

Economic Development and Natural Resources Subcommittee

Rep. Leon Stavrinakis, Chairman

Rep. Alan Clemmons

Rep. Dwight Loftis

Rep. David Weeks

January 2019

The mission of Santee Cooper

is to be the state's leading resource
for improving the quality of life
for the people of South Carolina.



Board of Directors

- Appointed by the Governor
 - Confirmed by the Senate
 - 7 Year term
 - Can be removed for cause
- 12 Members:
 - One from each congressional district (7)
 - One from Berkeley, Horry and Georgetown County (3)
 - Two At-Large Seats, one of whom is Chairman (2)

Overview



Our Business

- An electric utility headquartered in Moncks Corner, South Carolina
- Owned by the State of South Carolina
- One of the nation's largest public power utilities:
 - \$13.2 billion of assets (YE 2017)¹
 - \$1.8 billion of revenues (2018)²

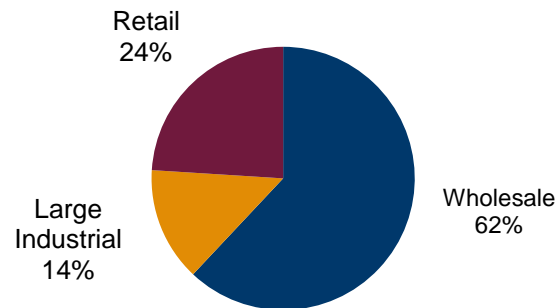
Our Rates

- Board has rate making ability
- Competitive wholesale and retail rates in state
- Approximately 75% of Santee Cooper revenues are derived from automatic rate adjustments which mean no action is required by management or the Board of Directors
 - Central: cost of service adjustment to actual
 - Retail rates: fuel & demand sales adjustment clauses

Our Customers

- Retail and wholesale provider serving 2 million South Carolinians
- Provided over 23,000 GWh in 2018 to its customers²
- Largest customer is Central Electric Power Cooperative; providing approximately 58% of Authority's revenues²

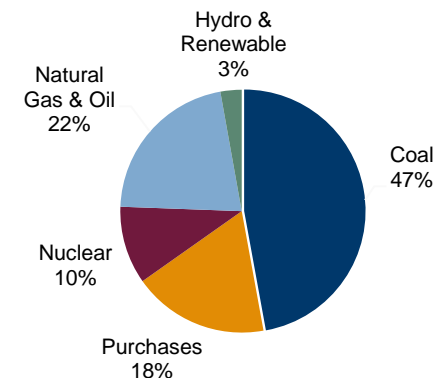
2018 Customer Composition² (% of Revenue)



Our Assets

- Power supply comes from 5,100 MW of owned generation
- Power supply portfolio is diverse generation mix of coal, natural gas, purchase power and hydro and renewables

2018 Energy Sources² (MWh)



1. Includes regulatory assets (impaired nuclear); preliminary 2018 information not available at this time

2. Based on Preliminary 2018 financial results as of January 15, 2019

Customers

- Central Electric Cooperative
- 185,116 Residential and Commercial Customers
- 28 Military and Large Industrial Customers
- 2 Municipal Customers (Bamberg and Georgetown)
- Piedmont Municipal Power Agency (PMPA)
- Alabama Municipal Electric Authority (AMEA)

1% Payment To The State



2013	\$ 20,394,000
2014	\$ 20,659,000
2015	\$ 20,116,000
2016	\$ 19,195,000
2017	\$ 17,751,000
2018	\$ 17,397,000
2019	\$ 17,496,000

Year in Review



- Reliability
 - 99.9973 Transmission
 - 99.9961 Distribution
- Safety
 - 4 months incident free
 - No “lost time” incidents
- Personnel
 - Achieved 99.8% Diversity Goal as set by State Human Affairs Commission
 - 1653 employees (decreased from 1747)
- Customer Service Satisfaction

Residential	91.8%
Commercial	95.2%
Industrial	100%
Wholesale	69.6%

- Water System
 - Named “Best-Tasting Water” in SC

- Winter Storm Grayson
 - Significant snow and ice to our generating stations
 - Employees worked around the clock protecting power lines and equipment
- Hurricane Florence
 - Restoration
 - 50,310 outages at peak; restored within 72 hours
 - Flooding
 - Historic river flooding threatened ash ponds at former Grainger site
 - Maintained stability of dams and dikes by continuously pumping water and around the clock inspection
 - Installed multiple protective devices, including silt fencing, Aqua Dam and containment boom
 - Coordination with DHEC, other state agencies and environmental stakeholders
 - Result: No ash released during flooding event

