



**Review of South Carolina Public Service  
Authority Pursuant to a Request from the Santee  
Cooper Oversight Committee Pursuant to Act  
135, Section 11(E)(8)**

South Carolina  
Office of Regulatory Staff

November 3, 2020

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## Executive Summary

On October 29, 2020, the Santee Cooper Oversight Committee (“SCOC”) members consisting of Governor Henry McMaster, Speaker of the House of Representatives James Lucas, President of the Senate Harvey Peeler, Chairman of the Senate Finance Committee Hugh Leatherman and Chairman of the House Ways and Means Committee Murrell Smith sent a Letter to Dan Ray, Acting Chairman of the South Carolina Public Service Authority (“Santee Cooper”). In the Letter, the SCOC “seeks additional information from Santee Cooper regarding plans to issue new debt and presents shared questions and preliminary concerns whether certain aspects of the transactions, as announced by Santee Cooper, comply with Act 135 of 2020.” Pursuant to the Letter, the SCOC requires Santee Cooper to “‘immediately furnish’ any and all pertinent information and documentation to ORS regarding these transactions to facilitate a prompt review” of the planned transactions. In addition, the SCOC requires Santee Cooper provide “a detailed explanation as to why, and how, you believe that Santee Cooper’s actions are in keeping with both the letter and the spirit of the General Assembly’s mandates in Act 135.”

Pursuant to Act 135, Santee Cooper is subject to monthly reviews by the South Carolina Office of Regulatory Staff (“ORS”) for actions taken under Act 135, Section 11, subsection (E). As a result, ORS diligently reviewed the materials provided by Santee Cooper to comply with the ORS obligations as detailed by Act 135 to make a determination as to whether Santee Cooper violated the terms of Act 135, Section 11, subsection (E). This Report details ORS’s review of the data provided by Santee Cooper in response to the SCOC Letter and ORS’s discovery issued on October 29, 2020.

ORS has not audited or verified the appropriateness, accuracy or completeness of the financial transactions 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), or Santee Cooper’s obligations to the Securities and Exchange Commission.

While Santee Cooper provided no advance disclosure to ORS of any initial plans or preparations to issue or refund debt, ORS determined Santee Cooper did not take action that violated the terms contained in Act 135, Section 11, subsection (E)(8). A review of the responses previously provided to ORS by Santee Cooper related to Santee Cooper’s

monthly activities under Act 135, Section 11, subsection (E)(8), confirms that Santee Cooper did not include any material information or detail of any monthly activities related to planning or preparations for issuing and refunding debt in the responses to ORS prior to a response provided on October 30, 2020. However, the questions posed to Santee Cooper by ORS were reasonably calculated to elicit information regarding Santee Cooper's preparations to issue and refund debt.

## Scope of ORS Review

Act 135, Section 11, subsection (E), effective May 18, 2020, addresses many operational functions of Santee Cooper that are not impacted by the plans to issue or refund debt. In order to provide a timely review of the information provided by Santee Cooper, ORS limited the scope of its review to specifically address Santee Cooper's compliance with Act 135, Section 11, subsection (E)(8):

*(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*

ORS reviewed the following information to perform the review for this Report:

- Letter sent to Santee Cooper on October 29, 2020 by the members of the SCOC.<sup>1</sup>
- Santee Cooper's response letter dated October 30, 2020 to the SCOC and ORS.<sup>2</sup>
- Information listed in Attachment A to the Santee Cooper response letter.<sup>3</sup>
- Santee Cooper responses to ORS First, Second, Third, Fourth and Fifth Request for Information ("RFI") for the Review Periods ending May 31, June 30, July 31, August 31 and September 30, 2020.<sup>4</sup>
- Santee Cooper responses to ORS RFI dated October 30, 2020.<sup>5</sup>

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<sup>1</sup> [https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/\\_pdfs/2020.10.29-Oversight-Committee-to-Acting-Chmn.-Ray-re-Act-135.pdf](https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/_pdfs/2020.10.29-Oversight-Committee-to-Acting-Chmn.-Ray-re-Act-135.pdf)

