

Letter from the President and CEO

While the dust settles on a painful economic era in South Carolina, glimmers of good news stand out. One is that Santee Cooper's customer base actually grew a little last year. The economy remains difficult for many of our customers, and yet signs continue to indicate our state is making progress.



Santee Cooper continues to do all we can to provide low-cost, reliable and environmentally protective electricity and water to all of our customers. It is our primary responsibility, and we know that affordable and reliable electricity is an economic driver. The cost of power is one of the top expenses for major industrial and commercial employers, and our low rates help attract and retain these businesses.

With that said, Santee Cooper continues to operate in a period of unprecedented changes and challenges in the electric industry. One significant area of concern relates to regulation. The Environmental Protection Agency is increasingly interested in new regulations that will most likely increase the cost of power, from proposed regulations on greenhouse gas emissions to strict ozone attainment standards and, yes, carbon regulation.

Up for consideration are greenhouse gas emission limits so low that they would likely affect the operation of small businesses and apartment complexes; new and revised ambient air standards strict enough to gridlock permitting and potentially limit economic development in the state; and new ozone attainment standards strict enough to force the state into a non-attainment status, which could bring industrial development to a screeching halt.

Carbon regulation could achieve the same results as potential legislation has sought: taxing carbon emissions, which are associated with many industrial processes including electricity generation from fossil fuel sources. The Southeast is heavily dependent on fossil fuel-fired generation, and so any carbon costs — whether levied by legislation or regulation — could significantly increase the cost of power to our customers.

We are monitoring regulatory arenas and representing our customers' interests in these discussions. Santee Cooper remains focused on a balance between providing low-cost and reliable power, continuing our environmental stewardship and protecting our financial stability. This balance enables us to best serve our customers and continue our role as a leading resource for all of South Carolina.



santee cooper®
Post Office Box 2946101
Moncks Corner, S.C. 29461-2901
www.santeecooper.com
(843) 761-8000

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For the Benefit of All

Quarterly Financial Report
for period ended June 30, 2010



Executive Summary

Second Quarter 2010 Compared to 2009

The financial results for the second quarter of 2010 showed a decrease of nearly \$8 million compared to the same period last year, with revenue and operating expenses higher than the same quarter of 2009.

The second quarter saw total MWh sales increase 6% spread across nearly all customer classes, including an 11% increase in the industrial class. The new rate schedule implemented in November 2009 also contributed to increased revenue. Electric demand (kW) sales were virtually even with last year.

Operating Expense for the second quarter of 2010 was up compared to the second quarter of last year as a result of an \$8 million fuel cost increase due to the increased generation. The increase was partially offset by a decrease in non-fuel generation. Administrative & General Expense was up due to accounting for other post-employment benefits (OPEB) and contract services related to the FIS upgrade.

Other Income was nearly even with the second quarter of last year, with reduced interest income offset by an increase in the change in fair market value of investments.

Interest Charges increased \$4 million compared to last year as a result of the 2009 bond activity.

There was a nearly \$8 million rise in Costs to be Recovered from Future Revenue expense. This was due to a higher principal payment component compared to last year.

Overall, Reinvested Earnings for the second quarter showed a 78% decrease 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

	This Year	Last Year
	Current Quarter	
	For Month Ended June 30	
Total MWh Sales	6,488,102	6,121,389
Number of Degree Days	884	716
Distribution Reliability % (YTD)	99.9955	99.9960
Number of Retail Customers	163,798	162,981

Quarterly Statement of Reinvested Earnings

For Period Ended June 2010

Millions of Dollars (Unaudited)

	Current Quarter		12 Months to Date	
	This Year	Last Year	This Year	Last Year
Operating Revenue	\$422.7	\$397.3	\$1,775.8	\$1,674.3
O&M Expense	311.6	305.3	1,241.2	1,170.5
Depreciation & Sums in Lieu of Taxes	47.1	46.3	187.3	175.6
Operating Expense	358.7	351.6	1,428.5	1,346.1
Operating Income	\$64.0	\$45.7	\$347.3	\$328.2
<i>Add:</i>				
Other Income	2.2	2.3	6.9	9.0
Net Increase (Decrease) in Fair Value of Investments	(0.7)	(1.7)	(6.7)	1.7
<i>Subtract:</i>				
Interest Charges	60.9	56.8	243.0	216.8
Costs To Be Recovered From Future Revenue	6.7	(0.8)	10.9	10.0
Reinvested Earnings	<u>\$ (2.1)</u>	<u>\$ (9.7)</u>	<u>\$93.6</u>	<u>\$112.1</u>