Energy Efficiency/Renewable Achievements

- Reduce the Use Program
 - Met 2020 goal of saving 209 Gigawatt hrs per year
 - \$250 million in customer savings since 2008
 - 73K customers have saved energy and money
 - Annual energy savings enough to power 16,500 average residential customers
- Current and Planned Solar Farms
 - Bell Bay = 2MW (March 2018)
 - *Jamison = 1.6MW (April 2019)*
 - *Runway = 2.7MW (July 2019)*
- Increased Rooftop and Community Solar Participation

2018 Economic Development Statewide Results

- 30 announcements
 - 18 new projects
 - 16 expansions
 - \$827,500,000 capital investment
- 3903 new jobs

Camp Hall



Construction of the new Volvo factory in Berkeley County is proceeding as planned

- On May 11, 2015, Volvo Cars announced that Berkeley County, South Carolina would be the location of its first American factory
- Volvo is investing over \$1 billion in the new facility with a capacity to initially produce up to 150,000 cars per year
- Santee Cooper expects customer load to be approximately 107,000 MWh's annually once plant commences operation
- Santee Cooper provides the electricity to Central under the cost of services provision of the Central Coordination Agreement
- The factory is expected to employ up to 4,000 employees by 2021
- Estimated that plant will contribute over \$4.8 billion in total economic output on annual basis
- The groundbreaking ceremony for Camp Hall, an approximately 7,000-acre business park that will include the Volvo campus, was held on June 6, 2018
 - The commerce park is planned to include many amenities for employees including a health center, day care, shopping and dining
 - Exeter Property Group announced on June 6, 2018 that it plans to build a warehouse and distribution center in the park



Financial Forecast¹



Santee Cooper forecasts strong financial metrics with modest impact on rates

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenues									
Revenues from Customers (\$ millions) ²	\$1,720	\$1,755	\$1,795	\$1,832	\$1,894	\$1,946	\$1,955	\$2,001	\$2,035
Load (GWh)	23,493	23,842	23,564	23,717	23,882	23,864	23,894	23,971	24,048
Rates									
Average System Rate (cents/kWh)	7.32	7.36	7.62	7.72	7.93	8.16	8.18	8.35	8.46
Debt Service Coverage (DSC)³									
DSC	1.35	1.35	1.39	1.40	1.40	1.41	1.41	1.41	1.43
3-Year Rolling Average DSC	1.41	1.39	1.36	1.38	1.40	1.40	1.41	1.41	1.42
Leverage									
Debt Outstanding (\$ billions)	\$7.2	\$7.0	\$6.9	\$6.7	\$6.6	\$6.7	\$6.5	\$6.5	\$6.3
Debt-to-Capitalization ⁴	75%	73%	71%	70%	69%	68%	67%	66%	65%
Liquidity									
Unrestricted cash (\$ millions)	\$653	\$687	\$627	\$546	\$560	\$551	\$577	\$588	\$599
Days Cash on Hand ⁵	208	215	194	167	166	158	164	162	158

Selected Assumptions

System Cost	Capital Expenditures	Borrowing	Average Load Growth (2019-2027)
<ul style="list-style-type: none"> Projected aggregate base rate increase of ~7% beginning in years 2020 or 2021 	<ul style="list-style-type: none"> Average of \$250 million per year Approximately 78% funded with internally generated cash. 	<ul style="list-style-type: none"> Approximately \$580 million issued through 2027 	<ul style="list-style-type: none"> Retail-Residential: 1.5% Retail-Commercial: 1.4% Wholesale-Central: 0.7%

1. Based on FF19 Budget

2. Operating revenues less miscellaneous income. Includes projected rate increases.

3. Includes CP and Revolving Credit Agreements. Revenue is after Payments to the State.

4. Includes CP and Revolving Credit Agreements.

5. Excludes the benefit of Toshiba settlement funds.

2019 Budget

Revenue Requirement (\$000's)



