

Summer 2 and 3 Decision

August 22, 2017

- Reliable, affordable electricity and water
- Economic development
- Strong environmental record
- One of largest public power utilities in U.S.
- Credit ratings in top quartile for electric utilities

Board of Directors



W. Leighton Lord III, Chair – Partner, Nexsen Pruet law firm

William A. Finn, 1st V Chair – Chairman, AstenJohnson Inc.

Barry Wynn, 2nd V Chair – President, Colonial Trust Co.

Kristofer Clark – Broker, Easlan Capital; owner, Pristine Properties

Merrell W. Floyd – Retired executive, Horry Electric Co-op

J. Calhoun Land IV – Partner, Land, Parker & Welch law firm

Stephen H. Mudge – President/CEO, Serrus Capital Partners

Peggy H. Pinnell – Owner, State Farm Insurance Agency

Dan J. Ray – President, DR Capital Group

David F. Singleton – President, Singleton Properties

Jack F. Wolfe Jr. – Retired President/CEO, Mid-Carolina Electric Co-op

Board of Directors

October 2015 to present



- **Approved EPC Amendment on Oct. 27, 2015**
 - Included Fixed Price Option (took effect in 2016)
 - 36 Board of Directors meetings
 - 16 regular Board meetings
 - 20 special called Board meetings
 - 2 included members of SCANA Board, executive leadership
- **Westinghouse Bankruptcy on March 29, 2017**
 - 12 Board of Directors meetings since filing
 - Fully briefed: data, management guidance, consultant guidance

Agency Agreement



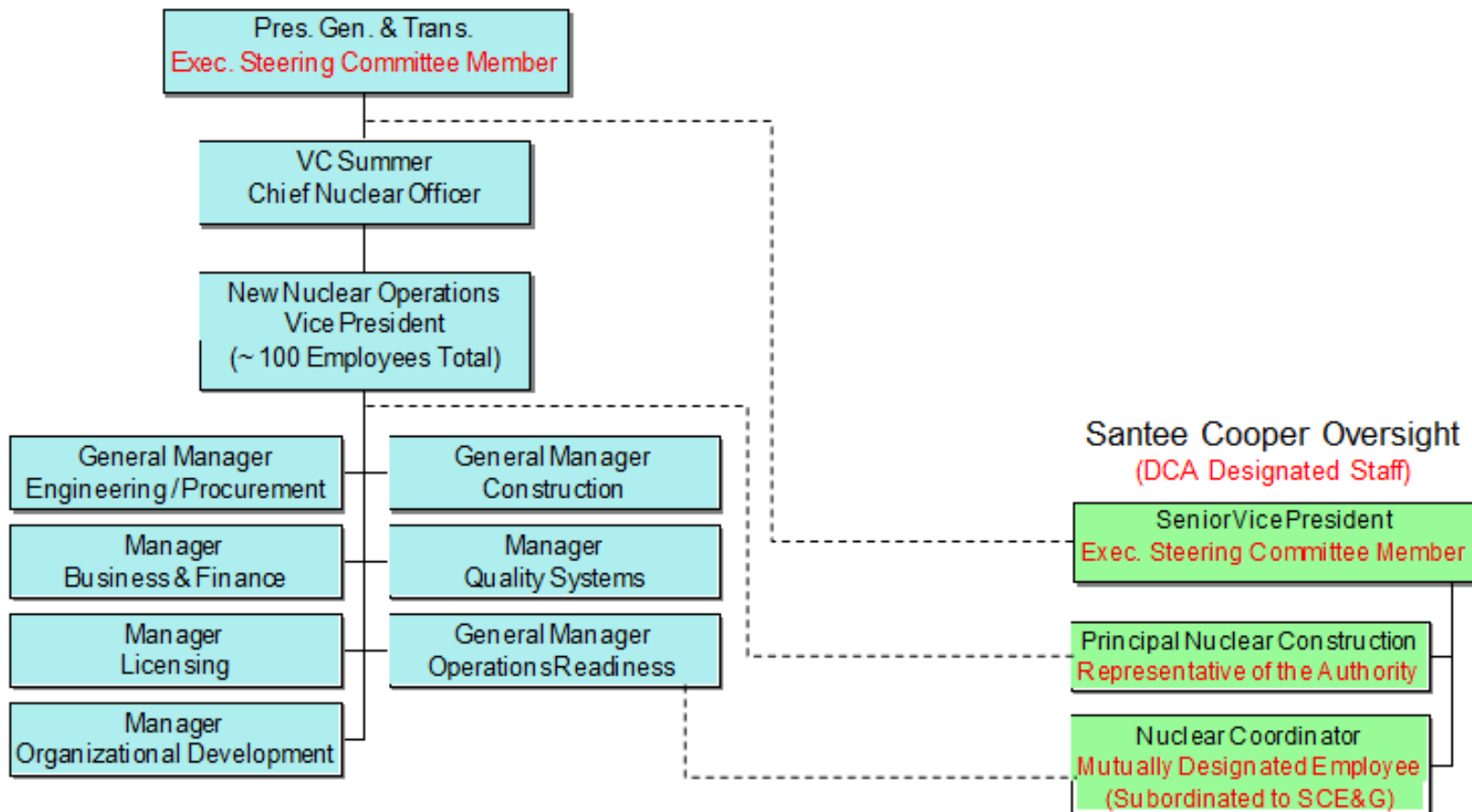
- SCE&G has lead in planning and developing the Project and with Government Authorities and third-party vendors
- SCE&G manages all aspects of day-to-day design and construction
- SCE&G develops Project Budget and projection to complete the Project and leads in negotiations with vendors and other third-parties for Project-related agreement and amendments
- Santee Cooper's consent required for third-party contracts with value exceeding \$1 million

