

Exhibit F
Process Letter

October 14, 2019

PRIVATE AND STRICTLY CONFIDENTIAL

Attention: Process Participants

Pursuant to the Joint Resolution (Act No. 95 of 2019) adopted by the General Assembly of the State of South Carolina on May 21, 2019 and signed by the Governor on May 22, 2019 (the "Joint Resolution"), which is attached as Attachment 1 to this letter, on behalf of the South Carolina Department of Administration (the "Department"), and pursuant to the Department's authority under the Joint Resolution, Moelis & Company LLC ("Moelis" or "we", "us" or "our") has been authorized by the Department to invite you to submit sale proposals for some or all of the South Carolina Public Service Authority ("Santee Cooper") and management proposals designed to improve the efficiency and cost effectiveness of Santee Cooper's electric operations, and to invite Santee Cooper to submit a proposal for reform, restructuring and operational changes, all as specified in the Joint Resolution. This letter is subject to the Confidentiality Agreement previously executed by you and the Department (the "Confidentiality Agreement").

Please review the procedures and guidelines outlined in this letter carefully, noting that the deadline for submission of (1) final, written offers to purchase some or all of Santee Cooper, (2) final, written management proposals that do not involve the sale of Santee Cooper and (3) Santee Cooper's proposal for reform, restructuring and changes in its operations is **noon ET on November 25, 2019** (the "Submission Time").

PRE-SUBMISSION INFORMATION

The Department intends to conduct a single-stage process for sale offers, management proposals and the Santee Cooper reform proposal (the "Process"). However, the Department has decided to require participants intending to submit sale offers and management proposals to provide certain initial information (the "Initial Information") prior to the Submission Time, to assist both the Department and Process participants in completing the Process efficiently. Accordingly, parties interested in submitting an offer to purchase some or all of Santee Cooper (a "Sale Proposal") will be required to submit (1) an issues list setting forth any material issues in the Asset Purchase Agreement (the "Asset Purchase Agreement"), a draft of which will be provided in the virtual data room (the "Data Room") and (2) a summary of the proposed transaction structure and, if known, the identity of the proposed management team. Parties interested in submitting a proposal that does not involve a sale of Santee Cooper but is designed to improve the efficiency and cost-effectiveness of Santee Cooper's operations, including, but not limited to, a management arrangement, joint venture or alternative arrangement (a "Management Proposal") will be required to submit (1) a term sheet setting forth the material terms and structure of their proposed arrangement and (2) if known, the identity of the proposed management team. Note that the Department may request drafts of definitive agreements for Management Proposals be submitted prior to the submission of Final Submissions. Parties that wish to submit both a Sale Proposal and a Management Proposal must provide Initial Information that includes the information described above for each proposal.

Moelis will follow-up with interested parties regarding the due date for providing Initial Information, which is expected to be in late October or early November. The Department and its advisors will evaluate your Initial Information and expect to provide you with feedback as promptly as practicable, so that you can take it into account in preparing your final submissions. Please note that to assist the Department and its advisors in developing feedback to your Initial Information, we may share with Santee Cooper (on a no-names basis) certain portions of your Asset Purchase Agreement issues list

submitted as part of your Initial Information. Subject to that exception, no other part of your Initial Information will be shared with Santee Cooper or any other participant in the Process. In order to assist the Department in its evaluation of your proposal, in the next several weeks Moelis will be sending you a questionnaire requesting that you provide additional information about your business, operations and plans with respect to the Santee Cooper business.

CENTRAL INFORMATION

To assist both the Department and Process participants in completing the Process efficiently, the Department has decided to allow participants intending to submit Sale Proposals and/or Management Proposals to provide specific information ("Central Information") regarding proposed terms and conditions for a power purchase agreement with Central Electric Power Cooperative ("Central") prior to the Submission Time.

A party interested in submitting a Sale Proposal or a Management Proposal that believes the Power System Coordination and Integration Agreement between Santee Cooper and Central (the "Coordination Agreement"), a copy of which has been provided in the Data Room, will need to be separated into its constituent components as a result of its proposal may submit a copy of the draft Power Purchase Agreement which will be provided in the Data Room (the "Power Purchase Agreement" or "PPA") marked to represent an agreement it would be prepared to enter into with Central to replace the generation purchases and sales presently addressed in the Coordination Agreement in the event that the terms of its proposal are accepted. A party interested in submitting a Sale Proposal or a Management Proposal that believes the Coordination Agreement should remain in place may submit an issues list setting forth any material issues to be addressed in an amendment to the Coordination Agreement.

Moelis will follow-up with interested parties regarding the due date for providing Central Information. To promote the effectiveness and efficiency of the Process, which will include negotiations with Central (as discussed below and as required by the Joint Resolution), we may share with Central (also on a non-names basis) certain portions of your Central Information. The Power Purchase Agreement and/or any other proposed changes to the Coordination Agreement will be subject to negotiation with Central, which will be scheduled after the Submission Time and prior to the date on which the Department submits its recommendations to the General Assembly and will be overseen by the Department and its advisors. Except as provided herein, none of your Central Information will be shared with Central or any other participant in the Process.

FINAL SUBMISSIONS

As noted above, the deadline for submission of (1) final and binding Sale Proposals, (2) final and binding Management Proposals and (3) Santee Cooper's proposal, as an alternative to a Sale Proposal or a Management Proposal, setting forth its plans for reform, restructuring and changes in its operations (the "Reform Proposal", and together with the final and binding Sale Proposals and final and binding Management Proposals, collectively, the "Final Submissions") is **noon on November 25, 2019**. Please review carefully the procedures and guidelines set out below. In order to comply with the Joint Resolution and to enable the Department and its advisors to evaluate proposals on a comparable basis and in the manner specified in the Joint Resolution, each Proposal must comply with the terms and conditions outlined below and must be the proposal you intend to pursue in the event that Central accepts the material terms of your mark-up of the PPA or agrees to amend the Coordination Agreement based your issues list, as applicable.

Sale Proposal

1. **Submission Procedures.** Your Sale Proposal must be submitted in written form and be executed by an officer authorized to bind the prospective purchaser. Your Sale Proposal must state that it constitutes an offer that will remain open until at least June 30, 2020, or such earlier date as the General Assembly decides not to proceed with your Sale Proposal. Your Sale Proposal should also indicate the name of the prospective purchaser's counsel and/or such other person(s) whom the Department or its advisors should contact in the event they wish to discuss your Sale Proposal.
2. **Asset Purchase Agreement.** Your Sale Proposal must be accompanied by a copy of the Asset Purchase Agreement marked to represent an agreement you are prepared to execute in the event that Central accepts the material terms of your mark-up of the PPA or your Coordination Agreement issues list, as applicable. Please submit an electronic clean copy and a marked copy indicating the changes that you are proposing to be made to the Asset Purchase Agreement. Note that the extent and significance of changes made to the Asset Purchase Agreement will be considered in evaluating the attractiveness of your Sale Proposal.
3. **Joint Resolution Requirements.** In order to enable the Department and its advisors to evaluate your Sale Proposal in the manner specified in the Joint Resolution, your proposal should include an appendix (the "Legislative Requirements Appendix") that provides the information that the Joint Resolution requires the Department to evaluate in reviewing bids and proposals and in preparing its recommendations. Your Legislative Requirements Appendix should address all of the matters set out in Section 2 of the Joint Resolution. Appendix A endeavors to cover the evaluative criteria that the Department must take into account in evaluating bids for sale. If you are submitting both a Sale Proposal and a Management Proposal, you should submit two separate Legislative Requirements Appendices - one addressing matters set out in Section 2 of the Joint Resolution and one addressing matters set out in Section 3 of the Joint Resolution (which is discussed below).
4. **Cover Letter.** Please submit a formal letter with the following details on your Sale Proposal:
 - a. **Acquiring Entity, Structure and Organization.** Identify the acquiring entity and any ultimate controlling person(s) of, significant equity investors in, or guarantors of such entity. To the extent applicable, please also indicate its legal entity type, jurisdiction of organization, principal business (including any prior experience in owning and/or operating a utility, including non-U.S. utilities), and principal place of business. Please also note the requirements of item (A)(1) of Appendix A to this letter. Please also include a summary of the proposed transaction structure and information about the identity of the proposed management team (which you can do by referring to the content of your Initial Submission, updated as appropriate to reflect any material changes).
 - b. **Assets Acquired and Liabilities Assumed.** To the extent your Sale Proposal is not for all of the existing assets of Santee Cooper and is instead only for a portion of those assets, please specify in detail exactly which assets your Sale Proposal is intended to cover. Also, to the extent your Sale Proposal does not contemplate the assumption of all of the existing liabilities of Santee Cooper and instead only contemplates the assumption for some portion of those liabilities, please specify in detail exactly which liabilities your Sale Proposal is intended to cover.
 - c. **Consideration.** Indicate the amount in U.S. dollars that you are prepared to pay for those assets of Santee Cooper which you propose to purchase. Your Sale Proposal should indicate the best and final price (one price, not a range) at which you are willing to consummate the purchase of some or all of Santee Cooper. In arriving at a price, your Sale Proposal should identify (i) the amount to be paid to third parties in satisfaction of outstanding indebtedness and other obligations and (ii) the amount to be paid to the State of South Carolina for general use purposes and should be based upon the projected balance sheet to be provided by Moelis prior to the Final

Submission due date. Please also indicate how increases or decreases in indebtedness and other obligations from the date of the projected balance sheet to closing would affect your total price. Please further note that the Department and its advisors will also take into account the benefits of ongoing state and local tax payments to be made over time. In addressing consideration, please also note and take into account the requirements of items (A)(2), (A)(3) and (A)(8) of Appendix A to this letter.

