



## **Santee Cooper 2020 Year-End Review**

In spite of many new challenges in 2020, Santee Cooper closed the year in a strong, healthy position – financially, operationally and organizationally. This was in large part due to the dedication, talent and hard work of Santee Cooper’s nearly 1,600 employees.

The pandemic certainly impacted Santee Cooper and our customers. As the economic toll began to surface, Santee Cooper moved quickly to work with those who were struggling to pay their bills, helping customers develop manageable payment plans if needed and pointing them to other available resources. We also supported community blood drives and other civic efforts, and our Education Programs and Old Santee Canal Park teams even developed unique virtual science and history lessons that helped parents and teachers alike when schools went remote.

Internally, Santee Cooper quickly adhered to guidance from the Centers for Disease Control and Prevention, encouraging remote work, requiring wellness checks, social distancing and face coverings, and providing other support. Santee Cooper provides critical services to 2 million South Carolinians, and we must remain healthy and able to continue doing so.

### **REFORM**

In addition to our pandemic response, Santee Cooper submitted a Reform Plan to the South Carolina General Assembly in January that detailed our planned transformation into a significantly leaner and greener utility. In February 2020, the DOA provided evaluations of the top purchase and management submittals and our Reform Plan. Legislators rejected all three and began developing their own plan to reform Santee Cooper governance and oversight, before curtailing the 2020 session in March as the pandemic took hold. Legislators did approve a resolution in May that included language allowing Santee Cooper to begin implementing resource and financial initiatives. Accordingly, we have:

- Successfully settled all major litigation, including actions related to V.C. Summer 2 and 3, for the benefit of customers; the largest, the Cook settlement, provides \$520 million in refunds (\$200 million from Santee Cooper and \$320 million from Dominion Energy, new owner of our majority partner in the project) and a rate lock through 2024.
- Locked in \$120 million in anticipated fuel savings through 2024 by hedging natural gas and heating oil and renegotiating coal contracts.
- Conducted a market-based bid process to contract for 500 MW of solar, jointly with our largest customer, Central Electric Power Cooperative (by early 2021, we had executed contracts for 425 MW and those projects are scheduled to be online in 2023).
- Explored opportunities to work with other utilities on cost-saving initiatives such as right of way maintenance and joint dispatch, and joined a group of Southeastern utilities in



exploring a potential new energy market construct that would achieve savings and enable better integration of renewable resources (the SEEM group, which since filed its plans for FERC review in February 2021 – Santee Cooper has not committed to join the market yet and will make that decision following FERC’s ruling).

- Launched a plan to close the coal-fired Winyah Generating Station gradually beginning in 2023, and to transition station employees to other jobs with a goal of avoiding layoffs.
- Produced a 2020 Integrated Resource Plan based on joint resource planning with Central and filed it with the State Energy Office consistent with State statute.
- Beginning in late 2019 and continuing through 2020, we have paid off \$600 million net in debt and refinanced \$750 million, achieving more than \$347 million in savings on the refinanced bonds.
- Set aside \$85 million to prefund a unique 2023 debt payment.
- Reorganized, reduced staff through attrition and retirements and reduced the executive staff nearly 20% while increasing senior management diversity.

All told, changes made in 2020 levelized debt service and reduced projected fuel and operating expenses 13% – more than \$160 million a year on average over five years, which assumes we can refinance debt and hedge fuel as projected in our forecast. The result is a projection for stable or declining customer prices for more than a decade, with prices in 2030 expected to be lower than prices in 2017.

These changes also contributed to improved credit outlooks issued last fall by Fitch Ratings and Moody’s Investor Services, both of which upgraded their outlook for Santee Cooper to “stable.” (S&P kept its outlook at negative.) Our stable-A credit aligns with the top 4% of U.S. investor-owned utility holding companies.

### **INCLUSION, DIVERSITY AND EQUITY**

The South Carolina Human Affairs Commission measures State agency performance in achieving a diverse workforce annually, and Santee Cooper is consistently one of the top agencies. We ranked No. 1 in 2020, based on the percentage level of goal attainment (100%).

We are proud of our track record on this measuring stick, but over the past two years we have shifted our focus beyond simply meeting goals. In 2020, we began to restructure the organization to put top talent in key positions, with an even greater emphasis on diversity than in the past. We have significantly improved diversity among our senior management team, which is comprised of direct reports to the CEO and their management reports. The representation of people of color in this group has grown from less than 3% five years ago to 20% today, even as the size of the executive group overall all has declined by 15%. The attached organization chart has more information about the leadership team.



The events of 2020 focused our attention on racial injustice. Santee Cooper is committed to improving our workplace to fully embrace fairness and inclusion - a place where employees appreciate and respect each other as individuals while coming together to accomplish a common goal to be the State's leading resource to improve the lives of all South Carolinians. Our diverse customer base and State make this focus more than an aspiration - it is a fundamental ethic.