Owners' Design and Construction Agreement (DCA)



SCE&G provided project management for itself,
and as agent for Santee Cooper

SCE&G Project Management Organization



Decision-Making Climate

2005/2006



**High System Load
Growth Projections**

**Rising Natural Gas &
Coal Forecasts**

**Increased Discussions of
CO2 Legislation with
Significant Cost Impacts**

**Interest in Nuclear for
Fuel Diversity**

**Energy Policy Act of
2005 Providing
Incentives for Nuclear**

Reasons Not to Build Coal



- In 2007, Congress was considering several bills that would increase regulations on greenhouse gas emissions and make operating coal plants more expensive
 - Waxman: Safe Climate Act of 2007 (141 Cosponsors)
 - Bingaman-Specter: Low Carbon Economy Act of 2007
 - Lieberman-Warner: Climate Security Act of 2007
 - Lieberman-McCain: Climate Stewardship Act of 2007
 - Lieberman-Alexander: Clean Air/Climate Change Act of 2007
 - Lieberman-Sanders: Clean Power Act of 2007
 - Sanders-Boxer: Global Warming Pollution Reduction Act of 2007
 - Feinstein-Carper: Electric Utility Cap-and-Trade Act of 2007
 - Carper-Collins: Clean Air Planning Act of 2007
 - Kerry-Snowe-Kennedy: Global Warming Reduction Act of 2007
- Barack Obama campaigned against coal-fired generation in 2007-2008
 - January 2008 Obama quote: “If somebody wants to build a coal-fired power plant, they can. It’s just that it will bankrupt them.”

Reasons Not to Build Natural Gas

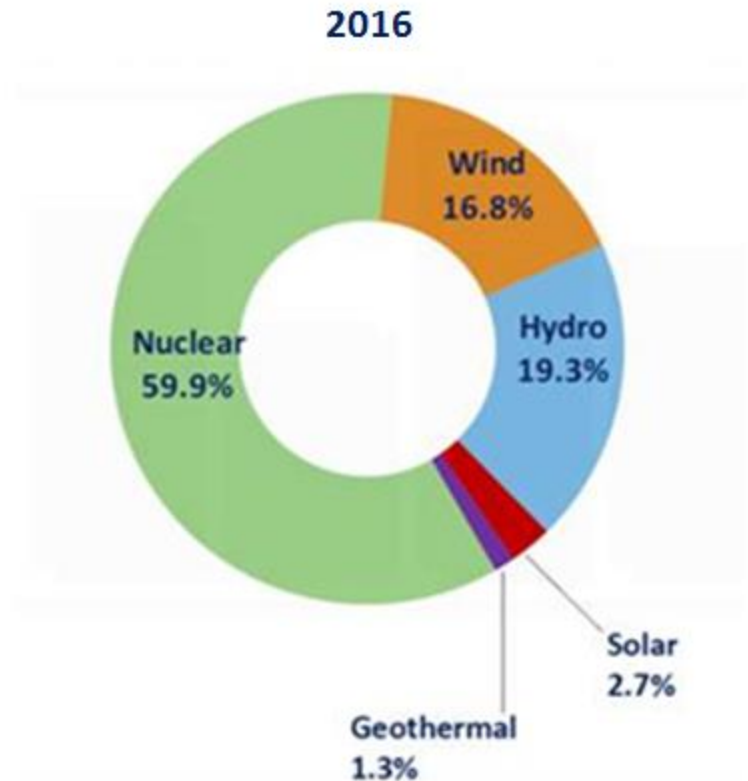


- Natural gas prices – Henry Hub, \$14.84 in September 2005 (and 2008 Forward Curve showed it staying between \$10 -\$12 through 2017)
- Extremely volatile history
- Still emits greenhouse gases
- No pipeline transmission close to Santee Cooper's load

Nuclear Power – Emissions-Free Energy

- Nuclear energy is the largest source of emission-free electricity.
- 99 reactors in 30 states provide nearly 20% of America's electrical power.

