

Central Electric Power Cooperative, Inc.

Presentation to the Senate Finance Committee

March 5, 2020



Central Electric Power Cooperative, Inc. (“Central”)

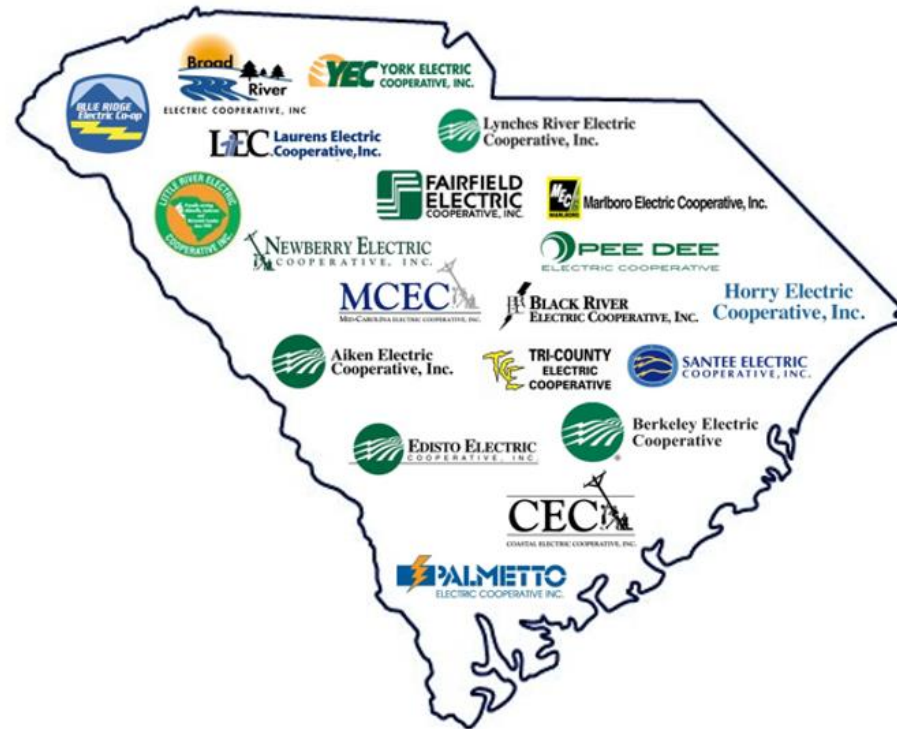


Member Cooperative Overview

By joining forces, electric cooperatives gain scope and scale that improve service to the communities we serve.

All 20 electric co-ops in South Carolina partner to buy power and have it reliably delivered to our communities.

Each co-op has two representatives on Central’s Board.



Each electric cooperative is community focused and has its own Board of Trustees elected by its consumer-members.

All across the country, local cooperatives work together to efficiently deliver affordable, reliable and safe energy.

The Act 95 Process Has Delivered Value For Consumers



“...the Bidding Process...has better positioned the State, its taxpayers, the customers of Santee Cooper, and Santee Cooper itself to benefit from meaningful cost reductions and operational improvements.”

Net Present Value
\$s in billions

Revenue Requirements	(2020 – 2024) 5 Years	(2020 – 2029) 10 Years	(2020 – 2039) 20 Years
Santee Cooper ICF BAU	\$7.5	\$13.4	\$21.6
Santee Cooper Reform Plan	\$7.1	\$12.4	\$20.1
NextEra Asset Purchase	\$6.5	\$12.0	\$19.6
Dominion Management	\$7.2	\$12.5	\$20.0

The Act 95 Process



The Act 95 Process



Central had no access to participants prior to proposal submissions being received on November 29, 2019

Central hired experts, developed independent analysis, and began efforts well ahead of the negotiations phase

Guggenheim Partners

Burns & McDonnell

ACES Power Marketing

Eversheds Sutherland

GDS Associates, Inc.

Central had no access to the data room

Proposed PPAs were partially complete when submitted in November



“Each entity that submitted a qualified bid or a qualified proposal, as well as Santee Cooper, must individually negotiate with Central to determine terms for a binding contract between Central and that entity in the event the entity’s bid or proposal is successful.”

