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# SOUTH CAROLINA SANTEE COOPER



## ANNUAL REPORT 1992

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State Budget And Control Board

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**Letter of Transmittal**

April 15, 1993

To: The Governor and General Assembly

In accordance with law, we are privileged to submit to you the Annual Report of Santee Cooper, South Carolina Public Service Authority, for the calendar year 1992.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. V. Ford".

Kenneth R. Ford  
President and Chief Executive Officer

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## **Executive Report**

On February 19, 1992, a solid-state electrical relay switch was engaged by Santee Cooper officials at the Jefferies Hydro Station, restarting Unit No. 2 and celebrating a half century of service to the people of South Carolina.

It is ironic that when a wooden-handled, double-pole, double-throw switch was thrown in the same location to start up that same unit for the first time exactly 50 years earlier, there were political opponents in South Carolina who questioned the need for public power and the very mission and necessity of Santee Cooper.

Today, modern antagonists rehash many of those original anti-public power arguments as they assert that Santee Cooper's mission has been completed and now is the time to sell one of South Carolina's most valuable resources. But, Santee Cooper's record of performance and service speaks for itself. Based on its performance and service and the value of Santee Cooper to South Carolina's future, the members of our state's General Assembly can most capably determine what are in the best interests of the people of this state.

With that first flow of power delivered in 1942 to a national defense customer in Charleston, Santee Cooper began fulfilling its commitment to operate an electrical system that would provide reliable service, efficient operations and low power costs, and would become a yardstick with which to measure the economy, efficiency, and effectiveness of other utility operations in South Carolina.

By all standards of measurement, Santee Cooper has maintained that commitment. In doing so, it has stimulated economic growth and provided numerous services to improve the quality of life for the people of South Carolina. Santee Cooper has not only accomplished its original mission but has expanded it to respond to the continuously growing, changing needs of this state.

This report takes a look at Santee Cooper's progress during the past year and provides a chronicle of its service to customers and the people of this state during its first 50 years of operation. It also peers into the future from the perspective of Santee Cooper's executive management team.

During 1992, South Carolina felt the tightening squeeze of an economy that did not produce the flow of tax revenues needed to sustain the state's projected budget. This revenue shortfall was the major factor in precipitating proposals to sell Santee Cooper.

As South Carolina struggled to make ends meet, the state's somewhat stressed economy was sustained by a diversified work force and industrial and the state's third best year in terms of announced plans for economic growth. During the year, 665 industries announced plans for construction or expansion, representing \$2.9 billion in new investments. When fully operational, these industries will bring the addition of 15,313 new jobs to the state. While there were significant layoffs due to the economic slowdown, South Carolina's total employment increased by about 6,000 jobs. Seasonally adjusted unemployment at year's end was 5.6 percent, the lowest in two years. This compares to the national average of 7.3 percent.

The state's economy began to show strong signs of rejuvenation from its sluggish state. Its biggest boosts came with the announcements of several foreign industrial investments. German automaker BMW announced it will build its first U.S. manufacturing plant in the Upstate. The \$500 million facility will employ more than 2,000 people by the end of the decade.

Another German company made a major expansion in the Lowcountry.

Miles Inc., a subsidiary of Bayer AG, a chemical and pharmaceutical giant, announced plans to build its first synthetic fiber plant in North America in Berkeley County. The \$140 million plant will be constructed in 1993 adjacent to its \$100 million Agfa film production plant

already under construction. And in Florence County, Hoffman-LaRoache Corp., another pharmaceutical giant, broke ground for a \$500 million plant that will initially employ 200 workers.

Other economic advancements included the first flow of Santee Cooper power to the \$300 million Nan Ya Plastic firm in Florence and Williamsburg counties. When fully operational, this company will employ about 500 workers and will be provided electrical service by Santee Electric Cooperative.

Santee Cooper responded to the state's slowed economy by tightening its budget, improving operating efficiency, and expanding its service.

The budget was trimmed by streamlining corporate procedures, improving procurement of fuels and other materials, and increasing operating efficiencies in power production.

Operating efficiencies in power production were increased through improvements in heat rates and modifications and redesign of existing generating units.

A major new public service was introduced with the approval by the board of directors for construction of the \$36 million Santee Cooper Regional Water System.

As the economic restraint of cautious consumers loosened, moderate increases were experienced in the power generated and sold, peak demand, and customers served. Due to fuel-cost reductions and mild weather, however, the rate of increases were less for gross revenues and reinvested earnings. Kilowatthour sales of electricity increased 3.20 percent and peak demand for power increased 1.91 percent.

The steady increases in energy sales and projected load growth validated the wisdom of the decision made by the Santee Cooper Board of Directors in January 1990 to construct a second unit at Cross Generating Station as the most economical method to meet the increased power demands projected for 1995 and beyond. Construction on that unit, planned for completion in late 1994, continued on schedule and under budget.

At 3.86 cents per kilowatthour, the average cost of power for Santee Cooper customers remained the lowest in South Carolina and among the lowest in the Southeast. This is one of the most meaningful measurements of Santee Cooper's sustained and successful mission accomplishment.

Any measurements of performance in terms of quality of service or fulfillment of mission show Santee Cooper to be one of the best run, most efficient utilities in the country. This is obvious in examining all aspects of the company's operations over the past year or for the past half century.

Projections are for increased retail and industrial growth, improved customer service, and a continuing commitment to protect and improve the environment. In doing so, Santee Cooper is fulfilling and expanding its corporate mission for the benefit of the people of South Carolina.

### **Energy**

In 1992, energy sales totalled 14.03 billion kilowatthours of electricity, an increase of 435 million KWH over last year. Peak demand for 1992 reached 2,620 megawatts, compared to 2,571 MW in 1991. Due to extremely mild weather conditions, heating and cooling degree days for the year decreased 5.27 percent from 1991.

In terms of energy consumption, Santee Cooper experienced increases of 4.86 percent by residential customers, 4.81 percent by commercial customers, 5.57 percent by Central Electric Power Cooperative, and a decrease of 0.48 percent by the municipalities of Bamberg and Georgetown. Industrial sales inched up 0.51 percent. Growth in the number of customers was steady. A total of 1,847 residential and 92 commercial customers was added, which represents increases of 2.40 and 0.61 percent, respectively.

## **Operations**

Construction progressed on Unit 1 of the Cross Generating Station, a 540-megawatt coal-burning companion to Unit 2 which went on line in 1984. Unit 1 is scheduled to begin operations by late 1994. Refinements in the construction schedule and procurement of equipment resulted a reduction in total projected costs for the unit from \$552.74 million to \$484 million.

Contracts were signed with four local municipal water entities which joined as partners in the Lake Moultrie Water Agency and in the construction and operation of the new Santee Cooper Regional Water System, scheduled to begin service in late 1994. The project will include an intake from Lake Moultrie and treatment plant capable of ultimately providing up to 100 million gallons of water per day.

This regional water system will provide an economical, high quality supply of water for the South Carolina Lowcountry to meet the area's needs and support economic growth well into the next century. Truly, Santee Cooper is with water today where it was with electricity 50 years ago.

## **Economic Development**

Tourism maintained its number two position among the state's largest industries and its dominance in the Santee Cooper service area. In contrast to the state's overall economy, business and industrial growth in Santee Cooper's service territory increased at a higher rate.

Economic growth remained steady in the areas served by Santee Cooper and the Central Electric Power Cooperative System for which it generates power. During the past year, nine industrial firms announced new facilities and expansions within the 35-county electric cooperative service area. Those announcements represent future capital investments in excess of \$30 million and more than 350 new job opportunities.

Through the efforts of Palmetto Economic Development Corp., which has coordinated the joint economic development efforts for Santee Cooper and the Central system since 1988, there have been 35 new industries, representing \$884 million in investments and 2,675 new jobs announced in the service areas served by Santee Cooper and the electric cooperatives.