- d. **Adherence to Fixed Assumptions.** Your Sale Proposal should affirmatively state that it is based upon, and does not reflect any changes to, the following list of assumptions that are fixed over the forecast period as originally provided in the excel spreadsheet in the Data Room titled "Santee Cooper Revenue Requirement Model" (the "Process Model"), which utilizes inputs consistent with those used to develop the supporting excel spreadsheet in the Data Room titled "Electric - Sensitivities Output" (the "Sensitivities Spreadsheet"): 1) inflation, 2) fuel prices, 3) load, 4) gypsum prices, 5) FERC relicensing costs, and 6) cost allocation between retail and wholesale customers (together, the "Fixed Assumptions"). To the extent your Sale Proposal reflects any changes to any other material assumptions contained in the Process Model (operational, regulatory, or otherwise), please provide a list of those changes as well as detailed supporting evidence and justification for making those material assumption modifications. Please note that you are allowed to provide a supplement to your Sale Proposal with detail of, and sufficient supporting evidence regarding, how your Sale Proposal could be improved if you were allowed to change any or all of the Fixed Assumptions to align with your proprietary views on those assumptions, but this should be submitted as supplemental information only. Please note that with regards to any material assumption modifications, whether to the Fixed Assumptions as supplemental detail only or to any other material assumptions, your Sale Proposal should affirmatively state your firm commitment to all such modifications as well as your willingness to bear the full risk associated with those modifications. To the extent the Department and its advisors are not persuaded that your assumption modifications are sufficiently supported and are reasonable, they reserve the right in evaluating your Sale Proposal to revert to the prior assumptions originally included in the Process Model or other assumptions they deem reasonable. Please see item A(4) of Appendix A for more detail.
- e. **Financing.** Your Sale Proposal should not be subject to any financing contingencies, should include a detailed description of your intended financing sources, and should be accompanied by supporting documentation from those financing sources (which should include, at least, highly confident financing commitment letters). Should your Sale Proposal be selected as the one to be recommended to the General Assembly (as described in further detail below), in advance of that recommendation you will be further required to provide detailed evidence that your Sale Proposal is fully financed, including binding financing commitment letters and associated term sheets, as well as a detailed schedule indicating the period of time necessary to close the transaction. The commitment letters should not contain any due diligence conditions. We expect that the inclusion of any financing contingency in any commitment letter or any Sale Proposal will place a prospective purchaser at a significant disadvantage. In addressing financing, please note the requirements of item (A)(2) of Appendix A to this letter.
- f. **Approvals.** If applicable, indicate any required corporate, shareholder or regulatory approvals that must be obtained, the period of time required to obtain such approvals and any other facts or circumstances that can reasonably be foreseen that might affect the timing and/or certainty of the closing. Please also identify any specific potential regulatory concerns or complications or other risks or uncertainties with respect to transaction completion that you foresee regarding your Sale Proposal, and how you intend to address them.

- g. **Due Diligence.** Please confirm that your Sale Proposal is not subject to further due diligence, other than meetings with Central, which will be held in accordance with the Joint Resolution. You are strongly encouraged to contact Moelis promptly if further information is needed to complete your due diligence prior to submitting your Sale Proposal. Subject to the foregoing, any Sale Proposal subject to completion of additional due diligence will place the prospective purchaser at a significant disadvantage.
- h. **Estimated Time to Closing.** Please provide a timetable that reflects your estimated time to closing the transaction. The timetable should use "Day 1" as the date on which the Department executes the Asset Purchase Agreement, following approval, if any, of the transaction by the General Assembly and the Governor, as contemplated by the Joint Resolution. We recognize that the date on which "Day 1" may occur is not certain, so your timetable should present the number of days that you estimate will be required to get from "Day 1" to a closing. Please identify any conditions, events or other circumstances that could reasonably have an impact on such timetable.
- i. **Process Confirmation.** Please confirm that as required by Sections 9(A)(1) and (2) of the Joint Resolution, you are prepared to enter into a contract with the Department (i) obligating you to make an earnest money deposit if the Department's advisors recommend your Sale Proposal to the General Assembly and (ii) establishing penalties for your failure to complete your Sale Proposal if you are selected by the General Assembly. The Department, pursuant to its authority under the Joint Resolution, has determined that the amount of the required earnest money deposit will be \$25 million, to apply both to Sale Proposals and Management Proposals. The form of this contract will be made available in the Data Room prior to the Submission Time.
- j. **Other Information.** Please provide any additional information you believe would be helpful to us in evaluating your Sale Proposal.

Management Proposal

1. **Submission Procedures.** Your Management Proposal must be submitted in written form and be executed by an officer authorized to bind the prospective manager or other relevant entity. Your Management Proposal must state that it constitutes an offer that will remain open until at least June 30, 2020, or such earlier date as the General Assembly decides not to proceed with your Management Proposal. Your Management Proposal should also indicate the name of the prospective manager's (or other relevant entity's) counsel and/or such other person(s) whom the Department or its advisors should contact in the event they wish to discuss your Management Proposal.
2. **Management Agreement.** Your Management Proposal must be accompanied by the definitive agreement or agreements that you would propose to have executed to implement your Management Proposal in the event that Central accepts the material terms of your mark-up of the PPA or agrees to amend the Coordination Agreement based upon your Coordination Agreement issues list, as applicable. To the extent you think it would be useful to the Department and its advisors, you also may include a term sheet, summary of terms, or other explanatory material that outlines the substance of your Management Proposal, in addition to the definitive agreement or agreements. Please also include the identity of the proposed management team (which you can do by referring to the content of your Initial Submission, updated as appropriate to reflect any material changes).
3. **Joint Resolution Requirements.** In order to enable the Department and its advisors to evaluate your Management Proposal in the manner specified in the Joint Resolution, your proposal should include a Legislative Requirements Appendix that provides the information that the Joint Resolution requires the Department to evaluate in reviewing bids and proposals and in preparing its recommendations.

Your Legislative Requirements Appendix should address all of the matters set out in Section 3 of the Joint Resolution. Appendix B endeavors to cover the evaluative criteria that the Department must take into account in evaluating proposals for management. If you are submitting both a Management Proposal and a Sale Proposal, you should submit two separate Legislative Requirements Appendices – one addressing matters set out in Section 2 of the Joint Resolution (which is discussed below) and one addressing matters set out in Section 3 of the Joint Resolution.

4. **Cover Letter.** Please submit a formal letter with the following details on your Management Proposal:
 - a. **Manager.** Identify the managing entity (or other relevant entity) and any ultimate controlling person(s) of, significant equity investors in, or guarantors of such entity. To the extent applicable, please also indicate its legal entity type, jurisdiction of organization, principal business and principal place of business. Please also note the requirements of items (A)(7) and (A)(9) of Appendix B of this letter.
 - b. **Adherence to Fixed Assumptions.** Your Management Proposal should affirmatively state that it is based upon, and does not reflect any changes to, the Fixed Assumptions as originally provided in the Process Model, which utilizes inputs from the Sensitivities Spreadsheet. To the extent your Management Proposal reflects any changes to any other material assumptions contained in the Process Model (operational, regulatory, or otherwise), please provide a list of those changes as well as detailed supporting evidence and justification for making those material assumption modifications. Please note that you are allowed to provide a supplement to your Management Proposal with detail of, and sufficient supporting evidence regarding, how your Management Proposal could be improved if you were allowed to change any or all of the Fixed Assumptions to align with your proprietary views on those assumptions, but this should be submitted as supplemental information only. Please note that with regards to any material assumption modifications, whether to the Fixed Assumptions as supplemental detail only or to any other material assumptions, your Management Proposal should affirmatively state your firm commitment to all such modifications as well as your willingness to bear the full risk associated with those modifications. To the extent the Department and its advisors are not persuaded that your assumption modifications are sufficiently supported and are reasonable, they reserve the right in evaluating your Management Proposal to revert to the prior assumptions originally included in the Process Model or other assumptions they deem reasonable. Please see item A(2) of Appendix B for more detail.
 - c. **Approvals.** If applicable, indicate any required corporate, shareholder or regulatory approvals that must be obtained, the period of time required to obtain such approvals and any other facts or circumstances that can reasonably be foreseen that might affect the timing and/or certainty of executing the Management Agreement. Please also identify any specific potential regulatory concerns or complications or other risks or uncertainties with respect to transaction completion that you foresee regarding your Management Proposal, and how you intend to address them.
 - d. **Due Diligence.** Please confirm that your Management Proposal is not subject to further due diligence other than meetings with Central, which will be held in accordance with the Joint Resolution. You are strongly encouraged to contact Moelis promptly if further information is needed to complete your due diligence prior to submitting your Management Proposal. Subject to the foregoing, any Management Proposal subject to completion of additional due diligence will place a prospective manager at a significant disadvantage.
 - e. **Estimated Time to Closing.** Please provide a timetable that reflects your estimated time to effectiveness of the arrangement reflected in your Management Proposal. The timetable should use “Day 1” as the date on which the Department executes the applicable definitive agreement(s),

following approval, if any, of the transaction by the General Assembly and the Governor. We recognize that the date on which “Day 1” may occur is not certain, so your timetable should present the number of days that you estimate will be required to get from “Day 1” to closing. Please identify any conditions, events or other circumstances that could reasonably have an impact on such timetable.