Balance Sheet

As of June 2010 and 2009

Millions of Dollars (Unaudited)

Assets	This Year	Last Year
Utility Plant - Net	\$4,942.7	\$4,698.3
Long Lived Assets - ARO - Net	(14.4)	(14.7)
Investment in Associated Co.	10.3	9.2
Restricted Funds	546.4	620.5
General Improvement Funds	15.1	3.6
Cash & Securities	207.9	186.3
Other Current Assets	1019.5	701.5
Costs To Be Recovered From Future Revenue	218.1	229.0
Regulatory Asset	172.5	172.6
Other Deferred Debits	342.5	62.9
Total Assets	<u>\$7,460.6</u>	<u>\$6,669.2</u>
Liabilities		
Long Term Debt - Net	\$4,373.3	\$4,064.3
Short Term Debt	545.0	254.4
Other Current Liabilities	362.4	321.1
ARO Liability	325.0	310.8
Other Liabilities	141.2	78.8
Accumulated Reinvested Earnings and Capital Contributions	1,713.7	1,639.8
Total Liabilities and Capital	<u>\$7,460.6</u>	<u>\$6,669.2</u>

NewsCurrents –

A Roundup of Quarterly NewsMakers

Board approves 2010 bond sale

The Santee Cooper Board of Directors approved the sale of approximately \$234 million in revenue obligation bonds during a special board meeting held June 25.

Specifically, the issue constitutes taxable floating rate notes, tied to London Inter-Bank Offered Rates (LIBOR), which Santee Cooper researched and chose as the least-cost financing option for raising short-term capital. The notes mature July 15, 2011.

The issue drew the highest ratings possible from rating agencies, including an F1+ from Fitch Ratings, an SP-1+ from Standard & Poor's, and an MIG 1 from Moody's Investment Service. All three agencies affirmed the long-term ratings for Santee Cooper as well.

Lead bank on the transaction was Goldman Sachs & Co., with Merrill Lynch & Co. serving as co-manager.

Santee Cooper concludes spring 2010 Mini-Bond sale

Santee Cooper concluded its spring 2010 Mini-Bond sale April 30 with investors placing 1,950 orders for nearly \$28 million in bonds. The bonds were sold in two series: 2010 Spring Series Capital Appreciation Bonds and 2010 Spring Series Current Interest Bearing Bonds.

Proceeds from the spring 2010 Mini-Bond sale will be used to fund capital improvements to Santee Cooper's transmission system, which serves customers throughout South Carolina and which achieved an enviable reliability rate of 99.9989 percent in 2009.

Orders will be taken for the fall 2010 sale in October.

GOFER celebrated

Santee Cooper in April celebrated the 20th birthday of its GOFER program with events across South Carolina. The Give Oil for Energy Recovery (GOFER) program has collected 25 million gallons of used motor oil since it was unveiled to the public in 1990. The program now includes 600 collection sites, making it the largest used motor oil collection program in the state.

The GOFER program helps avoid improper disposal of oil, which is harmful to the environment. One gallon of used oil can pollute 1 million gallons of freshwater, contaminate soil, and threaten wildlife. The GOFER program collects this oil and converts it to power. Two gallons of used oil can power an average home for one day.

Santee Cooper celebrated GOFER's birthday with simultaneous events in Moncks Corner, Conway and Lexington.

Fifth landfill generating station dedicated, sixth announced

Santee Cooper and Georgetown County celebrated Earth Day by dedicating the Georgetown County Landfill Generating Station, which generates 1 megawatt of electricity from naturally occurring landfill methane gas.

Santee Cooper was the first utility to generate and sell renewable energy in South Carolina, beginning in 2001 with a landfill generating station in Horry County. Today, Santee Cooper generates 22 megawatts of renewable energy.

In May, Santee Cooper announced the Berkeley Green Power Project, a 3-MW landfill generating station at the Berkeley County Landfill. The facility is currently under construction and should enter commercial operation later this year.

Cover photo by Jim Huff