U.S. Electricity Sources Which Do Not Emit Greenhouse Gases During Operation



Nuclear Energy Institute

Decision to Build

Summer 2 & 3



Environmental & Safety

- Nuclear is emissions free
- Helps Santee Cooper achieve 40% emissions-free generation by 2020 goal
- Reduces Santee Cooper reliance on coal generation (retire 4 coal, 2 oil units)
- AP1000 uses Passive Safety-Related Systems

Risk / Cost

- Construction schedule
- Construction costs
- Projected load requirements
- Projected commodity costs
- CO₂ regulations

- Dormant industry
- AP1000: immature design, design changes
- Consortium difficulties integrating Project
- Consortium commercial disputes
- Project schedule
- Fixed Price Option

- Increased liquidated damages
- Required construction milestone payment schedule
- Fixed Price Option

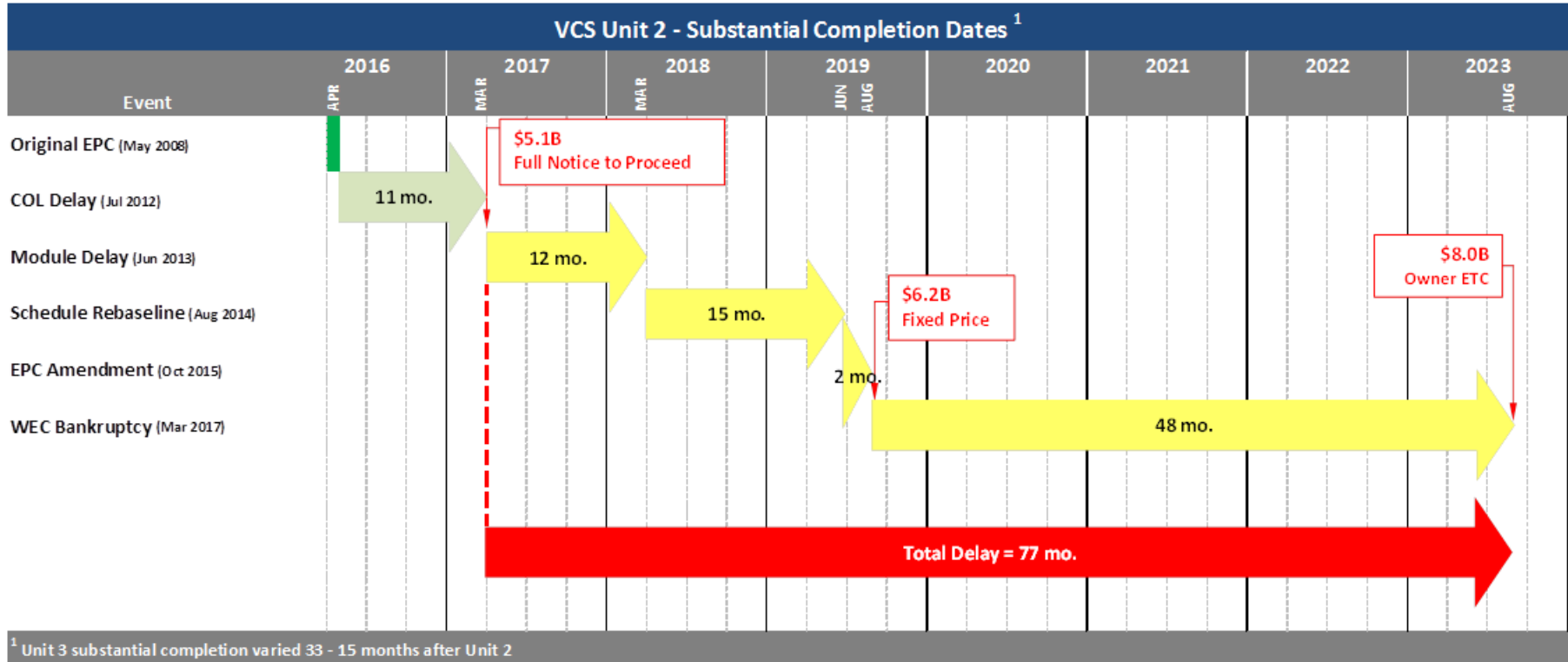
- Design issues/delays
- Leadership lack of transparency
- Leadership turnover
- Failure to complete design
- Failure to develop fully resourced schedule & budget
- Failure to coordinate module design/build
- Poor work site coordination