- f. **Process Confirmation.** Please confirm that as required by Sections 9(A)(1) and (2) of the Joint Resolution, you are prepared to enter into a contract with the Department (i) obligating you to make an earnest money deposit if the Department’s advisors recommend your Management Proposal to the General Assembly and (ii) establishing penalties for your failure to complete your Management Proposal if you are selected by the General Assembly. The Department, pursuant to its authority under the Joint Resolution, has determined that the amount of the required earnest money deposit will be \$25 million, to apply both to Sale Proposals and Management Proposals.
- g. **Other Information.** Please provide us with any additional information you believe would be helpful to us in evaluating your Management Proposal.

Santee Cooper Reform Proposal

- 1. **Reform Proposal.** Santee Cooper must submit its Reform Proposal in written form.
- 2. **Joint Resolution Requirements.** Along with the Reform Proposal, Santee Cooper must include a Legislative Requirements Appendix that provides the information that the Joint Resolution requires the Department to evaluate in reviewing bids and proposals and in preparing its recommendations. Santee Cooper’s Legislative Requirements Appendix should address all of the matters set out in Appendix C attached to this letter. Appendix C covers the requirements contained in Section 4 of the Joint Resolution, which pertain to Santee Cooper’s Reform Proposal.
- 3. **Other Information.** Santee Cooper should provide us with any additional information it believes would be helpful to us in evaluating the Reform Proposal.

SUBMISSION INSTRUCTIONS

Please provide all submissions pursuant to the terms outlined in this letter via email to:

John Colella *
Managing Director
Tel: (212) 883-4215
John.Colella@moelis.com

Roger Wood
Managing Director
Tel: (212) 883-4565
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Tel: (212) 883-3584
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** Primary day-to-day contacts*

GENERAL ASSEMBLY RECOMMENDATION

In accordance with the requirements and deadlines contained in the Joint Resolution, the Department will be presenting the General Assembly with its advisors’ recommendation of one Sale Proposal and one

Management Proposal that the professional advisors consider to be in the best interest of the State, its taxpayers and customers of Santee Cooper. The Department's presentation to the General Assembly will include its evaluation of the recommended proposals, along with the Department's evaluation of Santee Cooper's Reform Proposal, all as required by the Joint Resolution.

OTHER INFORMATION

The Department reserves the right, in its sole discretion at any time, to change the Process, to enter into discussions or negotiations with any proponent individually or simultaneously with other proponents, to consider any and all factors (whether or not mentioned in this letter) in evaluating any Sale Proposal, any Management Proposal or the Reform Proposal, and to present the General Assembly with its advisors' recommendation of one Sale Proposal and one Management Proposal, subject in all cases to the terms of the Joint Resolution. Each prospective proponent will be responsible for all of its own costs and expenses incurred with respect to the Process, including with respect to its investigation and evaluation of Santee Cooper, including, without limitation, fees and expenses of its legal counsel and financial and other advisors.

The Department and its advisors disclaim any and all liability for information supplied to you, either written or oral, and no representation or warranty, other than those contained in the Asset Purchase Agreement (with respect to a sale of some or all of Santee Cooper), is made as to the accuracy or completeness of such information. By submitting a Sale Proposal or a Management Proposal, a proponent acknowledges that it is relying solely upon its own independent investigation and evaluation of Santee Cooper.

You are reminded of your existing confidentiality obligations under the Confidentiality Agreement. Except in accordance with this Process, under no circumstances should any party interested in submitting a Sale Proposal or a Management Proposal or such party's associates, advisors or agents communicate directly or indirectly with the management or employees of Santee Cooper, with Central or its members (or any of their respective officers, directors or representatives) or with members of the General Assembly, the Governor or their respective staff in relation to the Process or any contemplated transaction. Any questions regarding the Process should be directed only to any of the individuals at Moelis listed above.

Please do not hesitate to contact any of the individuals at Moelis listed above if you require any clarification with respect to this letter. On behalf of the Department, we appreciate your continued interest in the Process and your cooperation in complying with these procedures.

Appendix A
Content for Legislative Requirements Appendix for Bids for Sale

If you are submitting a bid for sale, your Legislative Requirements Appendix must address all of the matters listed in Section 2 of the Joint Resolution. Your Legislative Requirements Appendix should be accompanied by documentation to reflect the basis for assumptions underlying your responses and to document projections or estimates that you include in your responses. To assist you in preparing your Legislative Requirements Appendix, this Appendix A provides information about the Department's expectations for responses to each of the matters included in Section 2 of the Joint Resolution:

- (A)(1)¹ Please indicate the acquiring entity's general capitalization, credit rating, liquidity and other financial qualifications, as applicable, that would assist us in evaluating your Sale Proposal. If the acquiring entity is without significant assets, please provide a description of the entity or entities responsible for the acquiring entity's obligations and please address the financial capabilities of such responsible entity or entities
- (A)(2) Please provide the information specified in items (a)-(d) of Section 2(A)(2) of the Joint Resolution, as well as any other information about these matters that you consider relevant. With respect to the opinion letter specified in item (a), please include a draft of the opinion letter that you would propose to provide at signing of the Asset Purchase Agreement and specify any qualifications with respect to issuance of that opinion. The draft should identify the attorney or firm that will provide the opinion and provide such person's or firm's qualifications to issue the opinion. Please also note the requirement in Section 2(B)(5) of the Joint Resolution with respect to the exclusion of certain indebtedness from the retail rate base post-closing.
- (A)(3) Identify separately the amount that would be paid to the State of South Carolina at closing, which is in addition to amounts paid to repay/defease indebtedness and satisfy any other obligations (including pension and retiree obligations, which are addressed separately below in (A)(8)).
- (A)(4) Identify the amount of projected rates and revenue requirements for each customer class of Santee Cooper's retail customers over the next twenty years and plans demonstrating how these rates can be achieved, and the bidder's willingness to contractually agree to those rates. For purposes of providing the information required by Section (A)(4) of the Joint Resolution, please refer to the Process Model and use the Fixed Assumptions referenced previously in this letter and also listed on Attachment 2. With respect to all other assumptions in the Process Model, you may use the existing assumptions as included or you may select your own assumptions based on your proprietary views. To the extent you select your own assumptions, you must provide detailed backup and support for all material assumption changes made. Specifically, with regards to the material assumptions listed on Attachment 3 ("Supported Assumptions"), the evidence required to support any changes to those assumptions will be reviewed with particular scrutiny. With regards to the assumptions listed on Attachment 4 ("Variable Assumptions"), your Sale Proposal should reflect your proprietary views on these assumptions. Please note that with regards to any material assumption modifications to the Process Model, your Sale Proposal should affirmatively state your firm commitment to all such modifications as well as your willingness to bear the full risk associated with those modifications. To the extent the Department and its advisors are not persuaded that your assumption changes are sufficiently supported and are reasonable, they reserve the right in evaluating your Sale Proposal to revert to the prior assumptions originally included in the Process Model or other assumptions they deem reasonable. In providing the foregoing assumptions, you are encouraged to use the bid tool that has been provided in the Data Room and to include your assumptions in that bid tool. If you prefer not to use the bid tool, you will need to complete the separate assumption template that will be provided in the Data Room.

¹ Numbering corresponds to the subsections of Section 2 of the Joint Resolution.

- (A)(5) Provide the information described in Section 2(A)(5) of the Joint Resolution based upon the Fixed Assumptions, Supported Assumptions and Variable Assumptions, and subject to the same support and backup requirements and standards described in (A)(4) above.
- (A)(6) Provide the information described in Section 2(A)(6) of the Joint Resolution based upon the Fixed Assumptions, Supported Assumptions and Variable Assumptions, and subject to the same support and backup requirements and standards described in (A)(4) above.
- (A)(7) If you are not prepared to accept all FERC market power mitigation obligations, please explain your assessment of the risks and why your proposed approach will not impose risk or cost on the State of South Carolina.
- (A)(8) Please describe both your plans to provide retirement and healthcare benefits for employees and retirees and your plans to address (a) any pension underfunding in respect of retirees under existing South Carolina pension plans applicable to current and future Santee Cooper employees and (b) how you would propose to eliminate or reduce the potential financial liability of the State of South Carolina to Santee Cooper retirees entitled to post-employment healthcare coverage.
- (A)(9) Please provide a projection of any jobs which you expect to eliminate over the first five years of your ownership of some or all of Santee Cooper, including any movement of positions from South Carolina to another state.
- (A)(10) Please describe your plans for the location of Santee Cooper's headquarters following the closing, including any plans to increase or decrease the number of employees at the headquarters or invest in the headquarters facility or to relocate all or a portion of the facility in the future (including the anticipated timing for implementation of any such plans).
- (A)(11) To the extent you are proposing not to acquire any or all of the water systems, undeveloped lands and other natural resources and recreational assets covered by FERC License 199, please provide a proposal for a revenue stream (including for the purchase of hydroelectric power) to provide for the continued operation of Lakes Marion and Moultrie.
- (A)(12) Please discuss with specificity your ability and willingness to partner with the State of South Carolina on future economic development projects. A discussion of specific examples is strongly encouraged.
- (A)(13) Please provide details of any territory in South Carolina, other than the current Santee Cooper service areas, to which you would be providing utility service after closing. A map and/or detailed description of geographic boundaries is requested.
- (A)(14) Please confirm there are no terms or conditions of your proposed transaction other than those reflected in your mark-up of the Asset Purchase Agreement.
- (B)(1) No response needed.
- (B)(2) To be addressed in your mark-up of the Asset Purchase Agreement and your cover letter (see Item 4(b) under "Sale Proposal" in the attached letter).
- (B)(3) Please confirm that upon closing you (or your acquisition vehicle) would not be eligible for tax-exempt status, under either federal or state tax laws.
- (B)(4) No response needed beyond your response to (A)(2) above.
- (B)(5) Please confirm that your projected rate base for all of Santee Cooper's retail customers will exclude any portion of the debt attributed to V.C. Summer nuclear units 2 and 3 that is not considered to be used or useful, as determined in accordance with the Joint Resolution.
- (B)(6) No response needed beyond your response to (A)(10) above.
- (B)(7) Please discuss your ability (financial and operational) and intention to provide electric services in South Carolina for at least 20 years after closing.
- (B)(8) No response needed.

