



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

South Carolina
Office of Regulatory Staff

March 1, 2021

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 December 1, 2020, through December 31, 2020 (“Review Period”).

Act 135 allows the Santee Cooper Oversight Committee (“SCOC”) 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 has not audited or verified the appropriateness, accuracy or completeness of the actions undertaken by Santee Cooper. Further, this Report, and all associated analyses, are based upon the information and attestations made by Santee Cooper and in reliance that the responses provided by Santee Cooper are full and accurate responses. ORS conducted the review contained in this Report in reasonable reliance upon the information provided by Santee Cooper. Moreover, ORS did not retain outside legal or financial experts to assist with the review contained in this Report. Through this Report, ORS makes no comment regarding actions taken by Santee Cooper related to the Cook Settlement, Act 135 Section 11(A).

ORS determined Santee Cooper did not take action that violated the terms contained in Act 135 Section 11 subsection E during the Review Period. However, it is important to note that, on February 22, 2021, Santee Cooper notified ORS that it intended to request that its Board approve an interest rate swap management policy, and the Board approved the policy on February 24, 2021.¹ Santee Cooper states that the swap policy is intended to provide guidelines and guardrails for management of such swaps and that it will allow Santee Cooper to begin to negotiate International Swaps and Derivative Association (“ISDA”) master agreements with potential counterparties. Santee Cooper further advised that the swap policy would require Board approval of individual transactions. Santee Cooper has expressed its belief that Act 135 does not permit it to enter into interest rate swaps² but states that these actions are preparatory in nature and that no financial commitments will be made. In light of these actions and the permissible activity under Act

¹ February 22, 2021, E-mail Subject: Communications to Oversight Committee from Pamela Williams to Nanette Edwards, Dawn Hipp, and Andrew Bateman.

² Santee Cooper also reported that Bond Counsel has advised such swaps are not consistent with the provisions of Act 135. https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/_pdfs/20210216_CRI_Supplement_Combined_PDF.pdf

135, ORS recommends that the SCOC review and provide further instruction to ORS and Santee Cooper regarding whether planning efforts related to interest rate swaps, the adoption of an interest rate swap management policy, and the negotiation of ISDA master agreements are permissible under Act 135.

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 SCOC.

ORS issued the Eighth RFI to Santee Cooper on January 15, 2021 and received responses from Santee Cooper on January 29, 2021.

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 the retirement of Winyah Generating Station ("Winyah") including the system support provided by 20 megawatts ("MW") of diesel generators from the abandoned V.C. Summer Units 2 & 3 project. On December 7, 2020, the Santee Cooper Board of Directors ("Board") approved the construction of 20 MW of diesel generators in the Horry-Georgetown Area.

Following the Board's approval, Santee Cooper executed a Purchase and Sale Agreement on December 8, 2020, for the purchase of a site in Horry County for the approved construction of the 20 MW of generation. Santee Cooper reported that, prior to purchasing the site in Horry County, it considered constructing the generating facilities on the former Grainger Generating Station ("Grainger") site. However, Santee Cooper elected not to pursue this option because the Grainger site would have required a new switching station at a cost of approximately \$3 million and the site experiences flooding that would have required site work to increase the elevation for the equipment. Santee Cooper further stated that the purchased site connects to an existing substation and does not require significant site work.

Santee Cooper reports that it continued to discuss siting and technology requirements, permitting processes, and scheduling for generation resources required as system support for the planned retirement of Winyah, specifying that the focus was on the 20 MW system support at the Horry County Site, and that "no actions were taken on any other new generation." Permitting activities for the Horry County Site during the Review Period includes finalizing the report on site selection and receiving near-final reports on environmental assessment for the site. Santee Cooper further states that, with the retirement of Units 3 and 4, additional transmission support is needed through the construction of four transmission projects, which will enter service at varying times from 12/1/2020 through 3/31/2022 and which will have a total estimated cost of approximately \$22.2 million. Santee Cooper also reported that it continues to work on the Winyah Station Staffing Plan to address the need for fewer employees at Winyah due to unit retirements.