<sup>2</sup> [https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/\\_pdfs/Santee-Cooper-Letter-and-Exhibits-Oversight-Committee-2020.10.30.pdf](https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/_pdfs/Santee-Cooper-Letter-and-Exhibits-Oversight-Committee-2020.10.30.pdf)

<sup>3</sup> [https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/\\_pdfs/Santee-Cooper-Letter-and-Exhibits-Oversight-Committee-2020.10.30.pdf](https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/_pdfs/Santee-Cooper-Letter-and-Exhibits-Oversight-Committee-2020.10.30.pdf)

<sup>4</sup> ORS Monthly Reports <https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/Index.aspx>

<sup>5</sup> [https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/\\_pdfs/SanteeCooperResponse110220.pdf](https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/_pdfs/SanteeCooperResponse110220.pdf)

ORS reasonably and necessarily relies on the verifications, disclosures, opinions and attestations provided by Santee Cooper and those entities providing financial and legal services to Santee Cooper related to issuing and refunding debt.

## **ORS Review of Section 11, subsection (E)(8)**

### **Overview of Santee Cooper Plans to Issue and Refund Debt**

ORS's review of the information provided by Santee Cooper indicates Santee Cooper announced plans to issue and refund the following debt on October 28, 2020:<sup>6</sup>

- \$338,480,000 2020 Tax-Exempt Refunding and Improvement Series A ("2020A Series")
- \$299,725,000 2020 Taxable Refunding Series B ("2020B Series")

Additional detailed information about the issue and refund of the 2020A Series and 2020B Series can be reviewed in the Special Board Meeting Materials on the Santee Cooper website [https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/\\_pdfs/SanteeCooper-Preliminary-Official-Statement-10.20.2020.pdf](https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/_pdfs/SanteeCooper-Preliminary-Official-Statement-10.20.2020.pdf)

### ***Authority to Issue and Refund Debt***

The plans to issue and refund debt are detailed in the Forty-Eighth Series and the Forty-Ninth Series and Supplemental Resolutions to the Revenue Obligation Resolution ("Master Resolution").<sup>7</sup> The Forty-Eighth and Forty-Ninth Series are supplemental resolutions and Santee Cooper is authorized under Section 2.2 of the Master Resolution to authorize additional revenue obligations by Series Resolutions.<sup>8</sup>

The Supplemental Resolutions to the Master Resolution are not prohibited by Act 135, Section 11(E)(8).

### ***Purpose of Issue and Refund of Debt***

Santee Cooper Chief Executive Officer ("CEO") Mark Bonsall discussed the plans to issue and refund debt during the President's Report at the October 19, 2020 Santee Cooper Board Meeting.<sup>9</sup> CEO Bonsall emphasized the primary reasons for the issuing and

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<sup>6</sup> The plans to issue and refund debt were approved by the Santee Cooper Board of Directors on October 28, 2020. Subsequent to Board approval, Santee Cooper issued a press release announcement. <https://www.santeecooper.com/news/2020/102820-Santee-Cooper-Board-approves-638.2M-in-bond-sales.aspx>

<sup>7</sup> October 28, 2020 Telephonic Special Called Meeting – Board of Directors p.32. Santee Cooper Response to CRI.1 received on November 2, 2020. [https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/\\_pdfs/SanteeCooperResponse110220.pdf](https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/_pdfs/SanteeCooperResponse110220.pdf)

<sup>8</sup> South Carolina Public Service Authority Master Revenue Obligation Resolution adopted April 26, 1999 [https://www.santeecooper.com/About/Investors/\\_pdfs/Revenue-Obligations/revenue-obligation-resolution.pdf](https://www.santeecooper.com/About/Investors/_pdfs/Revenue-Obligations/revenue-obligation-resolution.pdf)

<sup>9</sup> Santee Cooper October 19, 2020, Board of Director Meeting Livestream <https://vimeo.com/469740335>. The President's Report presentation is included in Santee Cooper's response to ORS discovery CRI.9. [https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/\\_pdfs/SanteeCooperResponse110220.pdf](https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/_pdfs/SanteeCooperResponse110220.pdf)

refunding of existing debt are to shorten debt life, yield net present value (“NPV”) savings and mitigate risk during the rate lock period. CEO Bonsall further states the \$100 million in new money, part of the 2020A Series issuance, will be used to fund tax-exempt capital improvements and take advantage of low interest rates.

