



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

South Carolina
Office of Regulatory Staff

August 31, 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 June 1, 2020, through June 30, 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 Second RFI to Santee Cooper on July 17, 2020 and received responses from Santee Cooper on August 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. No actions resulted from these discussions; however, work to update the Planned Maintenance Outage schedule is in progress.

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. Santee Cooper met with Central on June 2, 2020 to review the solar Request for Proposal ("RFP") draft. As discussed in ORS's May Report, Santee Cooper published the solar RFP on June 5, 2020. The solar RFP appears to contain the structure described in the Santee Cooper Act 95 Reform Plan Appendix 8.2.4. Santee Cooper has retained nFront Consulting as its consultant during this RFP process. After the issuance of the RFP, Santee Cooper responded to bidders to the RFP through nFront Consulting. Additionally, non-disclosure agreements ("NDA") were executed with select bidders when requested.

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 finalized Memorandums of Understanding ("MOU") and Mutual Non-Disclosure Agreements ("NDA") with (1) Dominion Energy South Carolina, Inc. ("Dominion") and (2) Southern Power Company and Southern Company Services, Inc. (collectively "Southern"). These MOUs will establish areas to review for opportunities to achieve benefits for Santee Cooper, Dominion, and Southern including operational functions, commercial opportunities, future learning opportunities, and planning coordination. The MOU and NDA with Dominion were effective June 12, 2020 and the MOU and NDA with Southern were effective on June 16, 2020. The MOU with Dominion and Southern will terminate one year from the respective effective date.

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 entered into new coal supply agreements with Blackhawk Coal Sales, LLC ("Blackhawk") and Consol Pennsylvania Coal Company, LLC ("Consol") and amended its coal transportation contract with CSX Transportation, Inc. The terms of these contracts do not exceed five (5) years. The agreements with Blackhawk and Consol are 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 Santee Cooper secured half of the required natural gas pipeline capacity for the Rainey Combined Cycle plant for the period of July through October of 2020. Additionally, Santee Cooper sold twenty (20) natural gas contracts for the month of February 2022 to lower the hedge volume below 100% for that month. These contracts were sold at a price greater than what was assumed in the Reform Plan. The terms of the natural gas hedging arrangements varied but were under five years.

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. 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 solicited counterparties for pricing of 150 MW blocks of purchase power supply during the rate freeze. No action resulted and this activity is on-going.

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) *defeating 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 requested bank facility pricing and received a proposal. Santee Cooper answered questions posed by JP Morgan. Santee Cooper did not negotiate or finalize the bank credit facility renewal during the Review Period. Santee Cooper indicates the timeline allows for entry of the final order approving the settlement of the Cook litigation prior to execution of facility agreements. A presentation was given to the Board of Directors providing an update on the timeline of the bank facility renewal.

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. During the Review Period, Santee Cooper continued discussions to finalize documentation of a settlement with Westinghouse Electric Company, LLC. No actions resulted from these activities and discussions continue. Santee Cooper also held discussions with counsel for J. Michael Baxley related to separation from Santee Cooper. A settlement agreement

was executed, and associated payment was made from Santee Cooper to J. Michael Baxley.

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:

- Opened Retail offices on June 1, 2020
- Amended travel guidelines to manage out of state travel issues
- Stopped Return to Work pilot due to increase in cases throughout South Carolina
- Added employees to Contact Tracing Team to assist Occupational Health with contact tracing. The three new members completed the John Hopkins online Contact Training course.
- Refined plans for hurricanes if there was a storm during the pandemic including logistics issues such as housing and feeding crews
- Conducted an Emergency Action Plan drill incorporating COVID-19 considerations such as minimal personnel in office, telecommuting and social distancing

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 held internal meetings to discuss implementing the rate freeze. Presentations were made to both the Board of Directors and the Executive Staff. During the Review Period, Santee Cooper continued to develop variance documents.

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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Office of Regulatory Staff

1401 Main Street

Suite 900

Columbia, SC 29201