## **Finance**

Successful financial management helped maintain Santee Cooper's competitive edge in 1992. Total savings in long-term financing of more than \$28 million were realized over the life of \$158,795,000 of outstanding bonds which were advance refunded. Average annual savings over the life of the new bonds will be approximately \$989,000.

Total revenues were \$546,878,000, down 2.79 percent from 1991, and electric operating expenses declined 1.87 percent to \$410,686,000. Reinvested earnings were \$29,717,000, down 27.46 percent from 1991. The primary factor in the decline of revenues, expenses, and reinvested earnings was a decline in fuel adjustment revenues due to lower coal prices this year compared to 1991. Fuel expenses were down 8.70 percent but other production expenses and depreciation expenses increased. The increase in other production operating and maintenance expenses was due primarily to a refueling outage in 1991 for Summer Nuclear Station. Expenses during this outage were accrued during the 15 months prior to the outage, thereby lowering expenses in 1991. There was no refueling outage in 1992.

Santee Cooper continued to provide the lowest cost electricity in the state and does not anticipate any rate increase until April 1994, its first in nine years. According to data provided by the Federal Energy Regulatory Commission, Santee Cooper's retail customers are equal or more frugal and energy conscious when compared to other utility customers in the state.

Santee Cooper's financial stability was maintained, with revenue bond ratings of A-1 with Moody's and A+ with Standard & Poor's and Fitch Investors Services. Santee Cooper maintained a debt service coverage of 1.37 times.

Santee Cooper Mini-Bonds continued to be in high demand by customers and South Carolina residents, who invested a record \$39.2 million in the issue. This brought the total sold since first offered in 1988 to \$121.9 million.

### **Environment**

Protecting and improving our environment remains a constant challenge and a major corporate commitment for Santee Cooper. This is being accomplished through a variety of environmental outreach programs. These included sponsorship of a statewide environmental essay contest for seventh graders, presentation of environmental scholarships to students from 19 of the state's colleges and universities, supporting Clemson University's 4-H Outdoor Adventure Camp, and a program for nine summer interns which emphasized environmental programs and activities.

Santee Cooper was honored twice for its environmental stewardship and leadership during the past 14 months. The South Carolina Wildlife Federation named Santee Cooper *Industrial Conservationist of the Year* in January 1992, and in February 1993, the South Carolina Waterfowl Association honored Santee Cooper with its *1993 Wildlife Conservator of The Year* award. An additional honor for Santee Cooper is the election of its board chairman to the board of directors of the National Wildlife Federation.

One of the major environmental services provided was through expansion of Santee Cooper's statewide Give Oil For Energy Recovery or GOFER program. There were over 175,000 gallons of used motor oil collected from the public from 172 GOFER sites during the year, which converted into 31 million kilowatthours of electricity, enough to meet the annual needs of about 250 average residential homes. Almost one-quarter million gallons of used motor oil have been collected since the program's inception on Earth Day in 1990.

"50 Years of Service...for the benefit of the people of South Carolina" is the theme of this annual report. In addition to a description of progress experienced during the past year, featured perspectives examine Santee Cooper's 50-year history and present operations in terms of its mission and service through efficient operations, environmental responsibility, and community outreach. A perspective on Santee Cooper's future provides an examination by executive staff members of the major challenges and changes anticipated for Santee Cooper during the next decade.

As Santee Cooper looks proudly upon its first 50 years of service to the people of South Carolina, our greatest challenge is to always meet and exceed the mission defined for this corporation in the enabling legislation enacted by the General Assembly in 1934. As new challenges and needs for this state are defined, we must respond with commitment to provide efficient operations, effective management, resourceful financing, and quality service. This will ensure that we always operate in the best interest of this state as directed by our original charter "...for the improvement of the health and welfare and material prosperity of the people of South Carolina."

John S. Rainey  
Chairman, Board of Directors

Kenneth R. Ford  
President and Chief Executive Officer

## **Energy Sales**

At the end of 1992, Santee Cooper was serving 94,215 residential, commercial, and other retail customers located in Berkeley, Horry, and Georgetown counties. This was an increase of 1,939 or 2.10 percent over 1991. Of this increase, 1,847 were residential and 92 were commercial. There was no change in public street lights and other.

Sales to these retail customers were 2,135 gigawatthours, up 4.96 percent over the previous period.

The average annual consumption of electricity by Santee Cooper residential customers increased to 12,449 kilowatthours, 2.45 percent more than 1991.

Industrial's were 5,502 gigawatthours, up 0.51 percent over the previous year. The average cost of power to industrial customers was 3.15 cents per kilowatthour, 6.53 percent less than in 1991 and 33.13 percent lower than the national average.

Sales to Central Electric Power Cooperative, Inc. to its 15 member co-ops increased 4.21 percent to 6,162 gigawatthours. Central is Santee Cooper's largest single customer. The electric cooperatives distribute power to more than 325,000 customers in 35 counties.

Sales to the municipalities of Bamberg and Georgetown decreased 0.48 percent.

## The Year In Review

**Coal** – In 1992, Santee Cooper settled litigation with Great Western Coal and negotiated a new contract for the delivery of 1,750,000 tons annually beginning October 1, 1992 and expiring December 31, 2002.

Santee Cooper also entered into three new long-term coal contracts effective January 1, 1993.

One contract totals 720,000 tons annually through 2002. The other two contracts total 1.2 million tons annually through 1997 with the unilateral option to extend an additional five years. Santee Cooper has the unilateral option to increase or decrease the annual contract quantity of coal purchased up to 20 percent from the base annual contract tonnage for all three contracts.

Coal suppliers were selected based on competitive prices, contract commitment, financial strength, sufficient reserves, and proven production capabilities.

Santee Cooper plans to maintain a coal supply mix consisting of 75 percent provided under long and intermediate-term contracts and 25 percent purchased on the spot market.

**Corporate Communications** – Efforts continued throughout the year to educate employees, retirees, customers, investors, and all South Carolinians about Santee Cooper.

An environmental essay contest was conducted for all of South Carolina's seventh graders. Over 4,000 students expressed their thoughts on The Importance of Protecting and Conserving Our Water Resources. Awards were presented to an overall statewide winner and to first and second place winners in each of the state's six congressional districts. This contest won communications awards from the S.C. Chapter of the Public Relations Society of America and the Advertising Federation of Charleston.

Santee Cooper's board chairman along with members of executive management visited with business and financial leaders in cities and towns across the state. The focus of these visits was to tell the story of Santee Cooper's value to the people of South Carolina.

Santee Cooper's 1991 Annual Report won numerous awards. It received the top award offered by the Advertising Federation of Charleston, first place in the Carolina's Association of Business Communicators annual report competition, an award of merit by the American Public Power Association, and best in category for recycled paper from the Printing Industry of the Carolinas (PICA).

**Corporate Forecasting, Rates, and Marketing** – Corporate Forecasting, Rates & Marketing completed an in-depth review of Santee Cooper's rates, rate structures, and rate schedules. The review was conducted to ensure Santee Cooper's rates remain competitive and flexible to meet our customers' needs.

Santee Cooper continually looks for opportunities to improve operating efficiency and better utilize its capital resources. To improve operating efficiency and provide additional flexibility, Santee Cooper extended the off-peak hours available to industrial customers.

Santee Cooper offers a variety of load management and conservation programs to its customers. Since 1987, Santee Cooper has offered discount electric rates to customers who build or improve their homes to meet certain energy efficiency standards. The Good Cents New Home Program certified 550 homes in 1992 for a total of 1,785 certified homes since the inception of the program. The Good Cents Improved Home Program had 189 certifications, bringing the total since inception to 990 homes. The Good Cents Mobile Home Program had 60 certifications for a total of 199 homes since its inception.

