but I was noticing -
22 -

23 MR. ROBO: And we would get the cash from the usual
24 places we get cash, which is investors and debt-
25 holders. So we'd raise some corporate debt, we

1 would raise some equity. As I said, we raised
2 two and a half billion dollars last night. And -
3 - after the close. And so we would use some of
4 those -- we would use that proceeds to help fund
5 this transaction.

6 SENATOR GROOMS: You were speaking earlier about the
7 hundred and thirty billion dollars in assets of
8 NextEra Energy. And I was trying to find out,
9 where is the cash going to come from for this
10 transaction. And your 2018 financial statement
11 is online, haven't been able to see the 2019 I
12 imagine it's somewhere around there.

13 MR. ROBO: We filed it Wednesday, I think, so.

14 SENATOR GROOMS: But I noticed in 2018 at the end of
15 the year you had six hundred and thirty-eight
16 million dollars in cash.

17 MR. ROBO: That's right. I wished it was zero.

18 SENATOR GROOMS: It -- well, Santee Cooper has almost
19 a half a billion dollars.

20 MR. ROBO: Yeah, which is a terrible way to run a
21 business. Terrible way to run a utility, because
22 that's dead cash on the balance sheet and it
23 belongs either in the State's pockets or it's
24 customers pockets and so my -- the way we would
25 finance -- so think about -- think about our

1 company as a company that generates eight and a
2 half billion dollars of free cash flow a year.
3 We pay a few billion dollars out in dividends.
4 We invest 13 or 14 billion dollars of CapEx above
5 and beyond that. And so we have a net financing
6 deficit of somewhere in the order of ten billion
7 dollars a year that we need to go out to the
8 public markets and finance. And we finance those
9 in the public markets and we have an A rating,
10 it's very easy for us to go and raise debt. And
11 we raised two and a half billion dollars of
12 equity in 15 minutes last night. So it's very
13 easy for us -- we have great access to capital.
14 And so what we do is we go and we raise that
15 money, and we would raise that money in order to
16 finance this transaction. And you all would get
17 the cash and our -- you know, our ratings -- we
18 would do it in a way that would keep our A-minus
19 ratings with the agencies. Strong balance
20 sheet's very important to us, Senator.

21 SENATOR GROOMS: So the NextEra cash contribution
22 would really mostly come from debt instruments of
23 some sort?

24 MR. ROBO: No, not necessarily.

25 SENATOR GROOMS: No? Okay.

1 MR. ROBO: No, not necessarily. So we -- I issued two
2 and a half billion of equity last night. And two
3 and a half of the 5.4 would for sure come from
4 that equity just that we did last night, Senator.
5 So it would come from a variety of sources. We
6 have probably eight or nine different financings
7 that we could do. Convertible instruments,
8 hybrid instruments, dead instruments, straight
9 equity, we could do project finance of existing
10 assets that we have that would be off credit. So
11 there's a variety of different way we would raise
12 that cash. But I have -- there are ten banks
13 who've already offered to lend us the entire
14 amount. I get a letter every day from a bank
15 saying please let us finance this Santee Cooper
16 acquisition. There will be no problem in getting
17 the money. But it will be financed in a way
18 that's very balance-sheet friendly. A strong
19 balance sheet and strong credit is very important
20 to our company and it's one of the reasons why we
21 issued equity last night is to continue to have a
22 strong balance sheet. And so that -- that is --
23 you know, we would never do anything that would
24 lead to our credit rating being lowered.

25 SENATOR GROOMS: So it's really not going to be 5.4

1 billion dollars in cash that you would have on
2 the books somewhere, flowing into this
3 transaction. You would raise that 5.4 billion
4 dollars through financing or other methods that
5 you mentioned a little while ago?

6 MR. ROBO: That's right. We'd raise the money, it
7 would be cash for a minute on our balance sheet
8 and then we'd send it out to you all, and we'd
9 own the assets.

10 SENATOR GROOMS: So we'd be trading about 9.4 billion
11 dollars in bonds and other debt instruments for
12 about eight billion dollars in Santee Cooper
13 debt?

14 MR. ROBO: So, think about it this way, Senator: the
15 State is on the hook for every dollar of that
16 eight billion dollars today. You are not on the
17 hook -- you have no obligation to NextEra Energy
18 equity holders or debt holders once this
19 transaction is done. And so in terms of the
20 State, the State has eliminated all of it's
21 liabilities as it relates to the long-term debt
22 on -- as a result of this transaction.

23 SENATOR GROOMS: Is the State on the hook right now
24 for Santee Cooper's debt?

25 MR. ROBO: Ultimately the State owns Santee Cooper,

1 doesn't it? And so I think it would be -- if you
2 were to talk to the rating agencies and the State
3 allowed Santee Cooper to go under, I think that
4 would be a bad day for the State's ratings. And
5 so I think -- I think your -- I think the folks
6 who manage your -- who manage the State's bond
7 ratings would tell you that it would not be a
8 good day for the State's ratings if that happens,
9 so.

10 SENATOR GROOMS: It wouldn't be, but the taxpayers --
11 the State is really not on the hook, so to speak,
12 for Santee Cooper's debt.

13 MR. ROBO: Sure, it's Santee Cooper's customers right
14 now.

15 SENATOR GROOMS: The customers, right.

16 MR. ROBO: No, fair enough.

17 SENATOR GROOMS: And the customers of South Carolina
18 Power and Light, should the transaction go
19 through, would be on the hook for Santee Cooper
20 Power and Light's bonds and indebtedness?

21 MR. ROBO: That's right. But just the utility bonds.
22 Not any of the corporate financing. That
23 corporate financing is done without -- you know
24 there's no -- we are not looking to recover from
25 customers the premium that we're paying for those

1 assets, right? Said another way.

2 SENATOR GROOMS: Right.

3 MR. ROBO: Right. That is on -- that is on our, we
4 will have, you know, in the order of four billion
5 or five billion dollars of good will on our books
6 as a result of this transaction and so that
7 goodwill is not going to be -- we're not going to
8 try to recover that good will from Santee Cooper
9 Power and Light's customers.

10 SENATOR GROOMS: But isn't it true that the customers
11 of Santee Cooper Power and Light would be
12 responsible for having a return on equity to the
13 parent company?

14 MR. ROBO: Yes, but only on the rate base. And not on
15 the good will -- right, because remember there's,
16 you know, of it's 5.4 billion, Petter, of rate
17 base?

18 MR. SKANTZE: About five and a half.

19 MR. ROBO: Five and a half billion of rate base and so
20 they would be on the hook for the five and a half
21 billion of a return on the five and a half
22 billion of rate base. But we're paying far in
23 excess of, you know -- we're paying nine and half
24 billion for it, so.

25 SENATOR GROOMS: And talk to me a little bit about the

1 project in Fairfield. And the other improvements
2 of up to two point three billion dollars. Would
3 they also be financed by bond issues from Santee
4 Cooper Power and Light or from equity from the
5 parent NextEra Energy or a combination of both?

6 MR. ROBO: It would be a combination. So all of the
7 new investment would be financed essentially
8 roughly 50/50, 50 percent by utility debt issued
9 at the Santee Cooper Power and Light level and 50
10 percent with equity from equity investment from
11 NextEra into Santee Cooper Power and Light.

12 SENATOR GROOMS: So at the end of four years, the
13 first four years of Santee Cooper Power and
14 Light, the customers of Santee Cooper Power and
15 Light would be responsible for paying off more
16 debt then than they do right now?

17 MR. ROBO: How do you come to that?

18 SENATOR GROOMS: Santee Cooper's current debt plus --
19 Santee Cooper's current debt that the customers
20 are on the hook to pay off versus NextEra Santee
21 Cooper Power and Light in four years.

22 MR. ROBO: Yeah, so, Senator by my math --

23 SENATOR GROOMS: There would be more outstanding debt
24 in four years than there would be under Santee
25 Cooper.

1 MR. ROBO: No, there will be 50 percent less. So by
2 my math right now there's eight billion dollars
3 of debt that Santee Cooper is -- Santee Cooper
4 customers are on the hook to pay off. And so at
5 the end of four years roughly and, Petter,
6 correct me if I'm wrong, we'd have 2.7 billion
7 dollars of initial utility debt. We would
8 finance that 2.3 billion of investment we make
9 over the next four years with roughly another
10 billion and one of debt that would get you to
11 somewhere in the order of 3.8, 3.9 billion of
12 debt at the end of four years, which would be
13 about half of where you would be. And that would
14 be subject to checking our model. Yeah, but
15 that's -- it'd be roughly half. So think about it
16 as four billion versus eight billion.

17 SENATOR GROOMS: But there's still a component of
18 return on equity to the parent company?

19 MR. ROBO: That's right.

20 SENATOR GROOMS: That the customers would still be on
21 the hook to repay?

22 MR. ROBO: That's right.

23 SENATOR GROOMS: Or not repay but to pay continually.

24 MR. ROBO: That's right, to pay, to pay -- that's
25 right. That's right.

1 SENATOR GROOMS: You spoke about new technology has
2 revolutionized the generation of electricity.
3 And that the -- and part of the corporate
4 culture of NextEra is new technologies. If a new
5 generation unit such as what's proposed at
6 Fairfield is built, does that not lock in the
7 resource plan for at least 20 years? How much
8 flexibility would that give you if you're
9 building a plant that large at that site?

10 MR. ROBO: Yeah, so we -- we have made continued
11 invest- -- part of our new technology focus has
12 been continued investments in improving the
13 asset, the generation that we built over the last
14 20 years. Give you an example of that. So we
15 built the first combined cycle in the world at
16 our plant in Martin in the middle 80s. And the
17 heat rate, the fuel efficiency of that, the
18 number of BTUs you need to generate -- of gas
19 that you need to generate a megawatt hour of
20 electricity in the mid 80s was 7,600 BTUs of gas
21 that you needed. Today it's -- because of
22 investments that we've made to improve that unit
23 it's 7,000. And so it's almost -- almost ten
24 percent more fuel efficient today than it was
25 back 20 years ago. So we've continued to make

1 investments to make these assets better. I don't
2 view combined cycle as static assets. And the --
3 and we'll continue -- you know, and we're also
4 not afraid to tear assets down that are before
5 their end of their useful life. So we had
6 several assets in Florida that we tore down and
7 actually rebuilt different assets at the same
8 spot. And so we modernized -- significantly
9 modernized our generation fleet over the last 15
10 years. There's some great -- if you like
11 explosion videos, there's some great video on our
12 website of power plants being blown up over the
13 last decade. And we've had four or five power
14 plants that literally we've knocked down and
15 rebuilt in situ and modernized them before -- you
16 know, before the end of their useful life. So
17 we're not afraid to take a look at new
18 technology. And if it makes sense, we will go
19 ahead and invest it and continue to modernize the
20 fleet.

21 SENATOR GROOMS: And I guess modernizing the fleet is
22 what led to decades -- at least the last decade
23 of lowering cost and having lower power bills for
24 the folks at Florida Power and Light?

25 MR. ROBO: That's right, Senator.

1 SENATOR GROOMS: And you intend to do that here with
2 this fleet?

3 MR. ROBO: Absolutely, that's a key element of that.

4 CHAIRMAN LEATHERMAN: We've been about two hours. I
5 bet some folks need a break.

6 MR. ROBO: I would certainly appreciate one.

7 CHAIRMAN LEATHERMAN: Fifteen minute break, we'll be
8 back here at 11:15.

9 MR. ROBO: Okay. Thank you so much.

10 (A short break was taken at this time.)

11 CHAIRMAN LEATHERMAN: Mr. Robo, proceed.

12 SENATOR GROOMS: We were talking about how you were
13 able to lower the power bills for the customers
14 of Florida Power and Light through modernization,
15 over the last decade. In looking at the
16 Department of Administration's plan and the
17 analysis on rates by their experts why did that
18 not occur in that plan? Why do rates continually
19 increase over the next 30 years?

20 MR. ROBO: A big driver of that, frankly, is the fuel
21 forecast, right. And so the more fuel efficient
22 you are, the less fuel you're going to burn. But
23 if you have a forecast where the price of natural
24 gas is going up, which is what is embedded in
25 that forecast, that's what drives that -- those

1 prices going up. So, you know, I think natural
2 gas is going to be flat. And if natural gas is
3 flat and we get more fuel efficient every year
4 then prices are going to -- then the rates are
5 going to come down. So it's very -- it is very
6 sensitive to the assumptions around the fuel
7 price forecast going forward.

8 SENATOR GROOMS: So what would happen if natural gas
9 goes up?

10 MR. ROBO: Well, that is what the forecast is --
11 embedded in that forecast is natural gas prices
12 going up, essentially.

13 SENATOR GROOMS: But you believe they'll be flat?

14 MR. ROBO: I believe they'll be flat. I think -- I
15 mean, there is so much natural gas in this
16 country. You know, it's actually been coming
17 down and down and down and I think at best it's
18 going to be flat and it may continue to come
19 down. Just like in power generation, new
20 technology has revolutionized the oil -- you
21 know, the gas business, and they're getting more
22 efficient every year and longer laterals, more
23 efficient fracking fluids, all of that. And that
24 is driving -- you know, the defined development
25 cost to actually come down over time, so.

1 SENATOR GROOMS: You were speaking a little while ago
2 about the wind turbines and investments in the
3 community. What was the community you mentioned
4 a minute ago?

5 MR. ROBO: It was House, New Mexico.

6 SENATOR GROOMS: New -- House, New Mexico. And it was
7 a giant celebration because of the increased tax
8 base?

9 MR. ROBO: That's right.

10 SENATOR GROOMS: In my community where I'm from, I was
11 born in Monks Corner. My community means
12 everything to me. And under the plan we're
13 losing a number of jobs in Monks Corner under the
14 NextEra plan. And some of those functions would
15 be shifted from the corporate headquarters, I
16 assume, down to the corporate headquarters in
17 Juno, Florida. Is that --

18 MR. ROBO: So, the way to think about it is we're
19 certainly not going to be adding any jobs in
20 Florida at the expense of Monks Corner. Will
21 there be activities that are done in Florida?
22 Yes. I will -- my expectation is those
23 activities will be done by the same people I have
24 doing them right now. We're not going to be
25 hiring a bunch of people in Florida to do work

1 that's being done in South Carolina right now.
2 And I think -- Senator, I understand and have
3 deep empathy for the impacts in Monks Corner. I
4 understand the issues with the job loss. And,
5 you know, fundamentally that's why we're going to
6 approach it with the enhanced retirement plans
7 that we will with focus on attrition and
8 involuntary -- you know, voluntary turnover to be
9 the first set of job losses that would take
10 place. Which would be simply attrition,
11 eliminating open positions and enhanced
12 retirement. And, you know, I can't promise we're
13 going to get a hundred percent of the job
14 reductions that way but my expectation is we
15 would get a very, very -- our history says that
16 we get 80 to 90 percent of the job reductions
17 needed through those means. Which are
18 fundamentally -- you know, when we do an enhanced
19 retirement plan it is people raising their hands
20 saying, yes, I want to go, and I'm happy to go
21 and move on to my next chapter. And so it's not
22 a bad thing, Senator. In a lot of ways it's an
23 opportunity for folks to move on and do other
24 things and start their retirement earlier.
25 SENATOR GROOMS: So it's not a bad thing if you lose

1 your job?

2 MR. ROBO: If not if you lose it -- it's not if you
3 take -- if you make a decision to take an early
4 retirement package and go do something else,
5 whatever that may be. Enjoy your retirement or
6 do other things. And so I -- you know, we
7 approach this with a lot of empathy. I mean, our
8 approach to managing people is to be very focused
9 on treating them with respect and providing the
10 kind of -- and for any involuntary losses that we
11 would provide the training and the outplacement
12 and the severance to mitigate the impacts of that
13 as much as possible. But I would be shocked,
14 Senator, if we can't handle 80 percent of the job
15 reductions through the first three things that I
16 talked about. Elimination of open positions,
17 attrition, and an enhanced retirement package.

18 SENATOR GROOMS: But a lot of the admin, the legal
19 accounting, procurement and engineering
20 functions, those would in essence be -- for the
21 large part be done in Jupiter, Florida -- Juno,
22 Florida.

23 MR. ROBO: We would centralize, certainly, a certain -
24 - you know, a certain number of those functions
25 absolutely.

1 SENATOR GROOMS: And how would those reflect in cost
2 to -- because those are functions that would be
3 done on behalf of Santee Cooper Power and Light.
4 So Santee Cooper Power and Light would, in
5 essence, still be billed for some of those
6 functions.

7 MR. ROBO: At a much, much lower cost than they're
8 being provided today. And it would be through --
9 there's a -- for those of you who are students of
10 regulatory cost allocations, there is something
11 called the Massachusetts formula that is a --
12 kind of a tried and true method of allocating
13 costs amongst utilities where one utility is
14 doing the work for another and it's something
15 that has a lot of visibility that the PSC would
16 be able to look at and something that we've done
17 and do as a matter of course. And so that would
18 be how the allocations would be done, but the
19 cost would be significantly lower for the
20 customers of Santee Cooper for whatever.
21 Whatever activities are going to be happening in
22 the central location they would be significantly
23 lower than what's being costed today.

24 SENATOR GROOMS: I believe some analysis was that the
25 corporate headquarters has a economic benefit of

1 about one and a half billion dollars. And I know
2 we're not losing all. I mean, there's still
3 going to be employees, there's still going to be
4 at Santee Cooper but some of those functions go
5 away. And in the enabling legislation do we set
6 aside what those costs would be or could -- you
7 said it was normally some function of the Public
8 Service Commission. But do we set that as a
9 standard in the enabling legislation?

10 MR. ROBO: No, no. Remember the rates are frozen,
11 right? So whatever the costs are, the costs are.
12 We're not recovering those costs -- we're not
13 recovering those costs in the first four years.
14 Our rate -- the rate is frozen for the four
15 years. So if our costs are -- it's \$64. If our
16 costs are \$67 we don't make any money, okay? Our
17 rates are frozen. We take the risk of cost
18 overruns or anything like that in those first
19 four years. After those four years you go
20 through the usual rate regulation that you'll
21 have -- we will -- Santee Cooper Power and Light
22 will go through their usual rate regulation that
23 any IOU in the state of South Carolina would go
24 through and that would include a review of all of
25 those kind of costs.

1 SENATOR GROOMS: Would those -- would those type of
2 costs be available to us? I'm sure they're in
3 your cost calculations to the Department of
4 Administration. I'm just trying to get an idea
5 of how much cost are being allocated to the
6 corporate headquarters above return on
7 investment. Return on equity.

8 MR. ROBO: So you shouldn't think about it as above
9 return on investment because they're not really
10 tied, right? One is a cost and the other is a
11 return on equity. But the -- those costs are
12 available and we could provide -- you know, we
13 could provide an estimate. We don't really know
14 for sure what they'll be until we get in and
15 actually execute on our plans, but --

16 SENATOR GROOMS: But you had to have some sort of
17 estimate of what that would be?

18 MR. ROBO: Sure.

19 SENATOR GROOMS: With the matrix we did a comparison.

20 MR. ROBO: Sure.

21 SENATOR GROOMS: And so those numbers would be
22 helpful.

23 MR. ROBO: Sure.

24 SENATOR GROOMS: I assume at some point that this
25 committee and others will have access to some

1 this information that the department of
2 administration has. There's -- there's a lot.
3 We all like to boil things down to bumper sticker
4 slogans but this is some complicated stuff that
5 has long-lasting implications I believe you would
6 agree with that.