Please also provide, as an attachment to your Legislative Requirements Appendix, copies of the regulatory filings specified at the end of Section 2(A) of the Joint Resolution.

Appendix B Content for Legislative Requirements Appendix for Proposals for Management

If you are submitting a proposal for management, your Legislative Requirements Appendix must address all of the matters listed in Section 3 of the Joint Resolution. Your Legislative Requirements Appendix should be accompanied by documentation to reflect the basis for assumptions underlying your responses and to document projections or estimates that you include in your responses. To assist you in preparing your Legislative Requirements Appendix, this Appendix B provides information about the Department's expectations for responses to each of the matters included in Section 3 of the Joint Resolution:

- (A)(1)² See Item 2 under "Management Proposal" in the attached letter.
- (A)(2) Identify the amount of projected rates for each customer class of Santee Cooper's retail customers over the next twenty years and plans demonstrating how these rates can be achieved. For purposes of providing the information required by Section 3(A)(2) of the Joint Resolution, please refer to the Process Model provided in the Data Room and use the Fixed Assumptions listed previously in this letter and on Attachment 2. With respect to all other assumptions in the Process Model, you may use the existing assumptions as included or you may select your own assumptions based on your proprietary views. To the extent you select your own assumptions, you must provide detailed backup and support for all material assumption changes made. Specifically, with regards to the Supported Assumptions listed on Attachment 3, the evidence required to support any changes to those assumptions will be reviewed with particular scrutiny. With regards to the Variable Assumptions listed on Attachment 4, your Management Proposal should reflect your proprietary views on these assumptions. Please note that with regards to any material assumption modifications to the Process Model, your Management Proposal should affirmatively state your firm commitment to all such modifications as well as your willingness to bear the full risk associated with those modifications. To the extent the Department and its advisors are not persuaded that your assumption modifications are sufficiently supported and are reasonable, they reserve the right in evaluating your Management Proposal to revert to the prior assumptions originally included in the Process Model or other assumptions they deem reasonable. In providing the foregoing assumptions, you are encouraged to use the bid tool that has been provided in the Data Room and to include your assumptions in that bid tool. If you prefer not to use the bid tool, you will need to complete the separate assumption template that will be provided in the Data Room.
- (A)(3) Unless specified in your proposal in response to Item 2 under "Management Proposal" in the attached letter, please specify the fees and costs to be paid by Santee Cooper retail customers for your proposal. Please also identify any other benefits accruing to you from your proposal.
- (A)(4) Identify the projected needs for generation, transmission, and distribution during the period of the proposal and how those needs would be met. For purposes of providing the information required by Section 3(A)(4) of the Joint Resolution, please use the Fixed Assumptions, Supported Assumptions and Variable Assumptions, and subject to the same support and backup requirements and standards described in (A)(2) above.
- (A)(5) Please include a draft of the opinion letter that you would propose to provide at signing of the management (or similar) agreement and specify any qualifications with respect to issuance of that opinion. The draft should identify the attorney or firm that will provide the opinion and provide such person's or firm's qualifications to issue the opinion.
- (A)(6) Please include a draft of the opinion letter that you would propose to provide at signing of the management (or similar) agreement and specify any qualifications with respect to issuance of that opinion. The draft should identify the attorney or firm that will provide the opinion and provide such person's or firm's qualifications to issue the opinion.

² Numbering corresponds to the subsections of Section 3 of the Joint Resolution.

- (A)(7) Please describe your experience with the type of arrangement you have proposed. Please include experience with both an investor-owned utility and a publicly owned utility.
- (A)(8) Please provide a projection of any jobs which you expect to eliminate over the first five years of your management of Santee Cooper, including any movement of positions from South Carolina to another state.
- (A)(9) Please indicate the managing entity's general capitalization, credit rating, liquidity and other financial qualifications, as applicable, that would assist us in evaluating your Management Proposal. If the managing (or other relevant) entity is without significant assets, please provide a description of the entity or entities responsible for the managing (or other relevant) entity's obligations and please address the financial capabilities of such responsible entity or entities.
- (A)(10) Please provide details of any territory in South Carolina, other than the current Santee Cooper service areas, to which you would be providing utility service after closing. A map and/or detailed description of geographic boundaries is requested.
- (A)(11) Please submit an executed agreement confirming your commitment to submit an annual report, as contemplated by the Joint Resolution.
- (B)(1) No response needed.
- (B)(2) No response needed.
- (B)(3) No response needed.
- (B)(4) Unless specified in your proposal in response to Item 2 under "Management Proposal" in the attached letter, please specify the amount of any franchise fee or other form of consideration to the State of South Carolina to be paid as a condition of your proposal.

Appendix C
Content for Legislative Requirements Appendix for Santee Cooper Reform Proposal

With its Reform Proposal, Santee Cooper's Legislative Requirements Appendix must address all of the matters listed in Section 4 of the Joint Resolution. Your Legislative Requirements Appendix should be accompanied by documentation to reflect the basis for assumptions underlying your responses and to document projections or estimates that you include in your responses. To assist Santee Cooper in preparing its Legislative Requirements Appendix, this Appendix C provides information about the Department's expectations for responses to each of the matters included in Section 4 of the Joint Resolution:

- (A)(1)³ To the extent not otherwise included in the Reform Proposal, please provide the information specified in items (a)-(e).
- (A)(2) To the extent not otherwise included in the Reform Proposal, please provide the information specified in items (a)-(c).
- (A)(3) To the extent not otherwise included in the Reform Proposal, please discuss your plans to address the V.C. Summer debt and the projected impact to all customer classes of Santee Cooper ratepayers.
- (A)(4) No response needed other than the Reform Proposal submitted in response to Item 1 under "Santee Cooper Reform Proposal" in the attached letter.
- (A)(5) Please provide any other information Santee Cooper deems relevant to its future operations as a state asset.
- (A)(6) To the extent not otherwise included in the Reform Proposal, please provide a projection of the financial impact on all customer classes of Santee Cooper's retail customers for the satisfaction of existing debt and issuance of new bonds and finance of other indebtedness.
- (A)(7) Please provide a projection of any jobs which you expect to eliminate over the first five years of your Reform Proposal.
- (B)(1) No response needed.
- (B)(2) No response needed.
- (C) No response needed, as the General Assembly will require the Santee Cooper submit the specified annual report if the Reform Proposal is selected.

³ Numbering corresponds to the subsections of Section 4 of the Joint Resolution.

**Attachment 1
Joint Resolution**

**South Carolina General Assembly
123rd Session, 2019-2020**

R113, H4287

STATUS INFORMATION

Joint Resolution

Sponsors: Reps. Lucas, G.M. Smith, Simrill, Rutherford, McCoy, Ott, Stavrinakis, Gilliard and Caskey
Document Path: I:\council\ bills\nl\13834sd19.docx

Introduced in the House on March 21, 2019
Introduced in the Senate on April 4, 2019
Last Amended on May 21, 2019
Passed by the General Assembly on May 21, 2019
Governor's Action: May 22, 2019, Signed

Summary: Public Service Authority (Santee Cooper)

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
3/21/2019	House	Introduced and read first time (House Journal-page 29)
3/21/2019	House	Referred to Committee on Ways and Means (House Journal-page 29)
3/26/2019	House	Member(s) request name added as sponsor: Stavrinakis
3/27/2019	House	Committee report: Favorable with amendment Ways and Means (House Journal-page 34)
4/2/2019	House	Requests for debate-Rep(s). Simrill, Weeks, Fry, Crawford, Hiott, Bryant, Clary, Blackwell, Pope, Clemmons, Martin, Felder, Anderson, Davis, Forrester, Brown, Hayes, Henegan, Bennett, Moore, V.S. Moss, Finlay, Kirby, Caskey, Rose, Toole, Ridgeway, Calhoon, Hart, Hosey, Chellis (House Journal-page 44)
4/3/2019	House	Member(s) request name added as sponsor: Gilliard, Caskey
4/3/2019	House	Amended (House Journal-page 133)
4/3/2019	House	Read second time (House Journal-page 133)
4/3/2019	House	Roll call Yeas-101 Nays-6 (House Journal-page 139)
4/4/2019	House	Read third time and sent to Senate (House Journal-page 41)
4/4/2019	House	Roll call Yeas-96 Nays-6 (House Journal-page 42)
4/4/2019	Senate	Introduced and read first time (Senate Journal-page 5)
4/4/2019	Senate	Referred to Committee on Finance (Senate Journal-page 5)
4/18/2019	Senate	Recalled from Committee on Finance (Senate Journal-page 5)
5/2/2019	Senate	Amended (Senate Journal-page 37)
5/2/2019	Senate	Read second time (Senate Journal-page 37)
5/2/2019	Senate	Roll call Ayes-42 Nays-1 (Senate Journal-page 37)
5/2/2019	Senate	Unanimous consent for third reading on next legislative day (Senate Journal-page 37)
5/3/2019	Senate	Read third time and returned to House with amendments (Senate Journal-page 3)
5/3/2019		Scrivener's error corrected