Santee Cooper lends money under the Good Cents Loan Program at an attractive interest rate for weatherization, home improvements, and high efficiency equipment. In

1992, the Good Cents Loan Program reached its 1,000th participant in the program. Since the beginning of the program in 1982, Santee Cooper has loaned over \$3.7 million.

For commercial customers, Santee Cooper offers Commercial Good Cents Program for new buildings. In 1992, ten customers participated in the program including a large national discount chain.

Santee Cooper became a U.S. Environmental Protection Agency Greenlights Electric Utility Ally in 1992. The Greenlights Program is a voluntary program developed by the Environmental Protection Agency in which partners agree to retrofit their lighting systems to reduce energy consumption without reducing lighting quality.

Santee Cooper's H<sub>2</sub>O Advantage Program is a thermal storage program designed to heat water during off-peak periods. The program offers a rebate of \$150 towards the purchase of an 80-gallon or larger high efficiency water heater and a \$5 monthly credit for up to ten years. An electronic load management devise is installed on the large storage water heater to turn off the water heater during peak periods without inconveniencing the customer. At the end of 1992, over 17,000 customers had participated in the program through Santee Cooper's wholesale customers and those served directly by Santee Cooper.

Santee Cooper's Energy Education Program is designed to educate students on the safe and efficient use of electricity. During 1992, 38 schools in Berkeley, Georgetown, and Horry counties participated in energy education programs where over 31,500 publications and presentations were distributed to students. Two energy educators seminars where held in July and August with 62 teachers and administrators attending. A Student Energy Conference was attended by 150 fifth graders. Over 400 graduating students in vocational programs were honored at luncheon seminars in Berkeley, Georgetown, and Horry counties.

**Corporate Library/Records Management** – Construction of the new 8,000 square-foot Records Management Center was completed in July. This facility provides the work areas necessary for storage, processing, filming, and retrieval of Santee Cooper's business records, drawings, and archival materials. The building was designed to meet Association of Records Managers and Administrators standards with regards to fire protection and humidity control. Santee Cooper is recognized as a leader in the state for records management.

**Customer Services** – To improve customer service, Berkeley District retail offices joined retail offices in the Horry-Georgetown Division in extending morning and afternoon operating hours by 30 minutes on Mondays and Fridays.

Critical computer systems in the Moncks Corner and St. Stephen retail offices were provided with uninterruptible power supplies to minimize the chances of losing computer-generated data. This will keep the systems operating up to 30 minutes during the event of a power outage.

Property is being considered in the Litchfield Beach area of Georgetown County for construction of a new customer service center and warehouse facility.

A customer satisfaction survey was completed in conjunction with the Corporate Goals Program. Results indicated that Santee Cooper customers show remarkably high levels of satisfaction. High ratings were given on every issue.

A business analysis of the Customer Information System is being conducted by a project team comprised of outside consultants and Santee Cooper personnel from the Berkeley District and the Horry-Georgetown Division. This analysis, expected to be completed by March 1993, is a prerequisite to the redesign or purchase of a new customer information system. The new or redesigned system will increase the flexibility and efficiency of the retail billing system.

**Design Engineering** – Design Engineering designed substations and transmission lines to meet environmental regulations. Transmission lines were routed and designed to minimize the impact to wetlands and other environmentally sensitive areas. Substations were landscaped and vegetation screens planted to improve aesthetics.

Design was completed on nine major transmission lines and five substation projects involving 15 substations. These projects were necessary to meet increased customer demand.

The first fiber optics cable was placed in service to improve communication capabilities in the Aiken area. The design and materials required for the installation of this “high-tech” cable were standardized for future fiber optics cable systems.

Design was also completed on 10 Communications and Supervisory Control and Data Acquisition (SCADA) Design projects. This included SCADA remote terminal units, one microwave site, and a weather radar system used to forecast and monitor weather conditions affecting the power system.

Maps and Records completed a major portion of the Digital Transmission Corridor Mapping Project. This will be used as a basis for the development of the Transmission Electrical Facilities Information System.

The final phase of a three-phase project to network and integrate non-dedicated engineering support computers within the company was completed. This will enable user access to multiple computer systems and application processes from a single terminal.

**Distribution** – Santee Cooper provided distribution and retail service to 94,215 customers in Berkeley, Horry, and Georgetown counties, compared to last year’s total of 92,276 for an increase of 2.1 percent. Energy sales for retail customers were 2,135,310 megawatthours with revenue of \$117,029,000 for the year.

*Berkeley District* – The Berkeley District provided new service to 90 single-family homes and new commercial customers, and to the new Santee Cooper Services Building No. 2 constructed at the Santee Cooper main office complex in Moncks Corner. Major projects completed during the year included:

- Installing 12,000 feet of underground primary distribution circuits to serve 45 lots in Phase-II of Stony Landing Subdivision in Moncks Corner.
- Installing 4,800 feet of overhead primary distribution circuits to serve 70 lots in Phase-III of Bonneau Estates Subdivision in Bonneau Beach.
- Installing 5,500 feet of main underground feeder to complete a loop between Santee Cooper’s main complex and the Roper Berkeley Center, an emergency and outpatient care facility.
- Installing 2,500 feet of underground telecommunications cable between Santee Cooper’s Operations Center and Services Building No. 2.
- Continuing the rebuild of overhead distribution circuits in St. Stephen and Bonneau Beach. Completion of the rebuild in these areas is 80 percent and 90 percent, respectively.
- Completing the load balancing and fuse coordination efforts in St. Stephen and Bonneau Beach in cooperation with Horry-Georgetown Division Distribution Planning. These operational improvements are also underway in the Moncks Corner area.
- Adding a comprehensive bush-hogging schedule to rights-of-way maintenance activities. This significantly decreased line construction time in many areas by improving accessibility.
- Continuing major improvements in the transformer storage area to improve operating efficiency and to ensure compliance with all S.C. Department of Health and Environmental Control and U.S. Environmental Protection Agency guidelines.

During the first three years after Hurricane Hugo, most major reconstruction efforts were concentrated in the St. Stephen and Bonneau Beach areas where the greatest need for reconstruction existed. Most of the needed improvements in these areas are now complete.

Efforts to improve the Moncks Corner system, where needed, are being accelerated.

In addition to the improvement of existing circuits, preliminary planning and design have been completed for several new feeders and tie circuits in both Moncks Corner and St. Stephen. These additions will be needed when the capacity of the St. Stephen Substation is doubled in 1993 and the new eight-circuit Eastside Substation in Moncks Corner is completed in 1994.

*Horry-Georgetown District* – The Horry-Georgetown Division provided new service to 1,276 single-family and multifamily homes and 245 commercial projects. These included:

- Installing new services to Denny's Restaurant, Dick's Last Resort and T-Bonz Restaurant in Barefoot Landing, Ryan's Steak House, Sam's Club, Dixie Stampede, Carolina Opry, National Health Care Center, Baruch Institute's Marine Laboratory for the University of South Carolina in Hobcaw Barony, Loris Extended Care Nursing Home, and Jordan's Extended Care Nursing Home in Conway.
- Completing additions to existing customer services including Waccamaw Medical Center, Tropical Winds Motel, AVX Industries, and the Horry County Industrial Park.
- Replacing facilities with major upgrades in underground subdivisions along Gibson Drive in Deerfield and the remaining two-thirds of Windjammer Village in Little River.
- Converting overhead lines to underground lines in a section of Ocean Boulevard at Dunes Cove for Myrtle Beach Farms, a section crossing the Dunes Golf Course for Dunes Golf Corporation, a section of line at 53rd Avenue North in Cherry Grove at the new state boat landing, and a section on Marion Circle in Pine Lakes.

Total electrical peak summer load in the Horry-Georgetown Division increased by 6 MW over 1991 from 494 MW to 500 MW. Growth within the Horry-Georgetown Division was met with the addition of three new distribution substations. Little River and Wampee substations in the North Myrtle Beach area, and the Arcadia Substation in the Pawleys Island area were energized.

