



Retail Rate Adjustment

April 2017

Executive Summary



- **Board authorized a comprehensive rate review in March 2017 for retail and industrial customers**
 - Following a comprehensive review, authorization of public comment period expected in June 2017
 - Plan includes regular opportunities to update Central and seek feedback

- **Rates strategy is aligned with Santee Cooper's financial plan presented to Central**
 - Financial plan seeks to achieve a balance between sufficient revenue recovery through rates/CIF adjustment and cost competitiveness through debt strategies
 - Includes CIF adjustment from 9% to 10% for all customer classes including Central

Key Factors Driving the Need for Rate Adjustments



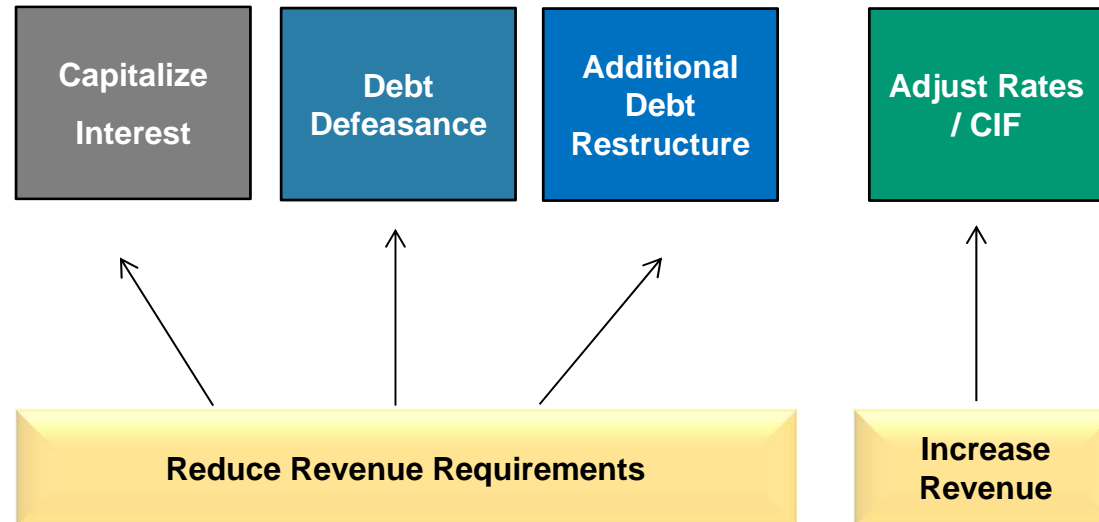
- Migration of upstate load off Santee Cooper's system
- Slow load growth for Santee Cooper and Cooperatives
- Continued construction of Summer Nuclear Units 2 and 3
- Environmental Compliance
 - Coal Combustion Residual Rule (CCR)
 - Effluent Limitations Guidelines (ELG)
- Direction from Board to maintain financial metrics

Projected revenue shortfall and inadequate financial metrics beginning in 2018 based on current rates and CIF

Financial Plan & Rate Strategy



Strategies



Key Takeaways

- Despite various debt service reduction strategies, annual debt service expense is projected to grow
- Higher CIF would enable Santee Cooper to achieve targeted debt service coverage(DSC) consistent with high A credit rating
 - Targeted DSC in years 2018-2019 of approximately 1.4x based on projected rates with CIF adjustment
 - Deviation from plan would result in under recovery and adversely impact DSC