	2019	%	2020	%	2021	%
Fuel	\$557,464	31.8%	\$558,824	31.3%	\$538,318	29.4%
Purchased Power	145,859	8.3%	159,487	8.9%	170,925	9.3%
Debt Service	437,718	25.0%	451,589	25.3%	456,203	24.9%
NFOM:						
Payroll ⁽¹⁾	192,802	11.0%	201,500	11.3%	209,469	11.5%
Other O&M Expenses ⁽²⁾	173,296	9.9%	165,047	9.2%	178,143	9.7%
Summer Nuclear - Non-Fuel O&M	<u>66,989</u>	3.8%	<u>68,381</u>	3.8%	<u>70,765</u>	3.9%
Total NFOM	433,087	24.7%	434,927	24.3%	458,377	25.1%
CIFR, Pmt to State, Sums in Lieu & Working Capital	<u>179,020</u>	<u>10.2%</u>	<u>183,496</u>	<u>10.3%</u>	<u>205,421</u>	<u>11.2%</u>
Total	<u>\$1,753,147</u>	<u>100.0%</u>	<u>\$1,788,323</u>	<u>100.0%</u>	<u>\$1,829,243</u>	<u>100.0%</u>
¢/kWh ⁽³⁾	7.462		7.501		7.763	

(1) Includes employment taxes and benefits. Excludes capital payroll costs.

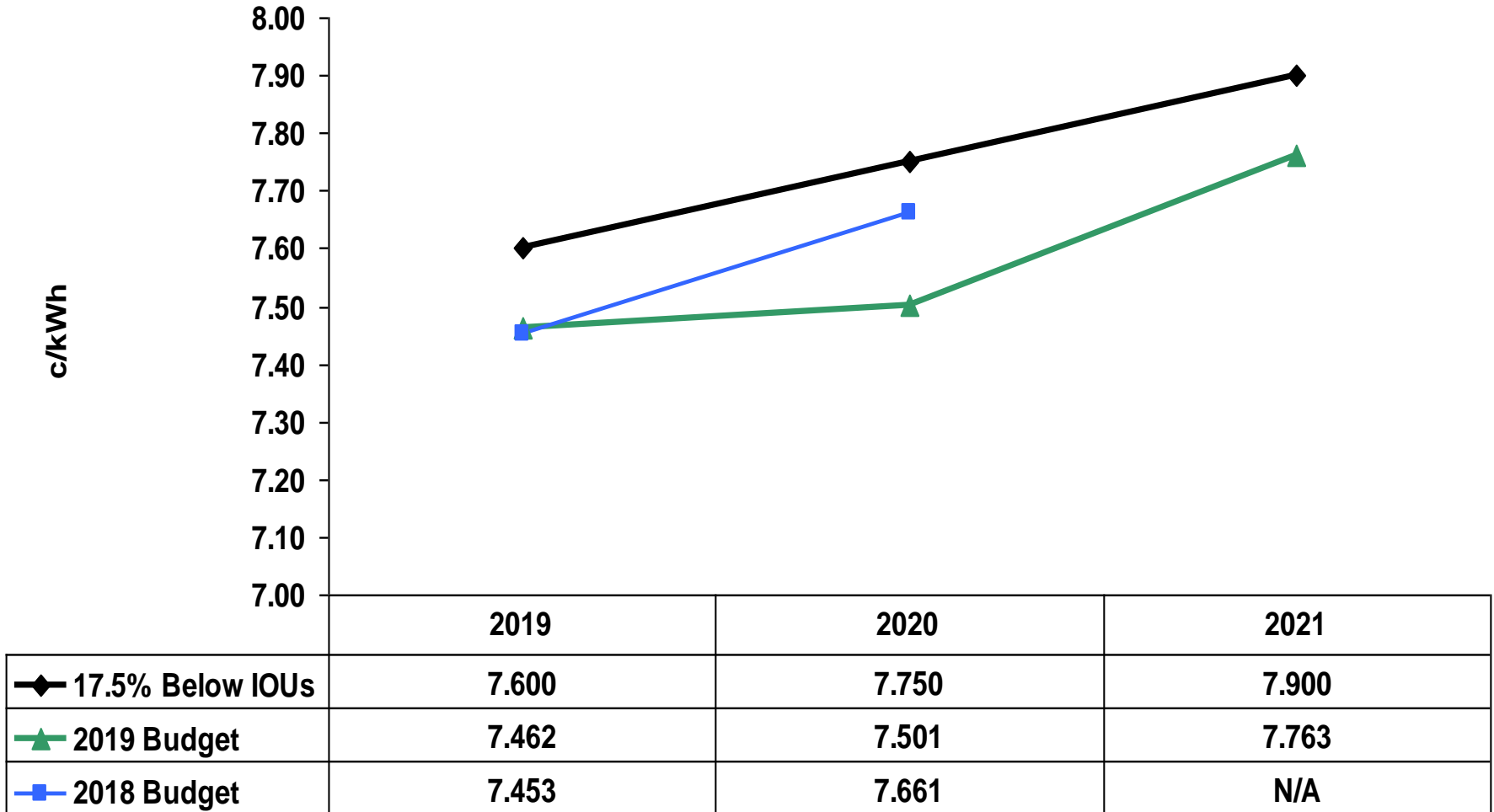
(2) Other O&M expenses include contract services, materials, employee development, insurance, contributions, customer care expense, leases & rental, utilities, salvage credits, allocated costs, fleet/equipment usage and travel.