5/8/2019 House Senate amendment amended ([House Journal-page 26](#))
5/8/2019 House Returned to Senate with amendments ([House Journal-page 26](#))
5/9/2019 Senate Non-concurrence in House amendment ([Senate Journal-page 86](#))
5/9/2019 House House insists upon amendment and conference committee appointed Reps. Ott, G.M. Smith, Lucas ([House Journal-page 185](#))
5/9/2019 Senate Conference committee appointed Setzler, Rankin, Massey ([Senate Journal-page 88](#))
5/21/2019 House Free conference powers granted ([House Journal-page 35](#))
5/21/2019 House Roll call Yeas-113 Nays-0 ([House Journal-page 36](#))
5/21/2019 House Free conference committee appointed Ott, G.M. Smith, Lucas ([House Journal-page 50](#))
5/21/2019 House Free conference report adopted ([House Journal-page 50](#))
5/21/2019 House Roll call Yeas-103 Nays-3 ([House Journal-page 61](#))
5/21/2019 Senate Free conference powers granted ([Senate Journal-page 64](#))
5/21/2019 Senate Roll call Ayes-40 Nays-0 ([Senate Journal-page 64](#))
5/21/2019 Senate Free conference committee appointed Setzler, Rankin, Massey ([Senate Journal-page 64](#))
5/21/2019 Senate Free conference report adopted ([Senate Journal-page 64](#))
5/21/2019 Senate Roll call Ayes-39 Nays-2 ([Senate Journal-page 64](#))
5/21/2019 Senate Ordered enrolled for ratification ([Senate Journal-page 78](#))
5/22/2019 Ratified R 113
5/22/2019 Signed By Governor

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VERSIONS OF THIS BILL

[3/21/2019](#)
[3/27/2019](#)
[4/3/2019](#)
[4/18/2019](#)
[5/2/2019](#)
[5/3/2019](#)
[5/8/2019](#)
[5/21/2019](#)

NOTE: THIS IS A TEMPORARY VERSION. THIS DOCUMENT WILL REMAIN IN THIS VERSION UNTIL FINAL APPROVAL BY THE LEGISLATIVE COUNCIL.

(R113, H4287)

A JOINT RESOLUTION TO PROVIDE THAT THE DEPARTMENT OF ADMINISTRATION SHALL ESTABLISH A PROCESS TO CONDUCT A COMPETITIVE BIDDING PROCESS FOR THE SALE OF SOME OR ALL OF THE SOUTH CAROLINA PUBLIC SERVICE AUTHORITY AND TO RECEIVE MANAGEMENT PROPOSALS THAT DO NOT INVOLVE A SALE OF SANTEE COOPER, BUT ARE DESIGNED TO IMPROVE THE EFFICIENCY AND COST-EFFECTIVENESS OF SANTEE COOPER'S ELECTRIC OPERATIONS, AND TO PROVIDE THAT SANTEE COOPER ALSO MUST SUBMIT A PROPOSAL TO THE DEPARTMENT FOR REFORM, RESTRUCTURING, AND CHANGES IN ITS OPERATION AS AN ALTERNATIVE TO A SALE OR MANAGEMENT PROPOSAL; TO PROVIDE THAT THE DEPARTMENT SHALL CONDUCT A THOROUGH EVALUATION OF ALL BIDS FOR THE SALE OF SANTEE COOPER RECEIVED THROUGH THE COMPETITIVE BIDDING PROCESS, TO PROVIDE THAT THE DEPARTMENT SHALL CONDUCT A THOROUGH EVALUATION OF ALL MANAGEMENT PROPOSALS FOR SANTEE COOPER, AND TO PROVIDE THAT THE DEPARTMENT SHALL CONDUCT AN ANALYSIS OF SANTEE COOPER'S REFORM PROPOSAL TO DETERMINE IF IT IS A FEASIBLE ALTERNATIVE, AND TO PROVIDE THE CRITERIA FOR THESE EVALUATIONS; TO PROVIDE FOR THE VARIOUS REQUIREMENTS, CONDITIONS, AND PROCEDURES WHICH MUST BE COMPLIED WITH IN REGARD TO THIS JOINT RESOLUTION, INCLUDING PROVISIONS THAT REQUIRE THE DEPARTMENT TO ESTABLISH A PROCESS IN WHICH ITS PROFESSIONAL SERVICES EXPERTS CONDUCT CONFIDENTIAL NEGOTIATIONS BETWEEN THE CENTRAL ELECTRIC POWER COOPERATIVE AND EACH ENTITY THAT SUBMITTED A QUALIFIED BID OR PROPOSAL, INCLUDING SANTEE COOPER, AFTER ALL THE BIDS AND PROPOSALS HAVE BEEN SUBMITTED; TO PROVIDE THAT IN THE EVENT OF THE SUCCESSFUL SALE OF SANTEE COOPER AND THE PURCHASING ENTITY'S CONTRACT CONTAINS PROJECTIONS OF FUTURE RATES, THE GENERAL ASSEMBLY'S APPROVAL OF SUCH SALE ON SUCH TERMS DOES NOT INDICATE ITS INTENT TO BIND THE PUBLIC SERVICE COMMISSION OR OFFICE OF REGULATORY STAFF TO THE PROJECTED RATE FIGURES, AND TO PROVIDE THAT THE SUCCESSFUL BIDDER SHALL BE SUBJECT TO THE SAME STATUTORY AND REGULATORY AUTHORITY OF THE PUBLIC SERVICE COMMISSION AND OFFICE OF REGULATORY STAFF, AS ARE ALL OTHER INVESTOR-OWNED ELECTRICAL UTILITIES; TO PROVIDE THAT FOLLOWING THE NEGOTIATIONS BETWEEN CENTRAL AND EACH ENTITY WHICH SUBMITTED A BID OR PROPOSAL, THE PROFESSIONAL SERVICES EXPERTS SHALL REVIEW THE PROJECTED FINANCIAL IMPACT ON SANTEE COOPER'S RETAIL CUSTOMERS TO ENSURE THAT ANY INCREASES OR DECREASES TO CURRENT RATES FOR THE RETAIL AND WHOLESALE CUSTOMERS ARE INITIALLY PROPORTIONATE; TO PROVIDE THAT INFORMATION RECEIVED DURING THIS PROCESS AND ENSUING NEGOTIATIONS MUST BE KEPT CONFIDENTIAL WITH CERTAIN LIMITED EXCEPTIONS, TO REQUIRE NONDISCLOSURE AGREEMENTS, AND TO PROVIDE THAT MEMBERS OF THE GENERAL ASSEMBLY, THE GOVERNOR, AND THEIR RESPECTIVE STAFFS MUST NOT BE PROVIDED WITH OR HAVE ACCESS TO THE INFORMATION OBTAINED DURING THIS PROCESS, WITH CERTAIN EXCEPTIONS; TO PROVIDE THAT AT THE CONCLUSION OF THE EVALUATION OF THE BIDS, PROPOSALS, AND NEGOTIATIONS, BUT NO LATER THAN JANUARY 15, 2020, WITH A ONE-TIME EXTENSION PERMITTED, THE DEPARTMENT CONCURRENTLY SHALL PRESENT A RECOMMENDATION OF ONE PREFERRED BID FOR SALE AND ONE PREFERRED

MANAGEMENT PROPOSAL THAT THE PROFESSIONAL SERVICES EXPERTS CONSIDER TO BE IN THE BEST INTERESTS OF THE STATE, ITS TAXPAYERS, AND THE CUSTOMERS OF SANTEE COOPER, AS WELL AS A RECOMMENDATION CONCERNING SANTEE COOPER'S PROPOSAL FOR REFORM; TO PROVIDE THAT EACH RECOMMENDATION MUST INCLUDE CERTAIN MATERIALS AND JUSTIFICATIONS, AND THE RECOMMENDATION IN REGARD TO THE SALE AND MANAGEMENT PROPOSAL MUST INCLUDE A CONTRACT FOR EACH RECOMMENDED BIDDER OBLIGATING THE BIDDER TO COMPLY WITH THE TERMS OF ITS BID IN THE EVENT IT IS APPROVED BY THE GENERAL ASSEMBLY, ALONG WITH A PROPOSED CONTRACT TO EXECUTE THE SALE OR MANAGEMENT PROPOSAL AND ANY SUPPORTING DOCUMENTS; AND TO PROVIDE FOR THE MANNER IN WHICH THE DEPARTMENT SHALL PRESENT TO THE GENERAL ASSEMBLY ITS PREFERRED SALE AND MANAGEMENT PROPOSAL, AS WELL AS A RECOMMENDATION AS TO SANTEE COOPER'S REFORM PROPOSAL, AND THE MANNER IN WHICH THE GENERAL ASSEMBLY SHALL CONSIDER AND MAY APPROVE A PROPOSAL.