Throughout the materials provided by Santee Cooper to ORS and referenced in Attachment A to the Santee Cooper letter to the SCOC, the purposes of the 2020A and 2020B Series are listed as 1) refund the 2020A and 2020B Refunded Bonds; 2) finance a portion of the costs of the capital improvement program (2020A Series only), and 3) pay certain costs of issuance of the bonds.<sup>10</sup> The Master Resolution provides definitions related to Capital Costs and Capital Improvement Fund:

(a) "Capital Costs" means the Authority's costs of (i) physical construction of or acquisition of real or personal property or interests therein for any project, together with incidental costs (including legal, administrative, engineering, consulting and technical services, insurance and financing costs), working capital and reserves deemed necessary or desirable by the Authority (including but not limited to costs of supplies, fuel, fuel assemblies and components or interests therein), and other costs properly attributable thereto; (ii) all capital improvements or additions, including but not limited to, renewals or replacements of or repairs, additions, improvements, modifications or betterments to or for any project; (iii) the acquisition of any other property (tangible or intangible), capital improvements or additions, or interests therein, deemed necessary or desirable by the Authority for the conduct of its business; (iv) any other purpose for which bonds, notes or other obligations of the Authority may be issued under the Enabling Act or under other applicable State statutory provisions (whether or not also classifiable as an operating expense); and (v) the payment of principal, interest, and redemption, tender or purchase price of (a) any Obligations, Original Bonds, Revenue Bonds, Commercial Paper or other indebtedness issued by the Authority for the payment of any of the costs specified above, including capitalized interest on such indebtedness, or (b) any indebtedness issued by the Authority to refund any indebtedness described in the preceding clause (a).

**SECTION 5.3. Capital Improvement Fund: Expenditures for Capital Improvements.** The Capital Improvement Fund established pursuant to the Indenture shall be continued for so long as any of the Obligations are Outstanding. So long as any of the Original Bonds are Outstanding, the Capital Improvement Fund shall be held by the

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<sup>10</sup> October 28, 2020 Telephonic Special Called Meeting – Board of Directors p.20 and p.105.Santee Cooper Response to CRI.1 received on November 2, 2020.  
[https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/\\_pdfs/SanteeCooperResponse110220.pdf](https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/_pdfs/SanteeCooperResponse110220.pdf)

Trustee under the Indenture, and all the provisions of the Indenture presently applicable to such Fund shall remain in full force and effect. When the Original Bonds are no longer Outstanding, the provisions of the Indenture with respect to the Capital Improvement Fund shall no longer be applicable. After the Original Bonds are no longer Outstanding, moneys and securities in the Capital Improvement Fund shall be transferred by the Trustee under the Indenture to the Authority which shall thereupon be the custodian of the Capital Improvement Fund. So long as any of the Revenue Bonds are Outstanding, the provisions of the Revenue Bond Resolution presently applicable to the Capital Improvement Fund shall remain in full force and effect. When the Revenue Bonds are no longer Outstanding, the provisions of the Revenue Bond Resolution with respect to the Capital Improvement Fund shall no longer be applicable.

The Authority covenants and agrees with the holders of the Obligations that it will deposit in the Capital Improvement Fund from the Revenues in each Fiscal Year such amount as the Board of Directors of the Authority shall determine, provided, however, that in each Fiscal Year there shall be deposited into the Capital Improvement Fund an amount at least equal to the Minimum Capital Improvement Requirement, defined as follows: an amount which, together with the amounts deposited in the Capital Improvement Fund in the two immediately preceding Fiscal Years, will be at least equal to eight per cent (8%) of the Revenues required by this Resolution to be paid into the Revenue Fund in the three immediately preceding Fiscal Years.