In June, we formed an initial team of employees (the Inclusion, Diversity and Equity Awareness Council, or IDEA council) to explore opportunities to enhance dialogue and a culture of equity and inclusion in our workplace. In this short period of time, we have achieved several accomplishments. We have significantly enhanced our internal diversity and inclusion website to celebrate diversity heritage months and highlight related employee testimonial videos.

Santee Cooper recognizes that there is strength in inclusion, diversity, and equity not only at Santee Cooper but in the community, the state and the country. That is why we are committed to moving forward strategically with this endeavor for long-term success.

#### **PAYMENT TO THE STATE**

Santee Cooper has never and does not now receive any state appropriations and continues to make an annual payment to the state. In 2020, that payment to the State was \$17.5 million. In accordance with statutory provisions, the payment reflects 1% of the projected electric and water revenues in Santee Cooper's 2020 operating budget and is paid through revenues collected from electric and water customers.

#### **OPERATIONAL HIGHLIGHTS**

Santee Cooper remained the low-cost retail provider among large electric utilities in South Carolina, with one of the best reliability records in the country and increasing customer satisfaction among its retail customers (as measured through an annual independent survey.)

The safety of employees remains a daily priority and focus, and in 2020 Santee Cooper tied our best year ever for safety at work. Our recordable-incident rate was just 0.6 and our preventable motor vehicle accident rate was 0.19. Nationally, the American Public Power Association recognized Santee Cooper with a second-place award for safe operating practices in the large-utility category.

Hurricane Isaias spared South Carolina from its worst, but the hurricane did produce some power outages for customers. The transmission system saw momentary outages on two lines, and distribution restored power to about 8,000 customers.

Crews also worked quickly to restore power in Moncks Corner after a tornado touched down there last spring. Santee Cooper crews also volunteered for several mutual aid operations to help restore



power to customers in the Greenville/ Anderson area of South Carolina following a tropical storm, in Louisiana after hurricane damage, and in Tennessee after a winter storm delivered power outages just before Christmas.

### **SYSTEM COSTS**

Santee Cooper's 2020 operating revenue was \$1.6 billion, down 6% from 2019 primarily due to lower fuel rate revenues. Lower energy sales (down 4%) and demand usage (down 5%), resulting from mild weather and impacts of the pandemic, also contributed to the decrease. Energy sales for 2020 totaled approximately 22.2 million megawatt hours (MWhs) as compared to approximately 23.2 million MWhs for 2019.

Combined operating expenses for 2020 totaled \$1.26 billion, down \$56.2 million (4%) as compared to 2019. The main drivers were lower net fuel and purchased power expense, which decreased \$71.9 million. This was due to lower kilowatt-hour (kWh) sales, lower commodity prices and a lower cost fuel mix. Other generation costs decreased \$37.2 million from contract services and materials due to lower coal generation, as well as the majority of a Cross Generating Station spring outage being shifted from 2020 to the spring of 2021.

### **GENERATION**

Santee Cooper idled Winyah Generating Station's Unit 4 in December 2020, part of its plans to retire the station as it transforms to a leaner, greener generating mix described above. These new generating sources are cheaper and will yield significant savings overall.

Meanwhile, Santee Cooper remains focused on efficient operation of existing plants, conservation, and energy efficiency programs.

Beyond the savings associated with renegotiated contracts mentioned already, Santee Cooper continues to look for ways to lower costs through economic dispatch between existing coal, natural gas, nuclear and lower-cost purchased power, with additional generation coming from hydro and renewable resources. Through effective use of natural gas-fueled Rainey Generating Station and economic purchases of off-system natural gas, Santee Cooper reduced the use of coal-fired generation to 37% of its energy mix last year, with natural gas and purchased power representing about 45% of energy supplied last year.

Early in 2021 Santee Cooper contracted for its share of 425 MW of new solar power, the result of its 2020 bid solicitation with Central for the initial phase of its planned 1,500 MW of solar by the early 2030s. Customer-generated solar power also increased and achieved participation goals for Santee Cooper's rooftop and community solar programs.



### **CUSTOMER TRENDS**

Santee Cooper and aluminum smelter Century Aluminum agreed to negotiate a new contract in late 2020, which was ultimately approved by both organizations in March 2021 and effective April 1, 2021. Under the contract terms, Santee Cooper will provide all electric needs to Century's Mount Holly plant in Berkeley County through Dec. 31, 2023, subject to Act 135 constraints. The new power agreement allows Century to continue operations at its Mount Holly plant, which employs about 300 people currently and is expected to increase operations and jobs under the new contract.

Santee Cooper will serve Century under an experimental rate that takes advantage of incremental power – excess capacity available until Winyah Units 3 is retired at the end of 2023. Because all of Century's load will be served from Santee Cooper resources, the deal also frees up 150 megawatts (MW) of transmission import capability, used by Century under its former contract, which Santee Cooper can now use for economic wholesale market sales and purchases that will benefit all customers.