Along with these distribution stations, the transmission system was greatly enhanced with new lines that tied these and other stations together. This improved the reliability and availability of power to the Grand Strand. As these new facilities were brought on-line, Santee Cooper phased out two older, obsolete distribution substations: Spivey Beach and Nixons Crossroads.

New substation circuit exits include Little River, Wampee, Jetport, Forestbrook, and Arcadia. The Little River, Jetport, Forestbrook and Arcadia distribution circuit exits, and two additional feeders at 21st Avenue are underground.

A two-year project to bring the distribution electrical system to National Electrical Safety Code standards was completed. A 34 KV line was relocated along 21st Avenue North in Myrtle Beach for road improvements. A 12 KV line along S.C. Highway 707 was relocated to make way for the new S.C. Highway 544 bridge across the Intracoastal Waterway.

Work has begun with the Federal Aviation Administration and Myrtle Beach Air Force Base to provide a smooth transition of electrical facilities to Santee Cooper when the base closes in 1993.

Completed design improvements include the installation of motor-operated switches on distribution lines, and a change to reeled polyethylene conduit for major underground projects.

A new IBM RISC6000 computer system was installed. It primarily houses the Santee Cooper trouble call software. The 1992-93 Distribution System Improvement Plan was initiated and is on schedule. This will improve the operating characteristics of the distribution power system.

The distribution SCADA system was upgraded in 1992 to meet the continued growth of power distribution facilities. The SCADA system now controls and monitors 43 distribution

substations and monitors 12 transmission substations as well within the Horry-Georgetown Division and Berkeley District.

Preparations are being made to relocate the Conway service center and warehouse facility. A new 14,000 square-foot facility is expected to be completed by late 1993.

**Economic Development** – The efforts of Santee Cooper, along with the Palmetto Economic Development Corporation, have created over \$900 million in capital investment and more than 3,000 jobs in South Carolina since 1988.

An integral part of the program has been the establishment of the Santee Cooper Economic Development Investment Fund (SCEDIF). The SCEDIF program provides up to \$2 million per year to promote the economic development and growth of the rural areas of South Carolina. Since the start of the SCEDIF program, 94 projects have been approved and over \$3.65 million has been allocated.

**Employee Relations** – Recruiting was enhanced with the implementation of a statewide Job Line service and a change in application procedure. Job Line is a toll free telephone number that can be used by applicants to access information on current job openings.

Contacts with area colleges, local schools, and students continued through participation in the South Carolina Cooperative and Placement Association, career fairs, and classroom presentations. Colleges visited included North Carolina A&T, the College of Charleston, The Citadel, South Carolina State University, Clemson University, the University of South Carolina, Coastal Carolina College, and Trident Technical College.

Responsibilities of all company positions were reviewed and job descriptions updated to reflect criteria necessary under the Americans with Disabilities Act. Santee Cooper hired 90 new employees in 1992 for a total of 1,705 regular employees. 118 employees were promoted to positions of greater responsibility.

Annual personal benefits statements were provided for all full-time employees. Significant savings were realized when Santee Cooper began self-funding the employee dental program on July 1. Medi-Call, a utilization review plan, continued on a mandatory basis. A physician network was added to the existing hospital network under the state health plan.

Employee activities during the year included the annual company picnic, attended by over 2,800 employees, retirees, and family members. Other activities included golf and softball tournaments, sponsorship of softball, basketball, bowling and golf teams, and weight watching classes.

A preretirement briefing program, covering many personal, legal, and economic issues, was attended by 85 employees and spouses.

**Environmental Resources** – Environmental Resources obtained \$1,026,614 in federal and state funds. These monies were combined with \$1,013,000 of Santee Cooper capital for the control of Hydrilla and other nuisance plants in the lake system. Some \$1,539,000 of this amount was used to treat 6,450 acres of vegetation throughout the lake system with federal and state-approved herbicides. The remaining funds were used to stock an additional 100,000 triploid grass carp in the upper section of Lake Marion, bringing the stocking total of that plant-eating fish in this lake to 400,000 fish since 1989. These sterile, herbivorous fish achieved control on some 6,000 to 8,000 acres of Hydrilla in Lake Marion during 1992. The cost for herbicide control of this acreage would have been between \$1.4 and \$1.9 million.

Aerial infrared photography was conducted on the reservoir system to evaluate the extent of aquatic weed problems.

Eleven ponds covering six acres were constructed at the Cross Generating Station for raising triploid grass carp fingerlings. The 17,000 square-foot horticulture service building was converted to a fish hatchery facility for the spawning and genetic alteration of triploid

grass carp. Santee Cooper will use the sterile triploid offspring from this facility to control about 32,000 acres of Hydrilla in the reservoir system.

A plan, "Long Term Integrated Plan for Aquatic Plant Management in Lake Marion and Lake Moultrie, South Carolina," was completed. The 80-page document was co-authored by Environmental Resources personnel under the auspices of the S.C. Aquatic Plant Management Council.

Services of the Water Quality Management laboratories were greatly expanded by adding the capabilities to conduct organic analyses (dissolved gases) in transformer oil, PCBs in oil and water, and pesticides in water. Metal analyses were also improved by lowering detection limits with use of a graphite furnace. The expanded capabilities resulted in greatly increased service to all system-wide users. A total of 22,730 laboratory analyses were conducted during the year.

A total of 142,442 acres of Santee Cooper property were treated for mosquito abatement during 1992. The Asian "Tiger Mosquito," *Aedes Albopictus*, was found on the Santee Cooper project in Orangeburg and Clarendon counties. This marks the first detection of this highly publicized Asian disease vector in these areas. The mosquito fish, *Gambusia affinis*, are employed to consume mosquito larvae, while methoprene, the non-toxic insect growth regulator, is used where stocking of the fish is not feasible.

**Equal Opportunity Administration** – Equal Opportunity Administration developed, implemented, and maintained programs to provide support to management. This contributed to achieving a culturally diverse work force and vendor base.

**Employment** – A hiring analysis began in 1992 to advise supervision of Santee Cooper's workplace diversity goals status during each hiring opportunity. The annual level of goal attainment was 94 percent, with each job category reaching above 87 percent of its goals.

**Procurement** – The Equal Opportunity Procurement Program completed a successful year. In 1992, minority and women-owned business participation increased almost 200 percent in total purchase orders issued and 835 percent in the total dollars awarded. Systems were established to identify, qualify, and develop vendors who can provide utility-related services. A luncheon and tour for minority and women-owned businesses were held with over 50 vendors attending the program.

**Flood Control** – As a result of heavy rainfall during October, November, and December, two spilling operations were conducted for a total of 10 days. The first operation occurred from Oct. 15 through Oct. 17. During this spill, a total of 4,897 acre-feet was spilled and the maximum daily discharge reached 4,063 cubic feet per second (cfs) on Oct. 16.

The second spilling operation occurred from Nov. 28 through Dec. 4 and the maximum daily discharge reached 15,000 cfs on Dec. 1 and was maintained for two days. A total of 147,882 acre-feet was spilled during the period.

**General Construction** – General Construction provided large-scale site development throughout 1992. This work included expansion of the Flat Creek Substation, a new substation site at South Bethune, and a transmission and distribution training facility at the Horry-Georgetown Division headquarters.

A comprehensive inspection of the entire Santee Cooper dam system was completed. The inspection, required by the Federal Energy Regulatory Commission (FERC) on a five-year interval, indicated that the impoundment structures are in good to excellent condition. A seismic evaluation is presently under way for the East Pinopolis Dam and the adjacent extension.

A detailed five-year maintenance plan for the Santee Cooper dam system was submitted and approved by FERC. This plan schedules prudent engineering, operations, and maintenance tasks that will enhance the project impoundment's performance. One of the more significant tasks, construction of a containment system for controlling seepage at the North Dam, was completed. This system provides a more accurate indication of the dam's performance and greatly improves the ease of maintenance.