7 MR. ROBO: I think you're making a very much a
8 decision around what the future of the electric
9 industry is in this state. I don't disagree that
10 it's a fundamental decision that you have to
11 make. And, you know, we'll provide you with any
12 data that you need to help you make that
13 decision. I have no problem at all with
14 providing you with that kind of information.

15 SENATOR GROOMS: In addition to the job losses that's
16 concerning to me, in your enabling legislation, I
17 also noticed that you're asking for a provision
18 to pay zero -- I say zero, to pay no property
19 taxes on the equipment of the 5.4 billion dollars
20 of assets that would be purchased. And that
21 would have -- the jobs are leaving, okay. My
22 home area. My Berkley County School District is
23 going to take a hit just with that and now
24 they're going to be deprived of property tax
25 revenue that any other investor on utility would

1 be paying. Speak to me about that.

2 MR. ROBO: So let me be clear about what's getting
3 paid right now and what we would pay
4 incrementally. So what's being paid right now is
5 a, you know, we would continue on the existing
6 assets to pay what Santee Cooper is paying right
7 now. Which I believe is five million dollars?
8 Petter, remind me?

9 MR. SKANTZE: Yeah, five million.

10 MR. ROBO: Five million dollars a year. On the
11 existing assets. On any new assets we would pay
12 the -- that aren't subject to a fee in lieu of
13 taxes agreement we would pay, you know, the
14 regular property taxes on those. And then on the
15 -- essentially the new generation that is going
16 to be subject to the fee in lieu of taxes regime
17 we would pay those fees on the new generation
18 over that period of time. So it's actually a
19 significant incremental amount of property taxes
20 are going to get paid to local -- to the -- you
21 know, to local counties and to and a significant
22 amount of incremental state income taxes are
23 going to be paid over time as well. If you
24 remember from my presentation we said 3.3 billion
25 dollars of nominal incremental property and state

1 income taxes are going to be paid over the next
2 30 years. And our NPV of that was, you know, 1.6
3 or 1.7 billion dollars. So a very significant
4 amount of -- above and beyond what Santee Cooper
5 is paying today. Above and beyond what Santee
6 Cooper is paying today. Now we -- I'm sure we
7 can do an estimate by county. I haven't seen
8 one, I'm sure we could do one. But in total for
9 all the counties that Santee Cooper is doing
10 business in today there is a significant,
11 significant incremental property tax. This is a
12 property tax windfall to the -- in total, to the
13 counties that Santee Cooper does business in
14 today.

15 SENATOR GROOMS: I somehow missed that particularly if
16 we're freezing -- or not freezing, exempting a
17 layer taxation on the existing assets, I don't
18 know how we get to a windfall.

19 MR. ROBO: All the new assets, the new assets.

20 SENATOR GROOMS: The new assets, like in Fairfield
21 County?

22 MR. ROBO: The new assets, all the generation would
23 have fee in lieu of taxes paid on it and then any
24 new investment that isn't generation. So new
25 investment in, you know, new substations or new

1 poles and wires, all of that would generate --
2 you know, new transmission lines all of that
3 would generate new property taxes in the counties
4 that we're making those investments in.

5 SENATOR GROOMS: So when improvements were made to the
6 transmission would the whole asset then come
7 online or how would we break out maintenance
8 versus replacement of poles?

9 MR. ROBO: So maintenance would go to the existing
10 ones and would be subject to the old fee in lieu
11 of -- the old -- would be considered existing
12 assets. New substations, new transmission lines,
13 new subdivisions with new poles and wires, all of
14 that would be new computer systems, new, you
15 know, whatever. Whatever is new not replacing
16 something that was existing would be -- you would
17 pay regular property taxes on.

18 SENATOR GROOMS: But we get rid of all the file
19 cabinets in Monks Corner right now and we put in
20 new file cabinets, that's new business equipment.
21 So there would be property taxes on the new
22 business equipment?

23 MR. ROBO: So if you were -- I think. And we'd have
24 to get our property tax folks to in -- to confirm
25 this and we will confirm this for you. I

1 believe, if we replaced file cabinet for file
2 cabinet that would be existing. But if we did
3 file cabinet for computer, computer would be new.

4 SENATOR GROOMS: What if you do computer for computer?

5 MR. ROBO: Computer for computer I think is existing.

6 So if it's existing --

7 SENATOR GROOMS: But if bought a computer in place of
8 a file cabinet?

9 MR. ROBO: Then that's new. So if it's a replacement
10 of an existing asset I believe it is -- counts as
11 existing and would not be subject to property
12 taxes. If it is new, truly new and something
13 different, that would be new and our estimate of
14 that is laid out. And we can give you an
15 estimate, by county, of certainly in total for
16 the property taxes that we would pay on the new
17 investment that we'd be making by year over time
18 when we have that. And I saw a projection of
19 that for state -- state income taxes and property
20 taxes this morning. So I know we have -- we have
21 that at the total level whether we can cut it
22 down to the county level I'm not sure about that.

23 SENATOR GROOMS: Would that hold true for vehicles?

24 We've got -- there's a motor pool of Santee
25 Cooper vehicles right now their line crews have

1 some rather expensive equipment. You replace a
2 line crews truck, is that still going to be
3 property tax exempt for 30 years?

4 MR. ROBO: Yeah, my sense is that that would be
5 property tax exempt for the 30 years.

6 SENATOR GROOMS: And those folks in New Mexico they're
7 real happy with their school, right?

8 CHAIRMAN LEATHERMAN: We're not worried about the
9 people in New Mexico.

10 MR. ROBO: Senator, Senator --

11 SENATOR GROOMS: It seems like some people are very
12 concerned about them and less concerned about the
13 folks in Berkley.

14 CHAIRMAN LEATHERMAN: Thank you.

15 MR. ROBO: Senator, there is three billion dollars of
16 incremental property and state income taxes that
17 are going to be paid over time and we'd be happy
18 to give you a by-year estimate of what we think
19 the incremental property tax is. And by the way,
20 it is -- you know, we would be -- it is, in some
21 ways, simply left pocket, right pocket, correct?
22 I mean, this is all in a lot of ways very
23 fungible whether you tax customers through
24 property taxes that are passed through in rates,
25 or whether you keep the rates low and you don't

1 have property taxes. It is all a single bucket
2 of money. And it really comes down to a decision
3 on your all's part of do you want it in the
4 rates, or would you like it going to the -- or
5 going to the counties? And we made a decision
6 that we would take the incremental piece and put
7 it to property taxes which is, on a going-forward
8 basis, going to be very good for the counties
9 that people do business -- that Santee Cooper
10 does business in. And that we will start -- you
11 know, that we will be paying state income taxes
12 as well. That those incremental taxes, which
13 total three billion dollars over -- 3.3 billion
14 dollars over 30 years was, you know, a very big
15 part of the benefit of having us purchase Santee
16 Cooper. Now we could pay property taxes,
17 standard property taxes on the existing assets.
18 You would have that, that would be just to pass
19 through in rates. We could do that. But that's
20 a decision really for you all. I'd be happy to
21 do that if you want us to do that but it would
22 have an impact on -- have an impact on rates and,
23 you know, we thought was the right -- we thought
24 this was the right, the right balance between
25 rates and property taxes going to local counties.

1 SENATOR GROOMS: Did you know that we directed that in
2 the joint resolution that we don't differentiate
3 one utility versus another and that all the
4 utilities in the state should be held equal?

5 MR. ROBO: They -- yes. And our view is that on the
6 new investment, that we will be treated no
7 differently than any of the other utilities
8 would.

9 SENATOR GROOMS: Well we've talked about property
10 taxes a little bit and we've got -- and this gets
11 more and more complicated with the property taxes
12 when you're looking at an asset like Camp Hall.
13 Camp Hall is about a 6,000 acre site where Volvo
14 has built a manufacturing facility owned by
15 Santee Cooper -- or the land does. Going
16 forward, would that land be exempt from property
17 taxes? In other words, would NextEra be able to
18 develop a campus there that does not pay property
19 taxes?

20 MR. ROBO: My sense on that is that would be new, the
21 new -- if we built a new building on a piece of
22 land, that new building would be subject to
23 property taxes.

24 SENATOR GROOMS: But the property would not?

25 MR. ROBO: The property -- if it's existing property,

1 would be an existing. So think about it is, if
2 it's an existing, it's existing. And if it's a
3 replacement of existing then it remains an
4 existing. And if it's new it's new.

5 SENATOR GROOMS: As you're aware, there are hundreds
6 of leased lots on the lake within the FERC
7 boundary. And I think there may be some outside
8 the FERC boundary. How would the property tax
9 issue work for those that would be leasing
10 properties from -- I guess they're now with
11 Santee Cooper, then they would be leasing
12 properties from NextEra?

13 MR. ROBO: Yeah. There -- our understanding is
14 there'd be no change.

15 SENATOR GROOMS: No change. The --

16 CHAIRMAN LEATHERMAN: Let me -- this is very
17 interesting. The president just left over there
18 at noon and I don't dare go against him because
19 we may not get back here until 5:00 this
20 afternoon so I'm going to comply with his
21 request. So my watch is different than that
22 clock but I'm going to go by that clock. So
23 let's take a recess and go to floor and when he
24 turns us loose we'll be back in here.

25 MR. ROBO: Terrific. Thank you, Mr. Chairman.

1 (A break was taken at this time.)

2 CHAIRMAN LEATHERMAN: We're back this afternoon. I
3 feel we've got a quorum present. Thank you for
4 this morning. We will continue, sir. Senator
5 Grooms, you're up.

6 SENATOR GROOMS: Just for a little while, Mr.
7 Chairman, thank you. Thinking about your
8 expansion plans over in Newberry -- I'm sorry,
9 Fairfield County. It seems like it takes a while
10 to be able to put together that entire process
11 and move forward. Four years seems awfully
12 aggressive. What steps have you already taken to
13 be able to move forward with that plan?

14 MR. ROBO: Yes. So, Senator, you know, I had my first
15 meeting in South Carolina around the issue of
16 Santee Cooper in, I believe, it was August of
17 2017. And after that meeting I instructed my
18 team to start working on development of new power
19 plants, including solar sites and combined cycle
20 sites. So we've been working on this -- we've
21 been working on this combined cycle site for a
22 long time. As we have with all the solar sites
23 that we've put together in the state. And so
24 that was, you know, part of -- that was part of
25 our business strategy frankly post the issues

1 with VC Summer not happening.

2 SENATOR GROOMS: What agreements do you have in place
3 already?

4 MR. ROBO: So, I believe we have a fee in lieu of
5 taxes agreement in place with the County. We
6 have interconnection requests and we have, you
7 know, the standard development things that you do
8 for -- you know, we've found land. We have an
9 interconnection request and we are working on,
10 you know, the water -- water issues there. And
11 also we've been working on getting gas access.
12 And so all of the things, the key things in any
13 combined cycle power plant, is land,
14 interconnection of transmission and natural gas
15 access and -- and, you know, and a customer
16 effectively, right? And so that, you know,
17 that's the work that we've been doing for the
18 last two and half years there.

19 SENATOR GROOMS: It can be built rather quickly.

20 MR. ROBO: It can be built extremely quickly and so
21 we're -- you know, we've been -- also there's a
22 lot of permitting that has already gotten
23 started, all of the engineering, all of that.
24 And we've done all of that on, you know -- we've
25 done all that on the com- -- that's all been on

1 our dime and so.

2 SENATOR GROOMS: Was the Department of Administration
3 aware that you were executing documents and
4 moving towards that goal of being able to build
5 the plant?

6 MR. ROBO: I believe so. I believe so. I'm not
7 entirely -- not entirely sure of that but I
8 believe so.

9 SENATOR GROOMS: I mean, I know Santee Cooper got
10 their nose rubbed in it for trying to enter into
11 some negotiations over what they might be able to
12 do in the future with another utility and were
13 told not to. But it seems like there were some
14 agreements that were put in place by NextEra
15 during that same time frame.

16 MR. ROBO: So there were -- there were agreements put
17 in place. We could sell that power to anyone,
18 Senator, right. And so this is a combined cycle
19 plant that we spent all that money at our own
20 risk to develop. And we felt like it make sense
21 given the situation with VC Summer two and three.
22 And it was a call I made way, way, way, way, way,
23 way before the joint resolution was passed. We
24 made this call to start developing this power
25 plant two and a half years ago.

1 SENATOR GROOMS: And you mentioned the interconnect.

2 So you've had discussions with Dominion, I
3 assume, being able to energize the system or be
4 able to utilize the interconnects that are there?

5 MR. ROBO: So we have and remember we are -- there's
6 two different alternatives for the
7 interconnection at that site. One is directly
8 into Santee Cooper's -- directly into Santee
9 Cooper's system and the other would be into the
10 VC Summer substation now. Presumably if you were
11 building a 2,400 megawatt nuclear plant you have
12 the transmission capacity to inject 1,200
13 megawatts of generation there. We're still -- we
14 are still working on that, though, with the many
15 interconnection processes can be kind of drawn
16 out. And so that's another reason why in order
17 to hit those time lines we've been getting going
18 on that.

19 SENATOR GROOMS: And you're working with Dominion also
20 on the lake that's there?

21 MR. ROBO: I think --

22 SENATOR GROOMS: I think they own the lake.

23 MR. ROBO: They -- yeah, VC Summer has water rights to
24 the lake, correct. And so Santee Cooper owns a
25 portion of the lake as does Dominion.

1 SENATOR GROOMS: And the pipeline. Being able to --
2 because isn't available there and I know that
3 would branch off Transco, to be able to pull gas
4 to that site.

5 MR. ROBO: That's right.

6 SENATOR GROOMS: And you believe that can be done --

7 MR. ROBO: That's right, absolutely.

8 SENATOR GROOMS: -- in the same time frame?

9 MR. ROBO: Absolutely. We just built a -- we're in
10 the process -- we just permitted a -- see that
11 would be a -- it would not be a FERC pipeline,
12 it'd be a Henshaw pipeline. It's an intrastate
13 pipeline. You can do that actually reasonably
14 quickly. We just did one in Florida in 12 -- we
15 just permitted it in 12 months and we started
16 construction last week, so. You know, we feel
17 very good that we'll be able to get all of that
18 done in the time frame that we've laid out. It's
19 tight. It's an aggressive time line. But we
20 feel good that -- and it's our risk, obviously,
21 for the year because that's an important part of
22 bringing savings. And, you know, it's our risk
23 if it's a year delayed during the rate freeze.

24 SENATOR GROOMS: Thank you, Mr. Chairman.

25 CHAIRMAN LEATHERMAN: Thank you, Senator. Mike, who's

1 next?

2 MR. SHEALY: Senator Setzler is next.

3 MR. ROBO - EXAMINATION BY SENATOR SETZLER:

4 SENATOR SETZLER: Thank you, Mr. Chairman. Mr. Robo,
5 thank you for being here and thank you for your
6 presentation. The caveat that I stated yesterday
7 I'll state for you. And that is do not be led to
8 believe that I have a particular position by the
9 questions because I am truly open on this issue
10 of one of the three alternatives that are there.
11 And secondly, contrary to your coolness and
12 calmness, I get pretty hyper. So if I start --
13 don't get -- don't take offense if I get hyper in
14 my questions, okay?

15 MR. ROBO: No offense taken, Senator.

16 SENATOR SETZLER: You made a great presentation and I
17 appreciate it.

18 MR. ROBO: Thank you.

19 CHAIRMAN LEATHERMAN: We'll control you if you get too
20 --

21 SENATOR SETZLER: I did understand you and clearly you
22 made a presentation highlighting what you think
23 is beneficial to South Carolina to the NextEra
24 proposal. Please keep in mind that we as members
25 of the Senate have just received this

1 information. And there are a thousand pages that
2 we've not even had an opportunity to look at. So
3 if we ask you questions that you think may be
4 questionable why we ask them it's because we
5 haven't seen it to understand it. And it's our
6 responsibility, in my opinion, to peel back and
7 get the appropriate information for us to make a
8 reasonable and responsible decision of what's
9 best for the people of South Carolina. So I just
10 I want to say that. And you talked about the
11 agreement of the legislation. And I believe you
12 said the proposed legislation is critical, was
13 your words, to your proposal; is that correct?

14 MR. ROBO: That's right, Senator.

15 SENATOR SETZLER: All right. So are you saying that
16 if legislation is not adopted that then the
17 NextEra bid is off the table?

18 MR. ROBO: So Senator first of all if -- remember the
19 four things the legislation does. The first
20 thing is allow the sale to happen, right. So if
21 that element of the legislation falls away
22 obviously you couldn't -- there's no sale, right?

23 SENATOR SETZLER: Right.

24 MR. ROBO: You need approval of -- you know, of the
25 legislature in order for the sale to happen. The

1 second part that it does is document our
2 commitments and we think that's very important.
3 We think you should want those commitments
4 documented in the legislation as well. The third
5 part that it does is enable the generation plan
6 and enable us to get going as quickly as possible
7 on our generation plan. That is also very
8 important to the overall proposal. And so we had
9 a lot of discussions with the DOA about that part
10 of our proposal. And we've said -- we've said
11 all along that our generation plan is very --
12 it's very tied to our ability to be able to pay
13 what we're paying. And so, you know, that
14 remains, I think. You all -- you know, so we
15 tried to -- with the DOA and remember with
16 Central as well because Central had a variety of
17 things that they were looking for that were also
18 value points for us, right? And so it was a bit
19 of a Rubik's Cube, if you will, in terms of
20 satisfying all of the parties in the process.
21 And so, you know, obviously you all are the most
22 important party. And so you have to get
23 comfortable or not with legislation as it's been
24 laid out. And is there no deal if you change
25 elements of the legislation? It depends on what

1 elements of the legislation you change and how we
2 would -- you know, we would put a value on -- and
3 we did with the DOA put a value on what we
4 thought our ability to invest in the generation
5 plan was worth to our bid and we put, you know,
6 we put a dollar amount on that. So, you know,
7 there is -- we can value various elements of this
8 proposal. And so some elements, yes, we can put
9 a value on and it wouldn't be no deal it'd be
10 just a different deal. And then other elements,
11 frankly, are I think kind of integral and
12 obviously allowing the sale would be one and
13 setting us up as an IOU that's the fourth one.
14 Obviously we need to be legally set up as a
15 utility in the state. That's, I think, kind of a
16 critical part of the legislation as well. So --
17 and I deeply appreciate that you've only had a
18 few days to look at what is a very complicated
19 transaction. You know, I'm fully supportive of
20 doing whatever we can to answer whatever
21 questions you all have about all of it.

