

# South Carolina Public Service Authority



## Investor Communication

### March 2024

# Disclaimer



The following presentation is provided as of March 21, 2024 for general informational purposes by the South Carolina Public Service Authority (the “Authority” or “Santee Cooper”). This investor presentation speaks only as of its date of March 21, 2024; if you are viewing this presentation after such date, subsequent events may have occurred that materially change the financial and/or operating information presented herein. This presentation does not include every item which may be of interest, nor does it claim to present full and fair disclosure with respect to any debt issuances of the Authority within the meaning of applicable securities laws.

This presentation is not intended to and should not be used as the basis for making any investment decisions in bonds issued by the Authority. This presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any security of the Authority.

No representation or warranty, express or implied, is provided in relation to the fairness, accuracy, correctness, completeness, or reliability of the information, opinions or conclusions expressed herein. The information contained in this presentation is provided in summary form and does not purport to be complete.

This presentation may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this presentations, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” and analogous expressions are intended to identify “forward-looking statements” as defined in the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date set forth above. Nothing in this presentation should be considered as an express or implied commitment to do or take, or refrain from taking, any action by the Authority or an admission of any fact or future event. Nothing in this presentation shall be considered a solicitation, recommendation or advice to any person to participate, pursue or support a particular course of action or transaction, to purchase or sell any security, or to make any investment decision.

The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

By viewing the presentation, you acknowledge that you understand and agree to the provisions of this page.

# The Authority Overview<sup>1</sup>

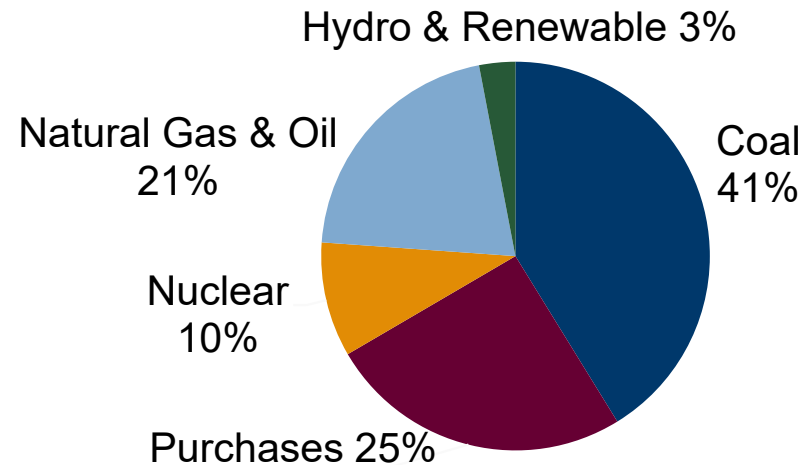
## Our Business

- An electric and water utility headquartered in Moncks Corner, South Carolina
- Owned by the State of South Carolina
- One of the nation's largest public power utilities:
  - \$12.2 billion of assets (2023)

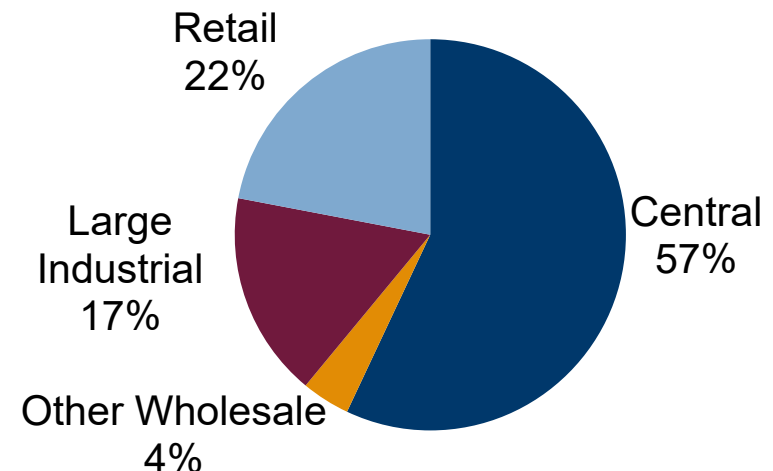
## Our Customers

- Retail and wholesale provider serving over 2 million South Carolinians
- Provided 26,185 GWh in 2023 to its customers
- Largest customer is Central Electric Power Cooperative; providing approximately 57% of Authority's revenues

