Plantation Lakes – New Street Lights Leasing Program

Frequently Asked Questions (FAQs)

by CFCA Members

Updated: 3/12/2023

Abbreviations used:

BOD -- Plantation Lakes POA Board of Directors

HOA -- Home Owners Association

POA -- Property Owners Association

PL -- Plantation Lakes

SC -- Santee Cooper

WM -- Waccamaw Management

1. Q: What's this I hear of a lease? Don't we own the streetlights?

A: No, streetlights in all CFCA communities are *leased*. For example, Plantation Lake's former lease costs were ***$96,000/year!*** This is an arrangement dating back to the developer.

2. Q: What's the fine print in OLC-22? There's always fine print!

A: Two items could be defined as "fine print":

- OLC-22 states Santee Cooper may unilaterally opt to terminate this program in March 2025, after only 27 months. However, calculations clearly show that if this option materializes, *PL will have a "net savings" of $60K* after Santee Cooper returns the prorated portion of the initial payment and PL pays off the remaining balance of the $250K bank loan.

- OLC-22 states Santee Cooper is responsible for replacing inventory up to the value of "standard" inventory. PL's inventory is premier; therefore, PL would cover the differential cost.

3. Q: How are the street lights managed today?

A: The current contract is titled "South Carolina Public Service Authority (Santee Cooper) Private Outdoor Lighting Services, Schedule OL-17". This eight-page document, which includes Exhibits A and B, is their binding agreement with virtually all HOAs for whom they provide electricity (currently over 500 communities).

4. Q: What's been done recently to address the current "bad" contract?

A: HOAs have banded together, led by PL, and received assistance from Rep Tim McGinnis, Sen Goldfinch and Sen Rankin. To date:

- Sep 2020. Santee Cooper stated they now have a new interpretation regarding what's permissible under the state code and are willing to discuss this with HOA representatives.

- Dec 2020. South Carolina's Attorney General rendered an interpretation of the applicable state code, stating that ownership transfer of outdoor lighting is authorized.

- Jun 2021. The South Carolina House overwhelmingly passed a bill (H.3194) that (1) again authorizes exploring the sale of Santee Cooper to another utility, (2) adds new oversight and accountability whether or not the utility is sold, and (3) permits Santee Cooper to negotiate with HOAs regarding outdoor lighting, irrespective of other restrictions imposed while a sale is being considered.

5. Q: So, under OLC-22, the prior lease goes away?

A: Yes, the OL-17 lease terminates and the new experimental lease program begins, giving additional savings. According to WM invoices, PL previously paid Santee Cooper approximately $96K/year for the lease (not including taxes or energy charges). *The new lease is $33K/*year plus taxes and energy charges, *resulting in an annual savings to PL of $63K/year.*

6. Q: So the reduced monthly lease payments are less for PL even after making their loan payments? Where are the details for their $250,000 loan?

A: Full details are provided in "Santee Cooper – OLC-22 Briefing", Page 6, under "Finances/Loan".

7. Q: If Santee Cooper terminates the contract, is PL's $48K benefit in addition to the net loan balance of $146K?

A: If Santee Cooper terminates in March 2025, they would refund $194K of the $250K initially paid. PL's outstanding loan balance in March 2025 would be $146K. ($194K - $146K = $48K net gain for PL.) This data is on Page 6 of the "Santee Cooper – OLC-22 Briefing" cited above.

8. Q: So how much will PL gain in total from the new contract....?

A: Depends on Santee Cooper. If Santee Cooper terminates in March 2025 = $60K "net savings" to PL. If Santee Cooper allows the 10-year contract to remain until completion, PL profits $340K. This data is on Page 6 of the "Santee Cooper – OLC-22 Briefing" cited above.

9. Q: For communities that don't sign up for OLC-22, does anything happen automatically after January 1, 2023?

A: Yes, the current OL-17 lease continues to be in effect.

10. Q: What if we have premier lights but standard poles? Would we still benefit from OLC-22 and save money?

A: Santee Cooper states that the greatest savings are realized by communities with premium lights and poles, but that some savings would accrue if, for example, only the lights are premium fixtures. If your community has any combination of premium fixtures, contact Carlita Goff at Carlita.goff@santeecooper.com for information specific to your community's lighting system.

