



October 29, 2020

The Honorable Dan J. Ray
South Carolina Public Service Authority
Post Office Box 2946101
Moncks Corner, South Carolina 29461

Dear Acting Chairman Ray:

The undersigned write to seek additional information regarding the South Carolina Public Service Authority's ("Santee Cooper") plans to issue new debt and to present shared questions and preliminary concerns about whether the certain aspects of the transactions, as announced, comply with Act No. 135 of 2020 ("Act 135").

As you will recall, Section 11 of Act 135 provides that, "[u]nless otherwise allowed herein, [Santee Cooper] may not take any action which would impair, hinder, or otherwise undermine from an economic, operational, feasibility, or any other perspective the ability of the General Assembly to complete its consideration regarding Santee Cooper's status." To ensure compliance with Act 135, Santee Cooper is subject to monthly reviews by the Office of Regulatory Staff ("ORS"). Yet, given the timeframe announced yesterday, it appears that Santee Cooper intends to close these transactions prior to ORS having the opportunity to conduct and complete its required monthly review process.

To be clear, we appreciate any authorized effort to reduce Santee Cooper's significant debt portfolio and the resulting burden on its ratepayers; however, we are concerned as to whether these transactions, or certain portions thereof, are in keeping with the provisions and overarching purpose of Act 135 and the General Assembly's intent in passing the same. For example, although Section 11(E)(8) of Act 135 does not prohibit Santee Cooper from "issuing or refunding debt" in limited circumstances and under certain specified conditions, Santee Cooper's press release indicates that a portion of these transactions will "provide new money proceeds of \$100 million to use for capital projects." At the October 19, 2020 meeting of the Board of Directors, Mr. Bonsall explained Santee Cooper's plans, describing two "standard" or "regular" transactions before distinguishing a third. Based on the limited information available, it appears that this third transaction is intended to provide the above-referenced \$100 million for capital projects, with Mr. Bonsall previously noting that the "strategic reason" for this issuance of new debt was that Santee

October 29, 2020

Cooper is “going to have to finance some new construction, new assets at some point in time.” Because such a transaction is seemingly at odds with Section 11(E)(8) of Act 135, we are seeking additional information regarding Santee Cooper’s plans and justifications for the same.

In short, we are concerned that this aspect of the planned transactions, and perhaps others, may not comply with either the letter or the spirit of Act 135. Accordingly, pursuant to section 1-3-10 of the South Carolina Code of Laws, article IV, section 17 of the South Carolina Constitution, and Proviso 91.25 of the 2019–2020 Appropriations Act, as extended by Act 135, this letter will serve as a formal demand that you “immediately furnish” any and all pertinent information and documentation to ORS regarding these transactions to facilitate a prompt review of the same. Since we presume that Santee Cooper would not have willfully undertaken these transactions if you and your colleagues were of the opinion that they did not comply with Act 135, in addition to producing the above-referenced information and materials, you shall promptly provide to us and to ORS a detailed explanation as to why, and how, you believe that Santee Cooper’s actions are in keeping with both the letter and the spirit of the General Assembly’s mandates in Act 135.

Please note that these directives are continuing in nature and require further and supplemental disclosures in the event Santee Cooper creates, obtains, or discovers additional responsive information or records following its initial production. We are confident ORS will carefully review the information and materials that you supply and will provide a timely response and determination. However, this letter should not be construed as waiving any current or future rights, obligations, or jurisdiction of the Santee Cooper Oversight Committee to consider any aspect of these transactions in the ordinary course under the process outlined in Act 135.

Thank you in advance for your immediate attention to this important matter. By copy of this letter, we are advising the remaining members of Santee Cooper’s Board of Directors of the foregoing directives and their shared obligations with respect to the same. Please note that failure to comply, in whole or in part, with the foregoing demands and directives will constitute malfeasance, misfeasance, or misconduct. Should you have any questions regarding anything mentioned above or otherwise, please do not hesitate to contact us.

Yours very truly,



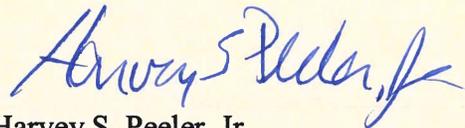
Henry McMaster



James H. Lucas
Speaker of the House of Representatives



G. Murrell Smith, Jr.
Chairman, Ways and Means Committee



Harvey S. Peeler, Jr.
President of the Senate



Hugh K. Leatherman, Sr.
Chairman, Finance Committee

cc: Santee Cooper Board of Directors
c/o Shawan Gillians, Esquire, Corporate Secretary

Mr. Mark B. Bonsall
President & Chief Executive Officer, Santee Cooper

Pamela Williams, Esquire
Chief Public Affairs Officer & General Counsel, Santee Cooper