## 2023 Power Supply by Fuel Source (GWh's)



## 2023 Customer Composition (% of Revenue)



# Key Credit Highlights



<b>Strong &amp; Experienced Team</b>	<ul style="list-style-type: none"><li>• Strong leadership with strong performance including during a challenging period in 2020-2023</li></ul>
<b>Customer Base is Stable</b>	<ul style="list-style-type: none"><li>• Central Electric Power Cooperative provides a solid revenue source through 2058</li><li>• The balance of revenues are attributable to retail, large industrial and wholesale</li><li>• Sales remain robust</li></ul>
<b>Competitive Position is Strong &amp; Our System is Reliable</b>	<ul style="list-style-type: none"><li>• Our prices are approximately 10-20% lower on average than our peer in-state utilities</li><li>• Implementation of the new Integrated Resource Plan (IRP) to remain competitive and reliable</li></ul>
<b>Executing our Operational Plan</b>	<ul style="list-style-type: none"><li>• 2023 IRP includes substantial solar and gas additions to offset coal reduction</li><li>• Balance of 2023 and 2024 fuel costs substantially hedged reducing uncertainty</li></ul>
<b>Financial Position &amp; Plans are Sound</b>	<ul style="list-style-type: none"><li>• Fundamentally strong full cost recovery process rooted in state statute</li><li>• Planned rate actions to be implemented in the Spring of 2025</li><li>• Sound financial plan with strong liquidity to manage uncertainties</li><li>• Plan restores coverage and achieves long-term financial metric stability</li></ul>
<b>Growing Economy</b>	<ul style="list-style-type: none"><li>• South Carolina's economy is growing along with its population resulting in a AAA rating. The Authority is an important force behind the state's economic growth.</li></ul>
<b>Strong Support</b>	<ul style="list-style-type: none"><li>• We have ongoing dialogue and engagement with Legislative and Regulatory partners</li></ul>

# Key Accomplishments



**We have exceeded 2023 financial targets, ensuring financial stability, while still providing safe and reliable power to our customers**

The Authority's leadership and team members successfully navigated the company through:

- A pandemic and unprecedented fuel costs
- A Force Majeure event at our largest coal supplier, and
- Financial constraints during a court-ordered rate freeze

Implemented plans to stabilize fuel costs\*:

- 95% of the system's MWh needs and 90% of the costs are hedged for the balance of 2024
- Substantial levels of coal on the ground of over 2.0M tons, which equates to about 128 days based on average daily burns

\*Data as of March 13, 2024

Projected 2023 preliminary metrics exceeded expectations:

- 1.13 Debt Service Coverage (excluding the regulatory asset)
- 107 Days of Cash on hand; 228 days liquidity

• Moody's changed outlook to stable (Oct 2023)

Planned for the future:

- Submitted IRP to the SC Public Service Commission and approved
- Board authorized a rate study in preparation for rate actions to be implemented in April of 2025

# The *Cook* Settlement



The Authority has continued to fulfill its requirements under the Cook Settlement as the end of the rate freeze draws near

- **Settlement Amount.** The Authority made its full contribution of \$200 million back to customers in three annual installments (\$65m, \$65m and \$70m)
- **Rate Freeze.** Rates were frozen/fixed for the majority of the Authority's customers, including Central, beginning August 2020 through December 2024
- **Regulatory Asset.** As of December 31, 2023, the Authority has recorded a total of \$625\* million of Cook Rate Freeze Exceptions. The bulk of the exceptions are related to a coal mine closure due to fire.
- **Audit Request.** The Authority, Central and Class Counsel have continued discussions
  - On September 26, 2022, the Court denied Class Counsel's request to rule on the applicability of the Cook Rate Freeze Exceptions but reserved right to consider it at a later date
  - The parties continue to work together to resolve the outstanding issues

# Financial Plan



**The plan focuses on moving forward from the rate freeze and implements strategies targeted at managing cost, supporting system growth and reliability, and ensuring sufficient liquidity**

- Includes a non-fuel O&M budget and a robust capital program that supports
  - The Integrated Resource Plan (IRP)
  - System growth
  - Continued system reliability
  - Compliance with environmental standards
  
- Recovery of the *Cook* Rate Freeze Exceptions in future rates
  
- Implementation of rates “post rate freeze”
  - 2024 is the last year of the rate freeze
  
- Using debt and internally generated funds to finance the capital program
  
- Maintaining bank credit facilities to ensure appropriate liquidity to temporarily fund the *Cook* Rate Freeze Exceptions and support the capital plan

# Integrated Resource Plan



**The Authority filed its Integrated Resource Plan with the South Carolina Public Service Commission in May 2023 and unanimously approved in Feb 2024**

- The Authority develops integrated resource plans (“IRP”) as part of its overall planning process
- The Authority is required to prepare and submit an IRP to the South Carolina Public Service Commission (“SCPSC”) every three years with annual updates

## Key Conclusions

1. Addition of substantial new solar capacity annually from 2026 through the 2030s to approximately 1,500 MW by 2030 and over 2,500 MW by 2040.
2. Retirement of 1,150 MW Winyah Coal Generating Station by year-end 2030.
3. Development of a natural gas combined cycle (NGCC) resource of approximately 1,000 MW to 1,400 MW to coincide with the Winyah retirement.
4. Addition of several hundred MWs of combustion turbine generation units and battery energy storage systems in the 2030s.



