



**Monthly Review of South Carolina Public Service
Authority Pursuant to Act 135 Section 11 (E)**

South Carolina
Office of Regulatory Staff

October 30, 2020

Executive Summary

On May 18, 2020, Act 135 was signed into law by Governor Henry McMaster. Section 11 of Act 135 requires that the South Carolina Public Service Authority (“Santee Cooper”) be subject to monthly reviews by the South Carolina Office of Regulatory Staff (“ORS”). The objective of the monthly review is to determine if Santee Cooper violated the terms contained in Section 11 subsection E of Act 135. This Report details the results of ORS’s monthly review of Santee Cooper activities under Section 11 subsection E of Act 135 for the time period of August 1, 2020, through August 31, 2020 (“Review Period”).

Act 135 allows the Santee Cooper Oversight Committee to convene to consider and clarify any matter discovered by ORS pursuant to Section 11 subsection E that ORS determines is in violation of the terms contained in subsection E.

ORS determined Santee Cooper did not take action that violated the terms contained in Act 135 Section 11 subsection E during the Review Period. ORS encountered no obstacles or delays that impacted the completion of its monthly review.

Scope of ORS Review

In accordance with Act 135 Section 11, the scope of the monthly review by ORS is to determine if Santee Cooper activities during the Review Period were in violation of subsection E which specifies:

- (E) Nothing in this section prohibits Santee Cooper from:
 - (1) doing those things necessary for closing and decommissioning the Winyah Generating Station including, but not limited to, planning, permitting, and securing by purchase or lease one hundred megawatts of combustion turbines and minor transmission upgrades, subject to the consent of Central pursuant to the Power System Coordination and Integration Agreement between Santee Cooper and Central, as amended (the Coordination Agreement). In no event will this include constructing a natural gas combined cycle or other major generation resource;
 - (2) doing all those things necessary for deploying up to 500 megawatts of new solar generation, within the structure described in the Santee Cooper Act 95 Reform Plan Appendix 8.2.4, subject to consent of Central pursuant to the Coordination Agreement;
 - (3) entering into operational efficiency and joint dispatch agreements with neighboring utilities for a period of up to one year, with annual renewals and reciprocal cancellation clauses thereafter;
 - (4) renegotiating existing and entering into new coal supply, transportation, and related agreements that produce savings and for terms not to exceed five years or such longer period of time as may be approved by the Santee Cooper Oversight Committee;

- (5) entering into natural gas hedging arrangements for terms not to exceed five years, or such longer period of time as may be approved by the Santee Cooper Oversight Committee;
- (6) conducting the planning, permitting, engineering and feasibility studies to develop natural gas transportation and power transmission to ensure a reliable power supply;
- (7) entering into purchase power arrangements needed for, but not in excess of, anticipated load for a term not to exceed the rate freeze period of the Cook Settlement, and supportive thereof;
- (8) defeasing debt, issuing or refunding debt under existing bond resolutions and agreements, and entering into financing arrangements consistent with existing bank facilities, all as necessary to manage day to day operations and financing needs, including converting variable rate debt to fixed rate debt. Refunding of existing debt is permitted if it achieves present value savings or mitigates risk and does not extend the average life of the debt;
- (9) resolving outstanding lawsuits and claims;
- (10) taking whatever steps are prudent and consistent with good utility practice to address the impact of the COVID-19 pandemic; and
- (11) freezing rates as provided in the settlement of Cook v. Santee Cooper, et al.

ORS Review Methodology

Within 30 days of the passage of Act 135, ORS was required to provide Santee Cooper with a reasonable process by which ORS will accomplish its obligations. ORS provided the process, estimated schedule and sample documents to Santee Cooper on June 10, 2020.

