

Correcting “15 Falsehoods” by Gullah Geechee and Small Business chambers

Note: This writing responds to the recent request by the Santee Cooper Ad Hoc Committee of the House asking Santee Cooper to review a report that legislators received, jointly authored by the South Carolina Small Business Chamber of Commerce and the Gullah Geechee Chamber of Commerce. Both the Santee Cooper enabling statute and Act 135 restrict certain activities by Santee Cooper related to a sale. We have and we will continue to operate within those restrictions and have consulted with outside legal counsel to ensure our response to the Committee's direct request is not violative thereof.

Like the Small Business-Gullah Geechee chambers' earlier “No Longer an Asset” publication, “15 Falsehoods” is full of false and misleading information comparing Santee Cooper to NextEra Energy. For the sake of brevity, we will focus here on “pocketbook” and resource matters. For example, this publication states:

- *“False: Santee Cooper is reducing the debt for customers”* – In fact, Santee Cooper HAS paid off \$600 million in debt – net – in 2019-2020 and is firmly on track to continue aggressively reducing outstanding debt – including the Board's decision to set aside another \$85 million for a large debt payment that comes due in 2023. We are also refinancing debt and have achieved \$347 million in debt service savings for customers in 2019-2020.
- *“False” Santee Cooper's rates are lowest in the state and lower than a for-profit utility can offer”* – In fact, Santee Cooper DOES offer the lowest average monthly bill for a typical residential customer among the largest electric utilities serving South Carolina, including the three investor-owned utilities doing business in this State. The only logical comparison is total bills (i.e. what comes out of customers' pockets), including base rates and fuel and other adjustments. At 2020 rate levels, the typical Santee Cooper residential customer pays an average \$110.78 a month, compared to \$122.98 for Dominion, \$122.59 for Duke Progress and \$120.54 for Duke Carolinas. Our price is clearly the lowest, even with nuclear debt service included. Our rates are also lower than the national average for all retail customer classes. (Central Electric Power Cooperative has expressed concerns about our wholesale power costs compared to other utilities serving the co-ops.) The DOA's 2020 evaluation of our Reform Plan and NextEra's bid showed our rates would be lower than NextEra's through the 20-year review period.
- *“False: Santee Cooper is quickly going green” and “False: Santee Cooper can successfully implement its Reform Plan”* – In fact, Santee Cooper's “leaner, greener” 2020 Resource Plan (which improves on the generation mix in our 2019 Reform Plan) is well underway, with contracts being executed for approximately 500 MWs of new solar right now. We ARE working with Central Electric Power Cooperative, executing contracts each for our proportionate system load, and those solar projects will come online over the next year or so. We'll gather best practices from this first phase and use it to bring up to another 1,000 MWs of solar online by 2032. On Dec. 31, 2020, Santee Cooper idled coal-fired Winyah Generating Station Unit 4, and we are progressing with plans to formally retire Units 3 and 4 by 2023 and the remaining two units by 2027. We are squarely on track to execute the 2020 Resource Plan and reduce carbon emissions 55% by the 2030s. Santee Cooper's Resource Plan (and preceding Reform Plan) calls for almost twice as much new solar power – and 4X more battery storage – than NextEra's bid.
- *“False: Santee Cooper is financially stable” (the report highlight's NextEra credit ratings of A-, A- and Baa1)* – Santee Cooper has stable “A” rated financial metrics, enjoys robust

liquidity and access to capital (as evidenced by the broad and deep response by investors to our 2020 bond offering and recent renewal of credit facilities with banks), and has resolved all significant litigation against the company. Santee Cooper's credit ratings are slightly better than NextEra's: A, A- and A2 from the same three major credit rating agencies. Our strong credit ratings align with the top 4% of ratings for all investor-owned utility holding companies nationally.

"15 Falsehoods" also mischaracterizes points about NextEra and its 2020 bid to purchase Santee Cooper, which the legislature rejected. Some of the more egregious examples include:

- *P. 2 and paraphrased elsewhere- "The NextEra offer would have erased the nuclear construction debt..."* In fact, NextEra's bid would merely replace nuclear construction debt with new NextEra debt and equity that would require a 10% profit margin from Santee Cooper customers. And the cost of that debt would be more expensive than the cost of Santee Cooper's debt, which, when coupled with the equity profit margin, is one reason NextEra's projected rates were higher than Santee Cooper's.
- *Pp. 8: Prior to any rate increase, NextEra "would be required to go through a lengthy and costly regulatory process..."* The fact is, NextEra's bid required the legislature to preapprove a resource plan that would add a large natural gas generating station and 800 MW of NextEra-built solar power (Santee Cooper's plan calls for 1,500 MW of solar, purchased in a phased approach from third-party developers and so eliminating up-front capital costs). By writing those projects into the legislation, NextEra sought to eliminate regulatory oversight on those projects, build them and then gain regulatory approval to include those costs in its rate base. This capital-intensive, utility-built resource plan is another reason NextEra's projected rates were higher than Santee Cooper's.
- *Jobs and benefits: This report claims that a sale to NextEra will be better for retirees and will not "decimate jobs and hurt the local economy."* The fact is, NextEra's bid would have eliminated over 700 Santee Cooper jobs (about 45% of the workforce). By comparison, Santee Cooper's plan eliminated approximately 150 jobs over time (through 2027, associated with the Winyah retirement and likely all through attrition). Also, Santee Cooper currently defrays health insurance costs as a retiree benefit, which NextEra would not continue according to its bid. That would increase annual costs to retirees by \$4,800 per retiree with individual coverage and \$9,600 per retiree for family coverage.

The Small Business/Gullah Geechee report includes a number of mischaracterizations and flawed comparisons involving Santee Cooper's economic development, environmental stewardship, community support and reliability/storm preparedness. We have very strong records/rankings in each of these areas (for example, we rank #4 in reliability among more than 550 investor-owned utilities and cooperatives nationally) and so we will let the real facts speak for themselves on these.

We do want to address the report's claims that Santee Cooper is actively demonstrating "lack of transparency and intentions of maintaining its lack of accountability." In 2020, Santee Cooper updated and improved our leaner, greener resource plan and began implementing it; substantially improved our financial health in part by reducing projected fuel and operating expenses by 13% a year average over 5 years, executing debt defeasance and refinancing and settling all significant nuclear-related litigation; and continued delivering low prices, reliability in the top 1% nationally, and best-ever safety (tied with 2018, our best year). We are following through on those commitments.

We also improved accountability and transparency. The Board adopted Pricing and Resource Planning Principles in 2019 that will improve the breadth and frequency of stakeholder involvement in those areas, disabled executive incentive plans and reduced the executive staff nearly 22%, and established an Inclusion, Diversity and Equity Awareness Council to help us improve training and practices in those areas. We published our 2020 Integrated Resource Plan and 2020 Official Statement to our website. We have also increased reporting to customers, through more informative and frequent emails and better use of other customer outreach tools.

We are providing monthly and supplemental information submissions to the Office of Regulatory Staff and publishing these on the Santee Cooper website (and to date, the ORS has found no violations of Act 135 11(E)). We know there are concerns that we did not proactively communicate all the details of our 2020 bond transaction. We regret that and are working harder to ensure stakeholders are informed and engaged about our activity at the earliest opportunity. We have also worked with legislative staff to support their efforts to devise meaningful reforms of governance and oversight and look forward to continuing that process.

In closing, the Small Business/Gullah Geechee report is full of information taken from old reports, other incomplete and erroneous third-party research, and media reports and other information taken out of context.