22 SENATOR SETZLER: Are you -- and clearly it details
23 your commitments but it also details benefits to
24 NextEra in that legislation, i.e. tax breaks,
25 leaving liabilities with the State, whatever. I

1 understand you might could pass them on the tax
2 payer. But it's not all about commitments,
3 there's also benefits there.

4 MR. ROBO: Yeah, that's right. I -- Senator, I'm not
5 sure I'd call them benefits. I think what I
6 would call them is an allocate- -- you know, for
7 example on the liabilities it's a risk -- a set
8 of risk allocations. These are all liabilities
9 that Santee owns already, right. And so it's a
10 question of, in our bid, you know, for example,
11 we have had no access to any of the litigation
12 materials that Santee has, any of the depositions
13 that have happened around some of this
14 litigation, any of -- we've been able to do no
15 due diligence around any of that and any of those
16 liabilities. And so it was really, it -- leave
17 aside the fact that many of those liabilities, I
18 think, are better defended by the State than they
19 are us. We really had no way to --

20 SENATOR SETZLER: We might differ with that, you do
21 understand that?

22 MR. ROBO: You certainly --

23 SENATOR SETZLER: It might be better with you than
24 with us.

25 MR. ROBO: Yeah, no, that's possible too. So. And

1 we're very open to being -- you know, to being
2 able to go and diligence those liabilities and
3 having a discussion about them. And that if --
4 if that becomes an issue we're happy to -- we're
5 happy to do that but it's going to require our
6 ability to go in and really diligence the state
7 of those legal proceedings.

8 SENATOR SETZLER: Do you -- are you aware that the
9 advisors and the experts the DOA have said that
10 it's their understanding and y'all have stated to
11 them, if I'm understanding them correctly, that
12 this is a contingent part of your bid and if it's
13 not passed, you walk.

14 MR. ROBO: So --

15 SENATOR SETZLER: First of all. And secondly, did you
16 know I don't believe we have the ability to
17 negotiate with you on that legislation under what
18 -- the resolution that was passed because we were
19 supposed to receive a bid that when the General
20 Assembly acted, it was enforceable.

21 MR. ROBO: So, I want to address the second one other
22 than the say I think you can -- you all have a
23 lot of latitude to do, I think, what you would
24 like to do, presuming that you -- you know, you
25 have enough votes to say what you want to do,

1 right. So, you know, you set the laws for the
2 state. And so I think you have a lot of latitude
3 on the second part to really -- to do what you
4 would like to do on that front.

5 SENATOR SETZLER: But is that really fair to the other
6 bidders that you've put in a bid with a
7 contingency with specific language you want and
8 then to say that we can negotiate with you on the
9 language and leave this part out or that part?
10 In my opinion, that's an uneven playing field for
11 the other potential bidders.

12 MR. ROBO: Yeah, I -- I --

13 SENATOR SETZLER: They didn't have the opportunity to
14 negotiation with us directly, that was the reason
15 the joint resolution was set up the way it was.

16 MR. ROBO: I understand. And I think from our
17 perspective it was very difficult not to be able
18 to negotiation the legislation with the ultimate
19 folks who have to make the decision which is
20 yourselves, right. And so you set up a process
21 that I understand why you set it up the way you
22 did. And certainly our price is contingent on
23 the legislation passing, right. And so that, I
24 think, is what the DOA said is that our bid and
25 our proposal is very much contingent on the fact

1 that, you know, the legislation passes in the
2 form that we've attached. You know, we're -- the
3 flip side, though, is, is that we're very open to
4 your feedback and if there are things that you
5 don't like about the proposal we're very much
6 open to looking at that, I will tell you.
7 Because we're very commercial people, I will tell
8 you that for much of it we'll be able to put a
9 price on it and for some of it we won't. And we
10 will be very clear with you about what we can and
11 what we can't do in that place. And whether it's
12 fair to the other bidders I think, Senator, you
13 know, the DOA had to make a decision about -- had
14 to make a decision about who to recommend. And
15 so, you know, that -- we -- they asked for
16 innovative and creative solutions and I thought
17 what we provided was very innovative and very
18 creative. And I think it's a terrific proposal
19 for the state and it adds an enormous amount of
20 value relative to the current situation at Santee
21 Cooper. And so we think it's a good transaction.
22 I understand -- and I get this, no legislature in
23 the world likes to be handed a piece of paper and
24 say this is legislation, take it or leave it.
25 And I'm not suggesting that that's what we want

1 to do. That's the position we were put in, in
2 terms of having to negotiate with not the
3 ultimate decision makers, who are you all.

4 SENATOR SETZLER: Well but what I hear you saying --
5 and you correct me if I'm wrong. What I hear you
6 saying is you would be willing to negotiate the
7 terms of the legislation and the price. And I
8 think that is totally out of the realm of what
9 the resolution that was passed by the General
10 Assembly contemplated and how is that fair to the
11 management bidder or to the Santee Cooper reform
12 proposal? We're not in a position to negotiate
13 with them. I for one, and I can only speak for
14 myself, never envisioned that we were going to be
15 in a negotiating posture with 170 members of the
16 General Assembly with a bidder.

17 MR. ROBO: Senator, I would posit that you're in the
18 position to negotiate with all three of those
19 folks in that you -- you know, if -- certainly
20 with Santee Cooper you have, you know, you have
21 authority over confirming members of the board.
22 And with the management proposal, you know, you
23 obviously have to talk to Dominion about that.
24 But, you know, I think I know Tom Farrell very
25 well. He's a good friend and I'm sure he's as --

1 he would be very commercial about that. And he
2 would say if there --

3 SENATOR SETZLER: He stood right where you are.

4 MR. ROBO: I know he did. And I am sure that if you
5 said to him there are things -- and if the Senate
6 said to Tom or to me -- and that's why I'm saying
7 this. If the Senate says to me, there are things
8 in your legislation that don't work for us, this
9 is not a take it or a leave it. This is a I will
10 absolutely -- I understand that. And we will go
11 back and we will look at it and we'll say okay,
12 we can live with it, or, no, we can't and this is
13 the price change that we would have.

14 SENATOR SETZLER: Okay.

15 MR. ROBO: Okay.

16 SENATOR SETZLER: So yesterday from DOA we were told -
17 - and we have not seen that this legislation
18 includes 20 to 30 tax breaks, tax incentives,
19 whatever word you want to put on it, and that
20 they do not have a list of those or the amount,
21 the value of each one of those. Will you provide
22 to this committee, as soon as possible, a list of
23 every tax incentive, tax break that is requested
24 in that legislation and the cost or the value, I
25 guess, over 30 years is what I understood

1 yesterday.

2 MR. ROBO: Yeah, absolutely. That's not a problem.

3 SENATOR SETZLER: And how long do you think it will
4 take?

5 MR. ROBO: We can get it to you in 24 or 48 hours.

6 SENATOR SETZLER: Okay. All right. So in the
7 legislation you also have a rate of return that
8 is established in the legislation. Your cost of
9 doing business. If the rate of return is changed
10 -- or the rate that you charge the customer is
11 not rate of return. Not your return on equity, I
12 want to talk about the rates a minute. It sets
13 your rates. If those rates are not accepted,
14 what's your position?

15 MR. ROBO: So -- so, Senator, first of all, on the
16 rate that we have set, that is a fixed rate.

17 SENATOR SETZLER: I understand that.

18 MR. ROBO: Okay. That is a fixed rate.

19 SENATOR SETZLER: For a four-year period?

20 MR. ROBO: For a four year period. So --

21 SENATOR SETZLER: And my next question will be how do
22 you -- what's magic about the four years?

23 MR. ROBO: That was the -- that was the period of time
24 that -- honestly, that was one of the points that
25 we negotiated with -- with Central. And it was -

1 -

2 SENATOR SETZLER: Explain that to us, please, sir. If
3 you can without violated the confidentially
4 clause. I don't want to cause you a problem
5 there.

6 MR. ROBO: Yeah, I'm not sure. My lawyers are telling
7 me maybe not.

8 SENATOR SETZLER: Okay.

9 MR. ROBO: But let's just say it was an important deal
10 point for Central in our negotiations.

11 SENATOR SETZLER: Okay.

12 MR. ROBO: And on -- so first of all the ROE has no
13 impact on the rate in the first four years.
14 Let's very clear about that, okay? And then
15 whatever the ROE is set by the PSC and by FERC,
16 at the end of the rate-freeze period, that is
17 what the ROE is going to be going forward as it
18 relates to rates. So there is no impact -- there
19 is no rate impact from this ROE being in the
20 legislation. The only thing that that impacts is
21 the amount of net income that we recognize if we
22 have enough net income. If our operating costs
23 are lower than revenue enough to be able to show
24 operating income. And we have also agreed to
25 provide quarterly surveillance of what our actual

1 ROE is gonna be over the period -- you know, as
2 it happens through the period. So you'll be able
3 to see what we're running through the period and
4 it will have no impact. I'm going to just say
5 that again. Whatever that ROE is in that
6 legislation has zero impact on the rates for the
7 first four years.

8 SENATOR SETZLER: But the point is you're asking us to
9 set the rate to the customer in the legislation.

10 MR. ROBO: We're asking you to approve the fixed rate,
11 yes.

12 SENATOR SETZLER: Okay. And so we don't know what
13 went into to establishing that fixed rate or
14 whether it's fair or unfair. Because we don't
15 have that experience or that knowledge. How do
16 we know what you put into that fixed rate?

17 MR. ROBO: So I think the DOA -- the DOA and their
18 experts spent a lot of time on that issue. We
19 spent a lot of time with Central on that issue.
20 And so it's not like that has not been very
21 heavily looked at by all the parties that we
22 negotiated with through this process. I would
23 say that in terms of your ability to do rate
24 making that really what you need to assess is how
25 does the rate for those four years look relative

1 -- including the refund, relative to the rates of
2 the management proposal in the Santee reform
3 plan.

4 SENATOR SETZLER: I respectfully disagree with you.
5 We owe it to the people of South Carolina and
6 these customers, not only the co-ops who I'm very
7 close to and Central, but to the direct customers
8 of whether or not those rates are fair and
9 reasonable. And we need to know what are in
10 those rates. Because Central says they're okay
11 doesn't mean that the direct customers say
12 they're okay.

13 CHAIRMAN LEATHERMAN: You want to turn that into a
14 question?

15 SENATOR SETZLER: Yes, sir. He knows my question.

16 MR. ROBO: Yeah, your question is why isn't the PSC --
17 why isn't the PSC reviewing the rates,
18 effectively, right?

19 SENATOR SETZLER: Well, I understood you earlier to
20 say that it was because you wanted to be able to
21 expedite it in the first four years.

22 MR. ROBO: That's right. And I think the other part
23 is that we -- I think it's important --we can't
24 sign up for a deal with the Legislature and then
25 have the PSC which is essentially, you know, an

1 arm of the Legislature then turn around and say,
2 oh, no, you can't do this or oh, no, you can't do
3 that, or oh, no, you can't do this, that's very
4 critical to the overall package. And so that's
5 why we set it up the way we have. And, you know,
6 it is -- you know, it's a key element of the
7 value that we're able to bring to the table and
8 it's why we're able to pay what we can pay.

9 SENATOR SETZLER: But we do not know, sitting here
10 today, that that rate that's established that
11 you're asking the General Assembly to approve, if
12 it includes all the factors that the PSC might
13 include in establishing a rate.

14 CHAIRMAN LEATHERMAN: Senator, I believe you could
15 find that out by just asking him.

16 SENATOR SETZLER: Well that's what I asked him, Mr.
17 Chairman.

18 CHAIRMAN LEATHERMAN: Excuse me, I missed that. I
19 thought that was a statement.

20 MR. ROBO: Yeah, no, we would -- I mean -- and I think
21 we have provided lots of detail in terms of all
22 the buildup of what is embedded in that rate.
23 But remember --

24 SENATOR SETZLER: And who did you provide that to?

25 MR. ROBO: We have provided data on that to Central

1 for sure. And we have provided it to DOA as well
2 so --

3 SENATOR SETZLER: Neither of which are a regulatory
4 agency relative to rates, correct?

5 MR. ROBO: That's right. That's right. But we're --
6 remember on the rate, the rate is a fixed rate
7 and it is at our risk if costs are way out of
8 whack or we don't hedge natural gas prices and
9 natural gas prices go up, that's our risk. We're
10 not only locking in the rate we're locking in
11 fuel, we're locking in interest, you know, we're
12 taking a lot of risk over that four-year period.
13 And fixing a rate that is substantially -- you
14 know, that's substantially below -- because of
15 the refund substantially below where current
16 rates are. And so I think my view would be
17 simply from -- you know, I'm a big believer in
18 regulators regulating outcomes not inputs. And
19 you're talking a lot about inputs. And I think
20 those are important but in the end what's most
21 important is regulating the outcome. And I think
22 you all are very much in the position to
23 understand and evaluate. Is the outcome good for
24 customers or not good for customers and whether
25 the -- you know, whether you've evaluated all of

1 those inputs, you know, I think is less important
2 than whether you've evaluated the outcome. And
3 is the outcome a good outcome a good outcome for
4 the customers of Santee Cooper and the people of
5 the good state of South Carolina.

6 SENATOR SETZLER: You've assumed the risk if the costs
7 are greater. If we approve it and your costs are
8 less, the rate payers have assumed the risk and
9 the General Assembly.

10 MR. ROBO: Just for a couple years, and then --

11 SENATOR SETZLER: Not just a couple of years --

12 MR. ROBO: Just for a couple years and then all of
13 those benefits for the next 30 or 40 years
14 because we've been a more successful -- I hope
15 we're more -- you should hope actually that we
16 over-earn in the first four years. Because all
17 of those benefits will then flow through to
18 customers when rates are reset at the end of the
19 rate freeze. That's a home run for customers,
20 senator. So you get -- so we --

21 SENATOR SETZLER: You're good, I understand how good
22 you are at selling.

23 MR. ROBO: And we might -- we earn -- we might do okay
24 for a couple years but, for the next 40,
25 customers are going to benefit.

1 SENATOR SETZLER: But as I understood -- did you know
2 that as I understood what was told us yesterday,
3 if you do better than you think and you make a
4 profit that you're going to pay no taxes to the
5 state of South Carolina. There is no benefit to
6 the state, correct?

7 MR. ROBO: So for the first four years we are going to
8 be in an operating loss position. Our
9 expectation is we're in an operating loss
10 position because of all of the capital that we're
11 deploying and the depreciation that goes along
12 with that capital. So tax depreciation has
13 different -- has a different life than book
14 depreciation. And because of all that investment
15 we're going to probably in a net op for tax
16 purposes. We're going to be in an NOL position
17 as a result of that, so. That's one of the
18 things that you all have done and sent investment
19 in South Carolina is you have shorter tax
20 depreciation lives than you do for book lives for
21 purposes -- for regulatory purposes. So that's,
22 that's why that is. It's not some nefarious
23 we're not going to pay taxes. It's because we're
24 actually going to be investing in the state and
25 have, for tax purposes, net operating losses.

1 But going forward after the rate freeze, there is
2 -- and we have a forecast of how much state
3 income tax -- which we will provide. How much
4 state income tax by year will be paid through the
5 period.

6 SENATOR SETZLER: Again, my question is very simple.

7 If you make a profit -- yes, your projection
8 you're going to lose money. If you make a profit
9 you're going to pay no taxes, correct?

10 MR. ROBO: So there's a difference between tax books
11 and gap books. And I think you understand that
12 Senator, right? So --

13 SENATOR SETZLER: Well, I also understand trust me.
14 And the General Assembly has been told before,
15 trust me in 2008 and we got burned.

16 MR. ROBO: No, I understand that too --

17 SENATOR SETZLER: And I don't mean that sarcastically.
18 You understand what I'm talking about.

19 MR. ROBO: No, no, and I don't -- and I totally
20 understand that. And I'm not being flippant,
21 honestly. The reality is, for regulated
22 utilities, if they make massive investments in
23 that utility you're always going to have an
24 operating loss in the first few years because of
25 a shorter period of depreciation for tax purposes

1 than there is for book purposes. So for book
2 purposes we'll report gains. We will have cash
3 losses because those are real cash expenses. And
4 that's why there will be no state income taxes
5 paid.

6 SENATOR SETZLER: Again, you don't pay income taxes?

7 MR. ROBO: Not while you have operating losses.

8 SENATOR SETZLER: Under the proposed legislation are
9 you exempt from income taxes for the first four
10 years?

11 MR. ROBO: So we -- because we will have operating
12 losses we won't be paying taxes the first four
13 years.

14 SENATOR SETZLER: You can tell you're a Harvard
15 graduate and I congratulate you. That's a
16 compliment to you.

17 MR. ROBO: Thank you. I try not to admit that I went
18 to Harvard to too many people.

19 SENATOR SETZLER: Let's go to what you're leaving
20 behind in your proposal to the state. You are
21 shifting -- we now have an entity which has been
22 valued that you are trying to buy. That entity,
23 as it currently exists, has liabilities, okay?
24 That are the responsibility of the rate payers of
25 Santee Cooper, not the states. I understand if

1 they default we would be responsible. What you
2 are proposing in the legislation, is it not -- or
3 in your proposal is that you are going to take
4 the assets and you're going to leave a bunch of
5 the liabilities behind, correct, for the state?

6 MR. ROBO: Along with a bunch of cash that will be in
7 Santee Cooper that you can decide what you do
8 with that cash.

9 SENATOR SETZLER: You going to leave liabilities
10 behind?

11 MR. ROBO: And we'll also leave a lot of cash behind.

12 SENATOR SETZLER: Well, we'll talk about cash in a few
13 minutes. But I'm talking about you leave
14 liabilities behind, you admit that?

15 MR. ROBO: Yeah, sure.

16 SENATOR SETZLER: Okay.

17 MR. ROBO: Existing liabilities that we've been unable
18 to value, yes.

19 SENATOR SETZLER: On the charts that DOE showed us
20 yesterday about the projected rates of Santee
21 Cooper and NextEra, do you agree that the Santee
22 Cooper rate projection has to include and
23 currently includes it shown on that chart all of
24 those liabilities that you're leaving behind?

25 MR. ROBO: No.

1 SENATOR SETZLER: You do not?

2 MR. ROBO: No, I would absolutely not agree with that.

3 SENATOR SETZLER: Okay, and I ask that question to see
4 what your opinion was.

5 MR. ROBO: I would be shocked if Santee Cooper is
6 assuming that they're going to pay 600 million
7 dollars for the coal plant litigation, for
8 example -- or, you know, which is the exposure on
9 that litigation right now. Or that any of that
10 other -- that they have embedded in their
11 projections, any big settlements for any of that
12 litigation cost, right? Certainly they're not --
13 I would assume they're assuming they're going to
14 win all that litigation around VC Summer and the
15 mini bonds and the, you know, the turn lawsuit
16 and all of the VC Summer lawsuits so -- I'm
17 sorry, the WARN -- you know the WARN Act lawsuit.
18 So all of those, I think, might -- my bet and in
19 this is obviously subject to check is that they
20 have zero cost for resolving any of that
21 litigation in their forecast.