Westinghouse filed for bankruptcy March 29

- Project Analysis – SCE&G, WEC, Fluor
- Internal Analysis
 - Customer needs, customer costs
- Bankruptcy court proceedings
- Production Tax Credit/Federal assistance
- Toshiba settlement negotiations

Summer 2 & 3

Project Schedule Delays



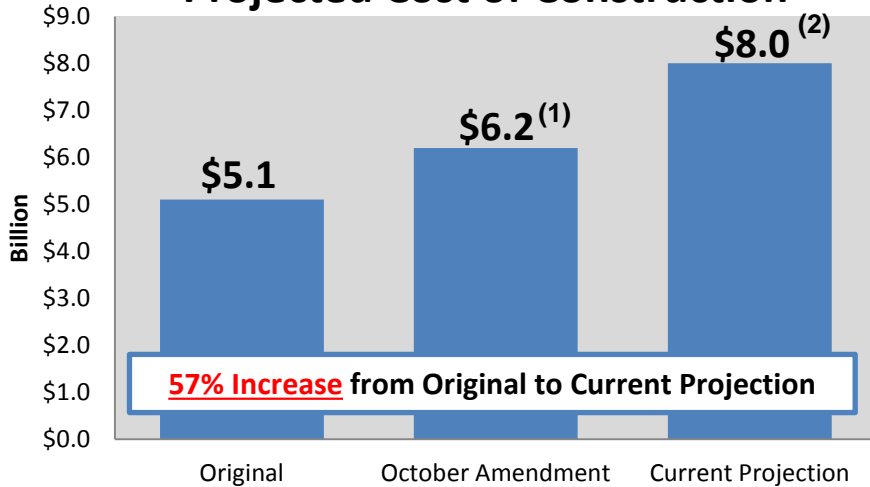
All \$ figures Santee Cooper 45% share

Approximately 6.5 years delay,
 subsequent to COL delay

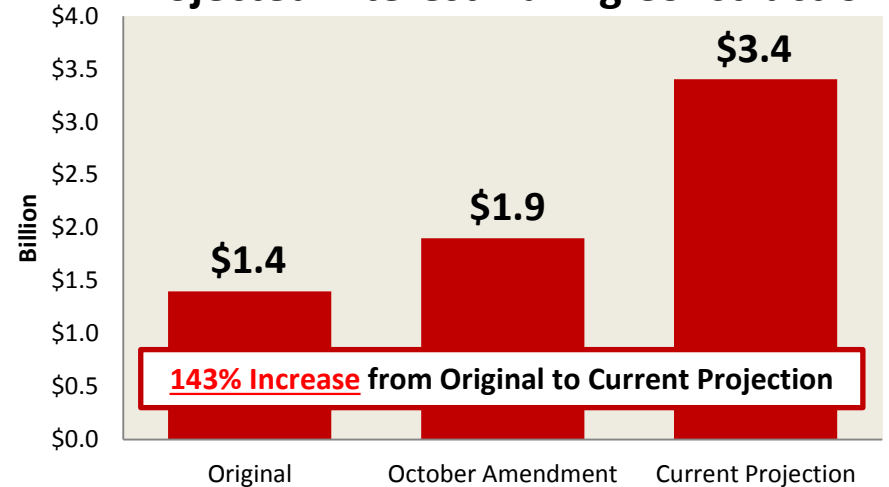
Economic History Impacting Summer 2 & 3 Project