On December 23, 2020, Santee Cooper filed its 2020 Integrated Resource Plan ("IRP") with the State Energy Office. The IRP includes a discussion of near term resource actions including activities and expected timeline relating to closing and decommissioning Winyah. The IRP discusses the decommissioning dates for Winyah units specifying that Unit 4 would be idled by the winter of 2020/2021, Unit 3 by the winter of 2021/2022, and fully retiring all four Winyah coal units by 2027. The IRP also reflects the addition of 20 MW of diesel generators in 2022 prior to idling Unit 3.

As discussed further below, on January 25, 2021, the Santee Cooper Board approved an experimental rate schedule to serve Century Aluminum Company, Inc. ("Century") pursuant to an agreement to provide electric service to Century's Mt. Holly facility through December 31, 2023. As part of this agreement, Santee Cooper would continue to operate Unit 3 until 2023, as opposed to idling the Unit at the end of 2021 as currently proposed in the 2020 IRP.

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.

As referenced in ORS's December 31, 2020 Report, it is unclear if the activities undertaken by Santee Cooper in prior review periods related to planning and permitting for a natural gas combined cycle or other major generation resource are authorized by Act 135. Although Santee Cooper reports in its November and December Review Periods that it has suspended work on the natural gas combined cycle unit, ORS recommends the SCOC review and provide further instruction to ORS and Santee Cooper if planning efforts that include natural gas combined cycle or other major generation resources are allowable under Act 135.

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 during the Review Period. Santee Cooper and Central held multiple conference and individual calls to discuss purchased power agreement ("PPA") terms and discuss negotiation strategies. Throughout the Review Period, Santee Cooper held multiple discussions with several potential counterparties to negotiate PPA terms. On December 7, 2020, the Santee Cooper Board voted to authorize management to execute PPAs resulting from the solar Request for Proposals ("RFP"). On December 29, 2020, Santee Cooper executed PPAs with a counterparty. At its Board meeting on January 25, 2021, Santee Cooper reported that it has jointly entered into PPAs for 5 projects for an aggregate capacity of 425 MW, of which Santee Cooper's share is 117 MW.³

In its 2020 IRP, Santee Cooper indicates that following the execution of PPAs for the initial 500 MW, PPAs for an additional 1000 MW of solar resources will be secured over 2023-2032 period.

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 Santee Cooper January Board of Directors meeting, <https://vimeo.com/504336262> at 3:34:00.

(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 enhanced existing hourly and daily energy bid and offer process to identify opportunities to enter into bilateral transactions (buy and sell energy) with Dominion Energy South Carolina, Inc. ("Dominion"). During the Review Period, one (1) transaction was executed totaling 1,450 MWh.

During the Review Period, Santee Cooper reports no activities were taken regarding joint Right of Way operations with Dominion. Santee Cooper and Dominion personnel will begin meeting and coordinating in the first quarter of 2021 to more fully plan out a joint herbicide application.

Santee Cooper continued the evaluation of opportunities to obtain gypsum from Dominion at lower costs to fulfill contract requirements. Currently, Santee Cooper purchases gypsum externally to meet contract requirements when Santee Cooper facilities do not produce sufficient volumes. During the November review period, Santee Cooper had requested approval from the SC Department of Health and Environmental Control ("SCDHEC") for a permit to allow a test of Dominion gypsum from Williams Station. The material will be processed through Santee Cooper's wash plant, and the final product will be evaluated for compliance with contract specifications. Santee Cooper is awaiting approval from SCDHEC and no action was taken to purchase gypsum from Dominion during the Review Period.

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 continued to work together to develop mutually beneficial opportunities.

- The Procurement team held a call with Southern focused on transmission and distribution commodities. A review of bid schedules is in progress to determine if a joint purchasing pilot can be conducted in 2021. Upon completion of the review, the teams plan to focus on generation commodities.
- The Generation Technical Services and Asset Management teams continued discussions on expanding and enhancing monitoring and diagnostics. Analysis of materials and product offerings from various vendors is ongoing. Product benefits of a potential vendor identified during the Review Period are being explored.