A series of dam failure recovery plans associated with Santee Cooper's Comprehensive Emergency Action Plan for Dam Failure was submitted to FERC as part of the final requirements to comply with directives regarding seismicity issues at the North Santee Dam. This completes the establishment of an alternative to replacing that dam at a cost that could have exceeded \$500 million.

**Generation and Load Growth** – Santee Cooper facilities, which include one-third ownership of the V.C. Summer Nuclear Station, generated 13,897,877 net megawatthours of electricity this year. This was an increase of 289,626 megawatthours, or 2.1 percent, above last year.

Of the total energy generated, 78 percent was produced using coal, 18 percent by nuclear, and 4 percent by hydroelectric. The peak hourly demand for the year of 2,620 MW occurred on July 13. This was an increase of 1.9 percent over 1991.

**MIS** – The Management Information Systems (MIS) unit provided several new computerized systems, along with new technologies and a variety of information resources solutions.

A new integrated Payroll/Human Resources system was implemented, allowing for the on-line entry of approximately 1,700 time sheets previously completed on paper forms. Part of the new system included an Applicant Tracking System which allows for computerized tracking of job applicants. Other Payroll and Human Resources functions were also redesigned to improve productivity and enhance computer processing capability.

Laser printers were installed for the mainframe processors, reducing the size of reports while increasing print quality. Retail customer bills and employee paychecks were redesigned to take advantage of the features of laser printing. By implementing electronic forms design technology, overall paper use is reduced.

Several steps were taken to reduce costs in MIS. This included choosing alternative vendors for mainframe and personal computer hardware, renegotiating maintenance agreements, and improving capacity management. These measures are projected to yield savings in excess of \$1 million over five years.

Additional voice system applications, such as Job Line, lake levels, and information on customer billing, were made available through toll free numbers.

A Corporate Information Resources Plan was developed. This plan provided a comprehensive analysis of information resources available and identified corporate-wide needs and strategies for information resources. This will become an ongoing process used to develop priorities for computer-related projects and to allocate the necessary resources.

**Nuclear Operations** – The V.C. Summer Nuclear Station, an 885 megawatt nuclear generating plant jointly owned with S.C. Electric & Gas Company, was a major contributor to Santee Cooper's energy supply in 1992.

Santee Cooper's one-third ownership of the Summer Station provided almost 2.5 billion kilowatthours of electricity, or 18 percent of the company's total generation.

The station was selected by the Nuclear Regulatory Commission as one of the safest and best operated nuclear plants in the United States. There were only four out of 79 nuclear plant sites singled out for such an honor. On a recent operational evaluation, the plant was

awarded a Category 1 rating by the Institute of Nuclear Power Operations. The station has received this highest rating in three out of the last four evaluations.

V.C. Summer Nuclear Station operated throughout 1992 without a refueling outage. The next refueling outage is scheduled for the spring of 1993.

Nuclear power continues to be an economical portion of Santee Cooper's power generation. Nuclear fuel costs are about one-third of that of fossil fuel. Overall generation costs are competitive with other sources.

**Occupational Safety and Health Management** – Occupational Health and Safety merged in 1992, creating Occupational Safety and Health Management. This unit is responsible for managing safety, industrial hygiene, occupational health, and worker's compensation programs. The merger combines related functions in an effort to improve service to employees.

*Safety* – Out of 3,688,769 work hours of exposure, Santee Cooper experienced 94 recordable injuries. The incidence rate for days away from work was 0.37, well below the national average for electric utilities.

Santee Cooper was awarded the third place National Safety Award by the American Public Power Association (APPA) in March. Santee Cooper competed with other APPA utilities with two to four million work hours per year.

The National Safety Council presented awards to 22 units. Twenty-one units earned awards from the South Carolina Occupational Safety Council. The President's Safety Award for crew safety was awarded to 84 crews or sections.

Safe service awards were presented to 284 employees for working five years or more without a disabling injury. Safe driver awards were presented to 142 drivers for driving five years or more without having a preventable motor vehicle accident. Five employees were cited for avoiding injury by wearing protective devices or equipment. Nine units were recognized for completing the year with no recordable employee injuries. Two units were recognized for completing 20 or more years without a disabling injury.

*Industrial Hygiene* – Industrial Hygiene trained 465 employees to use respirators. Collection of 337 samples was made to monitor for possible contaminants in the work place. Hazard Communication refresher training was also conducted for all Santee Cooper employees.

*Occupational Health* – In 1992, Occupational Health conducted annual medical surveillance examinations for 1,737 employees and 225 preplacement applicants. Briefings on health-risk factors were conducted with 194 employees. Occupational Health provided stress management training and information on benefits of the Employees Assistance Program to 1,427 employees. Individual health counseling was provided to 126 employees, and 417 referrals were made to other community health care providers. In an effort to reduce employee illness, 350 flu vaccine injections were administered.

**Operations Technical Division** – The Operations Technical Division completed the following work in 1992:

- Installed the first optical fiber communications link on the transmission system between two Aiken substations.
- Installed the first phase of the communication network management system between the Moncks Corner complex and the Horry-Georgetown Division headquarters which will result in more reliable and efficient routing of communications traffic.
- Upgraded most of the metering packages in the cooperative substations served by Central Electric Power Cooperative, Inc. from electro-mechanical meters and magnetic tape recorders to state-of-the-art electronic metering packages which allow remote interrogation.

- Completed several SCADA and breaker failure retrofit projects in Camden, Orangeburg, and St. George.
- Upgraded the communications equipment for the transient fault and sequential events recorders to allow "dial-up" mode.

A survey of all substations was conducted for participation in the U.S. Environmental Protection Agency Green Lights Program.

To protect the environment, a new refrigerant recovery and recycling system was installed to capture refrigerants used in substation air conditioners.

An in-house dissolved gas analysis program was begun in conjunction with the Production Department and has been successful in detecting and correcting potential problems associated with substation electrical equipment.

**Performance and Environmental Services** – Performance tests were completed on four turbines, one steam generator, two feedwater heaters, and one cooling tower.

The on-line performance monitoring system was completed at Winyah Station, and work continues at the other three stations. This system continuously monitors boiler and turbine controllable operating parameters, with performance data and instrument status available to unit operators and plant supervision.

A new calibration facility was completed to provide calibration services. Calibrations were completed on 255 temperature instruments, 311 pressure instruments, and 16 electrical devices.

Six particulate emission compliance tests and four continuous emissions monitoring system audits were completed to assure compliance with air operating permits.

Santee Cooper participated in a collaborative study of test methods used to measure sulfur dioxide ( $\text{SO}_2$ ) and nitrogen oxides ( $\text{NO}_x$ ) emissions to assist the U.S. Environmental Protection Agency. This two-week study was conducted at Unit 2 at Cross Station. It involved Santee Cooper's stack testing team and three commercial stack testing companies hired by EPA. The study consisted of three phases in which simultaneous, independent measurements of  $\text{SO}_2$  and  $\text{NO}_x$  emissions were made following EPA test methods. The results were analyzed by EPA to determine reproducibility and systematic error.

Environmental permits were obtained for construction of Cross Unit 1, the Santee Cooper Regional Water System, and for numerous water and waste water systems. New waste water discharge permits for Grainger and Jefferies stations were obtained. Eight underground fuel storage tanks were removed.

Approximately 20 site environmental assessments were performed for property purchases or to determine the extent of potential contamination.

The Give Oil For Energy Recovery (GOFER) program grew to 172 sites and is ahead of schedule on the program goal to locate an average of five sites in each South Carolina county by 1994. Over 175,000 gallons of oil were collected from the public. This was a 370 percent increase over 1991. Through the used oil program, 90,000 gallons of internal used oil was collected and converted to electrical energy, along with over 32,000 gallons of used industrial oil.