There may be considered as a payment toward fulfillment of the Minimum Capital Improvement Requirement any payments credited to the Capital Improvement Fund under the provisions of the Indenture and the Revenue Bond Resolution.

So long as any of the Original Bonds or Revenue Bonds are Outstanding, moneys in the Capital Improvement Fund shall be used for the purposes specified in the Indenture and the Revenue Bond Resolution, as the case may be. After all Original Bonds or Revenue Bonds are no longer Outstanding, the moneys on deposit in the Capital Improvement Fund shall be used solely to pay Capital Costs.<sup>11</sup>

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<sup>11</sup> South Carolina Public Service Authority Master Revenue Obligation Resolution adopted April 26, 1999 p.1 and pp.24-25  
[https://www.santeecooper.com/About/Investors/\\_pdfs/Revenue-Obligations/revenue-obligation-resolution.pdf](https://www.santeecooper.com/About/Investors/_pdfs/Revenue-Obligations/revenue-obligation-resolution.pdf)

The Preliminary Official Statement (“POS”) provides additional details as to the use of the funds generated from the issuance of the 2020A Series and indicates Santee Cooper “expects to issue approximately \$460 million of debt in 2021 through 2023 to finance costs of the projects and expenditure in the capital improvement program.” The POS lists projected estimates for the “total cost of the capital improvement program for 2021 through 2023 at approximately \$939 million, which includes approximately \$148 million for environmental compliance expenditures, approximately \$8 million for FERC relicensing expenses, approximately \$136 million for the resource plan, approximately \$69 million for certain transmission projects and approximately \$578 million for general improvements to the system.”<sup>12</sup> Santee Cooper, in response to ORS discovery question CRI.2, identified the following projected expenditures from the capital improvement program:

Environmental Compliance – The projected expenditures are primarily related to ash ponds and solid waste landfill projects which are necessary to maintain compliance with environmental regulations.

Resource Plan - Santee Cooper is in the process of updating its resource plan in conjunction with Central Electric Cooperative. Our plans include capital needs for installing quick start capability needed for system support, prior to idling the first two Winyah units by 2023. It is also anticipated that Santee Cooper will require natural gas-fired generation capacity once Winyah Generating Station is fully retired by 2027. Capital expenditures related to this natural gas resource are likely to be incurred beginning in 2022.

FERC Relicensing - Santee Cooper also operates its Jefferies Hydro Station and certain other property, including the Pinopolis Dam on the Cooper River and the Santee Dam on the Santee River, which are major parts of our integrated hydroelectric complex, under a license issued by the FERC pursuant to Federal Power Act (“FPA”). The project is currently undergoing relicensing and this process includes certain capital expenditures. In 2021-2023, capital expenditures will primarily address dam stability upgrades, property improvements to improve public access and utilization of the lakes, fish monitoring at the Pinopolis Dam, and beginning studies on water quality related to increasing flows in the Santee River.

In addition to the expenditure categories listed above, Santee Cooper also projects general improvements to its system, including improvements to existing power supply facilities, extensions of and improvements to the transmission and distribution system, and other

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<sup>12</sup> Preliminary Official Statement Dated October 20, 2020 and Supplement Dated October 23, 2020 p.16 [https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/\\_pdfs/SanteeCooper-Preliminary-Official-Statement-10.20.2020.pdf](https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/_pdfs/SanteeCooper-Preliminary-Official-Statement-10.20.2020.pdf)

general improvements. These capital expenditures are necessary to ensure the system maintains the ability to provide safe and reliable service to our customers and to maintain compliance with a variety of regulations.

The \$100 million in new money proceeds will be used to fund a portion of the tax-exempt expenditures of some of the projects mentioned above. We have not determined the specific projects that the funds will be applied to and therefore, the in-service date will depend on the specific projects these funds are used toward.