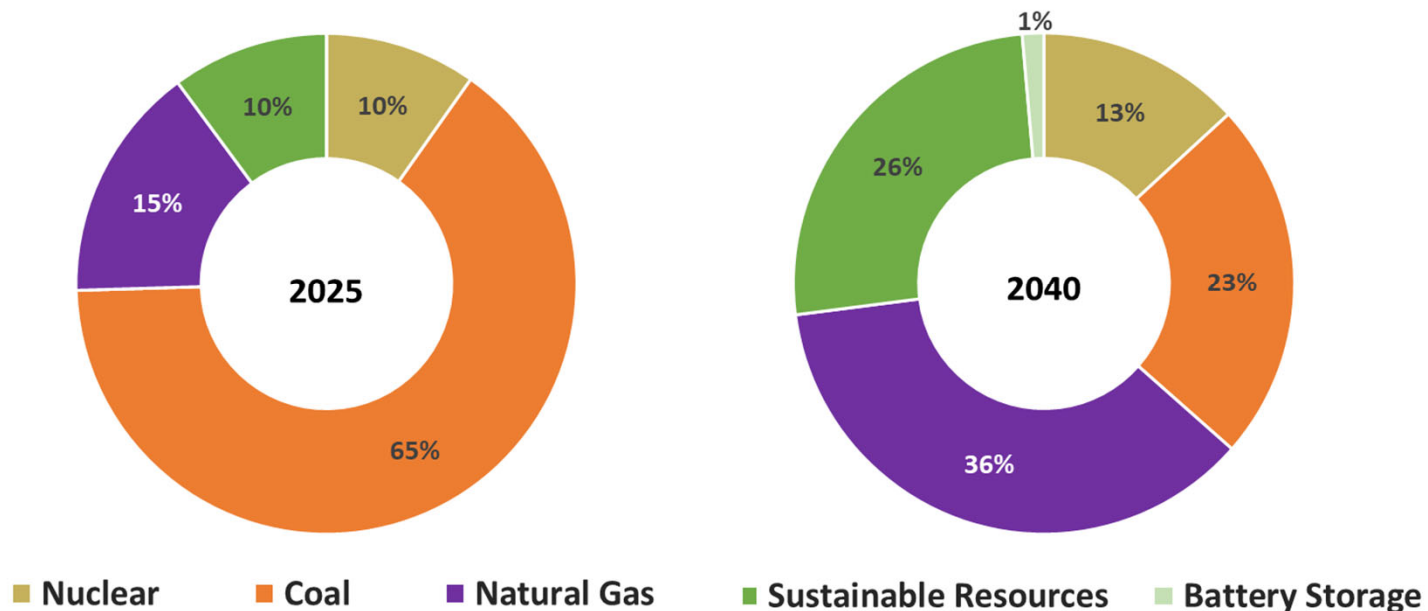
# Diversifying our Portfolio



**Reduced risk through greater fuel diversity primarily from:**

- (1) Reduced coal reliance
- (2) Solar expansion
- (3) New efficient NGCC

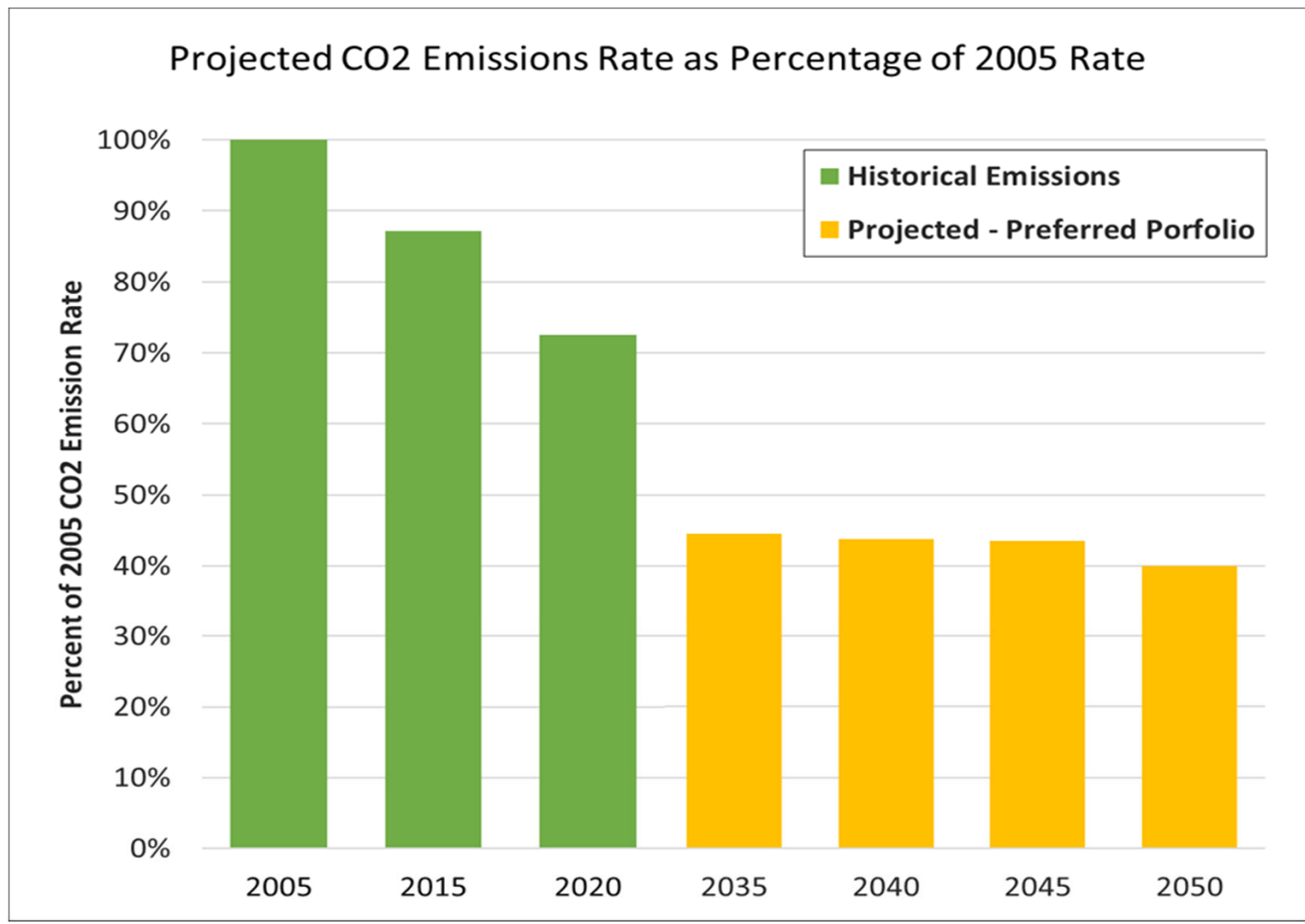
## Projected Generation by Resource Type (GWh, Energy) – with Preferred Portfolio



