

## Letter from the President and CEO

The second quarter was a busy time at Santee Cooper, which proposed its first base rate increase in 13 years. Santee Cooper has proposed a two-phase rate increase of an overall average 4.4 percent beginning in November 2009 and an additional 5.5 percent beginning in November 2010.



Increased costs for doing business, including higher costs associated with environmental control technologies, mean that Santee Cooper needs additional revenue to maintain its financial strength, which ultimately means lower costs for customers. That financial strength was reaffirmed just this May by agencies rating the utility's \$366 million sale of refunding and new money bonds.

The Santee Cooper Board of Directors agreed in April to consider the rate proposal, launching a public comment period and additional staff consideration. That process will conclude in the third quarter, as the board reviews all comments. The board is expected to make a decision at its August meeting.

The energy industry continued to operate in a state of uncertainty, and Santee Cooper is closely following developments in renewable energy and carbon legislation in Washington. The American Clean Energy and Security Act, passed by the House in late June, would dramatically increase the cost of electricity for all Americans, and in particular for those of us in the Southeast with its scarce supply of alternative energy sources. We are working to ensure our congressmen understand the implications this legislation has for South Carolina, where manufacturers already struggling from the recession would have trouble absorbing new rate increases the legislation would require. Any final regulation would factor into our ongoing consideration of future generation needs as well.

Santee Cooper has experienced a slowdown in energy sales this year as many of our industrial and commercial customers have already been forced to reduce their operations, due to the recession.

Meanwhile, we are working to help all of our customers lessen the impact of our proposed rate adjustment through increased energy efficiency. Santee Cooper is finalizing new programs, and promoting existing initiatives and opportunities throughout the year. We continue to pursue practical renewable generation: Our offshore wind study moved from land to sea in June, with the launch of weather buoys into the ocean that will measure wind for a potential offshore wind farm. Santee Cooper remains focused on our state and on the betterment of our customers, as we have been for 75 years.



santee cooper

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Quarterly Financial Report  
for period ended June 30, 2009



## Executive Summary

### Second Quarter 2009 Compared to 2008

The financial results for the second quarter of 2009 showed an increase of over \$11 million compared to the same period last year, with revenue and operating expenses higher than the same quarter of 2008.

The second quarter saw total mWh sales decrease, particularly in the industrial customer segment. Santee Cooper's demand (kW) sales were virtually the same as last year.

Operating Expense for the second quarter of 2009 was up compared to the second quarter of last year as a result of a \$57 million fuel cost increase due to higher coal purchase prices, offset by lower purchased power expense. The addition of Cross 4 to the generation fleet contributed to increases in fuel expense, non-fuel operations and maintenance expense and depreciation expense. Also contributing to higher non-fuel expense were expenses related to scheduled outages at the Cross 2 and Winyah 2, 3, and 4 units. The remainder of the increase in depreciation expense was a result of additional transmission line projects.

Other Income was down \$1 million when compared to the second quarter of last year, primarily resulting from lower interest rates in 2009. There was also a slight decline in the change in fair market value of investments.

There was a \$6 million change in Costs to be Recovered from Future Revenue. This was primarily due to an increase in the depreciation component caused by the addition of Cross 4.

Interest Charges increased compared to last year as a result of the 2008 and 2009 bond activity.

Overall, Reinvested Earnings for the second quarter showed a 52 percent increase when compared to the same period last year as a result of these factors.

Santee Cooper remains steadfast in its mission to be the state's leading resource for improving the quality of life for the people of South Carolina and successfully moving Santee Cooper into the future.

### Key Statistical Highlights

	<i>This Year</i>	<i>Last Year</i>
	<i>Current Quarter</i>	
Total MWh Sales	6,121,389	6,428,648
Number of Degree Days	817	670
	<i>For Month Ended June 30</i>	
Distribution Reliability (YTD)	99.9960	99.9922
Number of Retail Customers	165,537	162,934

## Quarterly Statement of Reinvested Earnings

For Period Ended June 2009

Millions of Dollars (Unaudited)

	<i>Current Quarter</i>		<i>12 Months to Date</i>	
	<i>This Year</i>	<i>Last Year</i>	<i>This Year</i>	<i>Last Year</i>
Operating Revenue	\$397.3	\$353.8	\$1,674.4	\$1,527.6
O&M Expense	305.3	283.3	1,170.5	1,075.3
Depreciation & Sums in Lieu of Taxes	46.3	39.4	175.6	174.4
Operating Expense	351.6	322.7	1,346.1	1,249.7
Operating Income	45.7	31.1	328.3	277.9
<i>Add:</i>				
Other Income	2.3	3.3	9.0	18.7
Net Increase (Decrease) in Fair Value of Investments	(1.7)	(1.3)	1.7	7.1
Costs To Be Recovered From Future Revenue	0.8	(5.4)	(10.0)	(11.6)
<i>Subtract:</i>				
Interest Charges	56.8	48.0	216.8	197.3
Reinvested Earnings	\$ (9.7)	\$ (20.3)	\$ 112.2	\$ 94.8