22 SENATOR SETZLER: And I asked you that question on
23 purpose because we're going to ask them that
24 question. But your projected rates do not have
25 any of that in it because you're leaving them

1 behind.

2 MR. ROBO: Correct. That's right. That's right.

3 Those three or four big pieces of litigation,
4 yes. We're leaving them behind.

5 SENATOR SETZLER: And if Santee Cooper does in fact
6 have them in their rate projections, and you had
7 to put them in yours, your rates would be
8 substantially higher than Santee Cooper's. I
9 said if.

10 MR. ROBO: I would be curious to see if they have any
11 costs in there. And so -- you know, it would
12 depend on how much -- I'm not sure I would agree
13 with substantially, Senator, right. It depends
14 on how much they have in there for their
15 assumptions around settling the litigation. I'm
16 not sure they're going to be able to -- I know I
17 wouldn't say what my forecast for settling
18 litigation that isn't resolved yet is publically.
19 And so I'm not sure they'll be able to lay that
20 out publically.

21 SENATOR SETZLER: Okay. Then let me ask it a
22 different way. If I recall on that chart your
23 rates projected would be roughly five percent
24 higher than Santee Cooper is that number right,
25 if I remember?

1 MR. ROBO: Well, so can we talk a little bit about
2 that?

3 SENATOR SETZLER: Let me answer -- answer my question
4 and let me ask a second one and I'll give you a
5 chance to explain, if you don't mind.

6 MR. ROBO: As the DOA made presented it, it was a
7 little bit higher. I'm not sure it was as much
8 five percent higher but it was a little bit
9 higher over the period. It was NPV-wise one
10 hundred and sixty million dollars higher than our
11 proposal.

12 SENATOR SETZLER: Right.

13 MR. ROBO: We -- the DOA made several adjustments to
14 our proposal increasing -- saying that our costs
15 were going to be higher than we said they were
16 going to be. I think our costs are going to
17 actually be lower than we said they were going to
18 be. And so we actually think our rates would be
19 for -- as we put in our proposal to DOA -- our
20 rate proposal we think is four hundred million
21 better than the -- on an NPV basis better than
22 the Santee Cooper proposal.

23 SENATOR SETZLER: Did DOA not agree with you?

24 MR. ROBO: So their consultants made certain
25 adjustments. The biggest one being that they

1 didn't think we would be able to get as much
2 operating cost out of the business as we said we
3 would. And as I said, I'd be very disappointed
4 if we weren't able to actually get a lot more
5 operating cost out than what we said we did -- we
6 said we could.

7 SENATOR SETZLER: But if you had the liabilities that
8 you're leaving behind for the state in your rate
9 projections, if you had to take them, then your
10 rates would be higher than what they are shown on
11 that chart?

12 MR. ROBO: They would be. And we've been unable to
13 estimate what those liabilities are because we
14 haven't any access to be able to do any diligence
15 around the depositions, the legal positions that
16 the parties have taken or the validity of any of
17 those claims. So -- and I think it's four --
18 just to be very clear, it's four key pieces of
19 litigation. One, remember one we're settling and
20 that's the Cook lawsuit. So there's the Dominion
21 lawsuit, so Dominion is suing Santee Cooper.
22 That part we haven't been able to really be able
23 to put a number on that. There is the six
24 hundred million dollars of exposure around the
25 prior coal plant built in 2008, that litigation.

1 SENATOR CAMPBELL: Not built.

2 MR. ROBO: Not built, thank you, Senator, yes. Not
3 built in 2008. And then there are -- there's the
4 Westinghouse litigation around VC Summer two and
5 three. And then there is the Fluor litigation
6 around not providing a WARN Act notice to Fluor
7 around VC Summer two and three. Those are the
8 four big ones but really the big one -- the two
9 biggest ones is the -- is the Dominion number
10 public, can I say the Dominion number?

11 COUNSEL FOR NEXTERA: Uh, yeah.

12 MR. ROBO: Yeah. So the ask in arbitration has been a
13 billion dollars and six hundred million on the
14 coal plant. So, you know, those are big numbers,
15 Senator, as you can imagine. I said earlier
16 that, you know, this is a -- you know, Santee is
17 a company that had eight billion dollars of debt,
18 you know, five billion dollars of good assets
19 plus the -- plus VC Summer plus, you know, some
20 very, very significant litigation liability that
21 may or may not have real dollars associated with
22 them. And we've not been able to be put in a
23 position to be able to diligence that. I am very
24 open to being put in the position and being able
25 to diligence those liabilities and then come back

1 to you with a number of how what we think we
2 would be willing to do to settle them. And it's,
3 you know, it's a -- you know, we have set it up
4 this way frankly given some of the limitations in
5 the process that were inherent because of the
6 lack of access to Santee Cooper's legal
7 positions.

8 SENATOR SETZLER: So I want to restate and you tell me
9 if what I understood is correct. What I heard
10 you just say is between the Dominion and the coal
11 litigation that your offer -- those total 1.6
12 billion dollars right now, in your opinion, based
13 on what you've been told --

14 MR. ROBO: If you lose.

15 SENATOR SETZLER: If they lose. And if that liability
16 is being transferred by your proposal from the
17 rate payers of Santee Cooper to the state of
18 South Carolina?

19 MR. ROBO: Net of the cash at the -- net of the cash
20 at Santee Cooper. Because there will be cash
21 left.

22 SENATOR SETZLER: That cash is already there. It's --
23 you're transferring 1.6 billion dollars in
24 potential liability from the rate payers of
25 Santee Cooper to the state of South Carolina in

1 your proposal.

2 MR. ROBO: So those liabilities exist. We have said
3 they stay with Santee Cooper, right. Santee
4 Cooper legally will continue to exist after --
5 after -- you know, this is an asset deal we're
6 buying the assets. So that entity will still
7 exist, right. And then how those -- how that --
8 how those liabilities are settled they're going
9 to be up to the -- up to how the -- you know,
10 that remaining board at Santee Cooper decides to
11 settle those.

12 SENATOR SETZLER: Okay. So I agree with you, it's an
13 asset purchase.

14 MR. ROBO: Uh-huh.

15 SENATOR SETZLER: And you're going to take the assets,
16 leave Santee Cooper's shell there, so there's
17 nothing to pay those liabilities and that means
18 then the state is responsible.

19 MR. ROBO: There'll be at least a half a billion of
20 cash on their balance sheet, right?

21 SENATOR SETZLER: Well you keep going back to that
22 cash, it's already there. You're --

23 MR. ROBO: Well but so is the liability Senator.
24 Both, both are already there.

25 SENATOR SETZLER: You're doing a great job of avoiding

1 my question, you know what the answer is.

2 MR. ROBO: Both are already there.

3 SENATOR SETZLER: You're transferring 1.6 billion
4 dollars to the state. You said earlier in your
5 presentation, those liabilities were being
6 transferred to the state.

7 MR. ROBO: So effectively, yes --

8 SENATOR SETZLER: Okay.

9 MR. ROBO: But that's because of the structure that
10 we've -- we put together. I would be -- you
11 know, again, we were operating under the
12 constraints that we were operating under to be
13 able to put a proposal on the table that made
14 sense for all parties. And part of the -- part
15 of the issue, and Charlie do you have that quote
16 from the DOA report? Get me that quote out.
17 Anyway, while he's looking for that, you know, a
18 big part of the issue is it's very hard to -- if
19 you have access only to the -- you know, to some
20 of the, you know, the public documents of Santee
21 Cooper and some financial information, you don't
22 have any access to diligence information around
23 the liabilities, depositions, any of their legal
24 opinions from their lawyers. It's very, very
25 hard for us. We -- you can understand our

1 position of not being willing to just step into
2 those liabilities without being able to diligence
3 them. So I remain very open to being able to go
4 in and diligence those liabilities and to put a
5 value on them. And again, I continue to think
6 the state and Santee itself because of sovereign
7 immunity is in a way better position than we are
8 to defend those actions. And so I also think
9 from a legal standpoint it's a mistake to
10 transfer them to us because of that.

11 SENATOR SETZLER: And do you know from my standpoint I
12 think it's a mistake to transfer onto the state?
13 And I'll bet, if I can speak for the chairman of
14 finance, he's got a real issue with that too if I
15 had to guess.

16 MR. ROBO: I understand that as well, Senator.

17 SENATOR SETZLER: And to be very candid with you --

18 MR. ROBO: I'd love to get them settled and I'd love
19 to be able to see and get a path to get them
20 settled, right. And that's why we worked so hard
21 to get the Cook piece settled because we thought
22 that was a very risky piece of litigation that we
23 were taking off the table as part of our -- and
24 our -- we settle that litigation -- we are the
25 only plan that settles that litigation as part of

1 our proposal, right. And so we think that's very
2 important. And we would -- you know, there is
3 some other litigation that needs to get handled
4 and --

5 SENATOR SETZLER: So how did you due diligence the
6 Cook litigation if you can't due diligence the
7 others?

8 MR. ROBO: So I think always as part of our proposal -
9 - we heard you all loud and clear through the
10 whole process over the last two and a half years
11 that you wanted the money paid for Santee Cooper
12 -- for VC Summer two and three by Santee Cooper
13 rate payers to go back to Santee Cooper
14 customers.

15 SENATOR SETZLER: Right.

16 MR. ROBO: And so fundamentally that -- you know, that
17 enabled us to be able to settle that litigation
18 as well because we knew that was important to you
19 all and we knew it was important to the
20 Plaintiff's attorneys and so that was really the
21 basis by which we were able to settle that
22 litigation.

23 SENATOR SETZLER: And you -- you represent that that
24 settlement includes the cross claim of Central?

25 MR. ROBO: That's right.

1 SENATOR SETZLER: Do you find it strange that Central
2 agrees with that settlement but they haven't
3 budged on the Santee Cooper reform proposal?

4 MR. ROBO: I'm not sure the Santee Cooper reform
5 proposal includes paying the customers back for
6 VC Summer two and three.

7 SENATOR SETZLER: You also can't settle the litigation
8 either, correct?

9 MR. ROBO: If you don't pay the customers back you
10 can't settle the litigation.

11 SENATOR SETZLER: There is no question.

12 MR. ROBO: Right?

13 SENATOR SETZLER: Right. So in --

14 MR. ROBO: So I think that makes eminent sense to me.

15 SENATOR SETZLER: Right. In Florida Power and Light,
16 do you get, and if you do, what tax breaks does
17 NextEra or Florida Power and Light as a
18 subsidiary of NextEra get in Florida?

19 MR. ROBO: So -- and, you know, I guess the question
20 is tax breaks. We -- you know, we are taxed as a
21 corporation in the state of Florida and, you
22 know, we pay -- we are the largest property tax
23 payer -- I will tell you that we're the largest
24 payer of property taxes in the state. We pay
25 over a billion, a billion dollars a year in

1 property taxes. State and local taxes.

2 SENATOR SETZLER: And do you get any break when you
3 dealt with Florida Power and Light? You acquired
4 Florida Power and Light?

5 MR. ROBO: No. We've owned it since 1926.

6 SENATOR SETZLER: Oh, okay.

7 MR. ROBO: So we kind of built it up over a very long
8 period of time. So, you know, this is a very
9 different situation than -- in that the entity
10 that we're buying didn't pay property taxes
11 before and didn't pay state income taxes before
12 and we're converting it to an IOU. And so we --
13 you know, this was a big issue this whole the
14 whole property tax issue. And so we felt like
15 our proposal did a number of things including
16 being able to have a significant amount of
17 property tax incremental to what's going on.
18 What would -- you know, what Santee is currently
19 paying. Three point three billion dollars
20 incremental in property and state income taxes
21 over the next thirty years, so. Is that, if --
22 would it be more if our proposal was to tax all
23 of it as to have those property taxes be a
24 hundred percent on those assets? Sure it would
25 be more. But right now it's 3.3 billion more

1 than what state and local governments are getting
2 over the next 30 years than what they're getting
3 from Santee Cooper.

4 SENATOR SETZLER: Yeah, I'll come to that in a minute.

5 And when you talk about passing those potential
6 liabilities to the state, you do understand that
7 many people sitting around these tables represent
8 districts that have co-op customers in it and has
9 investor-owned utility service in it. And so
10 some constituents could "win" and some
11 constituates could lose for many people sitting
12 around this table under that proposal.

13 MR. ROBO: No. I understand there's the issue of
14 subsididation across those customer classes and
15 that's -- again, you know, we're happy to take a
16 look at those liabilities. I think in the DOA
17 report it said the department and the
18 professional services experts are unable to
19 establish the magnitude of the liabilities
20 because they didn't have access to -- even they
21 didn't have really good access to those -- to
22 that, you know, to be able to diligence those
23 litigations. And so if that happens we're happy
24 to roll up our sleeves and diligence that and
25 have a view on what we think those liabilities

1 are really worth.

2 SENATOR SETZLER: So following up on your view that
3 you could negotiate with the General Assembly, my
4 words not yours, over the terms of the deal price
5 and content of the legislation, I assume you also
6 then think the General Assembly could negotiate
7 with Dominion over the terms of the management
8 agreement and make it five years or three years
9 versus ten and could negotiate with Santee
10 Cooper?

11 MR. ROBO: Absolutely.

12 SENATOR SETZLER: Then what was the purpose of the
13 process we just went through?

14 MR. ROBO: I think the purpose of the process you just
15 went through was to narrow it down to some
16 interested parties and put a set of proposals in
17 front of the body that has to make the ultimate
18 decision.

19 SENATOR SETZLER: I just disagree that the resolution
20 allows that.

21 MR. ROBO: Fair enough. And my view is you have the
22 ability to change the resolution if you all want
23 to. And so, you know, that -- so I think, you
24 know, it's an unwieldy thing, right? To be --
25 and I understand why you set up the DOA to run

1 that process. But it's a very complicated thing
2 to sell a utility, right? These are things that
3 -- these are things that are done over a period
4 of months. You know, there's a lot of issues
5 that need to be resolved. I think the DOA did a
6 terrific job of -- and their experts, a terrific
7 job at negotiating with all the parties. And,
8 you know, there's a set of proposals on the table
9 and -- but I've always made the assumption -- and
10 I may be wrong about this, but I've always made
11 the assumption that you all would have an
12 opinion. And so we were going to put a --

13 SENATOR SETZLER: There's no lack of opinion in a 170
14 people, I can assure you.

15 MR. ROBO: That's right. And so we knew that you all
16 would have an opinion and so, you know, I'm not
17 going to sit here and say we're not going to
18 listen to your opinions as we review these
19 things. And -- but I will say that, you know, we
20 are clear about what we need to put a value on in
21 our proposal and what -- you know, what we --
22 perhaps will be able to say this is not an issue
23 with further diligence on the some of the
24 liabilities.

25 SENATOR SETZLER: And your proposed legislation, as we

1 understand it, again, which we haven't totally
2 seen, provides you the option of securitization
3 but only to NextEra, to no other public utility
4 in the state; is that correct?

5 MR. ROBO: It does provide us that ability to finance
6 this particular transaction and not to be able to
7 do other securitizations for anything else. And
8 so we thought securitization was a terrific tool
9 to use. It's low-cost financing, it helps bridge
10 some of the gaps and is lower cost for customers.
11 And so, yes, I think there are plenty of
12 utilities around the country who've used
13 securitization as a tool, right?

14 SENATOR SETZLER: Florida has used it before, if I
15 recall, correct?

16 MR. ROBO: Florida used it for hurricane expenses at
17 one point. You know, it's been done and it was
18 done for stranded generation investment in other
19 parts of the country. And, you know, it's a tool
20 -- it's a tool that's used in extraordinary
21 circumstances, in my view, and most regulated --
22 in most regulated utilities. And so I would --
23 you know, hurricanes or stranded generation
24 assets because of a move to being unregulated or
25 something like that has been used. It's not been

1 used as a matter of course kind of financing.
2 And so this is a -- you know, you have a four
3 billion dollar stranded asset on Santee Cooper's
4 books and so this is a way to help finance that
5 asset going forward. It's lower-cost financing.

6 SENATOR SETZLER: Okay. Talk to me -- I want to
7 follow up on a question from Senator from Berkley
8 about the five hundred and forty-one million
9 dollars in refunds, credits to rate payers. And
10 we asked this to DOE yesterday and I don't think
11 we ever got a straight answer. I'm going to ask
12 you. Explain how much of that 541 is a credit to
13 the rate payer, or how much is refund to the rate
14 payer?

15 MR. ROBO: Yeah. So --

16 SENATOR SETZLER: Give us the specifics of how that
17 works to John Doe who is a customer of Santee
18 Cooper.

19 MR. ROBO: So first of all I'm going to talk about
20 customers that have been existing customers
21 during the ten years and still current customers,
22 right. So, because they're going to get the --
23 they're going to get the -- you're going to have
24 money go back to the existing customers. The
25 people who are customers when VC Summer was being

1 built. Okay? And so -- and they remain current
2 customers. So that customer base is going to get
3 something in the order of a \$520 either check, if
4 they want a check, or credit, if they want a
5 credit. And it'll be up front. So it's up to
6 them. Average customer spends about \$100 a month
7 on electricity. So it's either five months of
8 free electricity or a \$500 check to put in your
9 pocket and that is the options that we're going
10 to give. Now the numbers would be different --
11 like if you just move into South Carolina
12 tomorrow, you're not going to get a \$500 check.

13 SENATOR SETZLER: Right.

14 MR. ROBO: Okay. Right.

15 SENATOR SETZLER: Same issue Dominion faced.

16 MR. ROBO: Yeah. But you will get a smaller check and
17 I didn't have them take me through the math on
18 that but I had them take me through the people
19 who live here through the process and remain
20 existing customers. They will get roughly \$520
21 and they can choose, their option, all up front
22 in a check back to them or a credit. Up to them.

23 SENATOR SETZLER: What if they're no longer a customer
24 but were a customer?

25 MR. ROBO: So then you're going to -- they're going to

1 be chased down and you're going to send them a
2 check.

3 SENATOR SETZLER: Okay.

4 MR. ROBO: And that's part of the part -- as I was
5 told by my lawyers this morning that's part of
6 what the plaintiffs' attorneys will do with the
7 541 through their class action.

8 SENATOR SETZLER: And the 541 does not --

9 MR. ROBO: They'll track down the folks who don't live
10 here anymore.

11 SENATOR SETZLER: The 541 does not include attorneys
12 fees?

13 MR. ROBO: It does not. We're paying for that
14 seperately.

15 SENATOR SETZLER: Okay. And that's -- that's a
16 NextEra dollars?

17 MR. ROBO: Yes. it is.

18 SENTATOR SETZLER: All right. You mentioned economic
19 development and I'm not sure I know the exact
20 terminology but public utilities sometimes file
21 with the PSC a special rate, warrant, whatever
22 you call it, that applies in economic development
23 situations. Do y'all do that in Florida and do
24 you propose to do that here?