# Reducing our Emissions



**Projected 56% reduction in CO<sub>2</sub> emissions rate by 2035 and continues to improve as more solar is added**



# Rates and Cost Recovery



**As of January 2025, automatic rate adjustments will be reinstated recovering over 75% of actual costs**

## Rate Setting

- **The Authority's Board has autonomous rate setting authority once Rate Freeze ends**

## Cost Recovery Mechanisms

- **Automatic rate adjustments will be reinstated January 2025 which recover over 75% of costs. No action is required by management or our Board. These adjustments include:**
  - Central contract is cost of service based where rates adjust to actual on monthly basis (fuel) or annual basis (non-fuel).
  - Retail rates have fuel adjustment clauses that are based on a 3-month rolling average.
  - Demand sales adjustment clauses are based on a monthly true-up

## Rate Adjustment

- **Santee Cooper's Board authorized a comprehensive rate study**
- **The rate increase that is projected to be implemented in 2025 will only impact base Retail rates**
  - The majority of our cost recovery will come from the automatic rate adjustments that will be reinstated in January 2025.
- **Cook Rate Freeze Exceptions will be collected in future rates**
  - The collection mechanism has not been approved by our Board at this time. The Authority will be mindful of how this is collected and of the impact to customers.

# Comprehensive Rate Study



- Santee Cooper last raised rates in 2017 while inflation has increased 24% between 2017 and 2023
- Since mid-2020, Santee Cooper's rates have been “locked” for the majority of its customers
- The Board of Directors authorized a comprehensive study of its electric rates for direct serve customers, with results due in June 2024
- Act 90 of 2021 established a transparent, robust retail rates process that is required to be followed prior to any retail rate schedule changes
- Public comment meetings are planned for late summer and early fall 2024
- No changes will go into effect before January 1, 2025