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 executed an amendment to the current contract with Foresight Coal Sales, LLC ("Foresight") to increase the 2021 coal volume range at a lower price. In its response to ORS's Sixth RFI, Santee Cooper specified that the purpose of the amendment was to address the higher projected coal burns for 2021 than what was identified in the Reform Plan, and that the approximate savings would be \$1.2 million based on the Reform Plan projections. Santee Cooper states that the resulting contract amendment will only apply to 2021 and reported no contractual amendments to date for 2022 or 2023.

Santee Cooper reports on-going discussions with one of its industrial customers, which could result in additional demand to its electric system. In order to secure the pricing associated with serving the customer's incremental demand, Santee Cooper states that it entered into negotiations with an existing coal supplier for increased coal volumes in 2021-2023.

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 continued implementing its repositioning strategy on natural gas hedge positions for purchases in 2022 and 2023. Santee Cooper's 2020 October Fuel Dispatch (2021 Budget), projected less natural gas consumption in comparison to the Reform Plan (2020 Budget) projections. Santee Cooper states that the repositioning strategy will sell enough contracts to lower its hedge volumes below 100% for those months that it has excess and will purchase contracts for months that were already below 100%, with a desired outcome of reaching 100% coverage in each month through 2024. The purchases result in a projected savings of \$35,398 compared to the Reform Plan projections.

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 completed the study report of its annual transmission planning assessment during the Review Period. Santee Cooper's 10-Year Transmission System Improvement Plan (a list of its planned transmission investments over a 10-year horizon) was updated based on the studies and evaluations presented in the study report. The list was also included in Santee Cooper's 2020 IRP. No other actions were taken during the Review Period.

As discussed previously in the section regarding Winyah Generating Station Closing & Decommissioning, Santee Cooper's 2020 IRP discusses the planned upgrades to existing transmission facilities and new facility construction required to facilitate the retirement of Winyah. The 2020 IRP also includes a section on natural gas transportation planning, and indicates its future plan to "identify pipeline facilities and associated costs and charges to supply natural gas to a new generating site and, as warranted, conduct planning, feasibility, engineering, and permitting studies to develop natural gas pipeline facilities."

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 the rate freeze period for 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 managed bank facility agreements for two types of short-term products (Commercial Paper and Revolving Credit Agreements) during the Review Period. The total balances for the Santee Cooper bank facility program decreased by \$31,075,000 in the month of December. Santee Cooper indicates the decrease was a result of \$5,020,000 in Economic Development loan payments and a pay down of \$26.6 million in working capital for coal stockpile management. Santee Cooper indicates the management of the bank facility agreements facilitates day-to-day financing needs.

On December 7, 2020, the Santee Cooper Board approved a resolution to transact a defeasance in December 2020. On December 17, 2020, Santee Cooper closed on the defeasance in the amount of \$59,998,164.50 that was funded with \$15 million from the Capital Improvement Fund ("CIF") and \$44,998,164.50 from the Revenue Fund. Santee Cooper defeased the following bonds that mature on December 1, 2021:

2011 Refunding Series B	\$38,490,000
2012 Refunding Series A	5,715,000
2012 Tax-Exempt Series D	1,655,000
2015 Tax-Exempt Refunding & Improvement Series A	11,335,000

Santee Cooper indicates the debt defeasement was part of the Santee Cooper ongoing debt and financial management plans. Santee Cooper reported that the defeasance did not result in new money proceeds or the refunding of existing debt; therefore, no demonstration of present value savings is required. Santee Cooper indicated in response to additional ORS questions on February 1, 2021, the debt defeasance did not extend the average life of Santee Cooper's debt.