11. Q: After OLC-22 expires in ten years, does the lease automatically renew or does a new 10-year contract need to be negotiated?

A: OLC-22 does not automatically renew. A new lease would have to be established. A one-time contribution fee would also be included/charged in a new lease.

12. Q: Does the agreement remain in effect if Santee Cooper is sold during this 10-year period?

A: This is a binding, two party contract. As such, any entity acquiring Santee Cooper would typically assume all obligations of same. However, and to be clear, there are no guarantees. This would be a legal question if Santee Cooper were acquired by another entity.

13. Q: Does PL (and any other participating community) get money back in March 2025 if Santee Cooper terminates OLC-22 at that time?

A: Yes. OLC-22 states Santee Cooper will refund a proportionate amount of the one-time contribution if Santee Cooper terminates in March 2025. For example, of PL's $250K contribution, approximately $194K would be refunded.

14. Q: Santee Cooper (SC) has been charging us for equipment via their fees and we probably paid for this equipment (i.e. street lights) 10 years ago. But we rent these poles, so they (SC) will continue to make substantial profits, right?

A: Obviously, Santee Cooper's goals include making money. We need to move past "we've paid enough to buy them...". Rent is rent. There is no lease clause in the current or pending contract that implies any sort of buy-out. Think of it like renting your home... you don't obtain ownership after you've been there x years and you feel you've paid enough.

15. Q: I don't understand why we would have to make a large up-front payment. How much would it be, and are we purchasing the streetlights? Please explain.

A: You wouldn't be purchasing streetlights. The up-front payment (i.e., contribution) is simply a buy-in cost to obtain the discounted lease rates. Think of it akin to leasing a car.... you pay $xx up front, then assume lease payments for x years, and ultimately return the car. Santee Cooper would need to prepare a tailored calculation for your community as they did for PL. To initiate the process of determining what your community's "Initial Contribution" would be, contact Carlita Goff at carlita.goff@santeecooper.com

16. *Q: Can the BOD do this without a community vote? Please explain.*

A: Each HOA/POA has a unique set of covenants. The PL covenants give significant authority to the BOD and allow the BOD to exercise significant control of financial matters. This in no way implies the BOD exercises such authorities without extreme caution, and without community involvement. The best reference is the PL By-Laws, Article III, C. Powers and Duties. Specifically, Sections 18 and 21. Section 21 states the community shall vote if the loan is associated with a special assessment to modify, improve, or add an amenity and the loan exceeds certain parameters. Section 21 also clearly states "the BOD shall have the power to borrow money for the purpose of repair/restoration of common areas and to cover budget shortfalls without membership approval". PL is not borrowing money to modify, improve, or add an amenity (i.e., adding debt burden associated with a capitalized asset); rather PL is contemplating a loan that actually *decreases* the budget (i.e., no special assessment), and since owner assessments directed toward streetlights (a non-owned asset) will be reduced, no vote is required. In this case, BOD authorities granted in Section 18, a and b apply.

20. Q: What would the property owners experience financially from this deal? What are the benefits or risks? I believe there's concern if we enter a bad deal that ends up costing us more money in the end, so sell it to me as a property owner, as to why we should consider this.

A: For PL, *there were no bad options. There were no risks. No option would cost PL more money. The amount saved depended on the various options in play.... worst case savings = $60K, best case savings = $340K. Your community will have a different set of circumstances and the accompanying material will help guide you through that assessment.*

21. Q: Why is Santee Cooper agreeing to do this? Why are they making this deal? Won't they be losing money? This makes me a little concerned that it could be too good to be true.

A: Always good to be a skeptic. OLC-22 could slightly impact Santee Cooper profits. However, Santee Cooper is addressing a public concern, and responding to pressure from the South Carolina legislature. A few items to note....

- PL has a characteristic in streetlights investment that most other communities do not. We have high-end inventory with associated high cost. Other HOAs with standard lighting fixtures would not realize similar savings, but if you have *some* premium fixtures, it's likely worth the effort to explore this program.

- Santee Cooper will likely be better able to invest the up-front "Initial Contribution" than we as individual communities could, thereby recouping much of the lost lease income.

- Santee Cooper retains the option to terminate early.... they can terminate March 2025. There are no losing scenarios for PL. Other communities are encouraged to consider this option as well.