



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

South Carolina
Office of Regulatory Staff

July 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 May 18, 2020, through May 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 First RFI to Santee Cooper on June 17, 2020 and received responses from Santee Cooper on July 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 were held during the Review Period to discuss siting and technology requirements, permitting processes, transmission plans, employee needs and load projections. No actions resulted from the internal discussions.

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 several coordination meetings with Central Electric Power Cooperative, Inc. ("Central") occurred during the Review Period. Topics discussed during these meetings included resource planning, the upcoming solar solicitation, review of the Request for Proposal ("RFP"), and Central's participation in the RFP process. Santee Cooper took action to publish the solar RFP on June 5, 2020 (outside of the Review Period). The solar RFP appears to contain the structure described in the Santee Cooper Act 95 Reform Plan Appendix 8.2.4.

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 worked collaboratively with Dominion Energy South Carolina, Inc., Southern Power Company and Southern Company Services, Inc. to develop Memorandums of Understanding ("MOU") and Mutual Non-Disclosure Agreements ("NDA"). No actions resulted from the collaboration and the terms of the MOUs and NDAs are under development.

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 the Executive Energy Management Committee ("EEMC") met during the Review Period. The EEMC reviewed coal stockpile volume, market update, fuel risk, solid fuel update, purchase power updates, fuel forecasts and value projections that included actual values from April 2020. Three (3) coal procurement options were presented for consideration to the EEMC for the time period 2021 through 2024. The EEMC approved the recommended Option 3 and gave instruction to take the July update projections into consideration as contracts are being negotiated to ensure that Santee Cooper does not further exceed the procedural procurement limits.

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 entered multiple natural gas hedge positions for the balance of 2020 through the end of 2024 prior to the Review Period. The only action that was taken during the Review Period was executing a single intra-month financial hedge. In addition, Santee Cooper provided ORS with information related to heating oil hedge positions. Act 135 Section 11 does not require ORS to review this information on a monthly basis and, as a result, ORS does not make a determination about Santee Coopers heating oil hedging positions.

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. During the Review Period, Santee Cooper and Central met to coordinate assumptions for the joint resource plan as required under Act 135 Section 11 (D).

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 200 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 began discussions with bank facilities regarding renewing agreements that will expire in 2020. No action resulted from this activity.

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 on two claims: 1) to finalize documentation of a settlement with Westinghouse Electric Company, LLC and 2) discussions with counsel for J. Michael Baxley on the potential to settle claims related to separation from Santee Cooper. No actions resulted from these activities and discussions continue.

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 engaged in 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:

- Developed and implemented a wellness check procedure
- Developed and implemented plans for social distancing: work-from home options, staggered shifts and team shifts to limit exposure
- Monitor employees that have been exposed or potentially exposed to COVID-19
- Developed and implemented a program to monitor employee travel
- Developed and implemented a deep cleaning and sanitizing process
- Established a relationship with medical facilities to test employees
- Developed a phased re-entry plan for returning employees
- Participated in conference calls and information exchange with other utilities, SC Emergency Management Division and SC Department of Health and Environmental Control

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 with the purpose of preparing employees, utility systems and the Board of Directors related to development of a plan to implement the rate freeze. During the Review Period, Santee Cooper began to design a model to evaluate revenue variances between the rate freeze and normal rate adjustments.

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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