Projected Cost of Construction



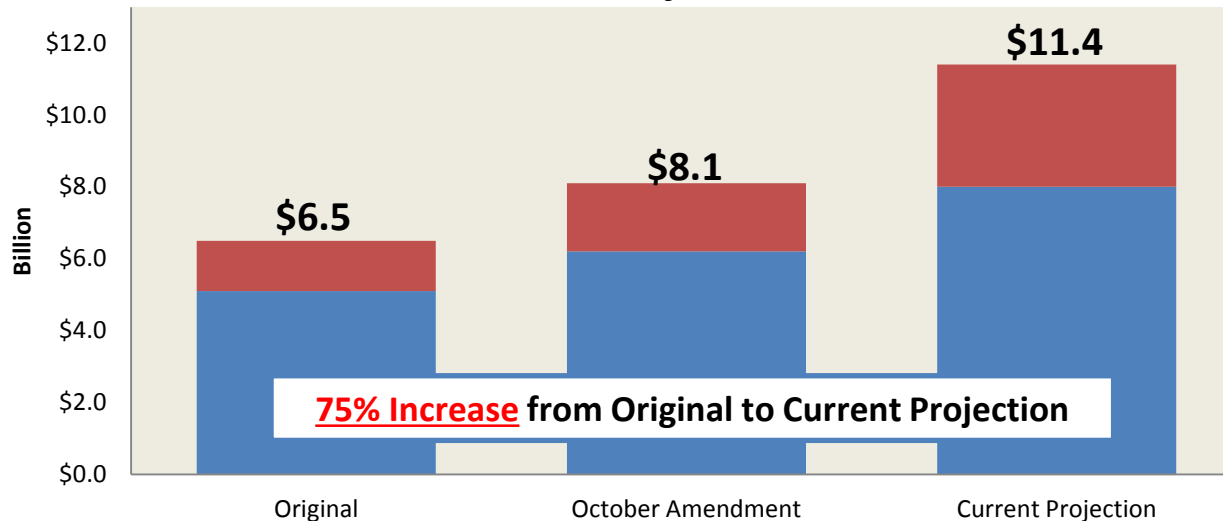
Projected Interest During Construction



(1) Includes fixed price protection

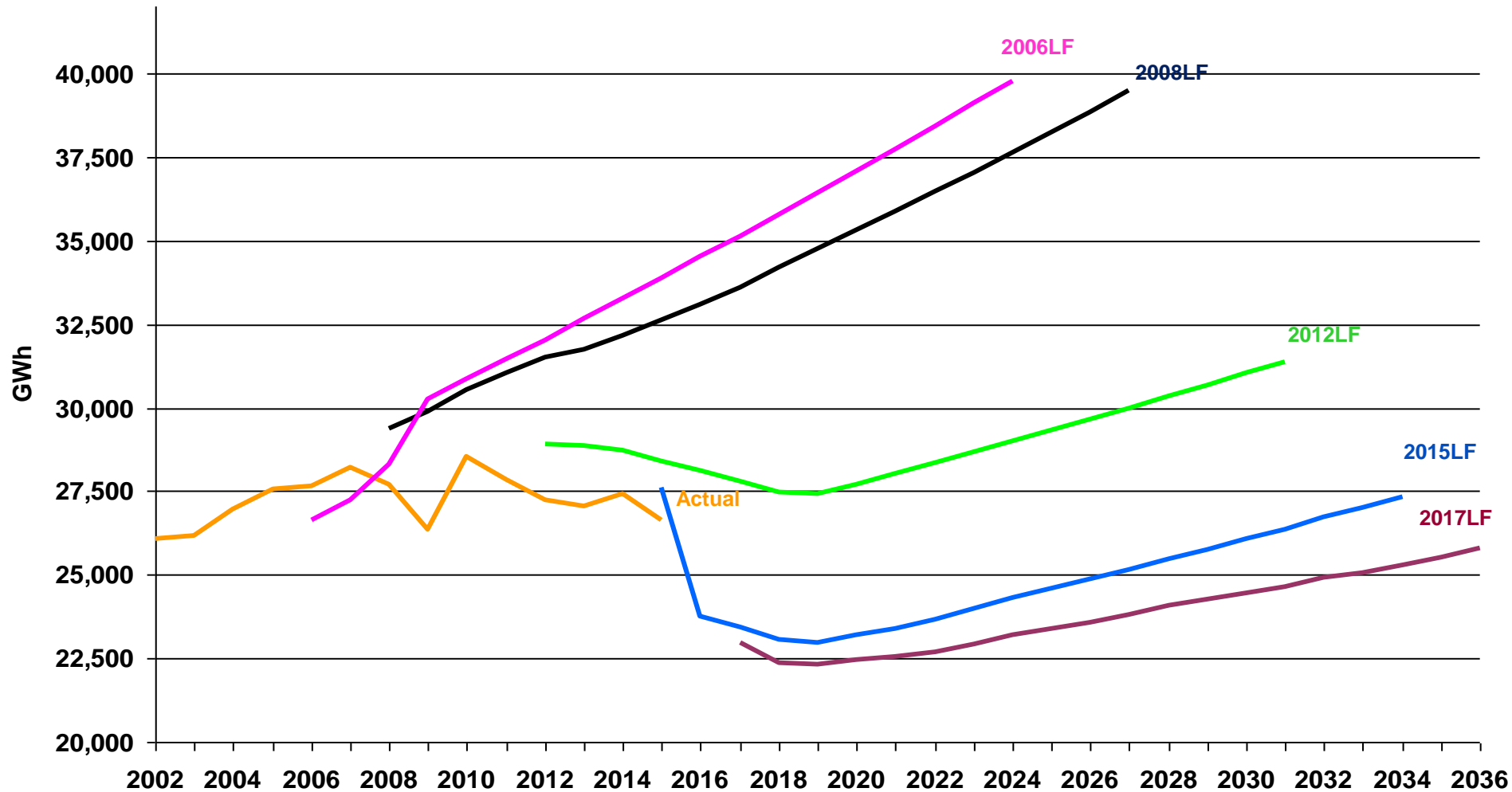
(2) Has no fixed price protection

Total Project Cost



System Energy (GWh)