Be it enacted by the General Assembly of the State of South Carolina:

Bidding process for sale or for management proposals, reform proposal

SECTION 1. (A)(1) The Department of Administration shall establish a process to conduct a competitive bidding process for the sale of some or all of the Public Service Authority ("Santee Cooper") and to receive management proposals that do not involve a sale of Santee Cooper but are designed to improve the efficiency and cost-effectiveness of Santee Cooper's electric operations including, but not limited to, a management arrangement, joint venture, or alternative arrangement. This process shall not be limited to the individuals or entities that responded to ICF's Requests for Expressions of Interest for its February 1, 2019, report to the Public Service Authority Evaluation and Recommendation Committee. Santee Cooper shall also submit a proposal to the department, as an alternative to a sale or management proposal, setting forth its plans for reform, restructuring, and changes in operation. Santee Cooper's proposal shall be given to the department simultaneously with the sale and management proposal deadline set by the department. This process must be established in accordance with commercially reasonable terms that are customary in connection with bids and proposals of this type. Nothing in this joint resolution precludes the department, through its professional services experts, from negotiating with entities offering bids or management proposals, or Santee Cooper, to improve their proposal. The department shall determine the date when the bids and proposals must be received; however, the process to receive bids, management proposals, and Santee Cooper's proposal shall be concurrent.

(2)(a) The department shall procure such professional services that are necessary to qualify bids and proposals; conduct a sale; evaluate bids received for a sale, management proposals, and Santee Cooper's proposal; negotiate contracts for the consummation of a sale or a management proposal; and related activities. These professional services shall include, but may not be limited to, financial institutions, investment bankers, legal counsel, industry consultants, and utility consultants.

(b) The department must not utilize the professional services of an entity with whom the House of Representatives, the Senate, or the Governor has previously engaged to consider the possible sale of Santee Cooper; however, the department or its professional services experts may request information collected by ICF and any reports requested by the Public Service Authority Evaluation and Recommendation Committee regarding ICF's Requests for Expressions of Interest prior to the effective date of this joint resolution. In addition, the department must not utilize the professional services of an individual or entity that would have a financial interest in the outcome of this process, nor may the department contract or otherwise employ an individual or entity based upon a contingency fee due to the outcome of this process.

(B) Staff from the State Fiscal Accountability Authority's Procurement Services Division shall assist

the department in conducting the competitive bidding process and reviewing management proposals and procuring necessary professional services.

(C) Santee Cooper is directed to provide any and all resources necessary to assist in the process for competitive bids and management proposals, as well as the evaluation of the bids and management proposals received by the department. The department shall have the authority to consult with Santee Cooper's bondholders, underwriters, financial institutions, and any other advisors to gather information to assist the department in carrying out its responsibilities, and Santee Cooper shall be cooperative in providing the department with access to the bondholders, underwriters, financial institutions, and other advisors. Santee Cooper shall ensure that the bidders have full access to due diligence materials and fair opportunity for access to Santee Cooper staff, and shall ensure that its responses to any inquiries are timely.

Evaluating bids for sale

SECTION 2. (A) The department shall conduct a thorough evaluation of all bids for the sale of Santee Cooper received through the competitive bidding process. The evaluation must take into account at least the following:

- (1) the financial capability of each bidder;
- (2) the bidder's plan to address Santee Cooper's bonds and other indebtedness, to include, but not be limited to:
 - (a) satisfaction of any or all of Santee Cooper's existing debt, to include an opinion letter from a bond attorney as to whether or not the bidder's plan to satisfy the existing debt would violate any bond provisions or otherwise impact the State;
 - (b) issuance of new bonds and plans to finance other indebtedness;
 - (c) the projected financial impact on all customer classes of Santee Cooper's retail customers for the satisfaction of existing debt and issuance of new bonds and finance of other indebtedness; and
 - (d) the bidder's projected capital to debt ratio for the five years following the acquisition of Santee Cooper;
- (3) consideration, in cash, to be paid by the bidder to the State for the benefit of South Carolina and its taxpayers;
- (4) the amount of projected rates and revenue requirements for each customer class of Santee Cooper's retail customers over the next twenty years and plans demonstrating how these rates can be achieved, and the bidder's willingness to contractually agree to those rates;
- (5) the bidder's plans for generation, power purchases, and other resources over the next twenty years including, but not limited to:
 - (a) the forecasted demand;
 - (b) a timeline of when those plans would be put in place;
 - (c) the projected financial impact to Santee Cooper's retail customers; and
 - (d) the assumptions underlying its plans including, but not limited to, additional infrastructure required to support any generating unit, the projected rate base, debt-to-equity ratios, authorized return on equity, inflation and cost escalation rates, fuel costs, tax rates, assumed tax abatements, credits and payments in lieu of taxes, and projected GAAP accounting financial statements of the rate projections;
- (6) the bidder's plans for transmission investment over the next twenty years including, but not limited to:
 - (a) a timeline of when those investments will be needed;
 - (b) the projected financial impact to Santee Cooper's retail customers; and
 - (c) the assumptions underlying those plans including, but not limited to, projected rate base, debt-to-equity ratios, authorized return on equity, inflation and cost escalation rates, fuel costs, tax rates, assumed tax abatements, credits and payments in lieu of taxes, and projected GAAP accounting financial statements of the rate projections;

(7) the bidder's willingness to bear any costs required by the Federal Energy Regulatory Commission to mitigate market power resulting from an acquisition of Santee Cooper;

(8) the bidder's provision of reasonable financial and other protections for Santee Cooper employees and retirees in a manner that would not impact South Carolina's pension system liability or the liability associated with providing health insurance coverage to employees who have retired from employment at Santee Cooper;

(9) a projection of the jobs the bidder expects to eliminate within five years if it acquires Santee Cooper;

(10) the bidder's proposed location for its headquarters post-acquisition;

(11) whether the bid included or excluded the assets collectively included under FERC License 199, the wholesale water systems operated by Santee Cooper, undeveloped lands, other natural resources, and recreational assets of Santee Cooper. In the event that the bid excludes the assets listed herein, each bidder shall provide for revenue streams, including the purchase of hydroelectric power generated from Project 199, to provide for the continued operation of Lakes Marion and Moultrie with no loss of quality or access;

(12) the bidder's capacity and willingness to partner with the State for future economic development projects;

(13) a comparison of the bidder's service territory in South Carolina, if the bid is successful, with investor-owned utilities serving South Carolina; and

(14) any terms or conditions the bidder would require to complete the purchase of Santee Cooper.

The bidder must also submit its regulatory filings within the past seven years from each state where the bidder provides electric service that are related to the bidder's forecasts for electric generation, transmission, and distribution; requests for generation and/or transmission projects; electric rate requests made by the bidder; and requests to acquire, merge with, or manage another electric utility, and the final disposition of each request.

(B) The department must:

(1) verify the information provided by the bidder, to the extent possible, and may request additional information from the bidder if needed to conduct its verification;

(2) for each bid, compile a list of items that would be excluded from the sale of Santee Cooper's electric utility assets including, but not limited to, the wholesale water systems operated by Santee Cooper, undeveloped lands, other natural resources, and recreational assets of Santee Cooper;

(3) conduct an analysis as to the potential risks to South Carolina taxpayers, Santee Cooper's retail customers, and Santee Cooper's bondholders, that could result from the sale of Santee Cooper, either in whole or in part. This analysis must include, but is not limited to, the loss of tax-exempt status of a buyer, impact on economic development, and whether the bid would preclude South Carolina from recovering the full value of Santee Cooper;

(4) compare the bidder's financing options for anticipated projects with the financing options currently available to Santee Cooper;

(5) require that the bidder's projected ratebase for all of Santee Cooper's retail customers exclude any portion of debt attributed to V.C. Summer nuclear units 2 and 3 that is not considered to be used and useful, as determined by the professional services experts and the Office of Regulatory Staff;

(6) consider if the bidder is committed to keeping its headquarters in South Carolina post-acquisition;

(7) consider if the bidder intends to, and has the capability to, provide electric services in South Carolina for at least twenty years; and

(8) designate a third party to administer the procurement and dissemination of information from Santee Cooper to third party bidders in order to ensure consistency, proper characterization and accuracy of information provided.

Evaluating proposals for management

SECTION 3. (A) The department shall conduct a thorough evaluation of all management proposals for Santee Cooper. The evaluation must take into account at least the following:

- (1) terms and conditions of the proposal, including the proposed time period for the management proposal;
- (2) the amount of projected rates for each customer class of Santee Cooper's retail customers over the next twenty years and plans demonstrating how these rates can be achieved;
- (3) fees and costs to be paid by Santee Cooper retail customers for the management proposal, as well as any other benefits to that entity resulting from the proposal;
- (4) projected needs for generation, transmission, and distribution during the period of the proposal and how those needs would be met;
- (5) an opinion letter from a bond attorney that the management proposal would neither violate nor alter the terms of Santee Cooper's bonds and other indebtedness;
- (6) an opinion letter from a tax attorney that the proposal would not impact Santee Cooper's current tax status;
- (7) the proposing entity's experience with the type of arrangement as proposed with an investor-owned utility and a publicly owned utility;
- (8) the impact the management proposal would have on Santee Cooper's employees including, but not limited to, any projected elimination of positions within the next five years, if any;
- (9) the financial capability of the entity offering the proposal;
- (10) a comparison of the service territory in South Carolina of the entity offering the proposal, if the proposal is successful, with investor-owned utilities serving South Carolina; and
- (11) an agreement that if the management proposal is awarded, the entity offering the proposal will submit an annual report to the Governor, the President of the Senate, and the Speaker of the House of Representatives regarding the implementation of the management plan including, but not limited to, plans for the next calendar year and accomplishments and challenges for the prior calendar year.