At the end of 2020, Santee Cooper was serving 193,930 retail customers in Berkeley, Georgetown and Horry counties, an increase of nearly 5,000 customers compared to 2019. Some 16.5% of revenue from electric sales in 2020 came from the retail customers; wholesale accounted for 65.5%, and industrial, 18%.

Santee Cooper's overall average residential customer satisfaction rating remained strong in 2020 at 96%, better than 2019 and higher than the national average. We also received excellent satisfaction ratings from our commercial customers and industrial customers, at 96% and 100% respectively, and an 88% satisfaction rating from municipal customers. Just 15% of the electric cooperatives indicated satisfaction, and Santee Cooper is focused on improving this result and strengthening our relationship with Central and the co-ops.

### **VALUE TO THE STATE**

Santee Cooper remains active in economic development, working in partnership with other economic development entities at the local, regional and state levels to benefit all of South Carolina. Alongside the S.C. Department of Commerce, the state's electric cooperatives, local governments and other entities, Santee Cooper supported efforts resulting in industrial announcements with more than \$609 million capital investment and 1,300 new jobs in 2020.

Our largest economic development project, Camp Hall commerce park, continues to grow and gain positive reviews for its unique commitment to environmental stewardship and work-life balance. Business Facilities Magazine ranked Camp Hall the 7<sup>th</sup> best commerce park in the nation in 2020. Already in 2021, anchor tenant Volvo Car USA has confirmed it will expand and add a second



vehicle to production there, and we have a tract under contract to RealtyLink for construction of a cold storage facility.

One of the many challenges identified by the pandemic is the lack of universal access to broadband. Santee Cooper's transmission resources can be used as a "broadband backbone" supporting retail broadband providers who are working to improve accessibility across South Carolina. We can allow providers to lease our excess fiber capacity and access our poles and other assets. The Board of Directors endorsed a set of Broadband Principles in December 2020 to guide our broadband efforts, and early in 2021 we drafted program terms and rates and held a public comment period based on those principles. Finalizing this program is a high priority for Santee Cooper. Our schedule calls for final Board approval of the program during its April meeting.

Santee Cooper operates two water treatment plants, one on Lake Moultrie and the other on Lake Marion. Combined, the two growing systems serve close to 200,000 people in Goose Creek, Moncks Corner, Summerville, Santee and the counties of Berkeley, Calhoun and Orangeburg. In 2020, the Lake Marion Regional Water System added a 10.7-mile expansion from Harleyville to Ridgeville, called the Dorchester Reach. Through additional expansion, the Lake Marion system will serve additional areas in Berkeley, Calhoun, Dorchester and Orangeburg counties in years to come.

Excellent transmission and distribution system reliability also helps Santee Cooper fulfill its mission to the State. Overall, Santee Cooper maintained 5,245 miles of transmission lines and 91 transmission substations across the state, and 3,031 miles of distribution lines and 59 distribution substations. Operationally, Santee Cooper continued to achieve excellent system reliability results, including transmission and distribution reliability rates exceeding 99.99% each. That equated to approximately 24 minutes of power outages during 2020 for the average distribution customer. When compared to the most recent U.S. Energy Information Administration distribution reliability data ranking more than 550 investor-owned utilities and electric cooperatives nationally, Santee Cooper ranked #4 (top 1%).

In July, Santee Cooper breached the dike of the last remaining ash pond at the former Grainger Generating Site, officially moving that project to "wetlands restoration." The ash excavation project began in 2014 and involved two storage ponds and a total of 1.7 million tons of ash – with 78% of that ash beneficially used in the concrete market. As part of the wetlands restoration work, we are planting native species including bald cypress, swamp tupelo, willow oak, laurel oak and other varieties.

Santee Cooper continues to excavate ash from storage ponds at the former Jefferies Generating Station and at Winyah Generating Station and to beneficially use as much of that ash as is possible,



along with our beneficial use programs for dry ash and gypsum. In 2020, Santee Cooper recycled more than 1.5 million tons of these coal combustion products.

### **LITIGATION AND LEGISLATION**

Santee Cooper has settled all litigation related to the V.C. Summer nuclear project. Our 2020 Annual Report, which is enclosed with this summary, includes more detail about significant legal and legislative activities. Please note related content in Notes 7, 10, 15, 16 and 17.

### **SUMMARY**

Santee Cooper was built with a mission to improve the lives of all South Carolinians. The utility has had a challenging few years, with much work still to do, but throughout 2020 our employees worked hard to redefine Santee Cooper as a leaner, greener organization still focused on our customers. We remain committed to efforts that deliver benefits to all customers and increase the value of Santee Cooper to the State.