



## **Santee Cooper 2021 Year-End Review**

On June 8, 2021, the South Carolina General Assembly gave Santee Cooper a fresh start. Based on extensive evaluation, legislators chose to retain state ownership of the utility as the best option for customers, but with significant new requirements for governance and oversight. The resulting legislation, Act 90, was signed into law by Gov. McMaster on June 15, 2021.

In terms of governance, Act 90 redefines Board member terms and requirements, provides a phased schedule for most directors to rotate off the Board, and adds two non-voting ex-officio members representing Central Electric Power Cooperative, Santee Cooper's largest customer.

In terms of oversight, Act 90 requires legislative approval of certain debt and property transactions and of compensation for the CEO. It requires annual reports to other legislative entities, and regular and defined oversight by the Public Service Commission and the Office of Regulatory Staff. The Public Service Commission, for example, must review and approve a triennial Integrated Resource Plan, power purchase contracts exceeding 10 years, a competitive procurement process for renewable generation, and actions related to construction or acquisition of major facilities. The Office of Regulatory Staff participates in our retail rate process and is entitled to comment on rate adjustments, has the authority to inspect, audit and examine documents and facilities, and comments on an annual pricing report.

Santee Cooper's Board of Directors retains ratemaking authority, in compliance with existing bond covenants.

Santee Cooper understands the value of these new governance and oversight measures, we embrace our responsibilities in each area, and we have implemented new processes to ensure full compliance.

Santee Cooper remains focused on producing reliable and affordable electricity and water for customers, with a priority on safety and while also promoting environmental stewardship and economic development – the things we have done well for decades. These are primary responsibilities in our mission to be the leading resource for improving the lives of all South Carolinians.

### **NEW LEADERSHIP**

On June 29, 2021, the S.C. Senate confirmed Peter McCoy as Chairman of the Santee Cooper Board of Directors, following his appointment by Gov. McMaster and screening by Senate committees. President of the McCoy Law Group LLC in Charleston, he is also a former U.S. Attorney and former member of the S.C. House of Representatives, where he served as Chairman of the House Judiciary Committee. Chairman McCoy is a member of the South Carolina Bar Association, Charleston Bar Association, and the National Association of Former United States Attorneys.

In late 2021, the Board hired a new President and CEO: Jimmy Staton, a utility executive with extensive experience in electric and natural gas operations in the Midwestern United States.



Staton joined Santee Cooper on March 1, 2022, coming to the utility from Southern Star Corp., a leading transporter of natural gas in the Midwest, where he was also President and CEO. Staton has also served as executive vice president for NiSource, one of the largest fully regulated utility companies in the United States with approximately 3.5 million natural gas customers and 500,000 electric customers across seven states; as senior vice president for Dominion Resources Inc.; and as president of asset operations for Consolidated Natural Gas (CNG) Corp. prior to its acquisition in 2000 by Dominion Resources. As required by Act 90, his compensation structure was reviewed and approved by the S.C. Agency Head Salary Commission.

### **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 2021, that payment to the State was \$17.1 million. In accordance with statutory provisions, the payment reflects 1% of the projected electric and water revenues in Santee Cooper's 2021 operating budget and is paid through revenues collected from electric and water customers.

### **SAFETY**

Santee Cooper had our best safety year ever in 2021, with just six recordable incidents and two preventable motor vehicle accidents. By looking out for each other, the Santee Cooper team improved an already exceptional safety record. Santee Cooper earned the American Public Power Association's Safety Award of Excellence five times between 2016 and 2021.

### **CUSTOMER PROGRAMS**

Santee Cooper completed the rollout of an advanced meter infrastructure (or smart meters) to our retail customers in late 2021. Smart meters are more reliable, accurate and efficient than standard meters, and by sending customer energy usage directly to us, they eliminate the need for meter readers to physically read customer meters once a month. We also completed installation of a data management system that collects information from the smart meters and will support additional upgrades to enable customers to make smart energy choices for themselves and their families or businesses.

Santee Cooper also launched a new suite of rebates to incentivize customers to take better control of their energy use. Called EmpowerSC, the program has already introduced rebates for electric vehicle chargers and incentives for a new demand response program, as well as renewed popular existing rebate programs for solar panels, HVAC units and more.

The year was an excellent one in terms of retail customer growth and satisfaction. Santee Cooper gained 4,764 retail customers in 2021, for a December 31 total of 198,694 residential and commercial customers. In terms of customer satisfaction, our annual independent surveys found overall satisfaction among 95% of residential customers, 97% of commercial customers and 100% of industrial and municipal customers. Satisfaction reached an all-time low (7%) among electric cooperative leaders, and we recognize that this is a critical area we need to address in 2022 and beyond.

### **FINANCIAL**

Santee Cooper has "A"-category credit and stable outlooks from the three major credit rating agencies, following S&P's decision to upgrade its outlook to stable in August 2021.