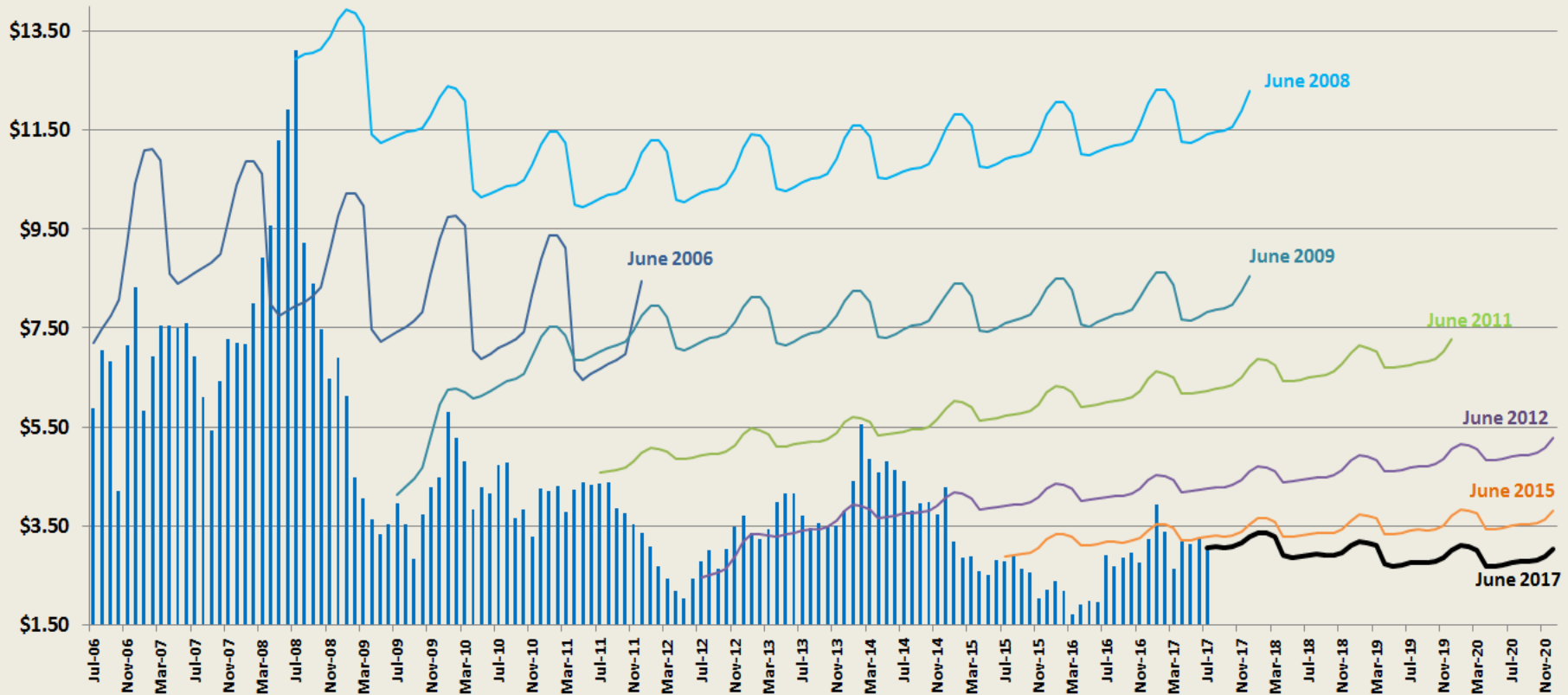
Generation Level⁽¹⁾



(1) Generation Level Excluding Off-System Sales

Natural Gas (MMBtu)