- On November 29, 2019, the Department of Administration (“Department”) provided Central with copies of the proposals from the qualified participants.
- Beginning December 2, 2019 and continuing through February 2, 2020 (excluding 3 weeks of Department-directed stand down), Central negotiated with each qualified participant.
- Central negotiated only Power Purchase Agreements (“PPA”). All other terms and conditions related the Act 95 process were negotiated by the Department and participants.

The Act 95 Process

Section 8



“...the Department shall require nondisclosure agreements which must be entered into by each individual or entity involved in the process..”

“The nondisclosure agreement must also contain a provision in which the signer agrees that neither it nor its agents, servants, officers, directors or employees shall advocate for or against, directly or indirectly, a recommendation provided by the department...”

- Central executed non-disclosure agreements with the Department prior to the commencement of negotiations as required by Act 95
- During the process, Central’s discussions were limited to communications with Central’s Board of Trustees

The Act 95 Process



Central has been consistent with all participants. The electric cooperatives' interests are:

- Lowest possible rates
- Resolution of outstanding nuclear litigation
- Increased input into decisions, reflecting the fact that our Members represent 70% of the load
- More flexibility to adapt to constantly emerging market forces
- Shorter contract term

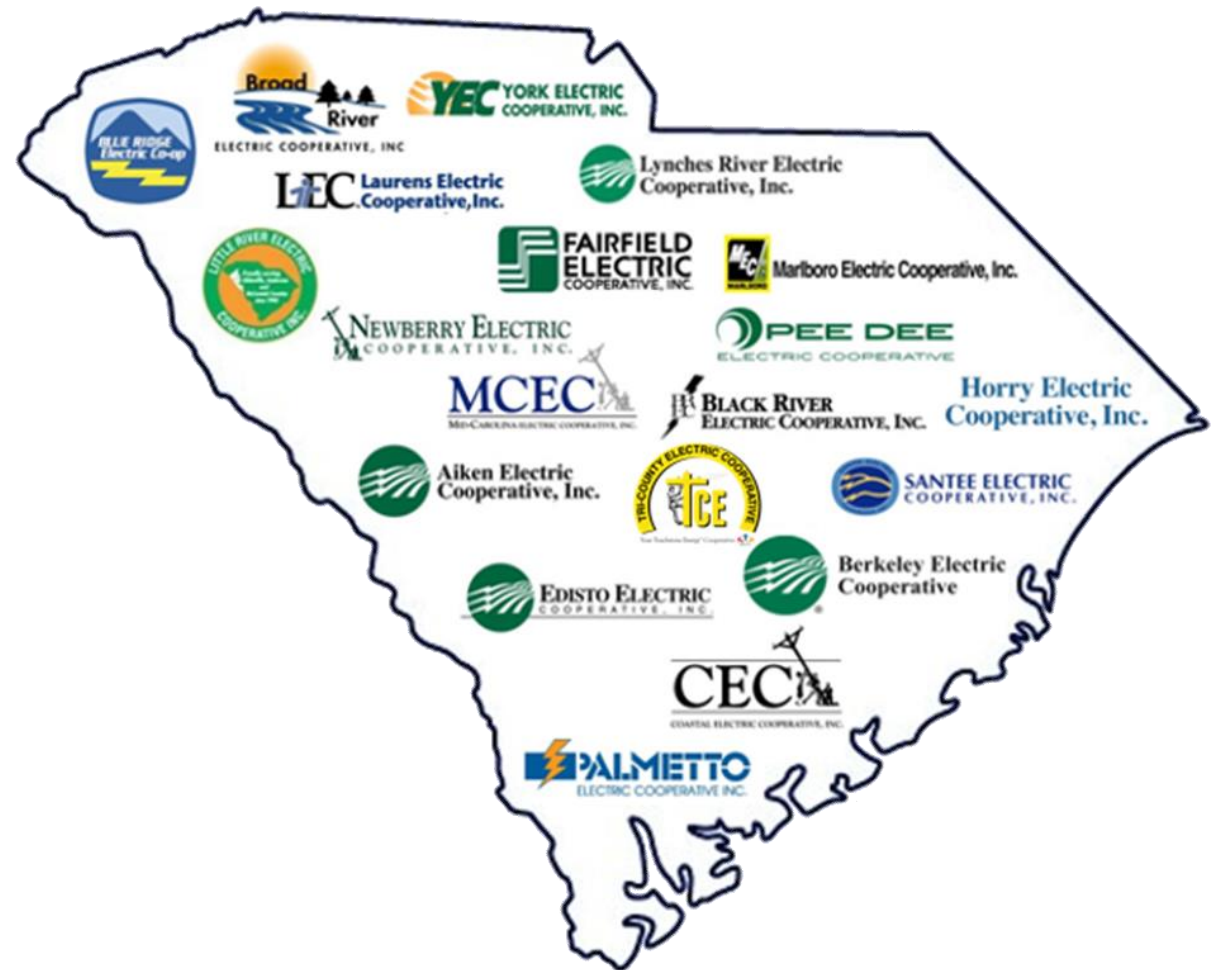
The Act 95 Process



In accordance with Act 95's non-disclosure requirements, Central did not communicate the status of its negotiations with any of the electric cooperative Boards until after the issuance of the Department's report.