### Balance Sheet

As of June 2009 and 2008

Millions of Dollars (Unaudited)

<i>Assets</i>	<i>This Year</i>	<i>Last Year</i>
Utility Plant - Net	\$4,698.3	\$4,443.9
Long Lived Assets - ARO - Net	(14.7)	(15.1)
Investment in Associated Co.	9.2	7.6
Restricted Funds	620.5	242.8
General Improvement Funds	3.6	13.4
Cash & Securities	186.3	217.0
Other Current Assets	701.5	580.7
Costs To Be Recovered From Future Revenue	229.0	239.0
Regulatory Asset	172.6	168.1
Other Deferred Debits	62.9	60.1
<b>Total Assets</b>	<b>\$6,669.2</b>	<b>\$5,957.5</b>
<i>Liabilities</i>		
Long Term Debt - Net	\$4,064.3	\$3,246.2
Short Term Debt	254.4	490.1
Other Current Liabilities	321.1	263.0
ARO Liability	310.8	297.2
Other Liabilities	78.8	115.5
Accumulated Reinvested Earnings and Capital Contributions	1,639.8	1,545.5
<b>Total Liabilities and Capital</b>	<b>\$6,669.2</b>	<b>\$5,957.5</b>

## NewsCurrents –

### A Roundup of Quarterly NewsMakers

**Right:** Carolina Food Services President Legrande Dorman, left, and Myrtle Beach economic development leader Hugh Owens at Dorman's grand opening in Santee Cooper's Loris Commerce Center in May.



**On the cover:** Workers drop a weather buoy equipped to measure wind speed, direction and frequency about 1.5 miles off the coast of Little River. Other buoys were placed at 3 and 6 miles offshore, along with companion buoys off the Georgetown coast, part of the Palmetto Wind project Santee Cooper is leading.

(Photos by Jim Huff)

#### Rate proposal in works

The Santee Cooper Board of Directors voted in April to consider a new two-year rate increase that would raise overall customer bills an average 4.4 percent beginning in November and an additional 5.5 percent in November 2010. If approved, the rates would mark the state-owned utility's first base rate increase since 1996.

Additionally, the Board will review a new rate structure that consolidates similar rate categories and implements a seasonal rate that is lower in non-summer months and higher in the summer, when it costs more to generate power.

The board vote opened a public comment period for customers, who could submit their comments by mail or via the utility's Web site, or in person during several public comment meetings. The board will review all comments and input before voting on the rate request, which is expected in August.

#### Bond sale approved

Santee Cooper's Board of Directors approved the sale of \$366,195,000 in refunding and new money bonds in May. The sale included \$115,025,000 in tax-exempt refunding Series A bonds, \$164,130,000 tax-exempt Series B bonds, and \$87,040,000 taxable Series C bonds. Maturities range from 2010 through 2039. The all-in true interest cost was calculated at 5.04 percent.

Fitch assigned an AA rating to the bonds, saying the rating reflects Santee Cooper's reliable and low-cost power supply. Fitch also said the rating "takes into account Santee Cooper's strong financial position, due in part to its timely cost-recovery mechanisms in the rate structure and sufficient liquidity, strong operating performance of its diverse generating fleet, and a competitive cost structure."

Bond proceeds will be used to meet current capital needs and to refinance a portion of Santee Cooper's outstanding debt. Lead underwriter for this transaction was Citigroup Global Markets Inc. The underwriting team also included Goldman Sachs & Co., Merrill Lynch & Co., and Morgan Stanley & Co.

#### Best workplace for commuters

Santee Cooper has been named a Best Workplace for Commuters by the National Center for Transit Research. The award recognizes iRide, Santee Cooper's commuter benefits program, as meeting the U.S. Environmental Protection Agency's National Standard of Excellence for commuter benefits. The bus and carpooling options allow Santee Cooper employees to save on gas and wear-and-tear on their vehicles and reduce commuting-related greenhouse gas emissions. Through May 31, iRide participants avoided emitting more than 235 tons of greenhouse gases during 1.5 million miles commuted since the program started last September.