



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

South Carolina
Office of Regulatory Staff

September 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 July 1, 2020, through July 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 Third RFI to Santee Cooper on August 17, 2020 and received responses from Santee Cooper on September 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 worked with consultant, nFront Consulting ("nFront"), and Central to draft responses to bidder questions related to the Request for Proposal ("RFP") issued on June 5, 2020. Non-disclosure agreements were executed with select bidders and bidder responses to the RFP were received electronically on July 30, 2020. nFront summarized the responses and provided the summary to Central. A presentation was made to the Santee Cooper Board on July 31, 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 met with Dominion Energy South Carolina, Inc. ("Dominion") on July 20, 2020 to conduct a joint dispatch study. Santee Cooper and Dominion contracted with Power Cost, Inc, ("PCI") to conduct studies to calculate the potential savings of operating a joint dispatch fleet compared to each utility operating independently. Although not part of a joint dispatch scenario, Santee Cooper executed a number of transactions with Dominion during the Review Period to purchase power below Santee Cooper's incremental costs.

Santee Cooper and Dominion held a focus meeting on July 2, 2020 to discuss the scope of a small pilot project associated with hazard tree cutting. Follow up meetings were held on July 8 and July 13 to determine the utility that would be responsible for cutting trees on a specific corridor. Santee Cooper cut eight hazard tree locations on Dominion right-of-way on July 14 and July 16. Dominion cut three hazard tree locations on Santee Cooper right-of-way on July 23. Santee Cooper continues to pursue additional pilot project opportunities with Dominion.

During the Review Period, Santee Cooper identified initial areas of discussion with Southern Power Company and Southern Company Services, Inc. (collectively "Southern") to define objectives and internal staff team leaders in accordance with the Memorandum of Understanding. Different technical groups within Santee Cooper and Southern held initial calls during the Review Period to develop Milestone dates. 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 entered into a new coal supply agreement with Alliance Coal, LLC ("Alliance") and completed the execution of the amended coal transportation contract with CSX Transportation, Inc. The terms of these contracts do not exceed five (5) years. The

agreement with Alliance 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 Santee Cooper secured twenty-five percent of the required natural gas pipeline capacity for the Rainey Combined Cycle plant for the period of November 2020 through March 2021.

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. 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 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) 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 and continued to work with other banks to renew agreements.

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.

On July 17, 2020, Santee Cooper filed a memo in support of the plaintiffs' motion for Final Approval of Class Action Settlement in the matter of Cook v. Santee Cooper, et al. On July 20, 2020, Santee Cooper attended a hearing on the Plaintiffs' Motion for Final Approval of Class Action Settlement. A final order approving the class action settlement was entered by the Court on July 31, 2020.

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:

- Added employees to Contact Tracing Team to assist Occupational Health with contact tracing. The new members completed the John Hopkins online Contact Training course.
- Implemented hurricane plans for Hurricane Isaias.
- Implemented mandatory facial covering policy at facilities.
- Continued researching saliva testing options for critical employees.
- Surveyed all supervision to determine if any issues regarding current schedules.
- Expanded wellness checks to additional facilities.

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. On July 31, 2020, a presentation was made to the Board of Directors on changes to rate freeze implementation after the Cook Settlement was approved. 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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