Based on the information provided by Santee Cooper, it appears the overall capital improvement plan projection estimates for Santee Cooper have increased in comparison to the projections cited by Santee Cooper in response to the SCOC and included in the 2019 Tax-Exempt Refunding Series A, the POS, dated November 6, 2019. Specifically, the projected estimates for the resource plan have increased from the 2019 projection of \$70 million to \$136 million identified in the POS for the 2020A Series issuance.

Act 135, Section 11(E)(8) addresses the issuing or refunding debt “[a]s necessary to manage day to day operations and financing needs.” Therefore, the stated purpose for the issue and refund of debt does not conflict with Act 135, Section 11(E)(8).

### ***Creation of Net Present Values Savings or Mitigation of Risk***

According to the inter-office communication to the Board of Directors from Chief Financial Officer, Ken Lott, the “refundings are projected to produce approximately \$133 million of net present value debt service savings” and Bank of America Securities verified the calculation on October 27, 2020, of the NPV savings.<sup>13</sup> ORS requested through discovery and received from Santee Cooper the calculation and supporting documentation for the calculation of the NPV savings and ORS reasonably and necessarily relies on the calculations by Bank of America.<sup>14</sup>

The Santee Cooper response to the SCOC indicates that risk mitigation is a consideration related to the issuance and refund of existing debt – “[i]f we did not move expeditiously to execute this transaction, our customers would (i) continue to pay higher rates on \$569.55 million of existing debt and (ii) bear future interest rate risk on the \$100 million new money proceeds.<sup>15</sup> ORS requested through discovery and received the results of a sensitivity analysis from Santee Cooper performed by Public Financial Management (“PFM”) which indicates:

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<sup>13</sup> October 28, 2020 Telephonic Special Called Meeting – Board of Directors p.4 and p.16. Santee Cooper Response to CRI.1 received on November 2, 2020.

[https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/\\_pdfs/SanteeCooperResponse110220.pdf](https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/_pdfs/SanteeCooperResponse110220.pdf)

<sup>14</sup> ORS Request for Information Question CRI.6 and Santee Cooper response received November 2, 2020.

[https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/\\_pdfs/SanteeCooperResponse110220.pdf](https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/_pdfs/SanteeCooperResponse110220.pdf)

<sup>15</sup> Santee Cooper response to the Santee Cooper Oversight Committee dated October 30, 2020. p.2



1. The average of the 10-year US Treasury bond over the past 3 years was 1.276% higher than the rates in effect on the sale date of the taxable bonds in this transaction.
2. The average MMD AAA 10-year index over the past 3 years was 0.844% higher than the index in effect on the sale date of the tax-exempt bonds in this transaction.
3. The overall result if rates on the transactions rose by as much as the taxable and tax-exempt indices averages are higher than current levels, would be overall debt service that was almost \$80 million higher, and NPV of debt service higher by roughly \$60 million.<sup>16</sup>

ORS reasonably and necessarily relies on the sensitivity analysis performed by PFM.

Based on the information provided by Santee Cooper, the refund of debt is permitted by Act 135, Section 11(E)(8) because the refund of debt creates NPV savings and mitigates risk.

### ***Impact to Average Life of the Debt***

According to the Summary of Transactions provided to the Board of Directors during the October 28, 2020 Special Called meeting, Bank of America Securities verified the average life of the debt would be reduced to 12.925 from 21.351.<sup>17</sup> ORS requested through discovery and received the calculation and supporting documentation from Santee Cooper for the calculation of the average life of the debt and ORS reasonably relies on the calculations by Bank of America.<sup>18</sup>

Based on the information provided by Santee Cooper, the refund of debt is not prohibited by Act 135, Section 11(E)(8) because the refund of debt does not extend the average life of the debt.

## **Information Provided Monthly to ORS by Santee Cooper**

### **Process of the ORS Monthly Review**

The process used by ORS to conduct the monthly review of Santee Cooper under Act 135, Section 11(E) is focused on a timely exchange of information and records to meet the monthly review requirement of Act 135.