CIF Impact

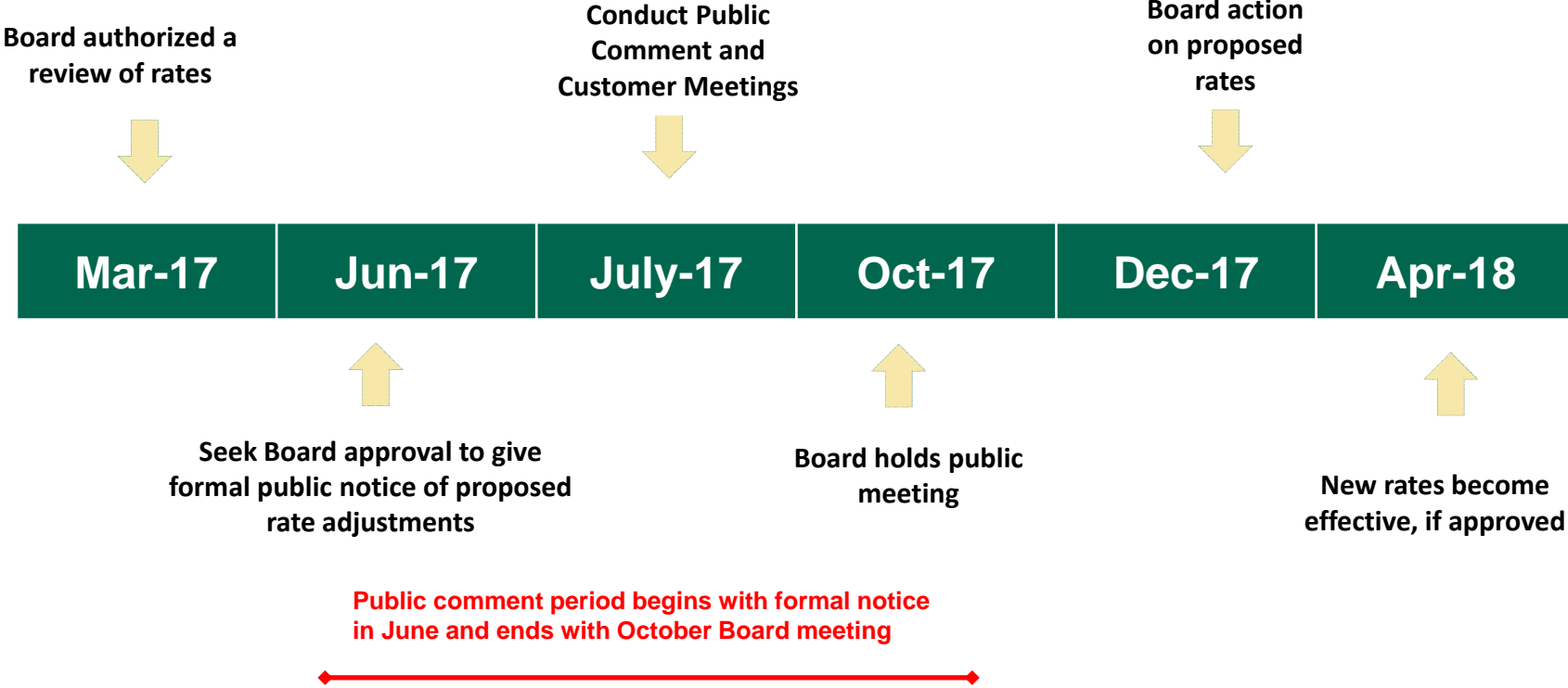


- Maintaining CIF at current level would adversely impact debt service coverage

Financial Plan			Impact of Lower CIF		
	2018	2019		2018	2019
CIF (%)	10%	10%		9%	9%
CIF (\$000,000's)	177	182		159	164
Total DS (\$000,000's)	429	492		447	510
Central Revenues (\$000,000's)	1,048	1,064		1,048	1,064
DSC	1.44x	1.39x		1.38x	1.34x

- Lower CIF, if offset with higher debt service (by adjusting capitalized interest/defeasance), would be revenue neutral and adversely impact DSC.

Preliminary Plan & Timeline for Retail Rate Revisions



- Santee Cooper management is scheduled to meet with Central management in April to share preliminary analysis and seek feedback
- Central will be provided proposed adjustments once approved in June
- Santee Cooper management is scheduled to meet with Central management in July to discuss proposed adjustments