25 MR. ROBO: We do that for sure in Florida. We're

1 happy to do that here in South Carolina. That's
2 very important, we will continue to spend -- I
3 think Santee Cooper last year spent twenty
4 million dollars, is that the right number on
5 economic development? Yeah. Something in --
6 whatever they're currently spending we're
7 committing to continue to spend on economic
8 development and we will be happy to be having,
9 you know, having rates that -- you know, special
10 rates to lure folks to the state. It's very
11 important.

12 SENATOR SETZLER: And have them on file?

13 MR. ROBO: Happy to -- happy to file those as well.

14 We have a -- we have what's called a CISR rate in
15 Florida and I'm not sure what the C-I-S-R stands
16 for but it is a special incentive rate for
17 customers.

18 SENATOR SETZLER: Right.

19 MR. ROBO: You have to bring a certain number of jobs.

20 SENATOR SETZLER: Right.

21 MR. ROBO: And a certain number of -- and if you do
22 that then we provide you with that rate and so
23 happy to have a rate like that on file, that's
24 not a problem.

25 SENATOR SETZLER: And how many customers does Florida

1 Power and Light Serve?

2 MR. ROBO: We have five million customers. Five point
3 one million customers, actually, as of last
4 month. We're growing customers at about 70,000
5 customers a month right now. Give you a sense of
6 how many people are moving to Florida.

7 SENATOR SETZLER: So, ask you the same question we
8 asked Dominion when we were dealing with them
9 before. So what happens when Bobby Hitt, who is
10 our commerce secretary, is chasing company X that
11 we want to put in Lexington County instead of
12 Charleston County and we're competing with
13 Florida and you service both sites?

14 CHAIRMAN LEATHERMAN: Senator that probably isn't
15 doable.

16 SENATOR SETZLER: Sir?

17 CHAIRMAN LEATHERMAN: Probably not doable to put it in
18 Lexington County.

19 SENATOR SETZLER: Well I want to be sure that we're
20 going to be an equal competitive --

21 MR. ROBO: You will be on equal competitive --

22 SENATOR SETZLER: Who's going to make that
23 determination within NextEra?

24 MR. ROBO: I will. I will promise you that we're not
25 going to -- we're not going to favor one over the

1 other.

2 SENATOR SETZLER: Okay. So -- you can favor one.

3 MR. ROBO: Equal playing field, Senator.

4 SENATOR SETZLER: So talk to us a minute and tell us
5 what is the size of your big board of directors
6 and what commitments, if any, have been made to
7 South Carolina relative to representation on your
8 board?

9 MR. ROBO: Sure.

10 MR. SENATOR SETZLER: And if it's been made to
11 particular individuals, i.e. somebody from that
12 service area, Santee Cooper, Central co-ops,
13 whatever.

14 MR. ROBO: Yeah, so size of our big board I believe is
15 13 or 14, we just added a new board member last
16 week. Our target board size is around 12 and
17 we're going through some succession planning on
18 our board and so it's a little higher right now.
19 We have currently two residents of South Carolina
20 on our board.

21 SENATOR SETZLER: Okay. Who are they?

22 MR. ROBO: Jack Skolds and Ken Dunn.

23 SENATOR SETZLER: Okay.

24 MR. ROBO: And so, you know, my expectation is they --
25 you know, they will continue to be on our board

1 and we will continue to have -- through this
2 whole two and a half year process we've a had a
3 lot of input from our South Carolina board
4 members around the views of what's going on in
5 South Carolina. So --

6 SENATOR SETZLER: So -- my words not yours, you've
7 already got representation so you don't intend to
8 add another board member from South Carolina?

9 MR. ROBO: That's correct. That's correct. We
10 already feel like we have good representation.

11 SENATOR SETZLER: Okay. You -- in regards to the four
12 years you kept making a reference to a fifty
13 million dollar cost per year if I understood you
14 correctly. Are you saying every year that you're
15 delayed it's a fifty million dollar cost?

16 MR. ROBO: Just on the -- just on the combined cycle.
17 The combined cycle investment in Fairfield County
18 to the customers of Santee Cooper, once the day
19 that goes into service, net/net, after you pay
20 for the extra rate base, the fuel savings and the
21 O&M cost savings will net to a fifty million
22 dollar a year savings to customers. And so if
23 you're delayed a year, you lose fifty million
24 dollars. If you delay two years, you'll lose a
25 hundred million dollars. That's what I was

1 saying.

2 SENATOR SETZLER: So there's no magic to the four-year
3 term on the freeze?

4 MR. ROBO: There is -- so -- there's not magic to it.
5 I think four years is a good amount of -- because
6 remember we're taking interest rate risk through
7 that period, we're taking inflation risk through
8 that period. We're taking a lot of -- you know,
9 we're taking fuel volatility risk through that
10 four-year period. So it can't be ten years but
11 we -- you know, we thought four was -- four was
12 good. And as I said it was a very important deal
13 point with Central in terms of that length, so.

14 SENATOR SETZLER: Mr. Chairman, a couple more and I'll
15 be through. So you're pay -- you propose to pay,
16 as Santee Cooper currently is, five million
17 dollars in taxes per year on existing facilities?

18 MR. ROBO: That's right.

19 SENATOR SETZLER: And is that forever? The next 30
20 years?

21 MR. ROBO: That's for the 30 years and then at the
22 year 31 it goes to whatever the rates would be.

23 SENATOR SETZLER: Okay. Now what about new facilities
24 that you build? Are you going to pay regular
25 taxes on those?

1 MR. ROBO: So new facilities that we build that aren't
2 generation, yes, we'll pay regular taxes on.

3 SENATOR SETZLER: What if they're generation?

4 MR. ROBO: If they're generation, most of the
5 generation has fee in lieu of tax deals set up
6 which each of the counties and so it won't be
7 regular order property taxes. It'll be the
8 standard fee in lieu of tax regime that you all
9 have set up that we can do by generation facility
10 in each of the counties.

11 SENATOR SETZLER: All right. As you're going to give
12 us a list of the tax incentives, tax breaks, can
13 you give us a list of the fee in lieu
14 arrangements?

15 MR. ROBO: Absolutely.

16 SENATOR SETZLER: In what county and how much it is.

17 MR. ROBO: Absolutely.

18 SENATOR SETZLER: At the same time. And talk to us
19 for a moment about your involvement in the
20 community which you would you be serving and
21 i.e., what I'm getting at is, do you have a
22 foundation or a vehicle to make community
23 investments, grants, whatever you want to call
24 them and do you allow your employees to
25 participate or have United Way programs within

1 your facilities?

2 MR. ROBO: So, few things. First of all we have a
3 foundation. The NextEra Foundation that is very
4 active in everywhere we do business. And we've
5 made a specific commitment to continue to do no
6 less than what Santee Cooper is currently doing
7 in terms of charitable contributions in the
8 communities they serve. On top of that we have a
9 long history of running United Way campaigns. We
10 have very active United Way campaign. We --

11 SENATOR SETZLER: Within the organization, not just --

12 MR. ROBO: Within the whole -- within the whole
13 organization, yeah, no. I think we raised from
14 our employees last year something like four
15 million dollars for our United Way campaign last
16 year. And that goes back to all the -- you know,
17 obviously to the United Ways around and all the
18 communities that our employees work in. And we
19 also do matches to education. So if you have an
20 employee who makes a -- you know, wants to give a
21 donation to a school or a college up to \$10,000
22 we'll match that donation every year. From the
23 foundation.

24 SENATOR SETZLER: Okay. Mr. Chairman, I think that's
25 all I've got right now. I know you've have some

1 other people. I don't want to take up the whole
2 afternoon.

3 CHAIRMAN LEATHERMAN: Thank you. Thank you, sir.

4 MR. SHEALY: Next we have Senator Hembree.

5 CHAIRMAN LEATHERMAN: Wasn't Senator Martin, next?

6 MR. SHEALY: He is not here right now.

7 MR. ROBO - EXAMINATION BY SENATOR HEMBREE:

8 SENATOR HEMBREE: Thank you, Mr. Chairman. Thank you
9 Mr. Chairman. Good afternoon, Mr. Robo.

10 MR. ROBO: Good afternoon, Senator.

11 SENATOR HEMBREE: Greg Hembree from Horry County so I
12 want to -- I just want to say at the outset,
13 others have said this, but I really appreciate
14 the hard work that your team has put into this.
15 I appreciate your team coming to South Carolina,
16 being available here for our questions. I know
17 they can be tedious and mine might be tedious.
18 But we are truly -- as Senator from Lexington
19 said, we're truly, you know, trying to make the
20 best possible decision we can in a field that
21 many of us are not -- we're not experts. You
22 know, we come from all different walks of life as
23 you know how this works. So but I appreciate
24 your thoughtful and very effective presentation
25 today.

1 MR. ROBO: Thank you, Senator.

2 SENATOR HEMBREE: It's been -- I've learned quite a
3 bit. Really just a few questions and one I want
4 to go back to -- and you touched on this and I
5 think I may already have my answer. But it -- as
6 I was looking at the proposal and I -- you know,
7 there was this flat rate for four years that was
8 baked into the offer or the proposal. The
9 question kept coming back to me why in the world
10 would you do that? Why would somebody make that
11 offer? What's the point of that? And I will
12 tell you that's going to be -- that's my
13 question. But I guess I want to give you a
14 little context. When Dominion was, you know,
15 going through their negotiations with SCE&G and
16 SCANA one of the things they did is they -- you
17 know, they kind of put this, oh, you're going to
18 get a \$1,000 check for everybody and everybody
19 knows has heard about all that well that didn't
20 work out that way. It was rather -- created a
21 lot of interest with many of our constituents
22 when they were calling us wanting to know where
23 their \$1,000 check is. So I -- you know, and I
24 understood that was a way to induce -- to kind of
25 sweeten the pot if you will. I mean, I

1 understood the marketing element of that. And
2 that was the only thing that came into my mind
3 that maybe this was some sort of effort. Kind of
4 going down the same path of marketing it to make
5 it more appealing to constituents or rate payers.
6 But I'm hearing something different now. That
7 was the only thing I came up with. What's the
8 reason -- what was the reason behind that? Why
9 would you do that?

10 MR. ROBO: Why the four-year rate freeze?

11 SENATOR HEMBREE: Yeah.

12 MR. ROBO: Because I thought it was important for our
13 proposal to show that we were going to have rate
14 stability for Santee Cooper customers. Leave
15 aside the refund. And the refund is more -- you
16 know, five hundred and forty million of it is
17 related to the -- you know, the costs that had
18 been collected for VC Summer two and three from
19 Santee Cooper customers. And then the rest was
20 to make sure that customers got, you know, even
21 more money back as part of the transition but
22 even when you exclude those our rate is going to
23 be very stable for those four years. And we
24 wanted to show that we were going to have a
25 stable rate for our customers. And our estimate,

1 by the way, of the rate in year five, the
2 increase of our overall rate in year five is
3 something like two our three percent. It's very
4 small, right? So.

5 SENATOR HEMBREE: Yeah, so, but is it fair that we --

6 MR. ROBO: It's not really an inducement rate, right?
7 And usually inducement rate are really low and
8 then they go up a lot. You know, our base --
9 leaving aside the refund, our rate, our
10 expectation around the rate in five years is, you
11 know, somewhere in the order of -- rate change is
12 somewhere in the order of two or three percent.

13 SENATOR HEMBREE: So I'm -- I guess -- I think I hear
14 you say that your goal, one of your goals, an
15 important goal, is to tell the customers of
16 Santee Cooper there is some predictability that's
17 it's not -- you know, it's not immediately going
18 to go up just because a private outfit came in.
19 We need to give them some, I guess, time to
20 transition to a different model, something like
21 that?

22 MR. ROBO: And also, you know, I think there was a lot
23 of speculation that if an IOU came in that they
24 were going to have to -- that they could pay, you
25 know, what we're paying for Santee Cooper but

1 then rates would have to go to the sky. And we
2 thought it was important to show that, no, we
3 don't think rates are going to go to the sky. We
4 think we can have rates that are frankly lower
5 than what Santee Cooper will have going forward
6 because we will modernize the generation and we
7 will operate significantly more efficiently than
8 Santee Cooper operates today.

9 SENATOR HEMBREE: Let me go back and I'm -- Senator
10 Setzler from Lexington touched on this and we had
11 some questions about the five hundred and forty-
12 one million and the four hundred million that are
13 being provided as checks, credits, you touched on
14 that so I understand what you're talking about.
15 Well we talked to the Department of
16 Administration yesterday and I would agree with
17 him. I thought I understood it and then I'm not
18 sure that I do. And so are -- if I'm a customer
19 -- let me ask you this way as a hypothetical. If
20 I'd been a -- and I have been a customer of
21 Santee Cooper for, you know, ten years and I
22 remain a customer. So as I understand it -- let
23 me say it this way, as I understand it you are
24 going to get a flat rate. I'm going to get this
25 rate stabilization for four years. And in

1 addition to that I'm going to get a check for
2 \$500 as settlement of the lawsuit. And that's --
3 that comes from the 541 million funds, right?

4 MR. ROBO: It's from the 941, the 941. The total 941
5 divided by the number of customers. And you're
6 going to do it I think -- the fair way to do it
7 should be on kilowatt hours.

8 SENATOR HEMBREE: Right. There might be a sliding
9 scale.

10 MR. ROBO: Yeah, no, exactly. So don't, you know -- I
11 provide you with the \$520 number as very much an
12 average and people will get more or less
13 depending on how many --

14 SENATOR HEMBREE: Their usage, what their bill was,
15 how long they had Santee Cooper during that time
16 frame?

17 MR. ROBO: Exactly, exactly, exactly.

18 SENATOR HEMBREE: So it'll be a sliding scale that
19 will -- makes perfectly good sense.

20 MR. ROBO: Exactly.

21 SENATOR HEMBREE: But that'll come out of the 941.

22 But that will not affect the flat rate?

23 MR. ROBO: That's right.

24 SENATOR HEMBREE: It's not connected to that in any
25 way? That rate stabilization for lack of a

1 better -- that's my term, but.

2 MR. ROBO: That's right. So except when we showed
3 that rate we took the 941 and we spread it over
4 four years to show that \$64 rate is -- Petter,
5 \$8?

6 MR. SKANTZE: Nine forty-one is \$10.

7 MR. ROBO: Nine forty-one is \$10. And so a year for
8 four years. So think about the \$63 as a \$73 base
9 rate for those four years.

10 SENATOR HEMBREE: Okay, okay. So that --

11 MR. ROBO: So we showed the -- so we tried to --
12 because it's hard to show.

13 SENATOR HEMBREE: I got it.

14 MR. ROBO: It's hard to show the -- tried to, it's
15 hard to show the comparison of the rates. So we
16 chose for better for worse to take that 941,
17 divide by four, and show it visually that it's
18 \$63, or \$64 --

19 SENATOR HEMBREE: Right.

20 MR. ROBO: -- you know, a month for, you know, for
21 customers.

22 SENATOR HEMBREE: Okay. And this is what DOA
23 explained to me too. I think I'm kind of I'm
24 almost there on this point and then I'll move
25 onto something probably more important. I hope

1 it's more important.

2 MR. ROBO: No, this is very important. This is pretty
3 important.

4 SENATOR HEMBREE: Okay. So but for -- let's say that
5 they -- there wasn't a lawsuit out there. And
6 that 941 wasn't in the equation, all right? That
7 wasn't part of the deal. Then your rates would
8 be \$73?

9 MR. ROBO: That's right.

10 SENATOR HEMBREE: Okay. I got it. So you're giving -
11 - essentially giving yourself credit for the
12 money you're using to settle the lawsuit?

13 MR. ROBO: And -- well the 541 is to settle the
14 lawsuit, four hundred million is on top of that.
15 So the 941 and --

16 SENATOR HEMBREE: Right.

17 MR. ROBO: So we're trying to equate that as value to
18 customers.

19 SENATOR HEMBREE: There's a piece of it that's just
20 purely -- four hundred million of it is purely
21 rate stabilization money, and 541 is lawsuit
22 settlement money; is that a fair --

23 MR. ROBO: That's fair.

24 SENATOR HEMBREE: -- a fair characterization?

25 MR. ROBO: That's fair.

1 SENATOR HEMBREE: I'm just -- well I understand it
2 now. Because the rate --

3 MR. ROBO: But -- so, and Wade's probably going to get
4 mad at me. We have -- as we -- this, all of the
5 money in this is pretty fungible, right? We
6 could have said, customers get no money back and
7 the state gets an extra nine hundred and forty-
8 one million dollars.

9 SENATOR HEMBREE: Right.

10 MR. ROBO: So we worked with the DOA and their experts
11 to craft something in our proposal that we felt
12 like addressed all of the stake holders in this,
13 right? And so you have the litigant, the
14 litigation, you know. And the litigation is, you
15 know, and the plaintiff's attorneys are a
16 stakeholder. The customers a stakeholder,
17 obviously. The, you know, the state is a
18 stakeholder. The customers of Santee Cooper are
19 stakeholders. Central is a stakeholder. You
20 know, the counties, you know, the employees of
21 Santee obviously are. So we tried to put
22 something together that we felt tried to address
23 as much of that as we could and as holistically
24 as we could.

25 SENATOR HEMBREE: Yeah, I mean, it's a Rubik's Cube.

1 MR. ROBO: It is a Rubik's Cube, it is very much a
2 Rubik's Cube.

3 SENATOR HEMBREE: I'm with you on that. That's -- let
4 me ask you why did you pick Fairfield to build
5 the new proposed plant?

6 MR. ROBO: So, it's got access to water, it's got
7 access to interconnection, and it's a short way
8 from Transco. So it's a super place to do it.

9 SENATOR HEMBREE: Okay.

10 MR. ROBO: So remember transmission is often, you
11 know, a challenge when you're trying to inject
12 1,200 megawatts in there so that was a -- those
13 were some of the big reasons.

14 SENATOR HEMBREE: Makes sense. Have y'all done any
15 analysis of the current attrition rate for Santee
16 Cooper employees? I know you use as a rule of
17 thumb six percent as a good --

18 MR. ROBO: Yeah, and I haven't. I haven't. Whether
19 we have or not I don't know that but, you know.
20 I mean, gosh, in my experience that six percent
21 has been pretty consistent.

22 SENATOR HEMBREE: Okay. On the Massachusetts formula
23 I'm just -- it just kind of sounded interesting
24 to me so I'm just -- this doesn't mean much to me
25 I don't think but I'm just interested in it.

1 MR. ROBO: Yeah.

2 SENATOR HEMBREE: Is that a labor allocation formula?

3 MR. ROBO: So it is an allocation of both labor and
4 capital, right. So if you're using computers to
5 do work and it is allocated based on a variety of
6 different factors. And I won't take you through
7 all the factors. Some of it is based on labor
8 hours. Some of it is based on number of
9 computers that are being used. Number, you know,
10 and so asset intensity of the activity. And so
11 it depends.

12 SENATOR HEMBREE: Is it a -- is it specific to the
13 energy?

14 MR. ROBO: It is specific to regulated utilities. And
15 why it's called the Mass. formula I have no idea.
16 I've asked that question before and I have no
17 idea why. It's probably because it was invented
18 somewhere in Massachusetts, I don't know. But
19 everyone uses it in the industry so.