During the Santee Cooper Board of Director's meeting on December 7, 2020, the Board approved and authorized the 2021 Budget and approved the 2022 and 2023 Budgets for planning purposes. The financial plans used by Santee Cooper to develop the 2021 – 2023 budgets incorporate the following debt plan:

- Proceeds from new money revenue obligation bond issuances as follows:
2021: \$100 million

2022: \$241 million

- Refundings as follows:
2021: \$174 million
2023: \$1,048 million
- Projected receipt of \$100 million in nuclear asset sale proceeds in 2021 used to call existing debt. When an actual sale takes place proceeds can be used to call existing debt or used towards other qualifying projects to avoid debt issuance.
- Maintain current bank facility capacity of \$850 million during this timeframe.
- Cash defeasance - \$60 million cash defeasance of 2021 maturities (executed in December 2020) and \$100 million cash defeasance that will be executed at the end of 2022 for 2023 maturities.
- Projected transfer of \$100 million into the Debt Reduction Fund to pay a portion of an upcoming 2023 bullet maturity. On December 7, 2020, the Santee Cooper Board approved a resolution approving the transfer of \$85 million from the CIF to the Debt Reduction Fund to be earmarked for the 2023 maturity.

Santee Cooper Supplemental Responses to ORS received on February 16, 2021

On January 15, 2021, Santee Cooper provided several supplemental responses to ORS related to the review performed by ORS in response to the letter dated October 29, 2020, from the SCOC. Santee Cooper indicated that it continues to evaluate the capital budget and projects to determine tax-exempt eligibility of project expenditures to be funded with the new money proceeds from the 2020A bond issuance. Santee Cooper determined that the CIF should be reimbursed for \$15.8 million in tax-exempt expenditures from September through December 2020. The reimbursement of the CIF was scheduled for January 11, 2021. The project detail of the reimbursement prepared by Santee Cooper is reflected below:

Distribution System	\$ 8,566,677.94
VC Summer 1	3,401,750.28
Winyah Generating Station	649,258.82
Rainey Generating Station	3,216,315.98
	<hr/>
	\$ 15,834,003.02

The remaining proceeds from the 2020A bond issuances will be used toward tax-exempt qualified projects in 2021. A tax analysis of potential projects based on budgeted cash flows was completed and Santee Cooper indicates it plans to use the remaining proceeds on capital projects including improvements to existing power supply facilities, improvements to the distribution system, as well as other general improvements to the system. Santee Cooper plans to initially pay expenditures from the CIF and then

reimburse the from debt proceeds. Expenditures and reimbursements are expected to be completed between January and October 2021.

Santee Cooper reports that it discussed the impact of the 2020AB bond transaction with stakeholders including Central, the Senate Judiciary and Finance Committees, and various legislative staff members.

Santee Cooper provided ORS with two presentations given by Santee Cooper to two different Senate Committees (February 2 and February 8, 2021). Both presentations provided information related to the use of interest rate swaps to achieve refinancing savings. Santee Cooper expressed a belief that interest rate swaps would require express permission by the SCOC.

On February 22, 2021, Santee Cooper notified ORS that it intended to request its Board to approve an interest rate swap management policy, and the Board approved the policy on February 24, 2021.⁴ Santee Cooper states that the swap policy is intended to provide guidelines and guardrails for management of such swaps and that it will allow Santee Cooper to begin to negotiate International Swaps and Derivative Association (“ISDA”) master agreements with potential counterparties. Santee Cooper further advised that the swap policy would require Board approval of individual transactions. Santee Cooper has expressed its belief that Act 135 does not permit it to enter into interest rate swaps⁵ but states that these actions are preparatory in nature and that no financial commitments will be made. On February 24, 2021, ORS requested Santee Cooper provide additional details about the planning actions taken by Santee Cooper related to interest rate swaps. As of March 1, 2021, a complete response to ORS’s questions has not been received from Santee Cooper.

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. In light of Santee Cooper’s preparatory actions on interest rate swaps and the permissible activity under Act 135, ORS recommends that the SCOC review and provide further instruction to ORS and Santee Cooper regarding whether planning efforts related to interest rate swaps, the adoption of an interest rate swap management policy, and the negotiation of ISDA master agreements are permissible under Act 135.