(B) The department must:

- (1) verify the information provided by the entity submitting the management proposal, to the extent possible, and may request additional information if needed to conduct its verification;
- (2) conduct an analysis as to the potential risks to South Carolina taxpayers, Santee Cooper's retail customers, and Santee Cooper's bondholders, that could result from the management proposal;
- (3) compare the proposing entity's financing options for anticipated projects with the financing options currently available to Santee Cooper; and
- (4) consider if the proposing entity offers to pay a franchise fee or another form of consideration to the State of South Carolina as a condition of the management proposal.

Reform proposal

SECTION 4. (A) Santee Cooper must submit a proposal to the department for reform, restructuring, and changes in operation that must include, but is not limited to:

- (1) its plans for generation, power purchases, and other resources over the next twenty years including, but not limited to:
 - (a) the forecasted demand;
 - (b) a timeline of when those plans would be put in place;
 - (c) the projected financial impact to all customer classes of ratepayers;
 - (d) the assumptions underlying its plans including, but not limited to, additional infrastructure required to support any generating unit, projected financial ratios including debt-to-equity and debt service coverage ratios, projected contribution percentages to the Capital Improvement Fund, inflation and cost escalation rates, fuel costs, payments to the State and other sums in lieu of taxes, and projected GAAP accounting financial statements of the rate projections; and
 - (e) the amount of projected rates and revenue requirements for

each customer class of Santee Cooper’s retail customers over the next twenty years and plans demonstrating how these rates can be achieved;

(2) its plans for transmission investment over the next twenty years including, but not limited to:

(a) a timeline of when those investments will be needed;

(b) the projected financial impact to all classes of its retail customers; and

(c) the assumptions underlying its plans including, but not limited to, projected financial ratios, including debt-to-equity and debt service coverage ratios, projected contribution percentages to the Capital Improvement Fund, inflation and cost escalation rates, fuel costs, payments to the State and other sums in lieu of taxes, and projected GAAP accounting financial statements of the rate projections;

(3) its plans to address the V.C. Summer debt and the projected impact to all customer classes of its ratepayers;

(4) a proposal for Santee Cooper reform, restructuring, and operational changes;

(5) any other information Santee Cooper deems relevant as to future operations as a state asset;

(6) the projected financial impact on all customer classes of Santee

Cooper’s retail customers for the satisfaction of existing debt and issuance of new bonds and finance of other indebtedness; and

(7) a projection of the jobs Santee Cooper expects to eliminate within five years.

(B) The department must verify the information provided by Santee Cooper, to the extent possible, and may request additional information if needed to conduct its verification. The department must also conduct an analysis to determine if the proposal is feasible.

As part of the analysis, the department will:

(1) compare Santee Cooper’s rate projections with all other proposals on a comparable basis and assess the risks associated with Santee Cooper’s projections of revenue requirements and consumer rates; and

(2) conduct an analysis as to the potential risk to South Carolina taxpayers, Santee Cooper’s retail customers, and Santee Cooper’s bondholders.

(C) If Santee Cooper’s proposal to reform its operations is accepted by the General Assembly, Santee Cooper will submit an annual report to the Governor, the President of the Senate, and the Speaker of the House of Representatives regarding the implementation of its plan.

Negotiations with Central Electric Power Cooperative

SECTION 5. The department shall establish a process in which its professional services experts conduct confidential negotiations between Central Electric Power Cooperative, Inc. (“Central”) and each entity that submitted a qualified bid or qualified proposal after all the bids and proposals have been submitted. No negotiations or any form of discussion regarding potential terms or conditions for an agreement with Central can occur outside of the process established by the department. The department shall require that the parties enter into a contract to negotiate in good faith, as well as any other conditions for negotiation as determined by the department. Each entity that submitted a qualified bid or qualified proposal, as well as Santee Cooper, must individually negotiate with Central to determine terms for a binding contract between Central and that entity in the event the entity’s bid or proposal is successful. If the professional services experts conducting the negotiations determine that one or more parties, including Central, is not negotiating in good faith, that negotiation shall be terminated and the professional services experts may submit terms they determine to be reasonable and in the best interests of Santee Cooper’s customers and of the State of South Carolina and its taxpayers to the General Assembly. The General Assembly may consider a party’s failure to negotiate in good faith as a disqualification of the bid or proposal.

Effect of sale on future rates

SECTION 6. In the event of the successful sale of Santee Cooper and the purchasing entity’s contract contains projections of future rates, the General Assembly’s approval of such sale on such terms does not

indicate its intent to bind the Public Service Commission or Office of Regulatory Staff to the projected rate figures. The successful bidder shall be subject to the same statutory and regulatory authority of the Public Service Commission and Office of Regulatory Staff as all other investor-owned electrical utilities.

Review of financial impact on customers

SECTION 7. Following the negotiations between Central and each entity which submitted a bid or proposal, the professional services experts shall review the projected financial impact on Santee Cooper's retail customers to ensure that any increases or decreases to current rates for the retail and wholesale customers are initially proportionate.

Confidentiality required, exceptions, nondisclosure agreement, no information provided to General Assembly, Governor, or their staffs

SECTION 8. To protect the integrity of the process, information received during this process and ensuing negotiations must be confidential prior to the department providing its professional services experts' recommendations to the General Assembly. Each individual and entity involved in the process shall handle the information with sufficient care to prevent disclosure of information submitted, received, or reviewed during the process. After the department has provided its professional services experts' recommendations to the General Assembly, only information regarding those recommendations shall be released in accordance with the provisions of the Freedom of Information Act, provided that information described in Section 30-4-40 must not be released without the written permission of the entity whose bid or proposal was recommended. In order to effectuate the purposes of this section, the department shall require nondisclosure agreements which must be entered into by each individual or entity involved in the process including, but not limited to, an individual or entity that submits a bid or proposal, or receives or reviews any part of the submission. The nondisclosure agreement must also contain a provision in which the signer agrees that neither it nor its agents, servants, officers, directors, or employees shall advocate for or against, directly or indirectly, a recommendation provided by the department to the General Assembly pursuant to SECTION 9. Members of the General Assembly, the Governor, and their respective staff must not be provided with, or have access by any means to, the information obtained during this process except as provided in this section.

Recommendation of one sale bid, one management bid, and reform proposal to the General Assembly, approval process by the General Assembly

SECTION 9. (A)(1) At the conclusion of the evaluation of the bids and proposals, and negotiations, as required by this joint resolution, but no later than January 15, 2020, and subject to a one-time sixty-day extension upon written notice from the department to the Chairman of House Ways and Means and the Chairman of Senate Finance for the need of this extension, the department shall concurrently present a recommendation by its professional service experts of one bid for sale and one management proposal that the professional service experts consider to be in the best interests of the State, its taxpayers, and the customers of Santee Cooper, as well as the recommendation for Santee Cooper's proposal. Each recommendation must include justifications for the recommendation; also, the recommendations in regard to the sale and management proposal must include a contract for each recommended bidder obligating the bidder to comply with terms of its bid in the event it is approved by the General Assembly, along with a proposed contract to execute the sale or management proposal, and any supporting documents. The proposed contracts must include covenants that the bidder will abide by the terms of its bid for sale or its proposal, as applicable. The department must also present a full evaluation of each recommendation and for Santee Cooper's proposal. An evaluation must include, but not be limited to: (a) a description of each item listed in SECTIONS 2, 3, or 4, as applicable, along with a copy of an opinion letter submitted by a bond attorney and/or tax attorney; (b) a proposed contract

with Central Power Electric Cooperative, Inc., including a statement from the professional service experts involved in the negotiations that each party did or did not negotiate in good faith; (c) any recommendations or concerns from the department's professional services; and (d) any supporting documents.

(2) The department must enter into a contract with each entity that submitted a bid for sale or management proposal that establishes penalties for failure to proceed with finalizing the sale or management proposal in the event the bid or proposal is selected by the General Assembly. This contract must include, but is not limited to, earnest money to be paid upon a recommendation of that entity being made to the General Assembly and penalties for failure to finalize the terms of the bid or proposal upon selection by the General Assembly.

(B) The department shall present to the Chairman of the Senate Finance Committee and the Chairman of the House of Representatives Ways and Means Committee the documents described in (A). The Finance Committee and the Ways and Means Committee shall each meet as soon as practicable to review each recommendation presented by the department. Each committee shall make a recommendation within thirty days of receipt of the recommendations presented by the department. However, nothing in this joint resolution shall be construed as a waiver of any House or Senate Rules. Upon receipt of the recommendation from their respective committees, the President of the Senate and the Speaker of the House shall convene their respective bodies to consider any legislation to effectuate the sale or management proposal or to implement reform, restructuring, and changes in operation at Santee Cooper. Such legislation shall be in the form of a resolution approving the contract for sale or management or a bill to implement reform at Santee Cooper.

(C)(1) In the event that the General Assembly approves the sale of Santee Cooper, the department must execute any documents necessary in order to effectuate the sale upon the enactment of a joint resolution approving the sale. The net proceeds of the sale shall be deposited in a distinct numbered account separate from General Fund revenues in which such amount shall not be appropriated in a General Appropriations bill. Disposition of those funds shall be made by further actions of the General Assembly. These amounts shall never be recoverable in rates or otherwise by the purchaser.