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<sup>16</sup> ORS Request for Information Question CRI.8 and Santee Cooper response received November 2, 2020.

[https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/\\_pdfs/SanteeCooperResponse110220.pdf](https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/_pdfs/SanteeCooperResponse110220.pdf)

<sup>17</sup> October 28, 2020 Telephonic Special Called Meeting – Board of Directors p.14. Santee Cooper Response to CRI.1 received on November 2, 2020.

[https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/\\_pdfs/SanteeCooperResponse110220.pdf](https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/_pdfs/SanteeCooperResponse110220.pdf)

<sup>18</sup> ORS Request for Information Question CRI.6 and Santee Cooper response received November 2, 2020. [https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/\\_pdfs/SanteeCooperResponse110220.pdf](https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/_pdfs/SanteeCooperResponse110220.pdf)

The process includes these steps:

- ORS sends Santee Cooper an RFI on a monthly basis.
- Santee Cooper provides 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 requests additional information and documents, as needed.
- ORS interviews, or discusses the Santee Cooper responses with, the individual that prepared the response.
- ORS reviews the information provided by Santee Cooper to determine if Santee Cooper violated any provision of Act 135, Section 11(E).
- ORS provides the findings of the monthly review to Santee Cooper and the Santee Cooper Oversight Committee.

To date, ORS completed four (4) Monthly Reviews under Act 135 for the Review Periods ending May 31, June 30, July 31 and August 31, 2020 and the ORS Reports for each month are posted on the ORS website.<sup>19</sup> Based on the information provided by Santee Cooper to ORS during the Review Periods, ORS determined that Santee Cooper did not violate Act 135, Section 11(E) during the Review Periods.

### ***Santee Cooper Reports of Actions or Steps Taken to Issue or Refund Debt***

Each RFI issued by ORS to Santee Cooper includes the following question and attestation (to be signed by an Officer) which is focused on Santee Cooper's actions or steps taken during the monthly Review Period related to debt and financing activities:

Please provide a detailed description of any and all actions taken by Santee Cooper during the Review Period related to 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.

Response should include, but is not limited to:

- a. Date of action(s)
- b. Detailed description of Santee Cooper action(s)
- c. Status of action(s) – designate as “on-going” or “completed”
- d. Purpose of action(s)
- e. Were the actions detailed above all taken as necessary to manage day-to-day operations and financing needs? Please explain.

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<sup>19</sup> ORS Monthly Reviews of Santee Cooper – Monthly Report to the Santee Cooper Oversight Committee  
<https://ors.sc.gov/regulated-utilities/electric-natural-gas/electric/sc-public-service-authority-santee-cooper>

- f. Did Santee Cooper refund existing debt? If yes, did the refund achieve present value savings or mitigate risk while also not extending the average life of the debt? Please explain.
- g. If existing debt is refunded, please provide the calculations and rationale that demonstrate the refund achieves present value savings or mitigates risk as required by Act 135.
- h. If existing debt is refunded, does it extend the average life of the debt? If yes, please identify how long is the extension and provide the calculation.
- i. If applicable, identify and describe any and all changes from the prior Review Period
- j. Identify and provide the name, title and contact information (phone/e-mail) for individual responsible for the information contained in the response.

ATTESTATION: For the Review Period I, \_\_\_\_\_, attest that the answers provided above are full and accurate and that all steps taken by Santee Cooper to defease debt, issue or refund debt under existing bond resolutions and agreements, and enter into financing arrangements consistent with existing bank facilities, were done only as necessary to manage day-to-day operations and financing needs, including converting variable rate debt to fixed rate debt. I, \_\_\_\_\_, further attest that, to the extent Santee Cooper has refunded debt, it has done so only to achieve present value savings or mitigate risk and did not extend the average life of the debt.

Among other questions, ORS requests in each monthly RFI that Santee Cooper provide copies of all presentations given to the Board of Directors and any subcommittee, Board of Directors meeting minutes and investor communications.