(3) Based on GWh sales of 23,494; 23,842; and 23,565 for years 2019, 2020, and 2021 respectively.

Proposed Budget's Impact on Competitiveness (¢/kWh)



Our proposed budget is projected to achieve system cost 19-20% below IOU weighted average cost and improve our competitiveness



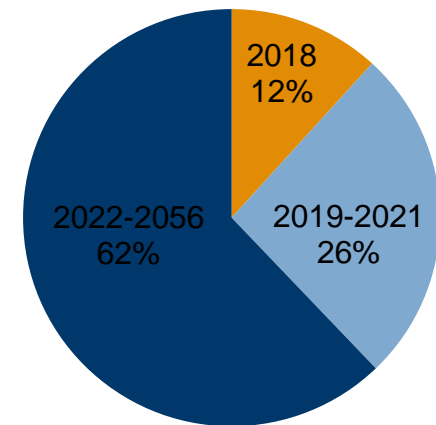
Toshiba Settlement Funds



We continue to optimize and execute deployment of Settlement Funds

- Planned deployment of settlement funds would result in approximately \$1.4 billion reduction in revenue requirements
- \$627 million funds already deployed projected to produce \$890 million aggregate savings
 - In September 2018, Santee Cooper defeased \$356 million debt, which achieved:
 - Majority of cost reduction needed in 2019-2021
 - Paid-down \$148 million of existing long-term debt
- Projected fund usage assumes retail rate increase in years 2021-2024

Distribution of Savings by Maturity^{1,2}



Toshiba Funds – Use of Funds and Projected Savings

(Amounts in \$ millions)	Use of Funds ¹		Annual Impact of Funds ²					
	Total Projected	To Date	2018	2019	2020	2021	2022-2056	Total
1. Fund Debt Service (Rate Stabilization)	423	351	155	113	93	72	-	434
2. Reduce or Paydown Long-Term Debt ²	491	276	7	24	29	29	855	945
Total	915	627	163	137	122	101	855	1,379

1) Includes projected interest on unspent settlement funds.

2) Impact of debt avoidance calculated using 30-year level debt service at approximately ~5% interest rate. Santee Cooper may pay-down existing debt, if opportunities become available.

Bond Ratings

- S&P A+
- Moody's A2
- Fitch A-

Nuclear Project Status



With construction suspended in 2017, site is undergoing wind down and stabilization.

Wind Down Activities & Cost

- Wind down activities are essentially complete
- Plant materials located in two offsite warehouses have been moved to the site to end lease expenses
- All permits have been closed except two FAA permits (Heavy Lift Derrick & Meteorological Tower)
- Santee Cooper's share of the wind down costs is approximately \$39 million (2017 and 2018); \$38 million has been spent

Ongoing Site Maintenance Cost

- Fluor has a purchase order through the end of January 2019 to maintain site equipment
- Santee Cooper Board approval is needed to extend equipment maintenance
- Based on actual maintenance work completed in 2018, future maintenance is estimated at approximately \$8 million annually

Equipment

- Santee Cooper has finalized an agreement with SCANA for ownership of the equipment
- Fluor is currently performing maintenance and preservation of high value plant equipment
- Santee Cooper continues to investigate the potential sale of high value equipment overseas to AP1000 markets as well as the domestic salvage market for materials

Nuclear License

- Santee Cooper is nearing completion of its COL evaluation and anticipates a Board decision in early 2019

Status Update

- Committee has held 5 meetings to date
- Committee hired ICF to assist with the committee's review
- To date, Santee Cooper has:
 - Presented at the Participants' conference held in December 2018
 - Responded to over 350 questions/data requests
- ICF completed the request for proposals for non binding bids on January 14, 2019
- Anticipate report to the Evaluation Committee by February 2019

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