

MEMORANDUM

TO: REP. KIRKMAN FINLAY, CO-CHAIRMAN
REP. LEON STAVRINAKIS, CO-CHAIRMAN
SANTEE COOPER AD HOC COMMITTEE

FROM: PALMETTO PROMISE INSTITUTE

DATE: REVISED JANUARY 6, 2021. ORIGINALLY PUBLISHED JANUARY 5, 2021

SUBJECT: NUMBERS

In a recent hearing of your committee on the matter of the future of the South Carolina Public Service Authority, Santee Cooper leadership referenced a meeting between members of the Santee Cooper leadership and Palmetto Promise Institute staff. Their comments seemed to indicate that Palmetto Promise had in some manner retreated from the Memorandum of September 23, 2020 authored by Clemson Economics Associates (CEA) on the current finances and threats to the agency. We have not. The response of Dr. Kathleen Grace of CEA is provided separately.

There were additional questions about sources Palmetto Promise Institute used to provide research to the citizens of South Carolina.

1. **Santee Cooper Debt.** Our source (Appendix A) for Santee Cooper Debt is the Investor information page provided on Santee Cooper’s website. As reflected on the site, total debt with current retirement schedule stands at **\$13.001 billion** and ends in the year **2056**.
2. **Santee Cooper Rates.** To calculate rates (or better, Revenue per kWh), Palmetto Promise uses the same methodology as the South Carolina Energy Office (SCEO). The SCEO makes its calculations based on data from the most reliable source in America, the United States Energy Information Administration (USEIA).

Note: PPI has been using USEIA calculations in its research since the decision to end the V.C. Summer expansion. In a single instance late last year (December 3), PPI reported that Santee Cooper’s rates were “the highest in the state” due to the transposing of two rates. The error has been corrected in journalistic best practice, and the “highest in the state” statement no longer appears in our research. However, ORS testimony in the current Dominion Rate Case (Appendix B) indicates that Santee Cooper **average bills** are at worst second only to tiny Lockhart Power and at best (given footnote 3 that only Santee Cooper can interpret) clearly *very similar to Investor-Owned Utilities*.

The earliest USEIA data of this type available (1990) reveals that Santee Cooper Revenue Per kWh at that time was low—only 81% of the IOU average. This was no surprise and should be the rule for a public power agency. But, Santee Cooper rates have grown steadily to a peak of 99% of IOUs in 2018 (Appendix C).

3. **Santee Cooper Generation.** Again, PPI's source is the South Carolina Energy Office. We compare utilities by the same standard—self-generated power. Generation from coal is 50% of Santee Cooper's generation. The figures for the rest are: 24% for Dominion, 22% for Duke Energy Carolinas, 16% for Duke Energy Progress (Appendix D).
4. **Santee Cooper Bond Ratings.** We acknowledge the strong ratings Santee Cooper traditionally receives from credit rating agencies. It is not lost on Wall Street that the Santee Cooper board alone has the power to set rates at whatever level necessary to see that bondholders are paid with no accountability to ratepayers or any higher review authority. And, while not necessarily an actual legal backstop in terms of full faith and credit of the state, credit markets know that it is highly unlikely that the State of South Carolina would allow one of its agencies to default.
5. **General Research Philosophy.** In undertaking a decision of this complexity, it is wise to examine the matter from as many angles as possible. This includes creating hypothetical scenarios. Our methodology for economic modeling calculations have always been transparent, and we have always clearly stated any hypotheticals (such as comparing between IOU and public utility models).

Most of our research has been drawn from Santee Cooper's own publicly reported data. This admittedly leaves much behind the veil: it would seem that a public utility should be much more publicly transparent in its dealings. However, we can only work with what we have. And we are not the only ones who have found Santee Cooper's accounting to be opaque.

The bottom line: no matter how the pie is sliced, as Palmetto Promise has said since 2017, the problem is the *debt*. To ignore a path to eliminate the debt is to focus on the forest and miss the trees. We applaud efforts to obtain better terms on existing debt to save ratepayers money. But the fact remains, no matter how many times the debt deck is shuffled, Santee Cooper will never refinance its way out of a deep debt hole. That means ratepayers will be on the hook...and they are our primary concern.