The South Carolina Used Oil Partnership was formed in conjunction with the S.C. Department of Health and Environmental Control, the S.C. Department of Highways and Public Transportation, and the S.C. Petroleum Council. This partnership will promote public awareness and public support of used oil collections in South Carolina. NASCAR driver Kyle Petty serves as spokesman for the partnership.

**Power Supply** – Power Supply lowered the system operating costs by utilizing economy sales and purchases with our neighboring utilities.

System controllers purchased 155,300 megawatthours of economy energy from the interconnected utilities in 1992 to displace higher cost generation. This resulted in a savings of \$5,448,385. Also, 65,586 megawatthours of energy were sold to the interconnected utilities for a total of \$1,250,795.

Santee Cooper's transmission SCADA system was expanded in both transmission substations and in generating stations to provide system controllers with greater remote control and monitoring of the power system. Twelve additional remote terminal units were installed during the year. Also, a vendor was selected to replace the existing SCADA/EMS computer by the fall of 1994. The new computer and software will provide more control and monitoring capability to the system controllers.

In March, Power Supply began providing lake management and hydro discharge information to the general public. The information is provided through a toll free telephone number, 1-800-92 LAKES. The program was created to provide the recreational users of Santee Cooper's 170,000-acre lake system with information which will help them better plan their activities. During the 10 months of available service in 1992, almost 14,000 calls were received. July was the peak month with almost 2,500 calls.

**Production Engineering and Construction Management** – Construction of the 540 MW Unit 1 at Cross Station was on schedule at the end of 1992. Construction of the unit began in the summer of 1991 and is scheduled for initial operation in November 1994.

This project is under the management of Santee Cooper's Station Construction unit and Gilbert Commonwealth, an engineering firm located in Reading, Penn.

The unit will be a pulverized coal-fired generating unit with an electrostatic precipitator for ash particle collection (99.88 percent efficiency) and a wet limestone spray type flue gas desulfurization system (90 percent efficiency). It also incorporates the latest coal burner technology for limiting nitrous oxide production. About one-quarter of the total construction costs are environmentally related.

The project continues to be an economic success. In December 1992, the Board of Directors approved a \$24.7 million reduction in the project budget. The new budget reflects an expected construction cost of \$817 per installed kilowatt.

A new Records Center was constructed at the Moncks Corner Headquarters. The 8,000 square-foot building has a shelving system capable of storing 8,600 letter-legal boxes with room for an additional 2,000 box shelving system. A special feature is a fire and heat resistant vault for storing magnetic media.

The Service Center Building No. 2 located at the Moncks Corner complex was completed in 1992. The 4,800 square-foot building will house the Survey unit's personnel.

Other work included installing three new guillotine dampers at the inlets to the flue gas desulfurization (FGD) modules at the Cross Generating Station, Unit 2. These new zero-leak dampers replaced the existing double louvered dampers which exhibited excessive leakage. The zero-leak feature will provide safe working conditions in the module while the unit is operating.

A new state-of-the-art burner management safety system was installed on Grainger Unit 1. This system continuously monitors furnace flame, pressure and fuel flow of the steam generator, and will alarm or shut down the unit if unsafe operating conditions occur.

Following the success of a pilot project on Winyah Units 1 and 2 last year, Unit 3 was equipped with a modern data acquisition system. This system monitors temperatures, pressures, and flow rates throughout the unit and checks for alarm conditions.

And, the obsolete pneumatic boiler controls on Jefferies Unit 3 were replaced with a computerized electronic control system. This new control system operates faster and more reliably and can keep the boiler much closer within its operating parameters, which provides

better fuel efficiency with less wear and tear on equipment.

**Production Operations Management** – Santee Cooper's generation was up 2.1 percent over 1991. Santee Cooper finished 17th in the nation for heat rate efficiency on coal-fired units by achieving a heat rate of 10,064 BTU/KWH, a decrease of five BTU/KWH over the previous year.

Santee Cooper maintained a high level of unit availability, with an average above 36 percent.

Sales of fly ash, one of the byproducts of generation, were \$186,150. Fly ash marketing efforts will continue to increase the use of this resource.

To meet requirements of the Clean Air Act, planning was begun for procurement and installation of continuous emissions monitoring systems.

Grainger Station repeated as the Goals Program winner by placing first in six of nine goals categories. Grainger Station also won the heat rate category for a clean sweep of the annual Goals Program awards.

Production Operations performed several major maintenance outages during 1992 to ensure continued reliability and efficiency of generating units.

Grainger Station completed an outage on Unit 1, and Cross Station completed a six-year turbine generator maintenance/inspection outage on Unit 2. New design dampers were installed on Cross Station's flue gas desulfurization (FGD) system module inlets to allow isolation with the unit in service.

Jefferies Station completed a controls upgrade on Unit 3 boiler to improve reliability and efficiency. A new burner management system was retrofitted on Steam Units 1 and 2 to improve reliability, safety, and emission control. Units 1 and 2 also received a boiler controls upgrade due to obsolescence of old controls.

Winyah Station completed the installation of high-pressure feedwater heaters on Units 1 and 3 to improve efficiency and reduce maintenance. An on-line system for monitoring heat rates and a data acquisition system were installed on all four units. The Winyah Station maintenance complex provided major machine shop services to all generating stations, the most significant being the turbine rotor upgrades for Cross Station.

A major inspection was completed on Myrtle Beach Combustion Turbine Unit 4, that included a complete overhaul of the turbine/compressor and application of special coatings for performance improvements.

A new Outage Management Program was employed to ensure outages are completed on schedule and within budgetary limits.

Used motor oil obtained from Santee Cooper GOFER sites was combined with commercial oil purchases and burned for generation in Jefferies Units 1 and 2 for the first time. This is now a permanent program for alternate fuel at Jefferies Station.

**Program for Employee Participation** – Santee Cooper's Program for Employee Participation continues to promote teamwork, improve communications, and make employee participation a way of life. During 1992 there were 1,178 employees participating on teams to recognize a net annual savings of \$704,910.

There were 275 projects completed by over 200 teams during the year. Team projects addressed a variety of issues including quality, productivity, safety, environmental, customer service, and system improvement.

**Project Management** – During 1992, Project Management was responsible for a \$48.5 million construction budget. As part of this budget, substation and transmission line projects were completed to improve the reliability of both transmission and distribution systems.

Work continued on the \$25 million Cross to Dalzell 230 KV transmission line project, with completion of the 16-mile Davis Station to Pinewood segment. This project, being accomplished in conjunction with the construction of Cross Unit 1, is on schedule for completion in 1994.

A series of projects in the Horry-Georgetown Division were also completed to improve transmission and distribution system reliability. Projects completed include: the 20-mile Perry Road-Red Bluff 230 KV Line; the Red Bluff 230-115 KV Substation; the 22-mile Red Bluff-Little River 115 KV Line; and the Little River 115-12 KV Substation.

**Property Management** – Approximately 18,900 acres of prime wildlife and waterfowl habitat were leased to the S.C. Wildlife and Marine Resources Department on a continuing gratis basis for use as part of the state's Wildlife Management Program. Included in this acreage is a 350-acre waterfowl impoundment adjacent to Lake Moultrie in Berkeley County. This provides an intensive waterfowl management area for use and hunting opportunities by the general public.

All federal and state permits were approved for the construction of an additional 100-acre impoundment to increase the wetland and waterfowl habitat diversity within the area. Construction is scheduled for completion during early 1993.

Santee Cooper supports the protection of rare or endangered species of wildlife found on Santee Cooper properties. Two such species are the American bald eagle and the red-cockaded woodpecker. Property Management maintains a cooperative effort with the S.C. Wildlife and Marine Resources Department to ensure that nesting and habitat for these rare and endangered species are not adversely affected.