20 SENATOR HEMBREE: As part of the assets, one of the
21 assets you will be purchasing is the interest in
22 VC Summer, that will come as part of the deal.
23 Both of I guess -- I think doesn't Santee Cooper
24 own a piece of --

25 MR. ROBO: The do, they do.

1 SENATOR HEMBREE: The -- operating, I guess, as VC
2 Summer one would that be what it's called?

3 MR. ROBO: That's correct.

4 SENATOR HEMBREE: And then two and three, whatever
5 asset there is out there you'll be getting.
6 That's been turned over to Santee Cooper, as I
7 understand, and that would come as part of the
8 package to you; is that right?

9 MR. ROBO: That's right. Now there are liens on those
10 assets by Westing House and probably by Fluor as
11 well through the litigation that is ongoing. And
12 so we have effectively valued those assets at
13 zero in our bid to the extent that there is
14 value. And maybe there is -- gosh, I'm not even
15 going to sit here and say what I think the value
16 of those assets are because I think it's very
17 very hard to sell, you know, not completed power
18 plants. I -- we bought in 2002 Seabrook in New
19 Hampshire that had a operating nuclear plant
20 Seabrook one and a stopped halfway through
21 Seabrook two, probably one of the last units that
22 was stopped half way through. And at the time we
23 put -- in 2002 we put 26 million dollars of value
24 on that inventory and we used it as parts for
25 Seabrook one. So we used the turbine points and

1 we -- over time, right, so. Very hard to get
2 value out of those assets and to the extent that
3 there is any value it is subject to all those
4 liens. So my -- excuse me. My expectation is
5 any value that would be in those assets would be
6 needed to settle the litigation and the liens
7 that are already on those assets.

8 SENATOR HEMBREE: If -- I know that they're building a
9 reactor over in Georgia and we're sort of
10 watching that take place and wondering because I
11 think they ran into some problems over there as
12 well but they seem to have worked through those
13 problems, you're a lot more aware of all this
14 than I am. But that looks like that project is
15 going to be finished; is that correct?

16 MR. ROBO: Plant Vogel what Southern would tell you is
17 they're going to finish that, the first unit, at
18 the end of November of '21 and the second unit
19 November of '22. And that's their official
20 schedule and so that -- you know, that's where
21 that project stands right now.

22 SENATOR HEMBREE: I guess with -- I know that Santee -
23 - that VC Summer one of the main issues was the
24 engineering. I mean, they were trying to build
25 something new. I mean, I'm -- if I get this

1 wrong.

2 MR. ROBO: No, no, no. The engineering wasn't done.

3 SENATOR HEMBREE: Right. The engineering was not
4 right and that's what led to -- that was one of
5 the many things led to problem and then it
6 cascaded from there. But it sounds like at least
7 in Georgia they've got the engineering figured
8 out. Is that --

9 MR. ROBO: Well they've completed the engineering.
10 But even in Georgia they started building that
11 plant without all the engineering being
12 completed. And it's taken -- it took Westing
13 House a decade. Remember those plants were all
14 started in -- started permitting in 2008. I
15 mean, we're in year 12. It's going to be 14
16 years from when you started, from when those
17 plants are going to be finished, to put that into
18 perspective. And so it took a very long time for
19 the engineering to be done.

20 SENATOR HEMBREE: I guess what I'm kind of building up
21 to is I'm wondering, I just -- and I ask you, do
22 you foresee at some point that the engineering
23 gets worked out where VC Summer two and three
24 might actually be able to be -- or maybe just VC
25 Summer two, let's just say one of them, is able

1 to be completed in a cost-effective manner
2 because you've been able to -- you know, you can
3 replicate it. Now that you've been able to do
4 it, and you know how to do it. And basically
5 that Georgia paid for -- we paid for part of it I
6 guess, but Georgia paid for figuring that out.
7 That we can come back and build VC Summer two.

8 MR. ROBO: I don't contemplate any scenario where new
9 nuclear even units -- you know, units -- because
10 these are units one and two here and they built a
11 few in China of the AP 1,000 which is the Westing
12 House design. It's a 200 to 250 dollar a
13 megawatt hour power. It is very expensive power
14 and so that in the end is why. It's not that the
15 technology doesn't work. And I'm a big -- you
16 know, I'm a big believer in nuclear. It's carbon
17 free and it's -- you know, it is an important
18 part of our energy future but new nuclear
19 economics don't work. And, you know, solar with
20 batteries, combined cycle gas plants are
21 levelized three or four cents a kilowatt hour and
22 this is 20 to 25 cents a kilowatt hour new
23 nuclear, so it's -- even if you got 20 percent
24 better and it still takes ten years to build. I
25 mean these are massive projects. Lots of

1 oversight from the NRC. Which is appropriate but
2 is not cheap. And, you know, it just very very -
3 - and they're one-off kind of exercises, right.
4 You need to be a very, very big company to be
5 able to even contemplate building a new nuclear.

6 SENATOR HEMBREE: And you -- I mean, you made this
7 statement earlier I recall that you were, you
8 know, nuclear and offshore wind is appealing for
9 some reason as they might be, they're just at
10 this stage -- this time in history, they're
11 simply not cost effective and you don't foresee,
12 at least in the short term, pursuing those as
13 part of your energy mix?

14 MR. ROBO: That's right.

15 SENATOR HEMBREE: I want to go back to -- and really
16 just I got one last question and I think up done
17 but --

18 CHAIRMAN LEATHERMAN: Could you speak into your mic,
19 please?

20 SENATOR HEMBREE: Certainly. Sorry, Mr. Chairman. On
21 -- going back to the 941. If Santee Cooper
22 wanted to do the same thing that you're doing.
23 If they decided, okay, we're going to settle this
24 lawsuit and we're going to settle it for 541 and
25 we're going to give ourselves credit for that

1 settlement, wouldn't that push their rates ever
2 lower? I mean -- would it be a -- I guess it
3 would be about the same. But they could do
4 essentially what you're doing is they push their
5 rates up and then they bring their rates down
6 with the settlement money.

7 MR. ROBO: Well, the difference is they would have to
8 -- they would be raising money that customers
9 would owe to pay customers back.

10 SENATOR HEMBREE: But that's what's happening anyway.

11 MR. ROBO: No. No, no, no. No, no, no, no, no. This
12 is very important. So we are paying the nine and
13 a half billion dollars effectively for the assets
14 of Santee Cooper. Only five and a half billion
15 of it is in rate base.

16 SENATOR HEMBREE: The only way you can recover it is
17 from the rate payer, though.

18 MR. ROBO: And so -- well, that four billion dollars
19 is good will. And that is on our books and we
20 have no way to recover that good will from
21 customers. And so think about that 941 as part
22 of the premium that we're paying for the five and
23 a half billion dollars of good assets that Santee
24 Cooper has. And so they would have to go out --
25 they would raise a billion dollars. Say 941,

1 they raise 941 million dollars. And they would
2 have to pay interest on that debt. And they
3 would have to charge their current customers and
4 raise rates -- raise their current rates in order
5 to pay that debt to take that money then and give
6 money back to customers.

7 SENATOR HEMBREE: But your only way to make money in
8 South Carolina -- the primary way to make money,
9 I guess, if you have lakes and water systems and
10 some other things that will generate some
11 revenue, but the primary way you're going to make
12 money is charging rate payers.

13 MR. ROBO: That's not the only way. The other way is
14 by taking cost out of the system such that the
15 current rates cover more rate base, right.

16 SENATOR HEMBREE: Yeah you can save money, or you can
17 have cost savings, I'm with you on that.

18 MR. ROBO: But the cost savings are enormous. If you
19 present value the value of our cost savings, it's
20 the billions of dollars. Petter, remind what the
21 annual cost savings are that we thing we're going
22 to get?

23 MR. SKANTZE: One hundred fifty, two hundred million.

24 MR. ROBO: Yeah. So it's 200 million dollars a year
25 of operating cost savings. Present value 200

1 million dollars a year over several years, it's
2 several billion dollars. So that is pure value
3 creation that we're bringing to the table that I
4 don't think Santee Cooper has the capability to.

5 SENATOR HEMBREE: I understand -- I mean, I understand
6 that.

7 MR. ROBO: So that's how -- and that is -- and then
8 we're going to be able to put rate base in and
9 then not charge customers because embedded in
10 current rates is their current operating costs if
11 that makes any sense, right? So you lower the
12 current operating cost that will allow us to make
13 investments. They're going to lower fuel costs
14 by the way and then that's going to save
15 customers money. And that's how we will be able
16 to do it without -- without, you know. So that
17 941 is part of several billion dollars that are
18 going to be a good will on our balance sheet that
19 we will not recover from customers.

20 SENATOR HEMBREE: And I don't mean to dicker with you,
21 but I'm going to. I understand cost savings and
22 I'm with you on that. I mean, I follow you on
23 that and I'm not challenging you on the ability
24 of NextEra to do this more efficiently and
25 therefore, you know, that makes the deal doable.

1 Otherwise if you were --

2 MR. ROBO: Right.

3 SENATOR HEMBREE: You wouldn't be able to do it and we
4 wouldn't even be talking.

5 MR. ROBO: That's exactly right.

6 SENATOR HEMBREE: Give you that. So I fully
7 understand that. But I do -- I'm looking at this
8 going I can't figure it out. As far a raising
9 revenue, I'm not talking about saving money, I'm
10 talking about the money that you collect. Your
11 primary collection revenue source is rate payers.

12 MR. ROBO: Sure. That's right. Absolutely.

13 CHAIRMAN LEATHERMAN: If you got more question that's
14 okay. That sounded like a statement, can you
15 turn those into questions for me?

16 SENATOR HEMBREE: I'll be happy to, Mr. Chairman. I'm
17 finished though, so thank you.

18 CHAIRMAN LEATHERMAN: Well, okay. Thank you, sir.

19 MR. SHEALY: Next up Senator Alexander.

20 MR. ROBO - EXAMINATION BY SENATOR ALEXANDER:

21 SENATOR ALEXANDER: Thank you, Mr. Chairman. Good
22 afternoon.

23 MR. ROBO: Good afternoon, Senator.

24 SENATOR ALEXANDER: I appreciate you being here today.
25 I've been listening very closely on several of

1 these things. I wanted to just clarify two or
2 three things that I had here. I know a lot of
3 this goes from yesterday, some of the discussions
4 we had. The water companies, I think, was you
5 would have that ability to either, I guess, sell
6 some of those water companies that generate that
7 or I guess you could -- I guess what I wanted
8 some clarification, would you or in other areas
9 have you contracted with other folks to operate
10 those or what is your vision for those that
11 depend on that resource?

12 MR. ROBO: So we manage significant water resources
13 all across our system. Not necessarily water
14 utilities but we manage reclaim water systems
15 that feed water into several power plants. We
16 manage, you know, very complex water chemistry
17 issues in our nuclear plant so we know water, we
18 understand the water business. So those two
19 water -- those two -- you know, the water
20 utilities have as part of Santee Cooper's sale
21 the municipalities have the ability to buy them
22 at the debt value. So we placed in our bid a
23 value of just simply the debt on those, on those
24 two utilities because we made the assumption that
25 the municipalities would take them over. If they

1 don't, we're more than willing and happy to
2 invest in those utilities going forward. We'd
3 love to do that and we'd love to, you know, help
4 invest in those water utilities for those
5 communities going forward.

6 SENATOR ALEXANDER: Okay. Thank you. Also you
7 mentioned in the presentation this morning I
8 think you said about the Gulf Power that you have
9 and you used that as an example of some -- I just
10 wanted to hear a little bit more about the
11 similarities and the difference of how you -- the
12 positives or the negatives from using that as an
13 example. I'm not sure I'm clear on that, but.

14 MR. ROBO: Yeah, sure. So Gulf was part of Southern
15 Company.

16 SENATOR ALEXANDER: Okay.

17 MR. ROBO: And Southern Company post tax reform had a
18 need to issue a lot of equity and we were able to
19 pay them a price for Gulf that was more accretive
20 for their shareholders than it would have been
21 for them to issue equity. And so that's one of
22 those rare deals when we announced that deal, the
23 day we announced that deal, Southern stock price
24 went up and our stock price went up. It was a
25 win/win for both sets of shareholders. And so

1 that's the difference, right. You know, it was
2 investor-owned utility versus a municipal
3 utility. The similarities are that, you know,
4 Gulf had a lot of coal and we're in the midst of
5 shifting that coal generation over to gas and to
6 solar. And Gulf, from an operating cost
7 standpoint, was about average. And we've been
8 able -- you know, our vision as you saw in the
9 presentation was to take about 40 percent of the
10 operating cost out and we've already gotten about
11 half way there in the first year and we expect to
12 be there by the end of next year on all 40
13 percent. So it's a -- lot of similarities and I
14 think the one difference is it was owned by
15 Southern Company, it was investor-owned utility.
16 I will also say that we also have done one of the
17 few municipilization -- de-municipalizations at
18 Florida Power and Light that have ever been done,
19 I think, in the last 25 years when we took -- we
20 purchased the municipal utility from the city of
21 Vero Beach and integrated that for a hundred --
22 it was a smaller transaction, a hundred and
23 eighty million dollars. And that has gone off
24 flawlessly and we've been able to integrate that
25 quite easily.

1 SENATOR ALEXANDER: Thank you for that. On the return
2 -- I want to get over to the return of equity
3 that we've had some discussions about think your
4 proposal is at 10.2?

5 MR. ROBO: So remember that -- remember that there are
6 two different kinds of rate regulation once we
7 become an investor-owned utility assuming we --
8 that you all decide to move forward with our
9 proposal. About 30 percent of the revenue comes
10 from the direct-serve customers. And those will
11 be PSC regulated. Seventy percent of the revenue
12 comes from -- 70 to 65 percent of the revenue
13 comes from Central. That will be FERC regulated,
14 regulated by the feds.

15 SENATOR ALEXANDER: Right.

16 MR. ROBO: And that ROE is 9.75 the -- the ROE that we
17 have embedded for the South Carolina PSC portion
18 is 10.2. The blend is below 10. And most
19 importantly and this we talked -- I talked with
20 the senator about this earlier. The ROE has no
21 impact on the rate. The rate is fixed. There is
22 no relationship between the ROE and the rate for
23 the first four years.

24 SENATOR ALEXANDER: First four years.

25 MR. ROBO: And after that, that rate will be set, that

1 ROE will be set by for the direct-serve folks by
2 the public service commission and by FERC for the
3 -- you know, for the central PPA.

4 SENATOR ALEXANDER: Yeah. It was that discussion that
5 kind of get me into this question because I hear
6 the first four years but I'm just wondering after
7 that based on recent -- are you aware that on
8 recent hearing from the public service commission
9 that they did a rate of return of 9.5 percent?

10 MR. ROBO: We do, yeah.

11 SENATOR ALEXANDER: So you are aware of that?

12 MR. ROBO: I am aware of that.

13 SENATOR ALEXANDER: So you're -- after year four you
14 understand what that landscape could look like?

15 MR. ROBO: We completely understand that and, you
16 know, that we -- that's a, you know, interest
17 rates have moved around. You know, who knows
18 what will be going on in four years and --

19 SENATOR ALEXANDER: Well, I just thought was
20 interesting that you were at 10.2 when some of
21 our recent -- would do different there.

22 MR. ROBO: Yeah, so, there is some history behind
23 that. And the history was we took the average of
24 the allowed -- back when we started working on
25 this transaction which was two and a half year

1 ago. The average of the allowed ROEs of all the
2 utilities in South Carolina was 10.2. And that
3 is become embedded in our economics. But what we
4 tried to do at the time was not have an ROE that
5 was higher or lower. We tried to do the average
6 but it was -- you know, things have obviously
7 changed over that period of time. So that's how
8 we ended up with the 10.2 on the South Carolina
9 portion.

10 SENATOR ALEXANDER: All right. And one last question
11 if I could, Mr. Chairman, or at least for now.
12 Kind of goes back to discussion we had earlier
13 this morning with Senator Grooms on the assets
14 and things of that nature and whether it was
15 current or future and even talked about file
16 cabinets versus computers, I believe, and things
17 of that nature. But as a investor-owned utility
18 most of those it not be unique here to South
19 Carolina versus other states where you operate
20 but really a lot of that isn't that the
21 Department of Revenue here in South Carolina for
22 example to get into speaking to those assets and
23 how they are managed. We have a nuclear facility
24 up in my area and I think at least from a
25 property tax -- I think I'm going to that aspect.

1 You was talking about going forward and how much
2 you is going to be -- they would certainly have a
3 role in making that determination. That would
4 not be -- or would it be a determination you'd
5 have to make on your own? If you were a
6 regulated utility in South Carolina, as an
7 investor-owned utility, you would be playing by
8 under those same rules, would you not?

9 MR. ROBO: We would on the new investments that we're
10 making.

11 SENATOR ALEXANDER: That's right. That was the point.

12 MR. ROBO: That's right.

13 SENATOR ALEXANDER: But the other would be considered
14 as an existing?

15 MR. ROBO: Existing, that's right.

16 SENATOR ALEXANDER: Good deal.

17 MR. ROBO: That's right. And we owe you some more
18 detail about what's existing, what's new, and the
19 details around the -- around the pilot.

20 SENATOR ALEXANDER: So would that be up to -- sorry I
21 had a follow up on that. So would that be up to
22 y'all or would that become a opportunity for the
23 Department of Revenue or the appropriate
24 authorities to evaluate that determination,
25 whether it's considered existing or new?

1 MR. ROBO: So that's a very good question.

2 SENATOR ALEXANDER: Well, thank you.

3 MR. ROBO: I think I owe you -- we'll owe you a follow
4 up on that, okay?

5 SENATOR ALEXANDER: Okay.

6 MR. ROBO: Obviously there's been a lot of interest.

7 I'm not -- I'm pretty good at property taxes but
8 I'm not necessarily a property tax expert.

9 SENATOR ALEXANDER: I understand.

10 MR. ROBO: And so there's been a lot of interest on
11 the property tax front and I promise you we'll
12 get back on several of the questions we've had on
13 the property tax front and try to do a better job
14 than we did today of laying all that out for you.

15 SENATOR ALEXANDER: Well and that's not just property
16 tax but I'm just on talking about those
17 investments overall.

18 MR. ROBO: That's right.

19 SENATOR ALEXANDER: Thank you.

20 MR. ROBO: Thank you.

21 CHAIRMAN LEATHERMAN: Looks like we've been going
22 about one and a half hours. I'm going to need a
23 rest stop. Find one on the interstate somewhere.

24 MR. ROBO: I would appreciate that, Mr. Chairman,
25 thank you.

1 CHAIRMAN LEATHERMAN: So we'll do that and we'll come
2 back here by that clock not by my clock at twenty
3 after 3:00.

4 MR. ROBO: Thank you.

5 (A short break was taken at this time.)

6 MR. SHEALY: Next is up Senator Gregory.

7 MR. ROBO - EXAMINATION BY SENATOR GREGORY:

8 SENATOR GREGORY: So interested in how NextEra's plans
9 for renewables would differ from -- our state
10 would differ from Santee Cooper's going forward?