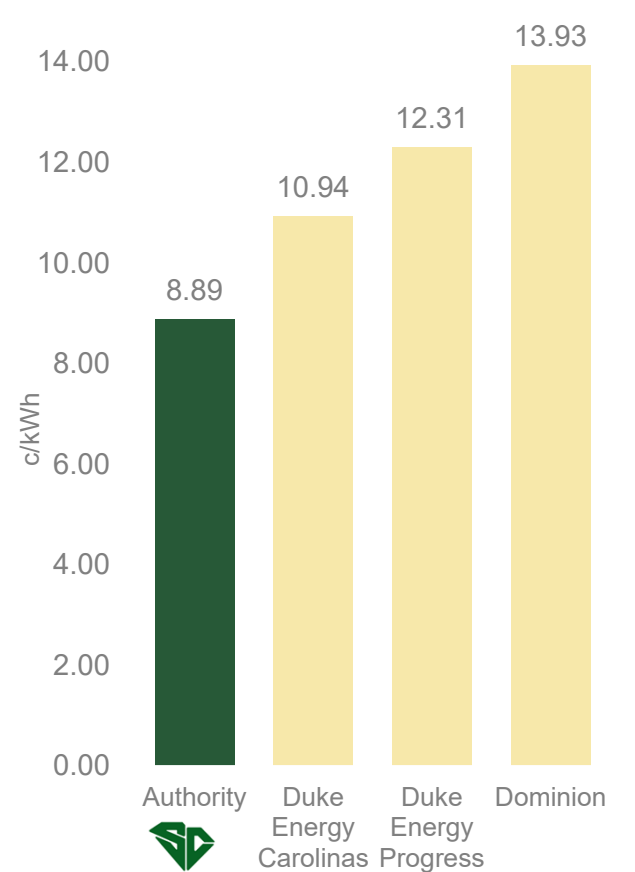
# Competitive Prices



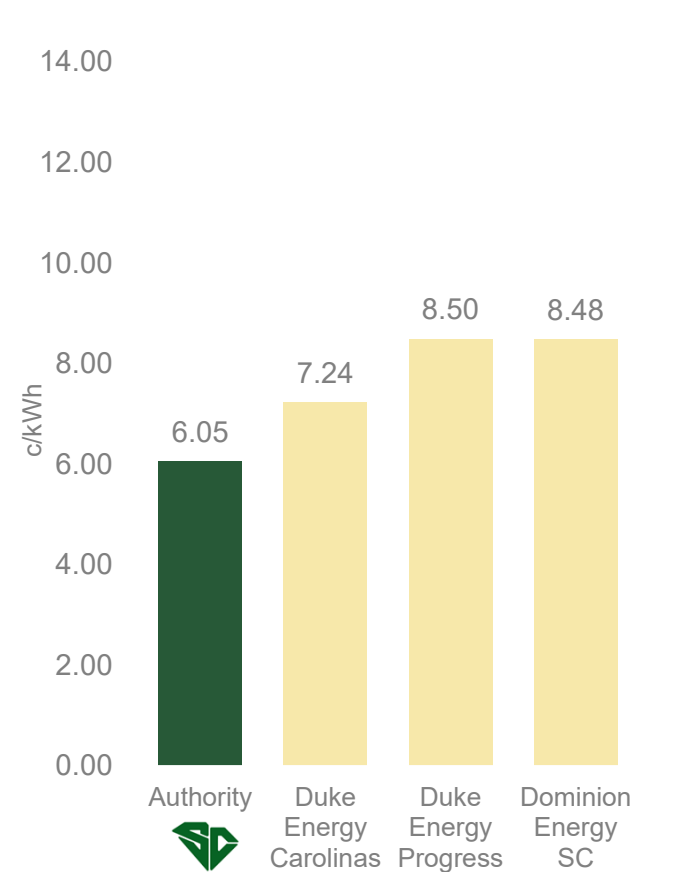
## Residential Rate (1,000 kWh)



## Commercial Rate (5,000 kWh)



## Industrial Rate (9,000 kW / 5,000,000 kWh)



Based on rates on file with the SCPSC for the period of December 2022 through November 2023.

**Santee Cooper has hedged a significant portion of its fuel exposure for the remainder of the rate freeze**

	Bal-2024 <sup>2</sup>		2025		2026	
	Volume	Cost	Volume	Cost	Volume	Cost
	Coverage	Coverage	Coverage	Coverage	Coverage	Coverage
<b>Coal</b>	<b>100%</b>	<b>97%</b>	<b>56%</b>	<b>51%</b>	<b>34%</b>	<b>22%</b>
<b>Natural Gas</b>	<b>100%</b>	<b>89%</b>	<b>66%</b>	<b>60%</b>	<b>37%</b>	<b>35%</b>
<b>Purchased Power - Energy</b>	<b>86%</b>	<b>74%</b>	<b>64%</b>	<b>24%</b>	<b>51%</b>	<b>15%</b>
<b>System Overall</b>	<b>95%</b>	<b>90%</b>	<b>63%</b>	<b>47%</b>	<b>43%</b>	<b>24%</b>

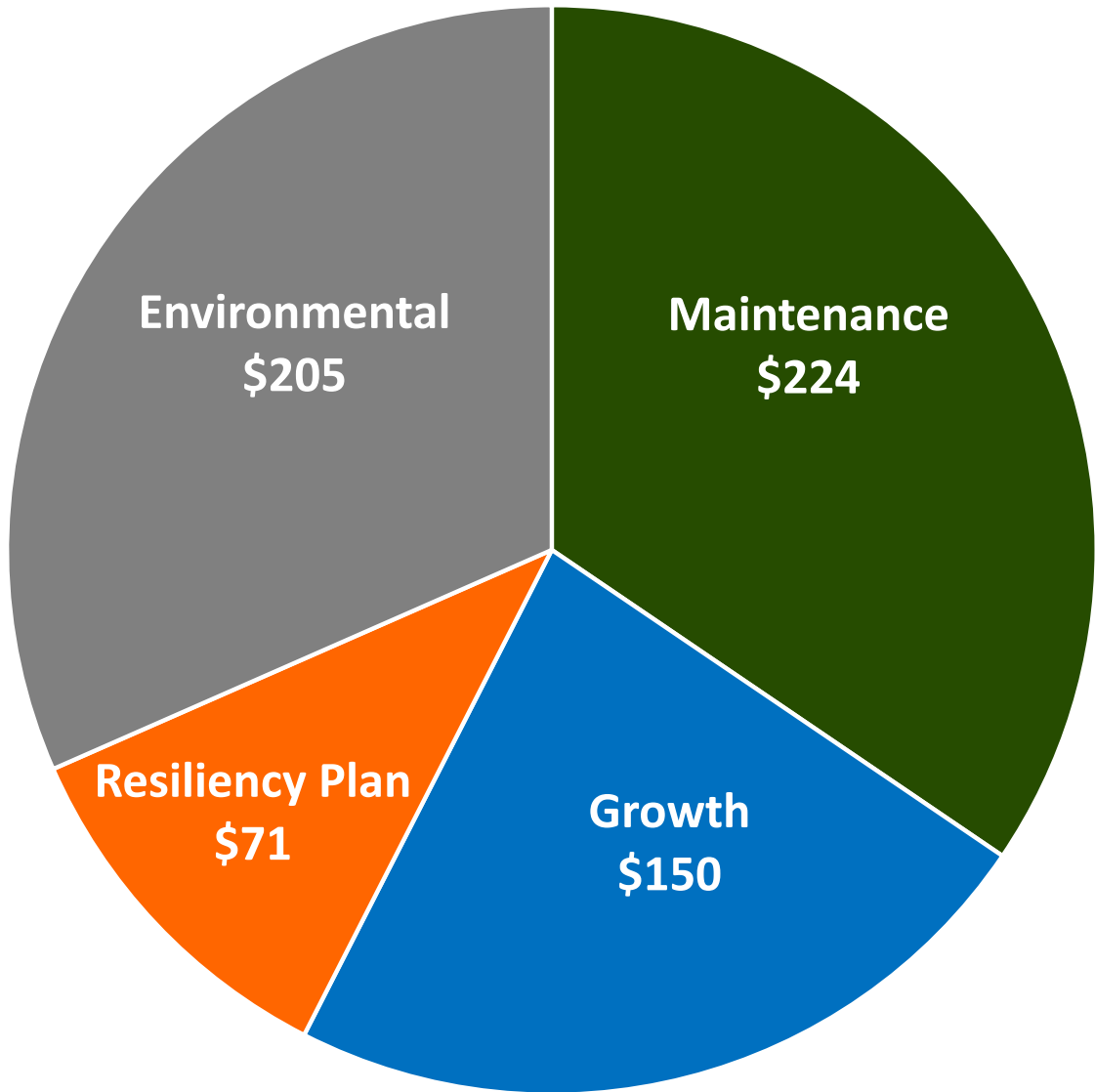
(1) Coverage is based on the 2024 Budget system exposure which considers the economic dispatch to service our load forecast, the system is set up to fuel switch between resources based on daily pricing which incentivizes leaving some volume open to the market. Coal coverage is targeting a coal pile of 800,000 to 1,200,000 tons. Natural gas is targeting coverage for the Rainey Combined Cycle Unit, the most efficient in the fleet, 100% through 2025 and 50% 2026-2031. Purchased Power Energy includes PURPA arrangements for renewables and SEPA as well as agreements for long term purchases through 2028.