The year brought challenges in the fuels area, as it did to most utilities in the country, with COVID-19 effects hindering rail transport of coal, a Force Majeure event causing a prolonged shutdown at our largest coal supplier, a fire interrupting output at the V.C. Summer Nuclear Station for several weeks, and significant increases in the price of natural gas and purchased power. Coal and natural gas pressures have continued into 2022, and Santee Cooper is taking steps to mitigate financial impacts associated with those.

Santee Cooper's 2021 operating revenue was \$1.77 billion, up 9% from 2020 primarily due to higher energy sales and demand usage as the impacts of COVID-19 waned. A new contract with Century Aluminum and increased production requirements at Nucor also contributed to the 2021 increase. Energy sales for 2021 totaled approximately 24.6 million megawatt hours (MWh) as compared to approximately 22.2 million MWh for 2020.

Combined operating expenses for 2021 totaled \$1.5 billion, up \$232.6 million (18%) as compared to 2020. The main drivers were higher fuel and purchased power expenses (up \$172.5 million) due to the higher demand sales, increased use of purchased power because of plant outages and coal stockpile management, and higher costs in the energy markets due to higher natural gas prices. Non-fuel operating expenses increased \$61.2 million, largely from contract services and materials associated with plant outages at Cross, Rainey and Winyah, as well as a Cross spring outage that was postponed from 2020.

Santee Cooper successfully hedged natural gas costs for anticipated burn volumes in 2021, which helped mitigate the higher fuel-related expenses. Santee Cooper is complying with the rate lock provision in our 2020 Cook settlement and therefore, did not reflect higher fuel prices in customer bills, but rather managed operating expenses to weather the challenges.

Related to debt, Santee Cooper closed on a \$430 million bond sale in September that refunded \$174 million of existing debt at lower interest rates (achieving net present value savings of \$50 million), converted approximately \$190 million in short-term, variable debt to fixed-rate debt at a low interest rate, and provided \$160 million to use toward future capital projects and debt issuance costs. We also began preparing a larger tender/exchange offer of up to \$2.7 billion in bonds and worked closely with the Joint Bond Review Committee (JBRC) through the end of 2021 to move that initiative forward, receiving JBRC approval in early January 2022 to proceed to market and closing on the transaction in February 2022.

Santee Cooper finished 2021 with \$56.3 million in reinvested earnings, debt service coverage of 1.27, and a debt/equity ratio of 76/24, all prior to our annual payment to the state.

## **RESOURCE PLANNING**

Key in 2021, Santee Cooper began the work to update our 2020 Integrated Resource Plan (IRP), initiating a schedule that will allow us to file a new, triennial IRP in 2023. Santee Cooper has filed a plan regularly with the state Office of Regulatory Staff. Act 90 requires additional steps in developing that plan, including a formal stakeholder engagement process. An IRP details how Santee Cooper intends to meet the projected load of our customers while balancing multiple objectives, including system reliability, environmental responsibility, cost impacts and risks.



The Board voted in 2021 to retire Winyah Generating Station by the end of 2028 as part of developing a leaner, greener generating portfolio. Santee Cooper has worked with Central to identify solar developers who will bring 425 MWs to our combined system by the end of 2023, and each utility issued contracts with those developers for its respective load share of the total. We are working with Central, in accordance with our Coordination Agreement, to evaluate options for a major new generating resource to replace Winyah and meet additional growth by the late 2020s. We are also planning additional solar beyond 2023, as well as demand side management and battery storage. All of this will be vetted through the IRP stakeholder process. We intend to have several public input meetings for all stakeholders to come and learn, ask questions and provide input.

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

At Santee Cooper, we are committed to attracting, retaining, and developing a diverse and inclusive workforce. We recognize that an inclusive culture doesn't "just happen." It must be purposeful and intentional with targeted and continuous effort.

Santee Cooper has consistently ranked at the top of large state agencies when it comes to achieving a diverse workforce and did so again in 2021. While Santee Cooper is proud of our record in creating equal employment opportunity, we know these results are only one way to measure diversity, and we are focused on additional strategies to enhance our corporate culture.

The Santee Cooper IDEA (Inclusion, Diversity and Equity Awareness) Council led an initiative to completely redesign our employee Diversity, Equity and Inclusion training program, and enhanced our internal communications to support diversity and inclusion. We partnered with the Carolinas-Virginia Minority Supplier Development Council (CVMSDC), and in November successfully hosted our inaugural Supplier Diversity Fair (with over 70 attendees) to help suppliers learn more about Santee Cooper, our upcoming procurement opportunities, and how to do business with us, as well as to help eligible vendors become certified as minority-owned, women-owned or veteran-owned businesses. Because of this initiative, we added more diverse businesses to our supplier pool, and also identified current minority, women or veteran-owned suppliers who weren't previously identified.

Santee Cooper is also increasing our involvement with Historically Black Colleges and Universities. The Board approved an initiative in October that supports development of a planned limnology research center at South Carolina State University, and Santee Cooper is working with Denmark Technical College to design and build an electrical lineworker training yard that expands curriculum offerings at Denmark Tech and could provide future lineworkers for Santee Cooper and other state utilities. We will continue to actively explore additional partnering opportunities with Historically Black Colleges and Universities.