11 MR. ROBO: So first of all -- there we go, we got the
12 button on there. That was my fault. That green
13 button somehow got turned off. So we are the
14 world's biggest renewable developer. We are
15 experts in renewable technology, we're experts in
16 solar technology, we're experts in battery
17 technology. And so, you know, my view in terms
18 of how we'll be different in terms of our
19 renewable strategy going forward with Santee
20 Cooper is we're at ground zero of everything
21 that's going on in renewables. We see
22 everything, we see every technology, we see every
23 new technology, we know what's going on in the
24 marketplace and we will be able to bring that
25 knowledge to aggressively bring the best

1 renewable solutions to Santee Cooper's customers.
2 Just by the nature of Santee not being in the
3 renewable business means they will be a little
4 bit behind us on that front.

5 SENATOR GREGORY: And how would your plans for the
6 coal plant differ from theirs, going forward?

7 MR. ROBO: So we would close the coal plants sooner
8 than their plan. And also, you know, we're
9 hoping -- you know, I would be disappointed if we
10 can't close the second coal plant sooner than
11 what we have laid out in our plan. And so I
12 think that is probably the biggest difference is
13 that we would close them much earlier than they
14 would.

15 SENATOR GREGORY: I guess a question about energy
16 sources in general. I mean, natural gas is
17 obviously extremely cheap today. I mean, is
18 there any insight into how long that can last?
19 Is it unforeseen? I know, I guess a lot of it is
20 not even captured at the well heads now just
21 because it can't be sold. You know, commodities,
22 historically, were subject to wide swings and
23 unexpected changes, shortages, that type of thing
24 and see we're pleased that, you know, more and
25 more energy production is coming from renewables,

1 you know, also gas. I just wonder if they're --
2 we're going to get blind sided one day if there's
3 some shortage of gas and we're so dependant on it
4 now.

5 MR. ROBO: Yeah. So one of the interesting things
6 about gas is you can hedge gas ten years out.
7 And so from a price standpoint it's one of the
8 things that we'd be thinking about and talking
9 with -- particularly with Central about is
10 hedging the gas exposure, you know, the natural
11 gas price exposure not just for the next four
12 years which we'll do if you all move forward with
13 us but perhaps for years five through ten as
14 well. And that would give a lot of certainty
15 around gas price volatility through that period
16 of time. That said, you know, we spend -- we
17 have a group of actually a very -- you know, one
18 of the best groups in the country that studies
19 natural gas economics by shale play around the
20 country. And I would tell you at -- you know, at
21 two dollars and fifty cents or two dollars and
22 seventy five cents, natural gas is about two
23 dollars and forty cents on a forward basis for
24 the next several years right now. Around that
25 price there is an awful lot of gas that is

1 economic to extract right now. So that would
2 suggest that there's not going to be a lot of
3 upward price pressure in gas. There could be
4 regulatory changes. So, for example, if there is
5 a -- if there is a presidential change in the
6 next election and someone bans fracking on -- you
7 know the, next president bans fracking on federal
8 lands you could see a fifty or seventy-five cent
9 change in natural gas price but I think the days
10 of eight dollar gas are long behind us. It's
11 just the economics of that industry have changed
12 really pretty dramatically.

13 CHAIRMAN LEATHERMAN: Senator, you finished?

14 MR. SHEALY: Next is President Peeler.

15 MR. ROBO - EXAMINATION BY SENATOR PEELER:

16 SENATOR PEELER: Thank you, Mr. Chairman. Like
17 everyone else said, this has been very
18 informative and I appreciate you coming up and
19 doing this.

20 MR. ROBO: Thank you , Mr. President.

21 SENATOR PEELER: Couple of things and you may have
22 touched on it earlier and maybe I missed it but
23 do any of your companies manage a utility that
24 you don't own? You manage any utilities?

25 MR. ROBO: No, we don't. Although we have made offers

1 to manage entities that we don't own both nuclear
2 power plants and other utilities. I will say
3 that we manage a lot of generation facilities
4 that we don't own. And so we probably manage
5 several thousand megawatts of generation that we
6 don't own.

7 SENATOR PEELER: And the situation we're in now, did
8 you think about making an offer to purchase
9 and/or manage? Did you think about managing?

10 MR. ROBO: We did. And we made an offer to manage.

11 SENATOR PEELER: That offer wasn't as attractive as
12 the one we received?

13 MR. ROBO: I -- you know, you'd have to ask the DOA
14 that question. We -- you know, we thought we put
15 a pretty attractive offer to manage Santee Cooper
16 on the table.

17 SENATOR PEELER: What do -- hang on. It's in the --

18 MR. ROBO: It was more radical, as you can probably
19 imagine, than just putting three people down in
20 Monks Corner.

21 SENATOR PEELER: That's kind of where I was headed.

22 MR. ROBO: So we -- we made a -- am I breaking any
23 rules by saying what our offer was on the
24 management proposal? Probably. I won't, then.
25 I won't say anything. Thank you. I won't say

1 anything.

2 SENATOR PEELER: I'm curious. My friend from
3 Lancaster, he probably knows all about electric
4 cars. But if things flip ten, 20 years from now
5 we got from fossil fuels to electric cars, what
6 will that do to your industry?

7 MR. ROBO: That's a great question, Mr. President.
8 I've been doing a lot of thinking over the last
9 six months about what's going to happen, do we
10 need to completely decarbonize the electric
11 sector by 2050, right. A hundred percent
12 reduction of carbon by 2050. And my view is
13 pretty simple. The first 70 or 75 percent of the
14 carbon reduction that -- CO2 emissions reduction
15 that I think our industry can do, we can do with
16 existing nuclear and a very, you know, very
17 dramatic increase in the amount of solar and wind
18 and batteries that are on the grid. And as a
19 result of that -- and because those technologies
20 have gotten so cheap that that would be
21 essentially free. The customers would not see
22 their bills go up appreciably for a 70 or 75 or
23 80 percent reduction. So we've modeled a couple
24 states. We modeled Texas, we modeled Florida,
25 we're in the midst of modeling a bunch of other -

1 - because it's very situation dependent, right?
2 Like the wind doesn't blow in the Southeast.
3 There's no wind in the Southeast but there's a
4 lot of solar, great solar opportunities in the
5 Southeast. So we're going region by region and
6 modeling that. The question really is how do you
7 get that last 20 percent out of the electric
8 grid, of carbon. And that's not an easy answer.
9 We've been doing some modeling, actually, on the
10 Florida system and looking at the capabilities of
11 hydrogen, and using hydrogen in our combined
12 cycle facilities and we think there's some
13 promise there. That we could actually use
14 hydrogen, that we would electrolyze hydrogen by
15 using excess energy created by our renewable
16 facilities to create hydrogen, store that
17 hydrogen at our natural gas facilities and then
18 run those facilities not on natural gas but on
19 hydrogen and be able to completely decarbonize
20 the system. Now that's not free. That last 20
21 percent is a little bit more expensive but the
22 math we ran the other day suggested that it
23 wasn't extraordinarily expensive. And so, you
24 know, I will leave it to people who are smarter
25 than me.

1 SENATOR PEELER: I want to meet that person.

2 Seriously, I want to meet that guy, or lady.

3 MR. ROBO: Thank you, Mr. President. But I will leave
4 it to scientists who are smarter than myself that
5 -- to tell you whether 80 percent is sufficient
6 or whether you need to get to 100 percent. But
7 we are, trust me, thinking a lot about that
8 question and we think it's a very important
9 question and we're doing a lot of work on that.

10 SENATOR PEELER: One last question, Mr. Chairman.

11 What the senator from Lexington, Senator Setzler,
12 was talking with you about, is this your final
13 offer? I mean, can we squeeze you a little bit
14 more? I felt like there was room for squeeze.

15 MR. ROBO: You wouldn't be doing your job if you
16 didn't squeeze this is a little bit more I think
17 Mr. President, right? And I think, you know, as
18 we approach this, my expectation of the dynamics
19 was were going to be that there was a chance that
20 that could happen. You know, the DOA did a
21 terrific job squeezing us very hard, okay. So, I
22 will say that. And so there's not a lot of --
23 there's not a lot left in the lemon but there's
24 certainly some things around these liabilities
25 that we could perhaps diligence and maybe improve

1 the value of our offer through that. And, you
2 know, I remain -- as I said I remain very open
3 to, you know, hearing your feedback on what we've
4 said. And you've only had it, to be fair, for
5 not -- for a few days, right? And so -- and it's
6 very complicated and I recognize that. So that's
7 a long way of saying there might be. But the DOA
8 did a terrific job of squeezing us pretty tight,
9 so there's not a lot left in the tank.

10 SENATOR PEELER: Thank you, Mr. Chairman.

11 CHAIRMAN LEATHERMAN: Mike, what's next?

12 MR. SHEALY: Mr. Chairman, we're now in the second
13 round of follow-up questions and first on that
14 list is Senator Scott. Okay, he's done. So
15 after him is Senator Campbell.

16 MR. ROBO - RE-EXAMINATION BY SENATOR CAMPBELL:

17 SENATOR CAMPBELL: Thank you, Mr. Chairman. You've
18 been very patient with us and I appreciate that
19 very much.

20 MR. ROBO: Thank you, Senator.

21 SENATOR CAMPBELL: I've got two simple questions. We
22 talked a little bit about interconnects around
23 the site of the new plant. I think that does
24 make a lot of sense to put a combined cycle.
25 What about interconnects into another Santee

1 Cooper system into Georgia Power, Duke or some of
2 those things, my understanding is you're limited
3 on those because of the technology that exists
4 that you can upgrade those interconnects -- which
5 may require additional transmission distribution
6 system widening or something along that line but
7 what about -- I know you're limited, some of them
8 can transport both power into another system
9 which they're much higher voltage.

10 MR. ROBO: That's exactly right, Senator. And so, you
11 know, we -- one of the big reasons why we put --
12 why we decided to put the combined cycle plant in
13 Fairfield was because of the interconnection. I
14 would -- you know, I would be remiss to say that
15 I'm -- you know, that I'm an expert in the ins
16 and the outs of transmission export and import
17 into Santee's system. My experience with
18 transmission systems around the country is that
19 there's often an opportunity to improve them
20 without spending a lot of capital. And so I am
21 confident that we'll be able to improve the
22 import and the export capabilities of those
23 systems without spending a lot of capital.

24 SENATOR CAMPBELL: Yeah, it seems to me, and you can
25 correct me if I'm wrong on this, that you've got

1 a lot of transmission capabilities in the
2 southeastern region, that if we had the
3 capability of bringing into our system the rates
4 could be down a little bit in the short period,
5 maybe, or the long term you'd have to do what
6 you're saying. But it just seemed like you have
7 a lot of generation facilities.

8 MR. ROBO: I think there's enormous optimization that
9 I think we can do once we actually -- assuming
10 you agree to move forward with our proposal once
11 we actually own the assets. We have an enormous
12 amount to bring to the table. Even though we've
13 been working on this for two and half years,
14 remember, it's been very much from the outside
15 without a lot of ability to really, you know, get
16 into the nuts and bolt of Santee's existing
17 system. And I think there will be enormous
18 optimization opportunities to improve even
19 further than what we've laid out in our plan
20 going forward.

21 SENATOR CAMPBELL: The other question, are you
22 involved in any solar projects in South Carolina?

23 MR. ROBO: Yes. We just brought our first on in-line,
24 a COD, into service. And we have a huge pipeline
25 of solar projects that -- development projects

1 that we have put together, so, yes is the answer
2 to that.

3 SENATOR CAMPBELL: I've heard you were talking about
4 the Volvo side is that correct?

5 MR. ROBO: Uh --

6 SENATOR CAMPBELL: For solar.

7 MR. ROBO: That's possible. That's possible, although
8 -- oh, DG, yes. We do we have a small DG project
9 at the Volvo site, that's right, yes.

10 SENATOR CAMPBELL: Thank you.

11 MR. ROBO: Thank you, Senator.

12 CHAIRMAN LEATHERMAN: All right. Who's next?

13 MR. SHEALY: Senator Setzler.

14 MR. ROBO - RE-EXAMINATION BY SENATOR SETZLER:

15 SENATOR SETZLER: We talked a lot about under your
16 proposed legislation that you were exempt from
17 paying taxes and discussed that at great length.
18 And you mentioned the fact that you would lose
19 money the first four years. You kept talking
20 about that. Am I reading correctly the proposed
21 legislation that you are allowed to carry forward
22 those losses through the first four years and
23 then use them after the four years?

24 MR. ROBO: You are reading that correctly, as --

25 SENATOR SETZLER: And what do you project your losses

1 to be during those four years?

2 MR. ROBO: We can get you a projection of that. We
3 can get you a projection of that. I don't know
4 it off the top of my head, Senator. One other
5 thing that my team reminded me of during the
6 break is we will continue to pay, during that
7 period, the 18 million dollars a year that Santee
8 is paying lieu of.

9 SENATOR SETZLER: I got that. But want to go back.
10 So not only during the first four years are you
11 not going to pay any taxes, you're going to carry
12 forward your losses so in the fifth, sixth, tenth
13 year if you make money you going to offset it
14 with the losses from the first four?

15 MR. ROBO: So most NOLs are carry forwardable and I
16 think that's not unusual, to be able to carry
17 forward NOLs.

18 SENATOR SETZLER: Well it's unusual not to have to pay
19 taxes, too.

20 MR. ROBO: If you --

21 SENATOR SETZLER: I have to pay them.

22 MR. ROBO: As do I, Senator. And remember this is all
23 being driven by the mismatch in tax depreciation
24 versus book depreciation.

25 SENATOR SETZLER: Okay. And so you will provide us

1 what you project that the losses will be for the
2 first four years in writing, please, sir?

3 MR. ROBO: Yes, we will.

4 SENATOR SETZLER: Okay. I think the Senator from
5 Lancaster asked you about natural gas if I was --
6 do you have commitments on natural gas? Are you
7 talking about building a pipeline or are you
8 working with Dominion on what they want to do?
9 What's the situation?

10 MR. ROBO: So the site is quite close to the largest
11 natural gas pipeline in the country which is
12 Transco's pipeline. And so we would build a
13 lateral 17 mile lateral? Remind me Petter.

14 MR. SKANTZE: About that, yes.

15 MR. ROBO: 17 miles.

16 SENATOR SETZLER: All right. Tell us where that's
17 from the.

18 MR. ROBO: Yeah, my -- geography is not a strong suit
19 of mine so we will get you a map of where that
20 pipeline would go and -- but it is a short
21 pipeline and something that we would be able to
22 build, I think, quite quickly and permit
23 reasonably quickly. It's not a -- wouldn't a
24 federal -- it wouldn't be a FERC pipeline it
25 would be what's called a henshaw pipeline which

1 is an intrastate pipeline and so that would be
2 subject to State of South Carolina permitting,
3 not to federal permitting.

4 SENATOR SETZLER: Okay. And I'll try to be brief. We
5 talked about the fifty million dollars in the
6 first four years because you said it would cost
7 if you weren't accelerated. Explain where that
8 fifty million dollar number comes from. What is
9 that?

10 MR. ROBO: So it is -- it is the net of the revenue
11 requirement on the capital investment. So
12 there's a revenue requirement that comes out of
13 that capital investment. So that would be what
14 customers have to pay to pay for the combined
15 cycle minus fuel savings, minus the operating
16 cost savings that you will get from closing the
17 coal plants. The net of those three numbers is
18 fifty million dollars to the good for customers.

19 SENATOR SETZLER: Per year?

20 MR. ROBO: Per year.

21 SENATOR SETZLER: Okay.

22 MR. ROBO: Yeah. It is a significant, significant
23 savings for customers and it's why we want to get
24 going on it as quickly as we can.

25 SENATOR SETZLER: Well -- and when you don't have to

1 file with the PSC it allows you not to have other
2 interested parties come in and question what you
3 are doing, i.e., it may be other utilities, it
4 may be rate payers, in this case it might be a
5 tax payer who the burden of these things that
6 you're leaving behind are shifted to them versus
7 the rate payers. Not of that opportunity exists
8 if it's not dealt with by the PSC?

9 MR. ROBO: Yes.

10 SENATOR SETZLER: As in a normal rate case?

11 MR. ROBO: Yes, that's right. And I think we talked
12 earlier about how this is an integral part of our
13 -- how that generation plan is an integral part
14 of our proposal. I would remind you though,
15 Senator, that we have cost caps for the combined
16 cycle plant of that are very, you know, quite
17 low, you know, \$890 a -- 885 per KW and embedded
18 in that. Embedded in the legislation. So that's
19 a very aggressive cost cap. And one that I think
20 I showed you one of the combined cycles that just
21 came online in the Southeast was at \$1,200 a KW
22 so we have a very aggressive cost cap in there
23 and that I think in the end the most important
24 thing to customers are, is it on time, is it --
25 you know, on budget or ahead of schedule. And we

1 take the risk. We take the schedule risk, we
2 take the cost risk and, you know, effectively as
3 I said it's been -- you know, it's an integral
4 part of our proposal. It's how we're able to pay
5 what we're paying, by being able to go quickly,
6 freeze the rates. It's part of the -- said
7 another way, it's part of the Rubik's Cube. It's
8 an important part of the Rubik's Cube. And we
9 talk with the DOA about what would happen to our
10 proposal if we didn't have that. And we went
11 through the -- we went through the PSA, the PSC
12 process and it's a significant difference in
13 value. So I think the decision was made by them
14 that they felt like this proposal, the total
15 proposal, was the best proposal for value for
16 customers and for the state.

17 SENATOR SETZLER: And we talked about your view that
18 we could negotiate -- we being the General
19 Assembly, not me. The General Assembly could
20 negotiate with you versus other people. Did you
21 know that I believe if the General Assembly
22 participates in negotiating with you, not only is
23 it violative of the resolution, but it opens up
24 the state of South Carolina to be sued by the
25 other participants in the process and/or the rate

1 payers or citizens of this state? Tax payers who
2 are going to be impacted by what was done.
3 Because they're not going to have that
4 opportunity.

5 MR. ROBO: So I think we talked about that Senator.
6 And I think -- you know, I think it's awfully
7 hard to sue a state. And I think you are the,
8 you know, the state's deliberative body. You set
9 the laws. And I think you can set the laws in a
10 way that would not have that be a risk for you.
11 But I'm not a lawyer. I'm married to a lawyer
12 but I'm not a lawyer. So, you know, I think, you
13 know, that's a matter of law and I think we'd
14 have to -- you know, I'll make sure that I ask
15 our lawyers that question.

16 SENATOR SETZLER: Thank you, Mr. Chairman. And thank
17 you for your courtesy and responses.

18 MR. ROBO: Thank you, Senator.

19 CHAIRMAN LEATHERMAN: Mike, who's next?

20 MR. SHEALY: Next is Senator Grooms.

21 MR. ROBO - RE-EXAMINATION BY SENATOR GROOMS:

22 SENATOR GROOMS: Thank you, Mr. Chairman. Thank you
23 for continuing to share with us today.

24 MR. ROBO: Thank you, Senator.

25 SENATOR GROOMS: There's probably a few more questions

1 some of us may have after we leave here today but
2 there was a few more that caught my attention
3 that I wanted to get answered while you were
4 still here. You'd mentioned earlier, and even
5 just with the senator from Lexington, about
6 closing coal plants, with an S. The original
7 plan, or the plan that was laid out, has closing
8 one plant.