Central will need to receive direction from its Board and its Members' Boards in order to determine what the South Carolina electric cooperative system considers the best path forward.

The Santee Cooper Reform Plan



Santee Cooper Reform Plan



At the beginning of the negotiations, Central requested Santee Cooper to consider modifying its Reform Plan to include:

- Shorter contract term
- More flexibility in distributed energy resources for electric cooperatives and their consumers
- Solving issues with sale of transmission system

Santee Cooper Reform Plan



When negotiations ended, Santee Cooper offered:

- Contract termination in 2053,
 - if Santee Cooper is given the right to serve municipal loads it cannot legally serve per current statute
- More flexibility in Member distributed energy resources,
 - if those resources don't shift costs to other consumers
- Santee Cooper stated that it did not have the authority to sell non-surplus assets
- No solution to settle the outstanding nuclear litigation

Central did not reach agreement with Santee Cooper on any outstanding issue

Santee Cooper Reform Plan



Santee Cooper's governance reform is a legislative responsibility and Central did not attempt to negotiate any reforms

- Central believes Santee Cooper's governance must become more transparent and provide more customer input into major decisions.

Santee Cooper Reform Plan



Central-Adjusted Results

Net Present Value
\$s in millions






Revenue Requirements:	5 years	10 years	20 years
ICF Business as Usual	\$ 7,508	\$ 13,391	\$ 21,598
Reform Plan	\$ 7,061	\$ 12,438	\$ 20,060
v. Santee Cooper BAU	(6.0)%	(7.1)%	(7.1)%