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

⁴ February 22, 2021, E-mail Subject: Communications to Oversight Committee from Pamela Williams to Nanette Edwards, Dawn Hipp, and Andrew Bateman.

⁵ Santee Cooper also reported that Bond Counsel has advised such swaps are not consistent with the provisions of Act 135. https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/_pdfs/20210216_CRI_Supplement_Combined_PDF.pdf

ORS's review of the information provided by Santee Cooper indicates Santee Cooper engaged in settlement discussions with opposing party representatives.

On December 4, 2020, in *Daisey Godfrey and William Godfrey v. South Carolina Public Service Authority* (Case No.: 2020-CP-22-00934), Santee Cooper filed an Answer in response to the Complaint filed in Georgetown County on November 13, 2020.

On December 7, 2020, in *Goose Creek v. South Carolina Public Service Authority* (Case No. 2020-CP-08-00821) a consent motion to stay appeal was filed with the S.C. Supreme Court and S.C. Court of Appeals. Santee Cooper also reports that, during the review period, it engaged in multiple discussions with Century to execute a new service agreement, which would resolve the outstanding litigation with the City of Goose Creek as well as the pending litigation in *Century Aluminum v. South Carolina Public Service Authority* (Case No. 2020-CP-08-00955).

On December 8, 2020, in *City of Goose Creek, South Carolina v. South Carolina Public Service Authority* (Docket No. EL20-33-000), FERC issued an order providing notice of FERC's intent not to act pending the ongoing proceedings on the question of whether the Mt. Holly aluminum smelter is located within the retail service territory of Santee Cooper.

On December 14, 2020, in *South Carolina Public Service Authority v. Gunsight Solar, LLC* (Case No. 3:20-cv-03913-JMC), Santee Cooper filed its reply to counterclaim and motion to strike. On December 21, 2020, Gunsight filed a motion for partial summary judgment.

During the Review Period, in *Estate of Michael Curry and Sandra Curry v. South Carolina Public Service Authority* (Case No. 2020-CP-08-01573), the plaintiff requested to continue Santee Cooper's Motion to Dismiss hearing until February, in which Santee Cooper concurred.

During the Review Period, in *George M. Hearn Jr., on Behalf of Himself and All Others Similarly Situated v. South Carolina Public Service Authority d/b/a Santee Cooper* (Case No: 2017-CP-26-05256), potential mediation dates were discussed.

During the Review Period, in *Murry C. Turka v. South Carolina Public Service Authority* (Federal Case No. 2:19-cv-1102-RMG), Santee Cooper held additional negotiation of settlement agreement and documented the settlement in principle reached on November 20, 2020. During the January 25, 2021, Board Meeting,⁶ the settlement administrator costs was set at \$35,000 and the settlement was approved.

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.

⁶ Santee Cooper January Board of Directors meeting, <https://vimeo.com/504336262> at 3:17:15.

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, SCDHEC, National Center for Disease Control, other utilities, local and state ordinances and other information.

In addition to the actions of the CIMT, Santee Cooper reported that, during the Review Period, it began drafting a vaccination plan and, during the January 25, 2021 Board Meeting, it was stated that Santee Cooper was developing a vaccine rollout plan for its employees, consistent with State and Federal Guidance.

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 during the July 31, 2020, Board Meeting. Santee Cooper held internal discussions to finalize the internal process for identifying and evaluating potential settlement exceptions as defined in the Cook Settlement Agreement.

As discussed previously in the section regarding Winyah Closing & Decommissioning, during the January 25, 2021 Board Meeting, the Board approved an experimental rate schedule based on Rate L-17 to serve Century, which would become effective April 1, 2021, as part of a new electric service agreement between Santee Cooper and Century if approved by the SCOC. By letter dated February 1, 2021, Santee Cooper requested

the SCOC approve this agreement and, if approved, the service agreement will need to be finalized and approved by the Board prior to its implementation. Santee Cooper indicated during the Board Meeting that the experimental rate schedule would not be subject to the Rate Freeze contained in Section 11 subsection E (11) of Act 135; however, Santee Cooper has not provided ORS with the experimental rate schedule for Century or the associated agreement and, therefore, ORS does not have sufficient information to determine if or how the proposed agreement would affect the Rate Freeze.