Natural Gas Forward Curves & Settlement Prices



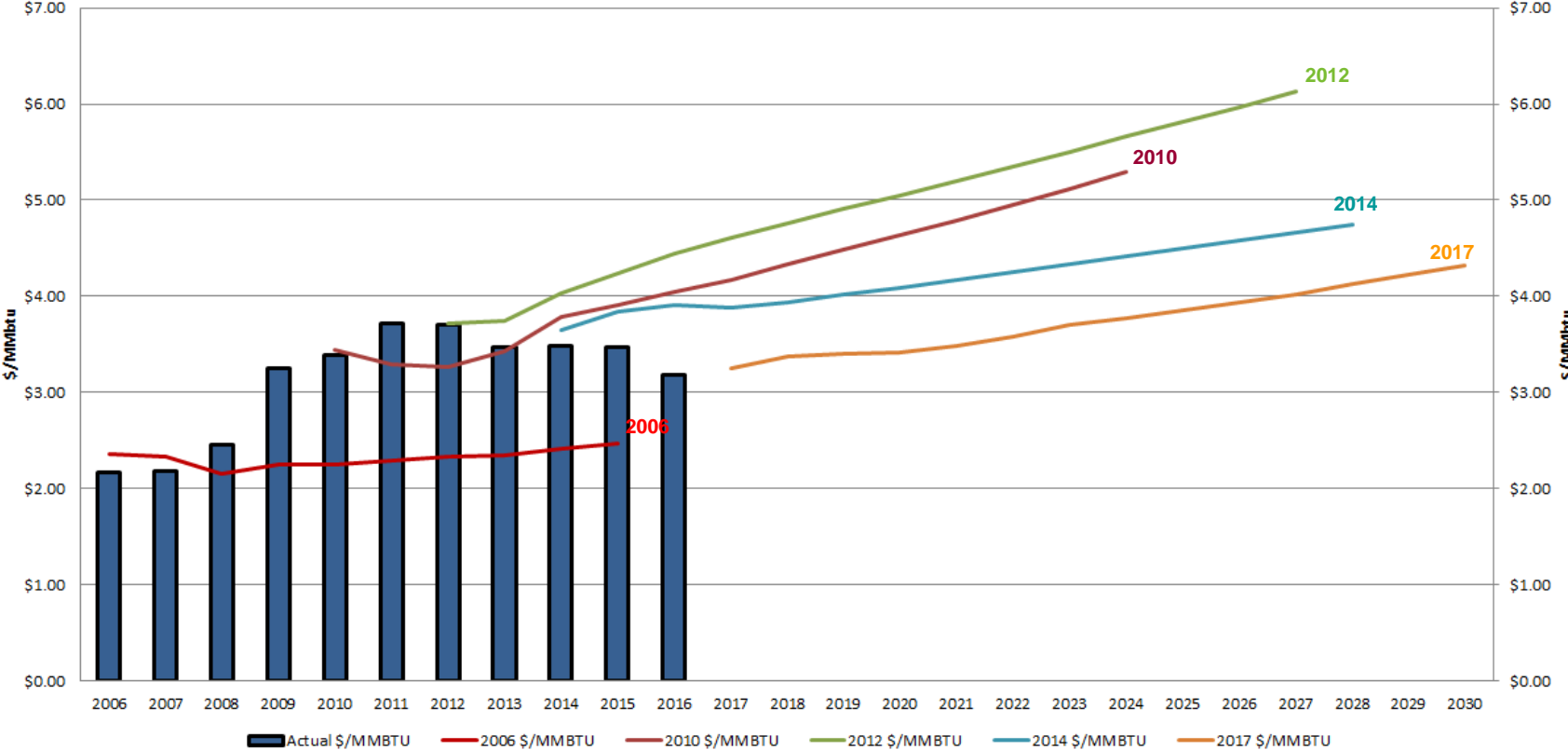
Source: TEA Research

Coal (MMBtu)

Coal Projections & Historical Settles



Coal \$/MMbtu Forecast Projections



Source: Santee Cooper and Energy Venture

Summer 2 & 3 Power Supply Costs



- Performed a study to compare the projected cost of power with a natural gas alternative
- Examined uncertainties such as:
 - Completion Costs
 - CO2 regulation
 - Natural gas prices
- Concluded, under current reasonable assumptions, the projected costs of power resulting from completing Summer 2 & 3 or completing Summer 2 only are projected to be significantly higher than a natural gas alternative

- Production Tax Credits/Federal assistance
 - \$900 million-\$1 billion – difficult to monetize
- Bankruptcy proceedings
 - To be determined
- Toshiba settlement
 - \$976 million

- Higher than projected construction costs
- Higher than projected operating costs
- AP1000 design not yet in commercial operation
- Lack of nuclear industry economies of scale
- Customer rates could be significantly higher if load is lower than currently projected

System Power Cost Impact (as of 2030)



	1. Complete Units 2 and 3 1,005 MW	2. Complete only Unit 2; add one NGCC unit 1,044MW	3. Suspend construction on Units 2 and 3; add NGCC unit(s) 1,081 MW
System Cost 2030 (¢/ kWh) <i>2017 Projected Rate: ~7.5 ¢/kwh</i>	10.6	10.3	9.7
Cumulative System Cost Increase 2017- 2030	41%	37%	29%
Cumulative System Base Cost (Excludes Fuel) Increase 2017 - 2030	41%	30%	15%

Notes:

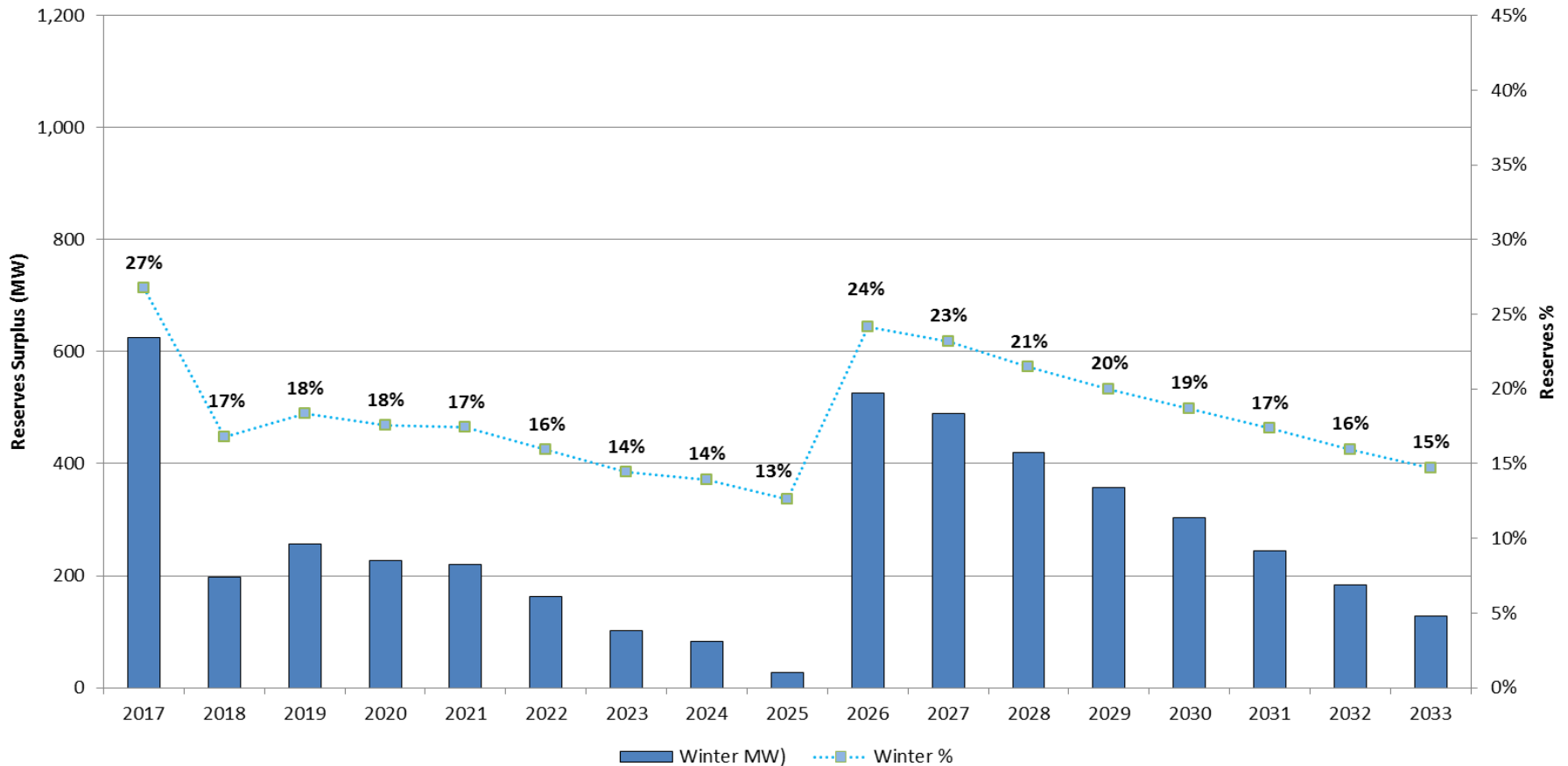
- a. Source: Santee Cooper Projections
- b. Nuclear go forward Scenarios 1 and 2 assume 45% ownership
- c. Parental Guaranty proceeds benefit all scenarios
- d. Scenarios 2 and 3 assume no salvage proceeds

Reserves – Surplus/(Deficiency)

(No Summer 2 & 3, Include Cross 2)



Planning Reserves based on LF1701 (No Nuclear, with Cross 2)



Based on LF1701

Santee Cooper is typically winter peaking and requires 12% winter planning reserves.

Cross 2 returns in 2026.

- Federal Government
- Search for partners – letters, inquiries
- Toshiba Settlement – evaluating monetization
- Legal: Westinghouse bankruptcy claims
- Sell components

- Total rate increases – 4.3% since 2009
- Total collected / retail rates – \$160 million
- Total collected all rates – \$540 million
- Canceled 2018-2019 rate process
 - No increases those years
 - Will maintain financial obligations
 - Internal belt-tightening

- Low rates
- High reliability
- Excellent customer service

Questions?