Santee Cooper Reform Plan

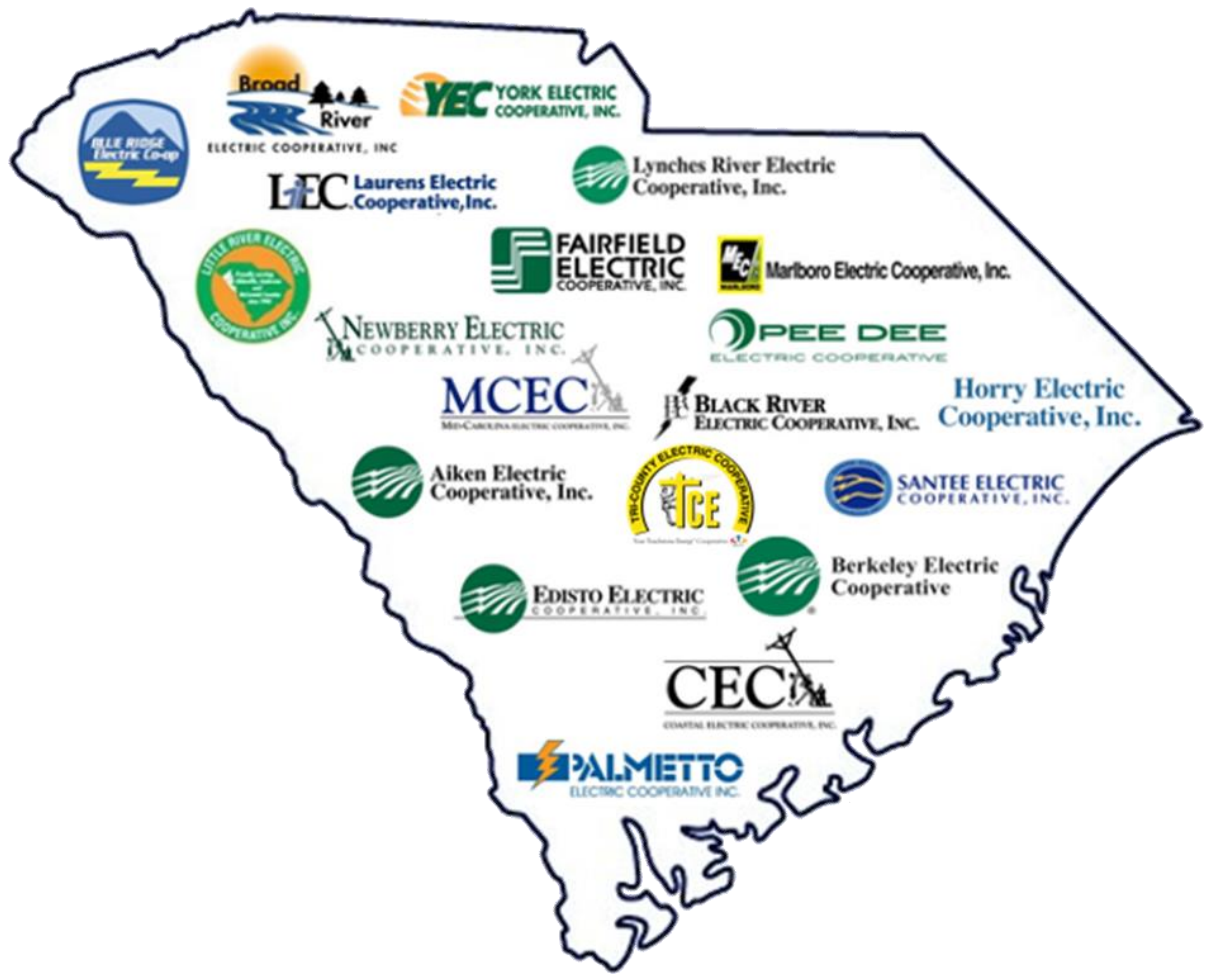


Electric Cooperatives' Interests

Negotiation Results

Significantly Reduced Rates	Resolution of Nuclear Litigation	Input on Generation Decisions	More Flexibility with Distributed Energy Resources	Shorter Contract Term
 <p>7.1% below ICF BAU</p>	 <p>Litigation is not resolved</p>	 <p>Existing rights are maintained</p>	 <p>Existing limited flexibility</p>	 <p>No agreement without conditions</p>

The NextEra Energy Sale Proposal



NextEra Energy Sale Proposal



At the beginning of the negotiations, Central requested:

- Shorter contract term
- More flexibility in distributed energy resources for electric cooperatives and their consumers
- Influence in generation and transmission system decision making

NextEra Energy Sale Proposal



When negotiations ended, the proposed contract contains the following PPA terms:

- Existing 2058 contract term remains intact, but Central is provided an opt-out on new generation beginning in 2035
- Greater flexibility for distributed energy resources
 - Up to 5% of Central’s annual peak demand available to Central and its Members
 - Excluded from cap: behind-the-meter and renewable resources meeting certain criteria
 - Existing generation resources
- Nuclear litigation is resolved

Central and NextEra have negotiated a “very close to final” PPA

NextEra Energy Sale Proposal



Central-Adjusted Results

Net Present Value
\$s in millions






Revenue Requirements:	5 years	10 years	20 years
Santee Cooper ICF BAU	\$ 7,508	\$ 13,391	\$ 21,598
NextEra Energy Proposal	\$ 6,542	\$ 12,008	\$ 19,592
v. Santee Cooper ICF BAU	(12.9)%	(10.3)%	(9.3)%