(2) Reflects April - December

# Electric System 2024 Capital Plan



Total Expenditures: \$650 million



1. Pie chart values in millions

# Combined System – Projected Financial Metrics<sup>1</sup>



**The Authority is managing metrics during the rate freeze. Following the rate freeze, metrics begin to return to historical levels.**

	2024	2025	2026
<b>Debt Service Coverage</b>			
DSC inc. Reg Asset <sup>2</sup>	1.34	1.41	1.39
DSC exc. Reg Asset <sup>2</sup>	1.26	1.41	1.39
<b>Leverage</b>			
Debt Outstanding (\$Billion) <sup>3</sup>	7.6	7.9	8.2
Debt-to-Capitalization	77%	77%	77%
<b>Liquidity</b>			
Days Cash	86	76	78
Days Liquidity <sup>3,4</sup>	211	191	154

1. Timing and methodology for recognizing Cook Settlement Exceptions and collecting those deferred costs through rates after the rate freeze period have not yet been determined. For purposes of determining 2025 and 2026 in the 2024 Budget, revenues and expenses, including interest on associated outstanding debt have been excluded.
2. Reflects current years adjustments to the Cook Settlement Exceptions regulatory asset for certain exceptions identified in prior compliance reports. Amounts are for planning purposes only and are not intended to represent the amount Santee Cooper may identify as exceptions in future compliance reports.
3. Outstanding debt issued under bank credit facilities result of Cook Exceptions is held constant starting in 2025. Revenues collected from the Cook Settlement Exceptions would be utilized to pay down outstanding debt issued against Cook Settlement Exceptions.
4. Liquidity metric based on \$1 billion total capacity through 2025, and \$850 million in 2026.



## Moody's recently changed the Authority's outlook to stable

Credit Agency	Rating	Outlook
Moody's	A3	Stable
Fitch	A-	Negative
S&P	A-	Negative

### Strengths<sup>1</sup>:

- Sufficient liquidity during the rate freeze
- Transitioning to a cleaner, more efficient, flexible and diverse resource portfolio
- Competitive rates; however, rate setting ability is limited while under rate freeze
- Deep and diverse service area
- Long term contract with Central through 2058

### Challenges<sup>1</sup>:

- Limited financial flexibility during the rate freeze
- Weakened coverage metrics resulting from our inability to pass through unbudgeted costs due to the rate freeze
- Cook settlement rate exceptions cannot be collected until after the rate freeze and can be subject to an audit through the courts related to compliance with the settlement agreement
- Regulatory asset is a non-cash accounting treatment that defers recognition of the costs, but not the obligation to fund them
- Highly leveraged
- Carbon transition risk due to coal plant ownership

(1) Per the latest credit rating agency reports (Fitch report dated October 31, 2022, Moody's report dated October 31, 2023 and S&P report dated November 10, 2023)