The responses by Santee Cooper to the above questions for the Review Periods ending May 31, June 30, July 31 and August 31, 2020 disclosed no material information related to the issue or refund of debt. In the same Review Periods, Santee Cooper provided ORS with a significant amount of detail related to Santee Cooper’s on-going discussions and actions to renew several expiring bank facilities.<sup>20</sup> During the same Review Periods, Santee Cooper provided a signed Attestation from the Chief Financial Officer, Ken Lott to support that full and accurate information was provided by Santee Cooper for each response to the above question related to debt and financing.<sup>21</sup>

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<sup>20</sup> ORS Monthly Reports <https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/Index.aspx>  
<sup>21</sup> ORS Monthly Reports <https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/Index.aspx>

In the Santee Cooper response to ORS's Fifth RFI for the Review Period September 1 through September 30, 2020, which were received by ORS on October 30, 2020, Santee Cooper only provided the following limited information about refunding activities:<sup>22</sup>

Did Santee Cooper refund existing debt? If yes, did the refund achieve present value savings or mitigate risk while also not extending the average life of the debt? Please explain and provide calculations and rationale that demonstrates this.

No; however Santee Cooper is preparing for a refunding to be executed in October.

However, subsequently ORS requested in discovery on October 30, 2020 Santee Cooper to provide a detailed description of any and all discussions with internal and external entities related to the financial transactions to issue and refund debt. Santee Cooper provided a response that indicates Santee Cooper engaged in on-going discussions and planning activities related to the issue and refund of debt during the month of September.<sup>23</sup> Specifically, Santee Cooper states:

A financial transaction of this type requires a significant number of discussions, both formal and informal, between internal and external entities. In September, Santee Cooper began to have planning discussions which included objectives and potential opportunities and instruments. In October these discussions begin to zero-in on the specifics of the transaction which included compliance with Act 135, required disclosure, development of the Preliminary Official Statement and supplement, transaction structure, rates, savings, debt service profile before and after transaction, market conditions, tax issues, etc. There were meetings and discussions almost daily, many times even multiple times during the day and among multiple groups on these topics, during this time frame. We do not have dates for all meetings because many were impromptu discussions.

The following represents the established timeline for the transactions:

- September 16<sup>th</sup> – Met with S&P
- September 18<sup>th</sup> – Met with Moody's and Fitch

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<sup>22</sup> ORS Request for Information Question CRI.4 and Santee Cooper response received November 2, 2020.

<https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/pdfs/SanteeCooperResponse110220.pdf>

<sup>23</sup> ORS Request for Information Question CRI.5 and Santee Cooper response received November 2, 2020. <https://www.santeecooper.com/About/Increasing-Value/ORS-Reports/pdfs/SanteeCooperResponse110220.pdf>

A review of the responses provided to ORS by Santee Cooper related to Santee Cooper's monthly activities under Act 135, Section 11, subsection (E), indicates that Santee Cooper did not disclose or identify any initial or material detail of the monthly activities related to planning or preparation for issuing and refunding debt in the responses to ORS prior to a response provided by Santee Cooper on October 30, 2020. The questions posed to Santee Cooper by ORS were reasonably calculated to elicit information regarding Santee Cooper's preparations to issue and refund debt.<sup>24</sup>

### ***Santee Cooper Discussions with ORS on October 26, 2020***

At the request of a staff member of the General Assembly, ORS contacted Santee Cooper on October 26, 2020 to inquire about the planned issue and refund of debt and to seek additional information about the applicability of Act 135 as to the scheduled transactions.

## **Conclusion**

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

ORS, in keeping with the duty to inform the SCOC of Santee Cooper actions under Act 135, confirmed that Santee Cooper did not disclose or identify information during the Review Periods ending May 31, June 30, July 31 or August 31, 2020 related to activities or steps undertaken by Santee Cooper to plan and prepare to issue or refund debt.

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<sup>24</sup> ORS will review and issue its Act 135, Section 11(E) Monthly Report for the Review Period ending September 30, 2020 in November 2020.

**ORS.SC.GOV**

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