### **ENVIRONMENTAL STEWARDSHIP**

Santee Cooper earned the Smart Energy Provider (SEP) designation from the American Public Power Association. The designation recognizes a utility's commitment to energy efficiency, customer-based renewable generation, and environmental initiatives that help provide safe, reliable, low-cost, and sustainable electric service. In addition to the customer programs named above, the SEP designation reflects Santee Cooper's environmental commitment as evidenced through these 2021 activities:

- Santee Cooper supplied and installed new electric vehicle chargers at several publicly available government and education locations across Horry County.
- In December the S.C. Department of Natural Resources named Santee Cooper's Jamison Solar Farm the state's first Gold Certified Solar Habitat. Jamison is a 1.2-megawatt facility located on 5.4 acres in Orangeburg that is also home to a pollinator pathway. Santee Cooper has created other pollinator pathways along certain power line easements and in the Camp Hall commerce park.
- In terms of wetlands restoration, Santee Cooper had two key projects underway in 2021: planting of native hardwood seedlings at our Camp Hall commerce park, and continuing restoration of 380 acres, including an industrial cooling pond and two excavated ash ponds, at the former Grainger Generating Station site in Conway. Crews planted 80,000 oak seedlings on 165 acres at Camp Hall in the winter, with plans to plant a total of more than 400 acres as part of our commitment to protect over 1,200 acres of wetlands at the park. At Grainger, Santee Cooper planted larger tree seedlings and cattails at the former ash ponds as part of our work to return those areas to wetlands.
- The year brought two milestones in our renewable energy program: the 20<sup>th</sup> anniversary of Horry County Landfill Green Power Station, which introduced renewable power to South Carolina electric consumers in September 2001, and the 10<sup>th</sup> anniversary of dedicating the state's first utility-scale solar installation, the Grand Strand Solar Station.
- Santee Cooper continues to excavate ash from storage ponds at the former Jefferies Generating Station and at Winyah Generating Station and to beneficially reuse as much of that ash as is possible, along with our beneficial reuse programs for dry ash and gypsum. In 2021, Santee Cooper recycled more than 1.6 million tons of these coal combustion products.

## **ECONOMIC DEVELOPMENT**

In March, the Board approved a new contract with Century Aluminum, providing all electric needs to its Mount Holly plant in Berkeley County from April 1, 2021, through Dec. 31, 2023. Because all of Century's load is served from Santee Cooper resources, the deal also freed up 150 megawatts of transmission capacity, used by Century under its earlier contract, which Santee Cooper now uses for economic wholesale market sales and purchases to benefit all customers. The new power agreement allowed Century to expand operations at its Mount Holly plant and add approximately 100 jobs.

At Camp Hall, Portman Industrial, Magnus Development Partners and RealtyLink announced site purchases, and construction continued on sports fields, a park, pathways and landscaping, all aimed at helping employees improve work-life balance. Volvo Car USA, Camp Hall's anchor tenant, opened a new training center at the park in 2021.

Santee Cooper offers a range of economic development programs and incentives across the state. In 2021, Santee Cooper worked with the state's electric cooperatives and other economic development partners to help attract more than 2,300 jobs and \$1.4 billion in economic development investment across South Carolina. Lakes Marion and Moultrie support \$434 million in annual tourism spending and over 3,600 jobs.

## **OTHER HIGHLIGHTS**

- Broadband Support – Santee Cooper developed and launched a program in 2021 allowing retail broadband providers to access our excess fiber and transmission infrastructure. Santee Cooper is not a provider of broadband, but instead will allow providers access to our 1,200 miles of excess fiber and transmission poles on the nearly statewide system to enable a faster and less expensive expansion into unserved areas. The need for enhanced broadband availability was highlighted in 2020, as the COVID-19 pandemic took hold and caused schools, medical facilities and others to switch to Internet-based access.
- Excellent transmission and distribution system reliability – Santee Cooper maintained 5,252 miles of transmission lines and 91 transmission substations across the state, and 3,069 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 less than 14 minutes without power for the average transmission delivery point and 20.7 minutes without power for the average distribution customer during 2021. When compared to the most recent U.S. Energy Information Administration distribution reliability data ranking 475 investor-owned utilities and electric cooperatives, Santee Cooper ranked best in the state and #9 nationally (top 2%).
- Wholesale Water Systems – 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 2021, contracts were awarded to begin a new Winding Woods Reach and Elevated Tank supporting industrial and other needs in western Dorchester County. Through additional expansion, the Lake Marion system will serve new areas in Berkeley, Calhoun, Dorchester and Orangeburg counties in years to come.

## **SUMMARY**

Reflecting upon the legislature’s passage of Act 90, Santee Cooper welcomes this opportunity to do better. We have listened to concerns from the State’s leadership and our customers about the need for greater transparency and accountability, and we are working hard to meet these new requirements and expectations. Santee Cooper is the people’s utility, and we are committed to a renewed focus on the people we serve as customers, and the people of the great state of South Carolina who own us.