# 2023 Year End Projections – Electric System



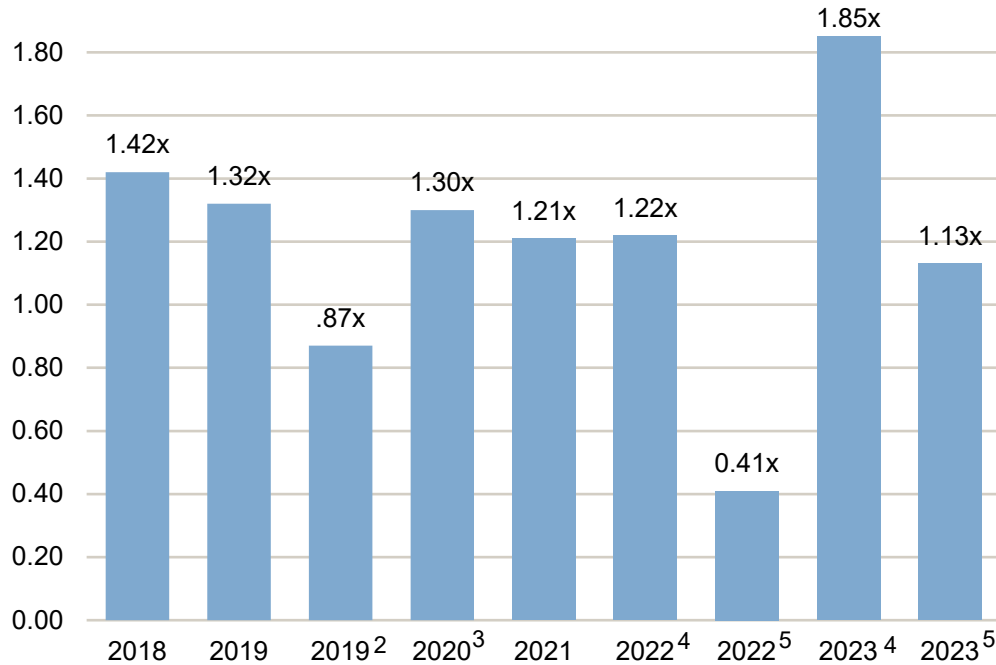
<i>\$millions</i>	<u>2023 Budget<sup>1</sup></u>	<u>Preliminary 2023 Actuals</u>	
	<u>Total</u>	<u>Total</u>	<u>vs. Budget</u>
<b>Operating Revenue</b>	<b>1,944</b>	<b>1,844</b>	<b>(100)</b>
Fuel and Purchased Power	1,039	890	(149)
Non-Fuel O&M	522	499	(23)
Reg Asset: O&M <sup>2</sup>	(201)	(243)	(42)
<b>Total O&amp;M Expenses</b>	<b>1,360</b>	<b>1,146</b>	<b>(214)</b>
<b>Operating Margin</b>	<b>584</b>	<b>698</b>	<b>114</b>
Depreciation/Int. Expense/ Misc. Income/CTBR/SIL	(555)	(562)	(7)
<b>Reinvested Earnings</b>	<b>29</b>	<b>136</b>	<b>107</b>
Debt Service	388	396 <sup>3</sup>	7
<b><u>Metrics</u></b>			
Debt Service Coverage inc. Reg Asset <sup>4</sup>	1.64x	1.85x	0.21
Debt Service Coverage exc. Reg Asset	1.06x	1.13x	0.07
Days of Cash (exc. collateral)	74 Days	107 Days	33
Days of Liquidity (exc. collateral)	186 Days	228 Days	42
Energy Sales (GWh)	27,342	26,185	(1,157)

1. Includes Board approved changes to the Non-Fuel O&M Budget for CY2023. Metrics are based on the original 2023 Budget.
2. Estimated impact of Cook exceptions through YE2023. Includes estimated future impact of certain exceptions identified in prior compliance reports. Amounts are for planning and explanation purposes only and are not intended to represent the amount the Authority may identify as exceptions in 2023.
3. Does not include \$5m reduction in debt service due in 2023 resulting from the December 2023 defeasance.
4. Includes \$23m of Cook related interest deferral

# Historical Financial Metrics – Combined System



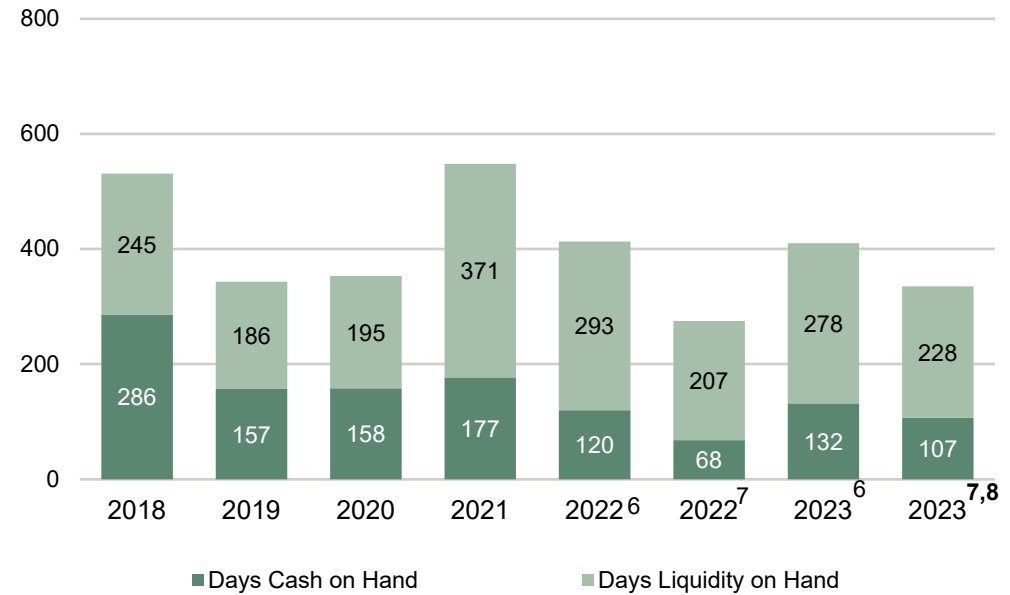
## Debt Service Coverage<sup>1</sup>



1. Includes CP, Revolving Credit Agreements and Payment to the State
2. Excludes the special item related to Cook case settlement
3. Includes Special Item related to Cook case settlement
4. Includes Cook Deferred Expenses
5. Excludes Cook Deferred Expenses