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. The Review by ORS does not evaluate overall compliance with the *Cook* settlement in accordance with Act 135 Section 11(A).

However, ORS notes that Santee Cooper provided limited information to ORS regarding the proposed Century agreement that was approved by the Board on January 25, 2021, outside of the current Review Period. Therefore, ORS is unable to determine whether the agreement would potentially affect the Rate Freeze, thereby violating Section 11 subsection E(11).

ORS Review of Information provided by Santee Cooper to ORS Outside of the Review Period

Santee Cooper has provided ORS with additional information outside of the process established by ORS to complete the monthly reviews required by Act 135. ORS provides a brief summary of the information provided by Santee Cooper below:

- February 1, 2021: Santee Cooper provided (via email) to ORS a copy of a document detailing Santee Cooper's broadband activities and a document titled "Correcting Falsehoods from Gullah Geechee and Small Business Chambers Final" which was sent to the SCOC, Advisory Board, and members of the General Assembly.
- February 5, 2021: Santee Cooper provided (via email) to ORS a copy of a PowerPoint presentation, which Santee Cooper gave to members of the Senate Finance Committee Santee Cooper Review and Policy Subcommittee on February 8, 2021.
- February 10, 2021: Santee Cooper provided (via email) to ORS a copy of a summary document of the 2019 Black & Veatch report on Santee Cooper Operations sent to Governor Henry McMaster.
- February 17, 2021: Santee Cooper provided (via email) to ORS a PowerPoint presentation regarding the appointment of Santee Cooper's external auditor, which presentation Santee Cooper gave to the Santee Cooper Advisory Board on February 18, 2021.

- February 22, 2021: Santee Cooper provided (via email) to ORS a copy of a document titled “Santee Cooper Capital Investments are Healthy and Appropriate,” which discussed its capital investment program. Santee Cooper also provided a document titled “Correcting Club for Growth. Santee Cooper Delivers Benefit to South Carolina.” These documents were sent to the SCOC and members of the General Assembly. Santee Cooper also advised that, at its February 24, 2021, meeting, the Santee Cooper Board would review recommendations for Broadband Rates, Terms and Conditions, and Process. Santee Cooper also advised that the Board would consider (1) the approval of an interest rate swap management policy, and (2) a report on Santee Cooper’s activities to prepare for and react to weather-related impacts on the system.
- February 25, 2021: Santee Cooper provided (via email) to ORS a copy of the meeting materials for the Special Called Telephonic Meeting of the Santee Cooper Board held on February 24, 2021.
- February 26, 2021: Santee Cooper provided (via email) to ORS a copy of a letter dated February 1, 2021, in which it requested the SCOC to approve its new electric service agreement with Century to the Mt. Holly smelter in Goose Creek as discussed further above.
- February 26, 2021: Santee Cooper provided (via email) to ORS a copy of a letter dated February 1, 2021, in which it requested the SCOC to authorize Santee Cooper to transact natural gas hedges beyond the limits of Act 135 and to secure a portion of its projected natural gas requirements via a fixed price futures/swap. In making this request, Santee Cooper did not specify a time frame in which it would seek to make such fixed price futures/swaps, but generally identified natural gas prices and potential futures/swap contracts through 2031.
- February 26, 2021: Santee Cooper provided (via email) to ORS two documents. One document is entitled Overview of Santee Cooper Interest Rate Swap Activity in partial response to questions posed by ORS on February 24, 2021. The other document is a copy of a letter dated February 26, 2021, in which Santee Cooper informs the SCOC of the actions the Board took to adopt an Interest Rate Swap Management Policy.

ORS.SC.GOV

Office of Regulatory Staff

1401 Main Street

Suite 900

Columbia, SC 29201