ORS determined a timely exchange of information and records between Santee Cooper and ORS would be critical to meet the monthly review requirement of Act 135. The process determined by ORS and provided to Santee Cooper included the following:

- ORS will send Santee Cooper a Request for Information (“RFI”) on a monthly basis.
- Santee Cooper will provide a response within 14 days of receipt of the RFI.
- Each response by Santee Cooper requires a signature and attestation from a Santee Cooper officer.
- ORS may request additional information and documents.
- ORS may interview, or discuss the Santee Cooper responses with, the individual that prepared the response.
- ORS will provide the findings of the monthly review to Santee Cooper and the Santee Cooper Oversight Committee.

ORS issued the Fourth RFI to Santee Cooper on September 17, 2020 and received responses from Santee Cooper on October 1, 2020.

ORS Review of Section 11 subsection E

Winyah Generating Station Closing & Decommissioning

- (E) *Nothing in this section prohibits Santee Cooper from:*
- (1) *doing those things necessary for closing and decommissioning the Winyah Generating Station including, but not limited to, planning, permitting, and securing by purchase or lease one hundred megawatts of combustion turbines and minor transmission upgrades, subject to the consent of Central pursuant to the Power System Coordination and Integration Agreement between Santee Cooper and Central, as amended (the Coordination Agreement). In no event will this include constructing a natural gas combined cycle or other major generation resource;*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates several internal coordination meetings and external meetings with Central Electric Power Cooperative, Inc. ("Central") were held during the Review Period to discuss siting and technology requirements, sizing and location requirements for combustion turbines necessary for system support, employee needs and maintenance outage timing and scope. The update to the Planned Maintenance Outage schedule was completed during the Review Period. An environmental consultant (Wood Environment and Infrastructure Solutions, Inc.) was hired to perform a wetlands assessment of Santee Cooper-owned property under consideration for siting of combustion turbines. Additionally, Santee Cooper developed and issued a Request for Proposal ("RFP") for engineering services to support an additional 100 megawatts ("MW") of generation through installation of combustion turbines ("CT") in Horry County. The RFP specifies a two-phased development will be utilized with the first phase of 20 MW to be commercially available by no later than January 1, 2022. The fuel source for the CTs will be diesel/fuel oil.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (1) of Act 135 during the Review Period.

Deployment of up to 500 MW of New Solar Generation

- (E) *Nothing in this section prohibits Santee Cooper from:*
- (2) *doing all those things necessary for deploying up to 500 megawatts of new solar generation, within the structure described in the Santee Cooper Act 95 Reform Plan Appendix 8.2.4, subject to consent of Central pursuant to the Coordination Agreement*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates work was conducted to support the addition of new solar generation occurred during the Review Period. All of the responses to the June 2020 RFP were redacted to remove sensitive information and provided by Santee Cooper's consultant, nFront Consulting ("nFront"), to Central by August 24, 2020. The unredacted responses were provided to Central on

August 30, 2020. A presentation was made to the Santee Cooper Board on August 24, 2020.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (2) of Act 135 during the Review Period.

Operational Efficiency & Joint Dispatch Agreements

- (E) *Nothing in this section prohibits Santee Cooper from:*
- (3) *entering into operational efficiency and joint dispatch agreements with neighboring utilities for a period of up to one year, with annual renewals and reciprocal cancellation clauses thereafter*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates Santee Cooper conducted no activities regarding joint dispatch during the Review Period. Although not part of a joint dispatch scenario, Santee Cooper executed a number of transactions with Dominion Energy South Carolina, Inc. ("Dominion") during the Review Period to purchase power when Dominion's costs are lower than the energy market and Santee Cooper resources. Santee Cooper also looked to sell Dominion energy when Santee Cooper's costs were competitive with the energy market or Dominion resources. 43 transactions were executed for the month totaling 12,795 MWh's priced below system incremental cost.

Santee Cooper and Dominion held a focus meeting on August 27, 2020 to discuss right-of-way spray operations. Another meeting to further discuss and define the scope of joint maintenance is scheduled for September 17, 2020. Santee Cooper and Dominion intend to complete a pilot project for hazard tree cutting by the end of 2020.