(2) In the event that the General Assembly approves a management proposal, the department must execute any documents necessary in order to effectuate the proposal upon the enactment of a joint resolution approving the proposal.

Suspension

SECTION 10. The provisions of the Consolidated Procurement Code in Chapter 35, Title 11 of the 1976 Code and any other provisions of the general law of this State in conflict with the provisions of this joint resolution are hereby suspended with regard to the activities undertaken pursuant to this joint resolution.

Severability

SECTION 11. If any section, subsection, paragraph, subparagraph, sentence, clause, phrase, or word of this joint resolution is for any reason held to be unconstitutional or invalid, such holding shall not affect the constitutionality or validity of the remaining portions of this joint resolution, the General Assembly hereby declaring that it would have passed this joint resolution, and each and every section, subsection, paragraph, subparagraph, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more other sections, subsections, paragraphs, subparagraphs, sentences, clauses, phrases, or words hereof may be declared to be unconstitutional, invalid, or otherwise ineffective.

Time effective

SECTION 12. This joint resolution takes effect upon approval by the Governor.

Ratified the 22nd day of May, 2019.

President of the Senate

Speaker of the House of Representatives

Approved the _____ day of _____ 2019.

Governor

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Attachment 2
Fixed Assumptions

- (1) inflation;
- (2) fuel prices;
- (3) load;
- (4) gypsum prices;
- (5) FERC relicensing costs; and
- (6) cost allocation between retail and wholesale customers.

Attachment 3
Supported Assumptions

- (1) resource costs;
- (2) improvements or efficiencies to the Santee Cooper system; and
- (3) operational assumptions and limits.

Attachment 4
Variable Assumptions

- (1) purchase price;
- (2) regulatory assumptions;
- (3) resource plan; and
- (4) financing assumptions.

PROCESS LETTER ADDENDUM¹

This Process Letter Addendum (the “Addendum”) is intended to provide participants with additional guidance and instructions for their proposal submissions due on November 25th, 2019, at noon eastern. This Addendum should be utilized only as a supplement to the Project Palmoon Process Letter vF (the “Process Letter”), located in data room folder 12.2, which remains in full force and effect in all respects.

- 1) As detailed in the Process Letter, the Department and its advisors will be analyzing proposals in accordance with the Fixed and Supported Assumptions. In addition, as referenced in the Process Letter, participants are also free to submit additional proposals based on their proprietary views which are unencumbered by the Fixed and Supported Assumptions. Such additional proposals should be submitted as supplemental information and participants should include all necessary supporting evidence and detail required to justify any proprietary views that differ from the Fixed and Supported Assumptions. These additional proposals will be fully analyzed by the Department and its advisors. Furthermore, the Department and its advisors will be testing every proposal for its ability to provide sufficient resources to serve projected load, impacts to projected rate levels, and other key measures across a range of different potential future scenarios including changes to forward natural gas prices, resource costs, and other key variables.
- 2) As an additional Fixed Assumption, all participants should assume the following underlying interest rates for their proposals:

Term	<u>Taxable</u> US Treasury ²	<u>Tax-Exempt</u> Muni ³
1-Year	1.59%	1.11%
5-Year	1.73%	1.19%
10-Year	1.92%	1.52%
20-Year	2.16%	1.95%
30-Year	2.40%	2.13%

LIBOR⁴	1.90%
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¹ All defined terms have the same meaning as in the Process Letter

² Bloomberg, US TSY Interpolated Benchmark Monitor; current yields as of 11/7/2019

³ Thomson Reuters TM3 Market Data; current yields as of 11/7/2019

⁴ Bloomberg 3-Month LIBOR Curve; current yield as of 11/7/2019

- 3) With regards to meeting the historical regulatory filing submission requirements as noted in the Joint Resolution section 2(A)(14), please note the following instructions:
 - a. These requirements are only necessary for rate regulated electric utilities providing retail electric service.
 - b. For each docket listed in the statute, participants should create a spreadsheet with the following key inputs:
 - i. State;
 - ii. Docket number;
 - iii. URL to the specific docket in the state commission's website;
 - iv. One-sentence description of the applicant's request;
 - v. Rate requests: E-versions of application, pre-filed testimony, and post-hearing briefs (states only); and
 - vi. Mergers or acquisitions: E-versions of application, pre-filed testimony, post-hearing briefs (states and FERC).

- 4) In connection with a sale proposal, Joint Resolution Section 2(B)(3) requires the Department to address the following:
 - a. *“Conduct an analysis as to the potential risks to South Carolina taxpayers, Santee Cooper’s retail customers, and Santee Cooper’s bondholders, that could result from the sale of Santee Cooper, either in whole or in part. This analysis must include, but is not limited to, the loss of tax-exempt status of a buyer, impact on economic development, and whether the bid would preclude South Carolina from recovering the full value of Santee Cooper”;*
 - b. To assist the Department in assessing the requirements outlined in Section 2(B)(3), each participant must specifically address the following in their sale proposal:
 - i. Explain the major cost advantages of your proposal and estimate the associated value provided to Santee Cooper’s ratepayers, bondholders and to the Company overall for the 20-year forecast period;
 - ii. Explain the key sources of uncertainty in your projected costs and whether you are either mitigating or willing to absorb the underlying risk of those identified uncertainties or whether the underlying risk of those uncertainties will be borne by ratepayers;
 - iii. If you are mitigating some of the future cost risks to ratepayers, please note whether your proposed mitigation requires direct legislative participation in the ratemaking process or if you are willing to bear the associated regulatory risk in your proposal; and
 - iv. Also, if your proposal is dependent upon legislative approval for a separate securitization of any portion of the existing Santee Cooper debt, please provide full details on the proposed securitization as well as an alternative proposal that does not include securitization.

- 5) In connection with a management proposal, the Joint Resolution Section 3(B)(2) requires the Department to address the following:
 - a. *“Conduct an analysis as to the potential risks to South Carolina taxpayers, Santee Cooper’s retail customers, and Santee Cooper’s bondholders, that could result from the management proposal”;*

- b. To assist the Department in assessing the requirements outlined in Section 3(B)(2), each participant must specifically address the following in their management proposal:
 - i. In your management proposal, how will the manager be governed and what oversight will be provided for its decision making?
 - 1. Will it be through a board of directors or similar supervisory body?
 - 2. If so, how will the composition of the board be determined, and how will its members be selected?
 - ii. As a manager, do you have plans to increase the transparency of the ratemaking and resource planning process, and if so, how?
 - iii. What termination and modification rights are built into your management proposal?
- 6) With regards to the Target Net Working Capital for the Asset Purchase Agreement, participants should use the following figure which represents the average balance over the last twelve months⁵: \$191mm
- a. For purposes of Target Net Working Capital, we have included the full amount of average monthly restricted cash and restricted investments for purposes of participant proposals. However, please note that the State of South Carolina will ultimately be retaining any amount of restricted cash and restricted investments not associated with nuclear trust funds (e.g., funds from tax exempt borrowings, debt service funds, etc.).
- 7) With regards to the outstanding debt for participant proposals, please assume the 12/31/19 outstanding debt balance as listed in the EX X Updated Values file, located in data room folder 12.1, of \$6,859mm.
- a. As noted in the Asset Purchase Agreement, all cash will be stripped out of the business at close, with the exception of restricted cash and investments related to the nuclear trust funds.
- 8) For the purposes of your proposal, participants should assume that all assets listed in the Utility Plant Transmission 09302019 file, located in data room folder 9.1.17, are subject to FERC jurisdiction. As part of your submission, in addition to all other key assumptions, participants should clearly state the following:
- a. Assumptions for rate base, allowed return on equity, interest rates, capital structure, and annual expenses for each of:
 - i. Distribution;
 - ii. Transmission;
 - iii. Generation used to supply Central; and
 - iv. Generation used to supply retail customers.
- 9) With regards to sale proposals, participants should also provide the following:
- a. An assessment, with a detailed explanation, as to whether the participant believes they will be able to obtain market-based rate authority from FERC and

⁵ LTM through 9/30/2019

whether or not the participant's proposal is contingent upon a favorable FERC ruling.

- b. An assessment, with a detailed explanation, as to the participant's ability to obtain approval under Federal Power Act Section 203 with an explanation on each of the four FERC analytical prongs:
 - i. Effect of the transaction on competition;
 - ii. Effect of the transaction on rates;
 - iii. Effect of the transaction on regulation; and
 - iv. Whether the transaction results in an inappropriate cross-subsidization.
 - c. Detail as to whether the participant believes there will be a negative impact on Santee Cooper's other customers that results from rate unbundling, jurisdictional split of common costs, and subsequent FERC approvals.
 - d. A statement as to whether the participant intends to put in place an inter-affiliate services agreement with the utility and, if so, the terms for that agreement.
- 10) Sale proposal participants should assume that all potential ongoing litigation risk and associated potential liabilities will be fully assumed by the participant and not the State of South Carolina.
- 11) Regarding depreciation rates, participants should assume the rates shown in the Santee Cooper Revenue Requirement Model as a Supported Assumption for their proposals. Given the Preliminary Draft Depreciation Study_Delivered_Nov 9 file (located in data room folder 2.10) is still in draft form, participants may refer to that study for additional input and guidance, but should not rely on it as a Supported Assumption.