Another protected area is Bird Island on Lake Marion, a small 11-acre island that is the site of a heron and egret rookery. The island serves as a concentrated reproductive center for as many as 1,500 pairs of birds every year. It has been placed in the state's Heritage Trust Program.

In cooperation with the Charleston (S.C.) Raptor Center, Property Management coordinates all arrangements for delivery and treatment of eagles, owls, hawks, falcons, and vultures which have been injured or orphaned and are found on Santee Cooper lands. The center is dedicated to environmental education and the conservation of birds of prey through rehabilitation.

Santee Cooper has also been involved in joint ventures to enhance the quality and values of public wetlands for waterfowl through the S.C. Waterfowl Association's Wetland Wildlife Enhancement Program. With the installation of wood duck nest boxes throughout Santee Cooper's water and wetland areas, the general public benefits through the greater abundance and appreciation of wildlife.

To provide additional opportunities for enjoyment of wildlife and the natural resources around the Santee Cooper lakes, Property Management initiated the construction of a nature trail on a wildlife management area located in Orangeburg County. Another environmentally oriented trail has been planned in Clarendon County.

In cooperation with the Santee Lynches Regional Council of Governments and the S.C. Wildlife and Marine Resources Department, a boating access facilities master plan was developed for the Santee Cooper lakes. The plan addresses boating access on Lake Moultrie and Lake Marion. It provides individual concept plans for improvements at each site sufficient to meet public demands through the year 2010. Use of this plan will ensure safe, functional facilities that satisfy public demands without adversely affecting surrounding developments or natural resources.

Under the Famous and Historic Trees Program of the American Forestry Association, a historic grove of trees was planted on Santee Cooper lands near the corporate headquarters

in Moncks Corner. The trees are offsprings of trees located at sites where American history was made. The plantings were performed on Earth Day and is recognized as the first Famous and Historic Tree Grove in South Carolina.

Over 500,000 genetically improved pine seedlings and various ornamental trees were planted on Santee Cooper lands during the year.

In June, Santee Cooper was awarded the Golden Tree Award by the American Public Power Association as recognition for successfully planting one tree for every utility customer.

**Reliability** – Santee Cooper is one of 30 member organizations in the Southeastern Electric Reliability Council (SERC) which includes power suppliers in the region with a generating capacity of 25 megawatts or more. The council assists member systems in their coordination of planning and operations to achieve maximum reliability of power supply.

Santee Cooper is also one of seven power systems in the Virginia-Carolinas Reliability Group (VACAR) which includes S.C. Electric & Gas Company, Carolina Power & Light Company, Duke Power Company, Virginia Power, Yadkin, and the Southeastern Power Administration. The member systems have a coordination agreement to safeguard the reliability of their service.

Santee Cooper maintains interconnections with the Southern Company and the Southeastern Power Administration at the R.B. Russell Dam; with the Southern Company at McIntosh; with South Carolina Electric & Gas Company at Bushy Park, North Charleston, St. George, Mateeba, Columbia, and the V.C. Summer Nuclear Station; with the Southeastern Power Administration, Duke Power Company, South Carolina Electric & Gas Company, and the Southern Company at Lake Thurmond; and with Carolina Power & Light Company at Darlington, Hemingway, Kingstree, Lugoff, and the Darlington County Plant.

**Right-of-Way Management** – The majority of 1992 was spent on operations in the central portion of the transmission system. Santee Cooper crews recleared 11,100 acres, augmented by an additional 1,856 acres maintained by contract personnel. These totals represent a 3.1 percent increase over the 1991 acreage with an accompanying 8.8 percent decrease in per-acre costs.

In areas of limited access or areas that could not be cleared using conventional reclearing methods, selective herbicides were utilized to control only target brush species. This reduced the impact on lesser vegetation, important for erosion control and valuable to many wildlife species. Due to excellent contract prices, 1,450 acres, primarily in the Pee Dee area, were treated aerially.

Danger tree removal was conducted on 175 line miles along the periphery of transmission line rights-of-way. Almost all rights-of-way were completed in the Newberry area. Similar activities were conducted in the Aiken area with expected completion in early 1993.

The threat of damage to microwave towers from adjacent trees was eliminated. Danger trees were removed on several projects in the Columbia, Bennettsville, Hilton Head Island, Allendale, and Aiken areas.

As an alternative to removing or topping danger trees, a helicopter-borne saw was used to remove protruding limbs on 65 miles of transmission line. This method was employed on the Aiken to Clark Hill reconstruction project to prevent erosion problems and save time.

**Special Projects** – In 1992, the Santee Cooper Regional Water System became a reality. Four Lowcountry water systems—Moncks Corner Public Works Commission, Berkeley County Water and Sanitation Authority, Summerville Commissioners of Public Works, and the City of Goose Creek—joined together to form the Lake Moultrie Water Agency. This agency will purchase wholesale water from Santee Cooper.

In October, the agency entered into a thirty-five year contract with Santee Cooper to establish the first regional water system in the area.

Construction of the project is expected to begin in February 1993 with initial operation planned for October 1994. The system will consist of a 100 million gallon per day intake from Lake Moultrie, a 24 million gallon per day treatment plant, and over 23 miles of pipeline capable of supplying up to 50 million gallons per day to other water systems.

The total project cost is projected to cost less than \$36 million. It will be entirely separate from the electrical system and will be totally self-supporting with rates for water equal to system costs.

**System Planning** – Challenged over the past year to maintain system reliability in a period of budgetary constraints, System Planning has analyzed the upgrading and life extension of several transmission lines which previously have been candidates for rebuilding. While several lines will have to be rebuilt, this life extension will allow deferral of some scheduled line rebuilds.

A new computer system was installed to better analyze transmission system upgrades and expansion requirements. This computer system consists of five RISC6000 work stations and five X-terminals, all connected through a local area network.

System Planning has determined that despite vigorous demand-side management programs, several hundred megawatts of combustion turbine capacity will be needed by the year 2000.

In 1992, a survey of mobile radio user requirements was completed which will be used to determine the future direction of mobile radio systems at Santee Cooper. A conceptual plan of bulk microwave and fiber optics communication systems was developed. The plan's goal is to upgrade the connections between sites for SCADA system use, mobile radio base station communications use, telephone use, and computer networking. This plan will be implemented over the next 15 to 20 years.

**Training and Development** – Training and Development conducted training programs to meet employees' requirements for present positions and for future advancements.

A total of 863 internal and external training programs were conducted. Subject areas included management, professional, technical, computer, and skills development. Employee attendance, including federally mandated programs, was 6,510. Corporate training programs were revised and updated to reflect available training.

New training equipment, video programs, cassette courses, and self-study courses were offered to employees through the Training and Development library.

An outdoor lineman training area, located on a two and one-half acre site at the Horry-Georgetown Division headquarters, was completed in 1992. Overhead and underground distribution training is conducted at the site.

Courses leading to two-year, four-year, or graduate college degrees were completed by 380 employees through the tuition aid program, and 18 employees received their degrees.

**Transmission Lines Division** – The Transmission Lines Division spent the majority of the year enhancing the integrity and reliability of the transmission system to minimize outages. The Transmission Lines units:

- Foot-patrolled all transmission lines, climb-patrolled 20 percent of the transmission lines, and helicopter-patrolled the entire transmission system six times.
- Bonded 65 transmission line shield wires.
- Groundline treated 6,507 transmission poles.
- Resistivity tested 10 transmission lines.

- Changed out 313 transmission poles, 720 crossarms, and 746 insulators.
- Installed additional crossarm braces on the Darlington-Florence, Florence-Marion, and Bethune-Mt. Pisgah 69 KV lines.
- Installed crossarm shelf-gains on the Darlington-Fibers 69 KV Line.
- Replaced all fiberglass crossarms on the Georgetown-Andrews 115 KV Line with horizontal post insulators.
- Established a transmission line crew in the Hemingway area to provide better service coverage to customers in the area.