During the Review Period, Santee Cooper continued discussions with Southern Power Company and Southern Company Services, Inc. (collectively "Southern") to determine what areas would have the best opportunities for increased efficiencies. Different technical groups within Santee Cooper and Southern, including the Coal Combustion Products team, Generation Technical Services team, and Asset Management Team, continued to work together to develop mutually beneficial opportunities. No plans or procedures were finalized during the Review Period.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (3) of Act 135 during the Review Period.

Coal Supply, Transportation & Related Agreements

- (E) *Nothing in this section prohibits Santee Cooper from:*
- (4) *renegotiating existing and entering into new coal supply, transportation, and related agreements that produce savings and for terms not to exceed*

five years or such longer period of time as may be approved by the Santee Cooper Oversight Committee

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates that Santee Cooper finalized an amendment to the coal supply agreement with Alliance Coal, LLC ("Alliance") that was executed in July 2020 and entered into a new coal supply agreement with Foresight Coal Sales, LLC ("Foresight"). Santee Cooper also executed an agreement with CSX Transportation, Inc. to allow Santee Cooper employees to operate CSX locomotives for the purposes of unloading coal trains at the Winyah Generating Station. The terms of these contracts and amendments do not exceed five (5) years. The agreement with Foresight is consistent with the Option 3 presented to, and approved by, the Executive Energy Management Committee in May 2020.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (4) of Act 135 during the Review Period.

Natural Gas Hedging Arrangements

- (E) *Nothing in this section prohibits Santee Cooper from:*
- (5) *entering into natural gas hedging arrangements for terms not to exceed five years, or such longer period of time as may be approved by the Santee Cooper Oversight Committee;*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates that on August 6, 2020 Santee Cooper secured twenty-five percent of the required natural gas pipeline capacity for the Rainey Combined Cycle plant ("Rainey") for the period of November 2020 through March 2021. On August 19, 2020, Santee Cooper secured an additional nineteen percent of the required natural gas pipeline capacity for Rainey for the period of November 2020 through February 2021. Santee Cooper states the savings to be realized due to the new agreements is \$205,055.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (5) of Act 135 during the Review Period.

Develop Natural Gas Transportation & Power Transmission

- (E) *Nothing in this section prohibits Santee Cooper from:*
- (6) *conducting the planning, permitting, engineering and feasibility studies to develop natural gas transportation and power transmission to ensure a reliable power supply*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates Santee Cooper performed routine transmission planning activities including North American Electric Reliability Corporation Transmission Planning assessments. Santee Cooper also conducted transmission system assessments associated with different generation planning scenarios being considered during the planning process. No actions or assessments were completed during the Review Period.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (6) of Act 135 during the Review Period.

Purchased Power Arrangements

- (E) *Nothing in this section prohibits Santee Cooper from:*
- (7) *entering into purchase power arrangements needed for, but not in excess of, anticipated load for a term not to exceed the rate freeze period of the Cook Settlement, and supportive thereof*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates Santee Cooper continued to monitor pricing of purchase power supply during rate freeze in up to 150 MW blocks. No action was taken towards entering into agreements and this activity is ongoing.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (7) of Act 135 during the Review Period.

Debt & Financing Arrangements

- (E) *Nothing in this section prohibits Santee Cooper from:*
- (8) *defeasing debt, issuing or refunding debt under existing bond resolutions and agreements, and entering into financing arrangements consistent with existing bank facilities, all as necessary to manage day to day operations and financing needs, including converting variable rate debt to fixed rate debt. Refunding of existing debt is permitted if it achieves present value savings or mitigates risk and does not extend the average life of the debt*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates Santee Cooper continued discussions with bank facilities regarding renewing agreements that will expire in 2020. Santee Cooper received term sheets related to the bank facility renewal. Santee Cooper had conversations with their financial advisor, PFM, about the proposals. During the Review Period, Santee Cooper executed an amendment to the JP Morgan agreement for one year. Santee Cooper renewed agreements with Barclays and Bank of America in

September 2020. These will be reviewed as part of ORS’s review for the September 2020 review period.

