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October 2, 2010

Energy Advisory Council  
Public Utilities Review Committee

Re: SC Energy Policy

Members of the Energy Advisory Council:

Piedmont Municipal Power Agency (“PMPA”) shall be following with great interest your discussions of proposals for SC Energy Policy. Please allow me to brief you on PMPA’s unique situation.

PMPA provides wholesale electric services to its ten member-cities, all of which serve electricity to their citizens at retail. A complete list of these cities is located at the bottom of this page. In total, these cities serve some 100,000 meters. PMPA supplies these cities through the output of its 25% undivided ownership interest in Unit 2 of the Catawba Nuclear Station located in York County, the dispatch of the cities’ allocations from the Southeastern Power Administration (hydropower from dams on Lakes Hartwell, Russell, and Thurmond), and purchases of power from Southern Power Company.

At the current time, 86% of the energy comes from nuclear power and 4% from hydroelectric sources. Therefore, PMPA’s power mix is 90% greenhouse-gas-emissions free!

In July 2008, the Governor’s Climate, Energy & Commerce Advisory Committee published its report. As a result of learning of PMPA’s unique position, these words were included, regarding a renewable or clean energy standard:

“ Provision should be made to address or exempt the inclusion of the Piedmont Municipal Power Agency...”

PMPA’s member-cities have made the investment in a power supply that emits no greenhouse gases and were having rate increases to their customers when no other utilities in South Carolina were increasing their rates. This investment, I dare say, has proved to be an economic development engine for upstate South Carolina and will continue to provide economical CO2-free power for continued growth since the license for Catawba has been

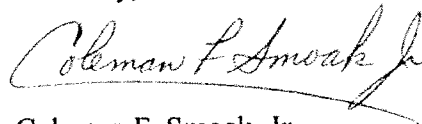
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extended to December 2043. These cities' nuclear energy deserves consideration in any policy considered by the Council, not just investments in future nuclear facilities.

As stated above, PMPA's generation sources are 90% CO2-free today, not at some date in the future. Therefore, PMPA respectfully requests an exemption from any clean energy goals legislation because it has already taken steps to ensure that an overwhelming percentage of its cities' loads is served by clean nuclear energy well into the future.

PMPA looks forward to working with you. Should you have any questions or need additional information, please do not hesitate to contact either Scotty Griffin or me.

Sincerely,

A handwritten signature in cursive script that reads "Coleman F. Smoak, Jr." with a flourish at the end.

Coleman F. Smoak, Jr.  
General Manager

# Renewable Electricity Standards

- Some states have adopted mandatory programs, in which a certain percentage of electricity must be generated using renewable fuel sources such as solar, wind, hydroelectric, and biomass fuels.
- Nationwide, 33 states and the District of Columbia either require or have set goals for their utilities to generate or purchase as much as 25% of their electricity from renewables by a certain date.
- A national standard is now being debated in Congress; a Senate committee has passed an RES of 15% by 2021, with one-quarter allowed to be met from energy efficiency.
- The House has passed a bill which contains both an RES and a carbon cap and trade system.

## SOUTH CAROLINA RENEWABLE PORTFOLIO STANDARDS

- In SC, the Governor's Climate, Energy and Commerce Advisory Committee (CECAC) has completed its report which contains 51 policy recommendations in five areas, including Energy Supply.
- This report was completed over a year ago, yet nothing more has happened.
- Part of the CECAC's recommendation is an Efficiency and Renewable Portfolio Standard, which calls for 5% of energy needs to be met by energy efficiency and 5% from renewable sources by 2020.

- The CECAC report contains the following language:

“Provision should be made to address or exempt the inclusion of the Piedmont Municipal Power Agency and other small utilities relying primarily on hydropower. Piedmont currently generates over 90% of its power from nuclear and renewable resources.”

ENVIRONMENTAL CONCERNS