## Days of Cash Reserves and Liquidity

(days)



6. Includes hedging collateral cash and Cook Deferred Expenses
7. Excludes hedging collateral cash and Cook Deferred Expenses
8. 2023 data is preliminary

# Existing Debt Inventory



## Debt Outstanding as of 12/31/23<sup>1</sup>

(\$ millions)

### Revenue Obligation Bonds:

Fixed	\$ 6,659,290
Variable	124,795
<b>Total Revenue Obligation Bonds</b>	<b>\$ 6,784,085</b>

### Bank Facilities:

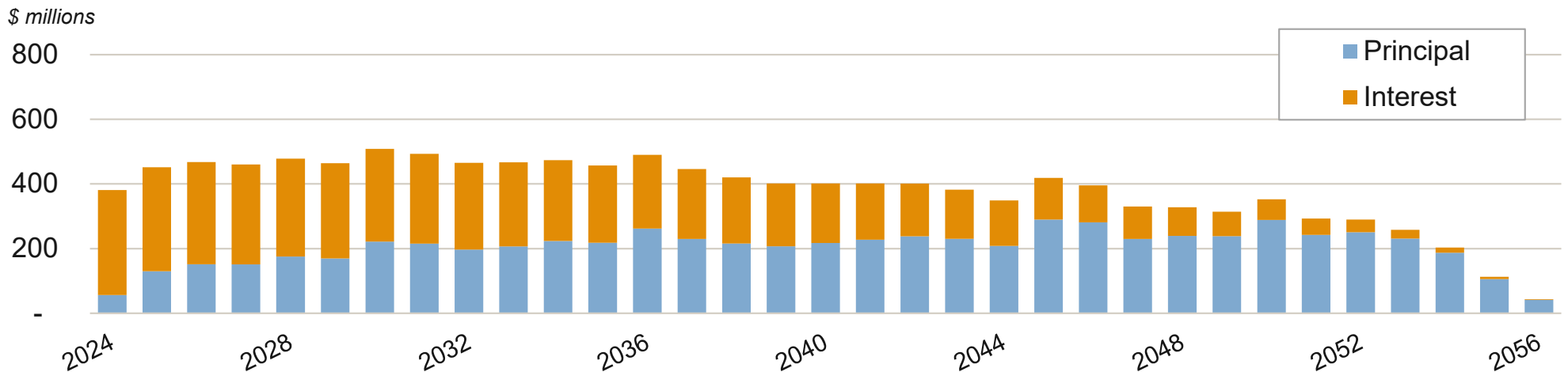
Commercial Paper	\$ 183,363
Revolving Credit Agreements	403,860
<b>Total Bank Facilities</b>	<b>\$ 587,223</b>

**Total Debt Outstanding** \$ 7,371,308

➤ The Authority’s debt management plan has consisted of the following:

- Paydown debt as internal funds become available
- Execute a multi-faceted refunding program that is staged in tranches and targeted at mitigating risk and taking advantage of historically low interest rates

## Debt Service Schedule<sup>2</sup>



1. As of December 31, 2023. Also reflects total debt and is preliminary.

2. Debt service on existing debt as of December 31, 2023; includes benefit of BABs subsidy; shown on a cash basis.

# Bank Facility Update



## Santee Cooper maintains sufficient liquidity through the remainder of the rate freeze

- Recently amended and extended the JP Morgan Revolving Credit agreement and also increased its capacity by \$50 million
- Recently extended the TD Revolving Credit agreement
- Will soon begin negotiating Barclays LOC that expires later in the year
- Below you will find a summary of our bank facility program:

\$'s in millions	Capacity	Expiration
Barclays LOC	\$200	2/28/25
Barclays LOC	100	9/6/24
Bank of America RCA	200	3/20/26
JP Morgan RCA	250	3/31/26
Wells Fargo RCA	100	3/25/25
TD Bank RCA	200	6/30/26
<b>Total</b>	<b>\$1,050</b>	

# Potential 2024 Transactions



- New money transaction to fund a portion of our capital plan
  - Requires approval from the Joint Bond Review Committee
  
- Dependent on market conditions, the Authority may decide to refund all or a portion of its callable debt to take advantage of lower interest rates

# Key Contacts



## The Authority



**Faith Williams**

*Manager, Debt Management &  
Investor Relations*

(843) 761-8000 Ext 4987

faith.williams@santecooper.com

## Public Financial Management – Financial Advisor



**Michael Mace**

*Managing Director*

(704) 541-8339

macem@pfm.com

Visit our website at

[www.santecooper.com/about/investors](http://www.santecooper.com/about/investors)