Appendix A: Debt

DEBT SERVICE REQUIREMENTS

The following table sets forth on an accrual basis the estimated annual debt service due on the Authority's outstanding Revenue Obligations, principal of and interest on the 2020 Bonds and total debt service on all Revenue Obligations to be outstanding after the issuance of the 2020 Bonds in each calendar year indicated. **Amounts are shown in thousands of dollars and are rounded up or down to the nearest one thousand dollars.**

Year Ending Dec. 31 ⁽¹⁾	Debt Service on Outstanding Revenue Obligations ⁽²⁾⁽³⁾⁽⁴⁾	Principal on 2020A Bonds	Interest on 2020A Bonds	Principal on 2020B Bonds	Interest on 2020B Bonds	Total Debt Service on 2020 Bonds and Outstanding Revenue Obligations
2020	\$ 396,164	\$ 111	\$ 2,238	-	\$ 1,104	\$ 399,617
2021	438,586	1,340	14,381	-	7,099	461,406
2022	414,794	1,403	14,314	-	7,099	437,610
2023	538,520	1,479	14,244	-	7,099	561,342
2024	371,758	692	14,170	\$ 1,319	7,099	395,038
2025	380,029	-	14,135	16,383	7,079	417,627
2026	371,965	-	14,135	24,360	6,829	417,290
2027	353,231	-	14,135	43,546	6,371	417,283
2028	372,684	-	14,135	24,994	5,471	417,285
2029	379,642	-	14,135	19,076	4,888	417,741
2030	340,426	3,038	14,135	55,750	4,419	417,769
2031	319,594	35,679	13,984	45,468	3,008	417,732
2032	309,641	25,222	12,200	68,828	1,830	417,721
2033	401,643	5,113	10,942	-	-	417,698
2034	392,123	14,825	10,737	-	-	417,685
2035	405,634	1,893	10,144	-	-	417,671
2036	405,397	2,023	10,069	-	-	417,488
2037	348,363	22,248	9,988	-	-	380,598
2038	316,969	1,555	9,098	-	-	327,621
2039	296,183	22,403	9,036	-	-	327,622
2040	258,284	61,199	8,140	-	-	327,623
2041	285,681	36,220	5,720	-	-	327,622
2042	267,318	55,718	4,587	-	-	327,623
2043	278,985	46,319	2,316	-	-	327,620
2044	376,546	-	-	-	-	376,546
2045	382,369	-	-	-	-	382,369
2046	357,050	-	-	-	-	357,050
2047	298,038	-	-	-	-	298,038
2048	294,449	-	-	-	-	294,449
2049	285,324	-	-	-	-	285,324
2050	245,045	-	-	-	-	245,045
2051	247,290	-	-	-	-	247,290
2052	272,869	-	-	-	-	272,869
2053	264,759	-	-	-	-	264,759
2054	207,050	-	-	-	-	207,050
2055	118,140	-	-	-	-	118,140
2056	39,767	-	-	-	-	39,767
Total	<u>\$12,032,310</u>	<u>\$338,480</u>	<u>\$261,119</u>	<u>\$299,725</u>	<u>\$69,395</u>	<u>\$13,001,029</u>

Appendix B: Rates

**Dominion Energy South Carolina, Inc.
Residential Bill Comparison**

Docket No. 2020-125-E

Exhibit MSH-6

	Average Bill ¹
DESC (Rate 8) (Current)	\$122.31
DESC (Rate 8) (Company Proposed)	\$131.99
DESC (Rate 8) (ORS Proposed)	\$122.32
Duke Energy Carolinas (Schedule RS)	\$115.33
Duke Energy Progress (Schedule RES)	\$120.30
Lockhart Power Company (Schedule R) ²	\$134.45
Santee Cooper (Schedule RG) ³	\$125.87
South Atlantic 2019 Average (from EIA) ⁴	\$130.04