ORS requested Santee Cooper provide information related to a bond issuance, approved on October 19, 2020 by the Santee Cooper Board. Based on the information provided by Santee Cooper, the bond transactions appear to comply with the provisions of Act 135 as the transactions are limited to the issue and refund of debt under existing bond resolutions. Santee Cooper indicates the transactions will yield approximately \$134 million in net present value savings and does not extend the average life of the debt. The bond issuance details will be reviewed by ORS’s for the October 2020 review period.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (8) of Act 135 during the Review Period.

Resolve Lawsuits & Claims

- (E) *Nothing in this section prohibits Santee Cooper from:*
- (9) *resolving outstanding lawsuits and claims*

Summary of Santee Cooper Activities during Review Period

ORS’s review of the information provided by Santee Cooper indicates Santee Cooper engaged in settlement discussions with opposing party representatives. On August 28, 2020, Santee Cooper entered into an “Agreement for Sale of Project Equipment” with Westinghouse Electric Company, LLC (“WEC”) in settlement of its dispute with WEC over the ownership of certain equipment associated with V.C. Summer Units 2 and 3. On August 31, 2020, Santee Cooper and WEC issued Joint Written Instruction for the release of funds received for the sale of nuclear equipment and held in escrow pending the resolution of the dispute between the parties.

On August 26, 2020, Santee Cooper received formal notice of dispute from Gunsight Solar, LLC (“Gunsight”) concerning the extension of Gunsight’s contractual commercial operation date of its 74.97 megawatt solar generating facility.

On August 27, 2020, the Federal Energy Regulatory Commission (“FERC”) issued its “Proposed Order Directing the Provision of Interconnection and Transmission Services” in response to requests by the City of Goose Creek for the same so that it might serve Century Aluminum’s Mt. Holly smelter. FERC further directed the parties to negotiate rates, terms, and conditions of interconnection and transmission service at the Mt. Holly smelter.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (9) of Act 135 during the Review Period.

Address the Impacts of COVID-19

- (E) *Nothing in this section prohibits Santee Cooper from:*
(10) *taking whatever steps are prudent and consistent with good utility practice to address the impact of the COVID-19 pandemic*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates Santee Cooper continued efforts to manage the COVID-19 pandemic and implement its pandemic response plan through the Corporate Incident Management Team ("CIMT"). Through weekly meetings, the CIMT took the following actions:

- Conducted weekly calls to identify issues related to COVID-19 throughout the company and to provide updates on company guidelines
- Updated published guidelines and coordinates mass communication to employees

All guidelines are developed under advisement of Safety and Occupational Health and review of information provided by SC Emergency Management Division, SC Department of Health and Environmental Control, National Center for Disease Control, other utilities, local and state ordinances and other information.

In addition to the actions of the CIMT, Santee Cooper took the follow actions:

- Continued researching saliva testing options for critical employees.
- Revised and tracked metrics to determine phases of the Deceleration Plan.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (10) of Act 135 during the Review Period.

Rate Freeze as Required by Settlement

- (E) *Nothing in this section prohibits Santee Cooper from:*
(11) *freezing rates as provided in the settlement of Cook v. Santee Cooper, et al.*

Summary of Santee Cooper Activities during Review Period

ORS's review of the information provided by Santee Cooper indicates Santee Cooper implemented the Rate Freeze for Residential, Commercial and Lighting Customers approved by the Board of Directors during the July 31, 2020 Board of Directors Meeting. The values from Schedule B of the Cook Settlement Agreement were entered in the Customer Care and Billing system.

ORS Review Results

ORS determined Santee Cooper did not take action that violated the terms contained in Section 11 subsection E (11) of Act 135 during the Review Period.

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