NextEra Energy Sale Proposal



Electric Cooperatives' Interests

Negotiation Results

Significantly Reduced Rates	Resolution of Nuclear Litigation	Input on Generation Decisions	More Flexibility with Distributed Energy Resources	Shorter Contract Term
 <p>9.3% below ICF BAU</p>	 <p>Ratepayers receive \$541 million</p>	 <p>Opt-out rights after 2035</p>	 <p>Greater flexibility</p>	 <p>Existing 2058 term maintained</p>

Dominion Energy Management Proposal



Dominion Energy Management Proposal



Central's existing contract with Santee Cooper is not impacted by the Dominion management proposal. Central did not negotiate any proposed contract amendments since Dominion would not have the authority to approve a revised PPA between Central and Santee Cooper.

Central sees benefits to this proposal:

- Maintains Santee Cooper's favorable financing and tax advantages
- Some senior leadership is replaced by Dominion employees

However, this proposal:

- Does not settle nuclear litigation
- Does not address issues of governance reform of Santee Cooper

Dominion Energy Management Proposal



Central-Adjusted Results

Net Present Value
\$s in millions






Revenue Requirements:	5 years	10 years	20 years
Santee Cooper ICF BAU	\$ 7,508	\$ 13,391	\$ 21,598
Dominion Proposal	\$ 7,209	\$ 12,521	\$ 20,007
v. Santee Cooper ICF BAU	(4.0)%	(6.5)%	(7.4)%

Dominion Energy Management Proposal

Electric Cooperatives' Interests



Negotiation Results

Significantly Reduced Rates	Resolution of Nuclear Litigation	Input on Generation Decisions	More Flexibility with Distributed Energy Resources	Shorter Contract Term
 <p>7.4% below ICF BAU</p>	 <p>Nuclear litigation is not resolved</p>	 <p>Existing rights are maintained</p>	 <p>Existing limited flexibility</p>	 <p>Existing 2058 term maintained</p>

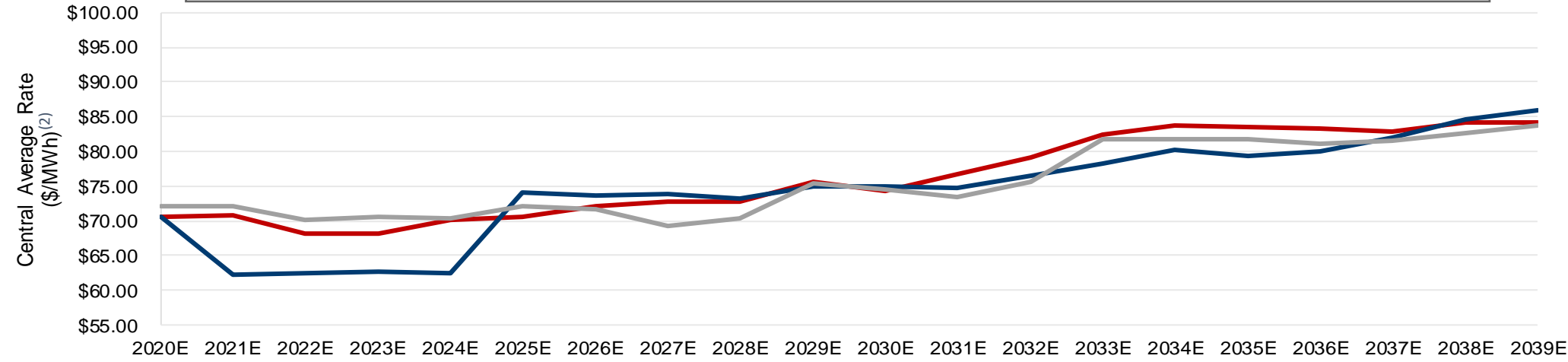
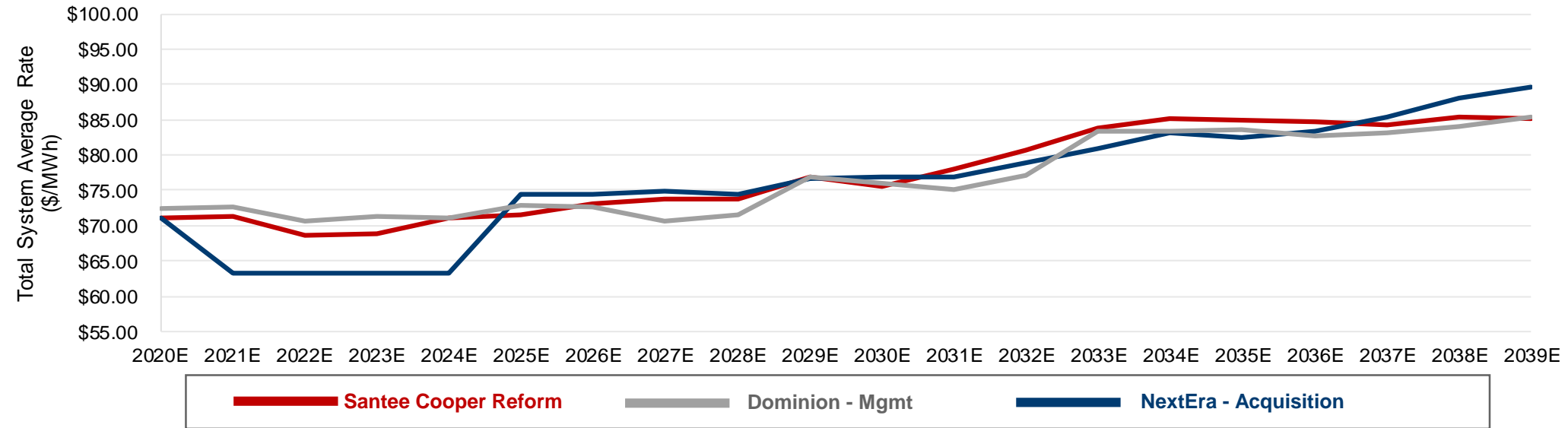
Negotiations and Analysis Summary