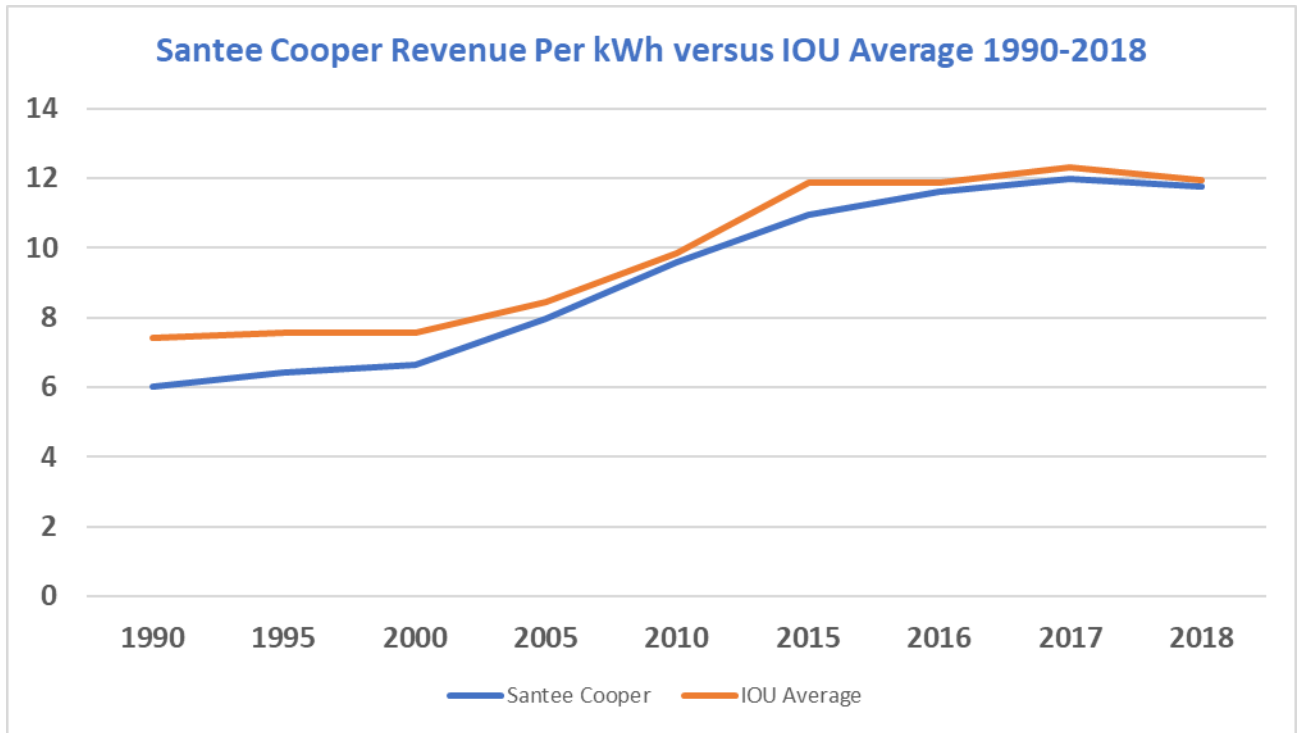
¹ Average bill based on 1,000 kWh monthly usage.

² Lockhart Rate does not include monthly changes to Schedule O.

³ Santee Cooper bill does not include non-public changes to FAC-17, DSC-17.

⁴ https://www.eia.gov/electricity/sales_revenue_price/pdf/table5_a.pdf

Appendix C: Rate Timeline



Appendix D: Generation

Table 1

Dominion Energy South Carolina	
2019 Generation (MWh)	
Fuel	Total MWh
Coal	5,599,617 (24%)
Biomass	--
Combustion Turbines- Natural Gas and Oil	27,275 (0.1%)
Natural Gas- Boiler and Combined Cycle	11,825,161 (50%)
Pumped Storage	473,908 (2%)
Hydro	288,175 (1%)
Solar*	3,096 (0.01%)
Nuclear	5,502,476 (23%)
Total	23,719,708

*This line reflects company-owned solar only. The total amount of company-owned and purchased solar is 869,361 MWh.

[DOWNLOAD DATA ARCHIVE: Generation: Dominion Energy South Carolina 2016-2019](#)

Table 2

Santee Cooper	
2019 Generation (MWh)	
Fuel	Total MWh
Coal	9,126,240 (50%)
Biomass	58,948 (0.3%)
Combustion Turbines- Natural Gas and Oil	1,734,213 (10%)
Natural Gas- Boiler and Combined Cycle	3,847,943 (21%)
Pumped Storage	--
Hydro	591,823 (3%)
Solar	4,704 (0.03%)
Nuclear	2,745,969 (15%)
Total	18,109,830

[DOWNLOAD DATA ARCHIVE: Generation: Santee Cooper 2016-2019](#)

Table 3

Duke Energy Carolinas	
2019 Generation (MWh)	
Fuel	Total MWh
Coal	5,963,250 (22%)
Biomass	--
Combustion Turbines- Natural Gas and Oil	286,550 (1%)
Natural Gas- Boiler and Combined Cycle	3,783,874 (14%)
Pumped Storage	--
Hydro	630,216 (2%)
Solar	--
Nuclear	16,426,900 (61%)
Total	27,090,790

[DOWNLOAD DATA ARCHIVE: Generation: Duke Energy Carolinas 2016-2019](#)

Table 4

Duke Energy Progress	
2019 Generation (MWh)	
Fuel	Total MWh
Coal	1,362,708 (16%)
Biomass	--
Combustion Turbines- Natural Gas and Oil	97,318 (1%)
Natural Gas- Boiler and Combined Cycle	2,906,232 (34%)
Pumped Storage	--
Hydro	95,629 (1%)
Solar	35,855 (0.4%)
Nuclear	4,075,921 (48%)
Total	8,573,663