9 MR. ROBO: That's correct.

10 SENATOR GROOMS: Santee Cooper has, you know, two.

11 MR. ROBO: That's right.

12 SENATOR GROOMS: Could you talk to me a little bit of
13 why that became plural?

14 MR. ROBO: So I think it's a matter of how big a
15 natural gas plant that we decided to build as
16 part of the -- our proposal. You know, our final
17 proposal was the smaller gas plant than perhaps
18 we maybe originally contemplated and I think
19 similar to what Senator Campbell was discussing
20 about optimization transmission, ability to bring
21 other things in. I think there's a lot of
22 optimization to be had. That second coal plant's
23 very expensive. It's also not terrifically
24 environmentally friendly and my goal will be to
25 get the second one closed as well. But right now

1 from the outside it's hard for us to commit that
2 we'll be able to do that and run the system. I
3 think ultimately we'll be able to do that and run
4 the system. And so that's why I said plural.
5 I'd be disappointed if we can't do it but I think
6 it's hard for us from the outside right now to
7 commit to that we're going to be able to close
8 the second one.

9 SENATOR GROOMS: One of the things in the joint
10 resolution was the economic impact and there's
11 jobs associated with that coal plant. And Santee
12 Cooper and their resource plan, as you know,
13 they're planning on closing on but a little bit
14 later. But Cross -- and if you could respond to
15 this, I noticed in the generation mix in 2024
16 coal drops down to about seven percent of your
17 generation mix. Does that mean you contemplate
18 additional layoffs at Cross behind what is
19 submitted in your plan?

20 MR. ROBO: So -- so, Senator, they won't necessarily
21 be layoffs. They will be, as I said, we'll start
22 with open positions, then attrition, then an
23 early and enhanced retirement program. And my
24 goal is, as I said, to do it without having to do
25 layoffs per se and do involuntary separations.

1 But absolutely there will be job reduction at
2 that second coal plant even if it isn't closed
3 because you don't need as many megawatt hours
4 from that second coal plant. It's really there
5 for capacity, not for energy. And so, yes.

6 SENATOR GROOMS: It is there for capacity. But the
7 question would be are the --

8 MR. ROBO: And it's very high -- Senator it's very
9 high cost and so I think one of the things -- one
10 of the things that I think you all have to make a
11 decision around is the amount of investment we're
12 making is going to add thousands of jobs to the
13 state. We're talking about reducing Santee
14 Cooper's employment by 740. The net job creation
15 by our plan is significantly in excess of the
16 amount of job loss that Santee Cooper is going to
17 have. And so, you know, query, I think, you
18 know, with your state the skilling that you've
19 done with your work force this is an opportunity
20 to deploy your human resources into jobs that are
21 creating value for the state. And I would posit
22 that paying someone to run a more expensive
23 generation plant than you need is the wrong thing
24 to be doing with the state's money and. And so -
25 -

1 SENATOR GROOMS: I know we need to transition away
2 from coal, you do too, that's in your plan. But
3 the number of job losses, the question would be,
4 would the job losses that you have placed in the
5 plan with the Department of Administration isn't
6 -- I know you don't like to use job losses.
7 Let's say retirement opportunities. Isn't it
8 greater than what's in your plan, considering
9 that Cross will be idled down to only seven
10 percent?

11 MR. ROBO: No. That was embedded in -- Cross being
12 idled down to seven percent was embedded in the
13 742.

14 SENATOR GROOMS: Okay. So that does include changes
15 at Cross?

16 MR. ROBO: That does include that, yes, it absolutely
17 does.

18 SENATOR GROOMS: All right. And just a few more
19 questions. Where bypassing the Public Service
20 Commission process. And could you talk to me a
21 little bit about what happened in Hawaii and in
22 Texas with their public service commissions where
23 you weren't able to complete a deal?

24 MR. ROBO: Yeah, sure. So why don't I -- you know, I
25 think in Hawaii we -- in Hawaii it was very

1 simple. We made a proposal to buy Hawaiian
2 Electric, the PSC -- and this is the PSC
3 deliberated for 24 months. At the end of that
4 24-month period they made a decision to not make
5 a decision. I then made a decision that I was
6 done.

7 SENATOR GROOMS: You were making a decision?

8 MR. ROBO: So I made my decision, and my decision was
9 to not try again after 24 months and then not
10 making a decision. So that's what happened in
11 Hawaii. In Texas it's also very simple. We
12 agreed to pay 18 billion dollars for Encore which
13 was in -- which was -- whose parent was in
14 bankruptcy. The Texas public service commission
15 decided that I wouldn't be able to appoint the
16 CEO and that I wouldn't be able to appoint a
17 majority of the board. So I made a decision that
18 -- and if that happens, then we were going to be
19 downgraded by the credit agencies if we bought
20 that asset. And so I made it a very simple
21 decision, again, that I wouldn't pay 18 billion
22 dollars to buy a company that I couldn't run.
23 And that again was a simple decision for me and I
24 made that decision. I could have closed on that
25 -- on that transaction had I agreed not to be

1 able to pick the CEO and to have a fully
2 independent board that I didn't pick, even though
3 I own the company. Or at least not on my -- even
4 though NextEra owned 80 percent of the company.
5 And so, you know, that was an easy decision for
6 me. I didn't -- it didn't take a long -- you
7 know, this team can tell you I didn't take a long
8 time deliberating on whether or not we would
9 agree to do that and so we agreed to walk way and
10 someone else bought it who agreed not to -- to
11 pay 18 billion dollars but not control it.

12 SENATOR GROOMS: And those were basically issues with
13 their public service commission either not making
14 it a decision or trying to tell you how to run
15 the company a way you didn't want to run it?

16 MR. ROBO: That's right.

17 MR. SENATOR GROOMS: Would your experience with those
18 two states' public service commission have any
19 bearing over why you would want to skip the PSC
20 process in South Carolina and appeal directly to
21 the legislature?

22 MR. ROBO: So, you know, I think there is certainly is
23 an element of that. Right? I would be -- you
24 know, I wouldn't be honest with you if I said
25 that that wasn't part of my thinking as we

1 thought about this. I -- you know, the fact of
2 the matter is that you all have to make the
3 decision to sell. It has to be approved by the
4 legislature. And I was -- I'm very uncomfortable
5 with this thought of two bites at the apple by
6 the State. And I think it's important for the
7 people making the decision to sell to be able to
8 sell on the terms -- you know, for the buyer and
9 the seller to be able to reach terms. And so,
10 you know, that came into my thinking as we
11 thought about this. I think, you know, the other
12 piece that came into our thinking -- obviously we
13 have terrific relations with the public service
14 commissions around the country we do business in.
15 We have utilities in multiple states, we have
16 generation in multiple states, we have, you know,
17 very strong relationships with our regulators
18 everywhere we do business. So but -- you know, I
19 think most importantly, Senator, that I think
20 with buyer and seller it's important to be able
21 to have the two parties come together and say,
22 yes, this is the deal. And so that was how we
23 approached this and that's why we approached it
24 given that the Legislature needed to have
25 legislation to enable all of this to begin with

1 that that's how we -- that's in the end how we
2 approached it.

3 SENATOR GROOMS: We know that the potential purchase
4 of Jacksonville Electric Authority was not a
5 matter of the PSC. But somehow or another that
6 deal sort of blew up over Christmas. Were there
7 any lessons learned from that experience in
8 Jacksonville that you might be applying to this
9 deal?

10 MR. ROBO: Not really. Not really. I think we had a
11 lot of lessons learned from the City of Vero
12 Beach transaction. We're very persistent folks,
13 it took us ten years to buy the city of Vero
14 Beach and we learned a lot through that process
15 and that certainly has informed our thinking as
16 we approached this process. We've been working
17 on this for two and a half years, as I said
18 earlier. So we're pretty persistent folks and,
19 you know, the JA process would have been subject
20 to public service commission approval because of
21 the nature of the water utility there. And I
22 won't get into the -- there were no -- and by the
23 way, this transaction, all of the rates are going
24 to have to be -- all of the tariffs, you know,
25 there's hundred of tariffs that are going to have

1 to be ratified by the PSC. There's several
2 things the PSC is going to have to do as part of
3 this transaction so what they're not going to be
4 able to do is set the ROE and review the
5 generation plan. Really those are the two things
6 that they're not going to be able to do.

7 SENATOR GROOMS: So you were persistent at Vero Beach,
8 ten years. Let's just say that we gave Santee
9 Cooper reform and we said, you know what, we
10 don't know if we're going to get the right value
11 out of NextEra at this time, Santee Cooper, go
12 with your reform plan. Does that mean you go
13 away, you look over a -- keep an eye on it?

14 MR. ROBO: So nothing is ever forever, right? And
15 that said I also want to address, I think, a
16 question that's come up is this a good time to
17 sell Santee Cooper. And it is actually a
18 historically good valuation period for utilities.
19 Utilities are valued right now at all time highs.
20 There is not a better time from a valuation
21 standpoint to be looking at monetizing Santee
22 Cooper. And, you know, honestly if you were to
23 try to set, you know, the reform plan for a few
24 years we certainly wouldn't go away but I can't
25 promise you that the value that we were able to

1 put it on it today would still be the same value
2 that we could put it on in three years. It's
3 very tied to what the overall values that folks
4 put on utilities are in the market right now.
5 And that, you know, that -- your experts from --
6 the experts that the DOA hired could show you how
7 historically good a period it is to be selling
8 right now.

9 SENATOR GROOMS: Senator from Lexington had asked a
10 question about board representation and we have
11 two South Carolinians on the board. Has any
12 other -- we've got South Carolinians on the
13 board. The question would be along the lines of
14 has there been any promises of value or of other
15 job opportunities for anybody within state
16 government that you are aware of?

17 MR. ROBO: No, not that I am aware of. Thank you.

18 CHAIRMAN LEATHERMAN: All right. Who's next?

19 MR. SHEALY: Next we have Senator Scott.

20 MR. ROBO - RE-EXAMINATION BY SENATOR SCOTT:

21 SENATOR SCOTT: Thank you. I want to go back to
22 Fairfield County where the two reactors we'll
23 eventually have to do something with it, dispose
24 of the assets of it. And you're right next to
25 Dominion who is a nuclear plant. What are you --

1 what's the vision of NextEra in dealing with that
2 property right on -- at Lake Monticello? What
3 could that community which I'm adjacent to that
4 community, it's not the same constituency, what
5 could they expect to actually go on that property
6 and will that just end up being, after the clean-
7 up, just vacant property?

8 MR. ROBO: So that's a great question. And, you know,
9 first you'll have to -- we'll have to deal with
10 the inventory there. It's big inventory, right?
11 These are not small pieces of equipment. And so
12 we'll need to deal with that inventory in a way
13 that is value maximizing and hopefully settles
14 all the litigation and the liens that are on that
15 inventory right now. Going forward, you know,
16 that's an asset that we will look to be try to be
17 able to optimize for the benefit of customers,
18 right? And so if there things that we can do
19 there that will be customers we'll certainly be
20 looking at them.

21 SENATOR SCOTT: Well -- but my concern is once those
22 two reactors who over the long period of time
23 have been built, the employment was up. Once
24 they stopped they just about collapsed the town.
25 And I looked at what you were trying to remember

1 that solar in South Carolina which is over in
2 Aiken, 50 miles northwest of Aiken. Shaw Creek
3 Solar. 560 acres, 74.9 megawatts. Is there any
4 ideas in moving in that direction since you got a
5 number of co-ops that you will be providing
6 additional -- when I looked at your layout for
7 solar the numbers actually went up. Any possible
8 locations?

9 MR. ROBO: Yeah, no, we have several solar development
10 sites that are in that county. Correct me if I'm
11 wrong, Michelle. So we are very much looking at
12 solar development in the county. Whether we're
13 looking at the site right now given that we can't
14 get access to it and the inventories there we
15 haven't but it's certainly if -- if it's suitable
16 for solar it's certainly something we would look
17 at.

18 SENATOR SCOTT: I'm just trying to figure out, given
19 the Lake Monticello community, value to that
20 community, also to NextEra, outside of solar,
21 outside of nuclear what else is a possibility on
22 that property? It's a big piece of property.

23 MR. ROBO: Yeah. Battery storage, right? Because
24 there is good interconnection capability there
25 and battery storage is actually something that I

1 think is going to be increasingly deployed across
2 the grid in the US and so I think that's another
3 opportunity.

4 SENATOR SCOTT: Thank you.

5 MR. SHEALY: Next is Senator Cromer.

6 MR. ROBO - EXAMINATION BY SENATOR CROMER:

7 SENATOR CROMER: Thank you, Mr. Chairman. Mr. Robo,
8 we appreciate your patience on answering a lot of
9 these tough questions here today. I -- you've
10 been up here quite a bit and I know you're
11 getting tired. I'd just like to say though after
12 listening to the senator from Berkley here on the
13 Texas situation and Senator Peeler said if we can
14 squeeze something else out of you. Maybe we can
15 squeeze out that the Legislature can pick your --
16 or ask you to just assume the same board of
17 directors from Santee Cooper and the current CEO
18 to run this thing for you after you buy it out.
19 No, no, just kidding. Just kidding.

20 MR. ROBO: I don't think so, Senator.

21 SENATOR CROMER: The only question I've got is do you
22 know whether a Transco pipeline is running right
23 now, a gas line?

24 MR. ROBO: Is it running?

25 SENATOR CROMER: What counties, what counties -- yeah.

1 Yeah, is it already there?

2 MR. ROBO: It is already there, yeah.

3 SENATOR CROMER: Okay.

4 MR. ROBO: It is the biggest pipe -- it goes from the
5 gulf of Mexico to New England. It is the biggest
6 pipeline in the country. And our, you know, that
7 site is about 17 miles away from it.

8 SENATOR CHROMER: The reason I ask that -- I'm not
9 familiar -- one of my counties, well actually two
10 of them, Lexington and Newberry right there and
11 Union, all run in together and I'm not sure if
12 they run through any parts of my district there.
13 Maybe or --

14 MR. ROBO: Yeah. We'll get you an answer to that.
15 But most likely, yes.

16 SENATOR CHROMER: So yeah I'd like to see -- I think
17 you were going to get somebody of this for a
18 layout of where that pipeline is going to run
19 because if it's running off of -- probably off of
20 Newberry there somewhere I'm going to be awful
21 concerned about that. So I would like to know
22 about it.

23 MR. ROBO: Understand. Yes, sir. We'll lay that out
24 for you.

25 MR. SHEALY: Mr. Chairman, I do not have recorded any

1 other follow up questions from members.

2 CHAIRMAN LEATHERMAN: Mr. Setzler, you got something?

3 SENATOR SETZLER: Well, Mr. Chairman, I've just got a
4 question to you, I guess. Mr. Robo has been here
5 all day and been very kind, as the Senator from
6 Newberry said, to answer all of our questions,
7 however -- and he's extremely busy, but he's
8 going to provide us a list of tax breaks
9 incentives, loss carry forwards, fee in lieu of
10 agreements, numerous things. Once we get that I
11 would hope that either he or somebody would come
12 -- be willing if we wanted him to or them to come
13 back and discuss those items or anything else.
14 But I don't know until we see the documents what
15 they are.

16 CHAIRMAN LEATHERMAN: So let me just respond to that
17 if I may. We look forward to getting those.
18 We'll decide at that time if we need you back
19 here.

20 MR. ROBO: Absolutely. It's not a problem. I am
21 happy to come back and answer any and all
22 questions. This is very important to our company
23 and I've been personally very involved in it for
24 the last two and half years as you can probably
25 tell from the last several hours. And I am happy

1 to come back and answer any and all of your
2 questions.

3 CHAIRMAN LEATHERMAN: Senator Matthews, you got
4 something?

5 MR. ROBO - EXAMINATION BY SENATOR MATTHEWS:

6 SENATOR MATTHEWS: Yeah. Got one question. I started
7 to say good morning, but it's good afternoon.
8 Let me ask you just one question about the fee in
9 lieu agreements. Have you reached fee in lieu --
10 I represent -- just give you a little background,
11 I represent a large part of the lake and the
12 water system, primarily there the Lake Marion
13 regional water system which was built by Santee
14 Cooper and the partnership with the counties.
15 Have you reached a fee in lieu agreement with
16 those folks?

17 MR. ROBO: No. Because I don't think that's not new
18 generation and so that wouldn't be what we would
19 be using those agreements to -- we're using those
20 agreements really for new generation, not for --

21 SENATOR MATTHEWS: Only for new generation?

22 MR. ROBO: New for generation, yes.

23 SENATOR MATTHEWS: Okay. Have you reached any kind of
24 agreement with those counties that like lake
25 Marion region has five counties tied in it. Have

1 y'all had any discussion about how that process
2 would work and how you would transfer it, and --
3 MR. ROBO: The water systems we have -- we actually
4 have met with both -- both of the government
5 entities that are served by those water systems.
6 And they've told them we're happy to continue to
7 invest in them and we're happy to run them and
8 continue invest to them. They have a right to
9 buy them out for the debt that Santee Cooper has
10 in those systems and so we've assumed basically
11 that they would buy them out. But if they don't,
12 we're happy to run them and continue to invest in
13 those communities going forward.

14 SENATOR MATTHEWS: Okay.

15 CHAIRMAN LEATHERMAN: Anyone else? Have a great day,
16 thank you, sir. You did a great job.

17 MR. ROBO: Thank you very much. Appreciate the time
18 today. Thank you.

19 CHAIRMAN LEATHERMAN: So we'll convene in the morning
20 at 9:00 o'clock.

21 (There being nothing further, the proceeding adjourned at
22 4:05 p.m.)

1 CERTIFICATE OF REPORTER

2 I, JENNIFER NOTTLE, COURT REPORTER AND NOTARY PUBLIC
3 IN AND FOR THE STATE OF SOUTH CAROLINA AT LARGE, HEREBY
4 CERTIFY THAT I REPORTED THIS PROCEEDING, ON WEDNESDAY, THE
5 19TH DAY OF FEBRUARY, 2020, AND THAT THE FOREGOING 215
6 PAGES CONSTITUTE A TRUE AND CORRECT TRANSCRIPTION OF MY
7 STENOMASK REPORT OF SAID PROCEEDING.

8 I FURTHER CERTIFY THAT I AM NEITHER ATTORNEY NOR
9 COUNSEL FOR, NOR RELATED TO OR EMPLOYED BY ANY OF THE
10 PARTIES CONNECTED WITH THIS ACTION, NOR AM I FINANCIALLY
11 INTERESTED IN SAID CAUSE.

12 IN WITNESS WHEREOF, I HAVE SET MY HAND AND SEAL THIS
13 23RD DAY OF FEBRUARY, 2020.

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