Negotiations and Analysis Summary



Final Participants' Rate Comparison⁽¹⁾



Source: Central Adjusted "Final" proposals.

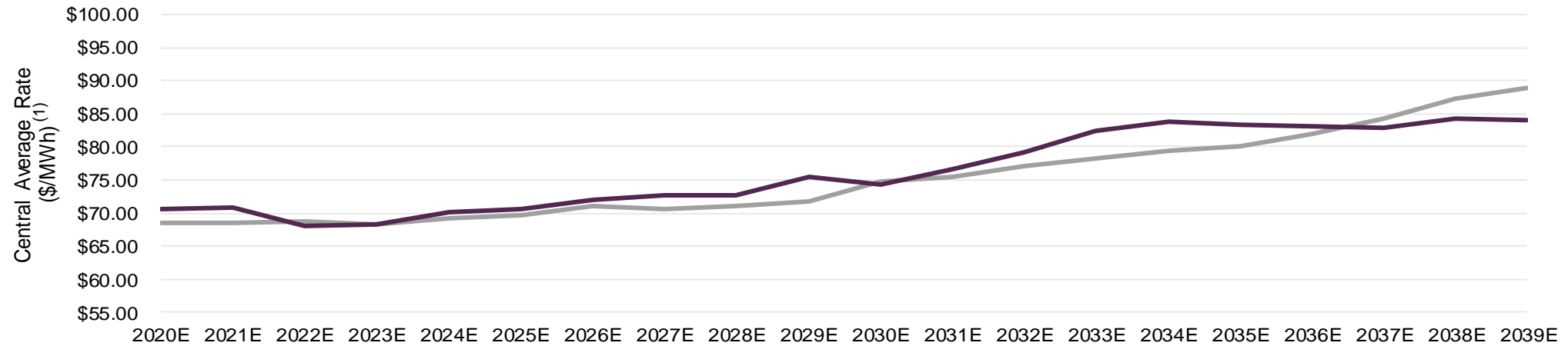
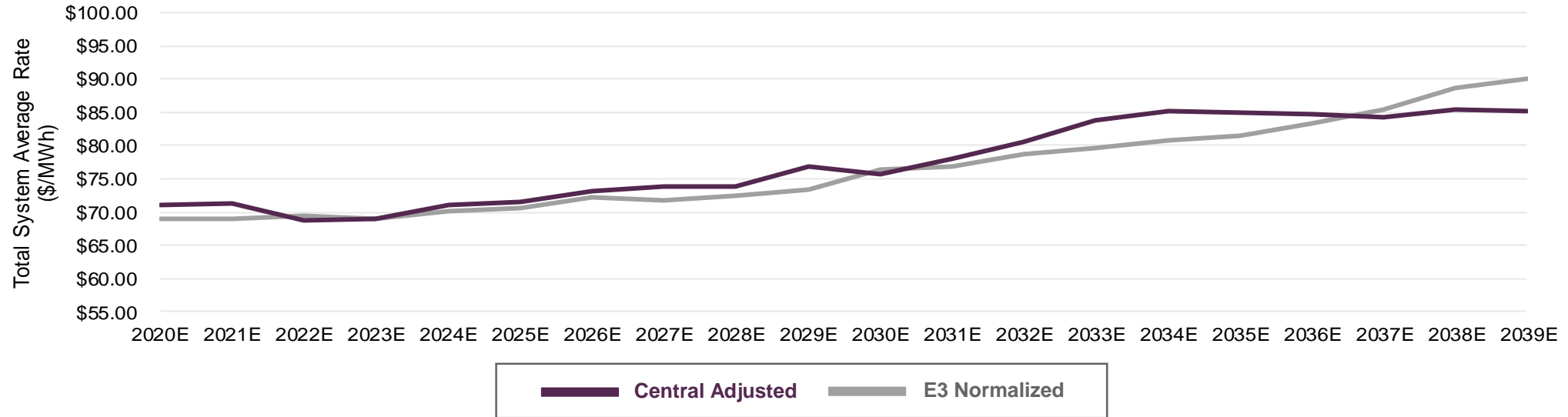
(1) Includes rate credits and securitization; allocated over the four year rate freeze would equal avg. \$9.55/MWh for total system, \$10.36/MWh for Central customers; securitization expense equals avg. \$3.09/MWh impact for total system, \$3.46/MWh for Central.

(2) Represents illustrative Central rate based on Guggenheim/Central allocation methodology consistent with Santee Cooper's status quo.

Negotiations and Analysis Summary



Santee Cooper Reform Plan



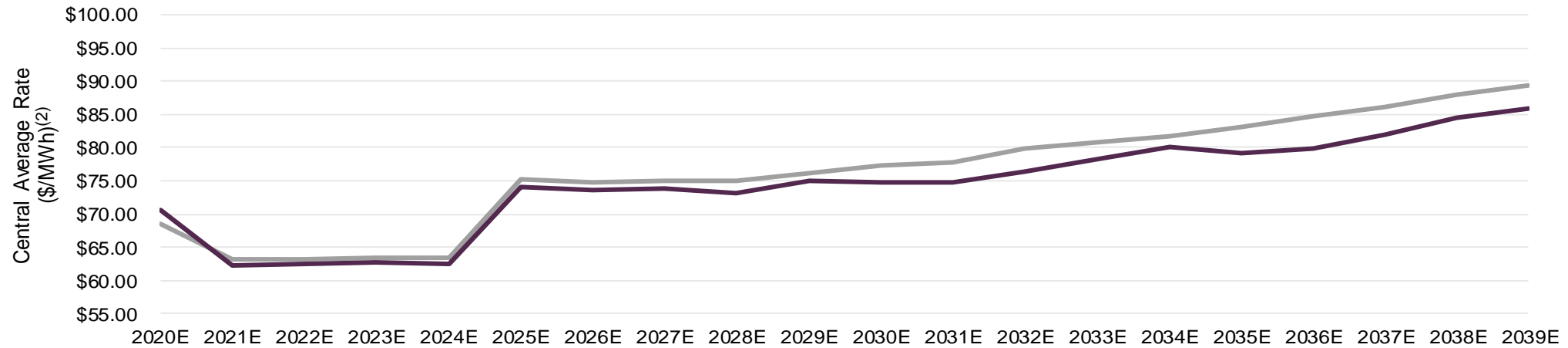
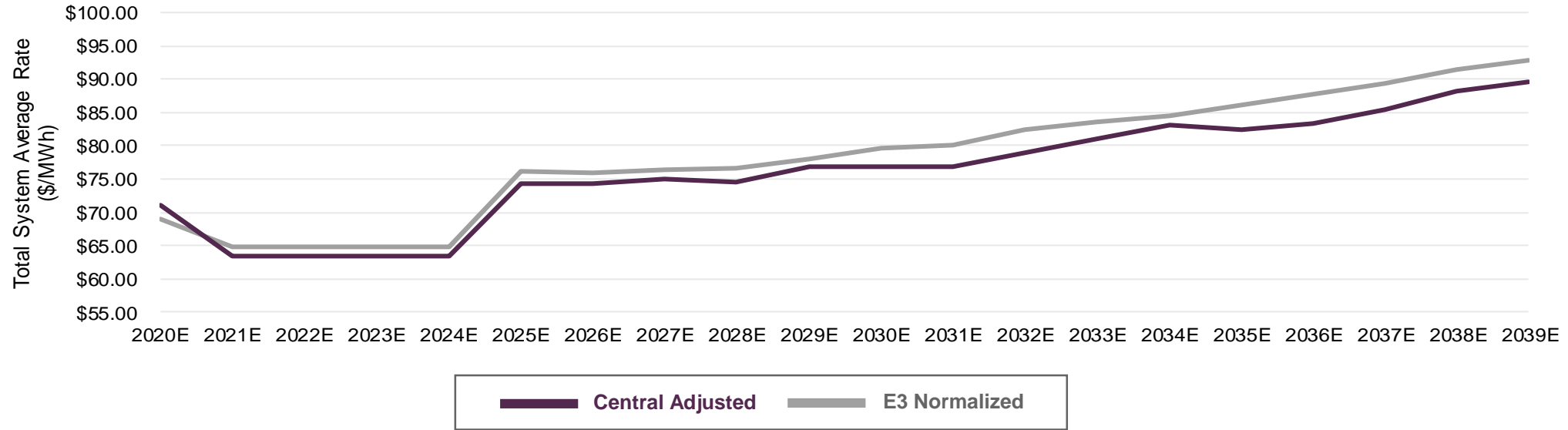
Source: Bid proposals as received from Gibson Dunn, Moelis and the Department of Administration.

(1) Represents illustrative Central rate based on Guggenheim/Central allocation methodology consistent with Santee Cooper's status quo.

Negotiations and Analysis Summary



NextEra Acquisition Proposal⁽¹⁾



Source: Bid proposals as received from Gibson Dunn, Moelis and the Department of Administration.

- (1) Includes rate credits and securitization; credits allocated over the four year rate freeze would equal avg. \$9.55/MWh for total system, \$10.36/MWh for Central customers and securitization expense equals avg. \$3.09/MWh impact for total system, \$3.46/MWh for Central.
- (2) Represents illustrative Central rate based on Guggenheim/Central allocation methodology consistent with Santee Cooper's status quo.

Negotiations and Analysis Summary



All of the proposals bring value to customers. Each proposal has positive and negative aspects.

	Santee Cooper Reform	NextEra Sale Proposal	Dominion Management Proposal
Significantly reduced rates	✓ Rates are 7.1% below ICF BAU	✓ Rates are 9.3% below ICF BAU	✓ Rates are 7.4% below ICF BAU
Resolution of outstanding nuclear litigation	✗ Litigation is not resolved	✓ Ratepayers receive \$541 million	✗ Litigation is not resolved
Input into generation decisions	✓ Existing rights are maintained	✓ Opt-out rights after 2035	✓ Existing rights are maintained
More flexibility with distributed resources	✗ Existing limited flexibility	✓ Greater flexibility	✗ Existing limited flexibility
Shorter contract term	✗ No agreement without conditions	✗ Existing 2058 term maintained	✗ Existing 2058 term maintained

Central Electric Power Cooperative, Inc.