## **Financial Statements**

South Carolina Public Service Authority  
Calendar Year 1992

## **Report of Independent Public Accountants**

To the Advisory Board and Board of Directors of  
South Carolina Public Service Authority:

We have audited the accompanying balance sheet of the South Carolina Public Service Authority (a component unit of the State of South Carolina—Note 1) as of December 31, 1992 and the related statements of accumulated earnings reinvested in the business, reinvested earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the South Carolina Public Service Authority as of December 31, 1991 and for the two years then ended were audited by other auditors whose report dated February 19, 1992 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Public Service Authority as of December 31, 1992, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

*Arthur Andersen & Co.*

Arthur Andersen & Co.

Charlotte, North Carolina  
February 17, 1993

## **Balance Sheets**

South Carolina Public Service Authority  
December 31, 1992 and 1991

<b>ASSETS</b>	<b>1992</b>	<b>1991</b>
	(Thousands)	
<b>Utility Plant – At Cost:</b>		
Electric plant in service	\$ 2,475,764	\$ 2,372,535
Less accumulated depreciation	746,749	689,810
Electric plant in service	1,729,015	1,682,725
Construction in Progress	267,411	150,649
Nuclear fuel – at amortized cost	19,100	19,097
Utility plant – net	2,015,526	1,852,471
<b>Other Physical Property (Net of Accumulated Depreciation)</b>	<b>1,497</b>	<b>927</b>
<b>Cash and Investments Held by Trustee (Designated)</b>	<b>607,112</b>	<b>430,419</b>
<b>Current Assets:</b>		
Cash and investments held by trustee	46,536	50,023
Bond funds – current portion	99,205	95,444
Accounts receivable – net of allowance for doubtful accounts		
of \$1,570,000 and \$1,336,000 in 1992 and 1991, respectively	50,288	45,596
Accrued interest receivable	3,329	4,090
Inventories, at average cost:		
Fuel (coal and oil)	46,506	33,441
Materials and supplies	30,600	32,228
Prepaid expenses	986	1,056
Total current assets	277,450	261,878
<b>Deferred Debits and Other Assets:</b>		
Unamortized debt expense	21,518	16,924
Unamortized loss on refunded debt	223,429	217,712
Costs to be recovered from future revenue	341,481	317,328
Other	27,448	23,322
Total deferred debits and other assets	613,876	575,286
Total	\$ 3,515,461	\$ 3,120,981

The accompanying notes are an integral part of these financial statements.

<b>LIABILITIES AND CAPITALIZATION</b>	<b>1992</b>	<b>1991</b>
	(Thousands)	
<b>Long-Term Debt:</b>		
Electric Revenue Bonds – Priority Obligations	\$ 44,705	\$ 47,245
Electric System Expansion Revenue Bonds	1,516,440	1,670,875
Electric System Revenue Bonds	—	27,000
Capitalized lease obligations	52,673	55,820
Revenue Bonds	852,950	367,345
Total long-term debt (net of current portion)	2,466,768	2,168,285
Less:		
Reacquired debt	5,345	5,655
Unamortized debt discount and premium – net	42,537	40,256
Long-term debt – net	2,418,886	2,122,374
<b>Current Liabilities:</b>		
Current portion of long-term debt	34,266	44,801
Accrued interest on long-term debt	80,506	72,296
Commercial paper notes	121,750	124,000
Mini-Bonds	123,795	83,514
Accounts payable	28,129	29,991
Other	22,293	15,007
Total current liabilities	410,739	369,609
<b>Deferred Credits and Other Non-Current Liabilities:</b>		
Construction fund liabilities	25,576	3,861
Nuclear decommissioning costs	24,361	17,007
Unamortized gain on reacquired debt	566	873
Other	10,797	6,622
Total deferred credits and other non-current liabilities	61,300	28,363
<b>Commitments and Contingencies</b>		
<b>Capital Contributions – U.S. Government Grants</b>	<b>34,438</b>	<b>34,438</b>
<b>Accumulated Earnings Reinvested in the Business</b>	<b>590,098</b>	<b>566,197</b>
<b>Total</b>	<b>\$ 3,515,461</b>	<b>\$ 3,120,981</b>

**Statements of Accumulated Earnings Reinvested in the Business**

South Carolina Public Service Authority  
Years Ended December 31, 1992, 1991, and 1990

	1992	1991	1990
	(Thousands)		
Accumulated earnings reinvested in the business – beginning of year	\$ 566,197	\$ 530,869	\$ 496,497
Reinvested earnings for the year	29,717	40,968	40,001
Total	595,914	571,837	536,498
Distribution to the State of South Carolina	5,816	5,640	5,629
Accumulated earnings reinvested in the business – end of year	\$ 590,098	\$ 566,197	\$ 530,869

The accompanying notes are an integral part of these financial statements.

## **Statements of Reinvested Earnings**

South Carolina Public Service Authority  
Years Ended December 31, 1992, 1991, and 1990

	<b>1992</b>	<b>1991</b>	<b>1990</b>
	(Thousands)		
<b>Operating Revenues:</b>			
Sale of electricity	\$ 541,725	\$ 557,736	\$ 548,066
Other operating revenues	5,153	4,842	5,914
Total operating revenues	<b>546,878</b>	562,578	553,980
<b>Operating Expenses:</b>			
Operation expense:			
Production	217,223	232,219	241,682
Purchased and interchanged power – net	10,425	9,220	5,170
Transmission	3,197	3,028	2,708
Distribution	3,810	3,698	3,048
Customer accounts	3,919	3,639	4,650
Sales	1,295	1,266	1,263
Administrative and general	39,784	41,037	40,711
Maintenance expense	52,365	50,213	42,511
Total operation and maintenance expense	<b>332,018</b>	344,320	341,743
Depreciation and Amortization	75,025	70,846	67,538
Sums in lieu of taxes	3,643	3,364	3,426
Total operating expenses	<b>410,686</b>	418,530	412,707
<b>Operating Income</b>	<b>136,192</b>	144,048	141,273
<b>Other Income:</b>			
Interest income	21,980	29,302	22,858
Other – net	642	52	14
Total other income	<b>22,622</b>	29,354	22,872
<b>Interest Charges:</b>			
Interest on long-term debt	129,894	133,619	131,197
Other	23,356	23,279	19,474
Total interest charges	<b>153,250</b>	156,898	150,671
<b>Costs to be recovered from future revenue</b>	<b>24,153</b>	24,464	26,527
<b>Reinvested Earnings</b>	<b>\$ 29,717</b>	\$ 40,968	\$ 40,001

The accompanying notes are an integral part of these financial statements.

## **Statements of Cash Flows**

South Carolina Public Service Authority  
Years Ended December 31, 1992, 1991, and 1990

	<b>1992</b>	1991	1990
	(Thousands)		
<b>Cash Flows From Operating Activities:</b>			
Operating Income	\$ 136,192	\$ 144,048	\$ 141,273
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	85,602	79,180	77,789
Other Income	33	52	14
Changes in assets and liabilities:			
Accounts receivable	(4,692)	6,850	9,441
Inventories	(11,437)	(644)	(268)
Prepaid expenses	70	19	(132)
Other deferred debits	(4,380)	(7,202)	613
Accounts payable	20,462	(5,748)	2,747
Other current liabilities	6,174	3,302	(8,050)
Other non-current liabilities	11,529	401	(115)
Net cash provided by operating activities	239,553	220,258	223,312
<b>Cash Flows From Investing Activities:</b>			
Net (Increase) in investments	(215,041)	(144,161)	(38,257)
Interest on investments	39,769	22,544	19,471
Net cash (used in) provided by investing activities	(175,272)	(121,617)	(18,786)
<b>Cash Flows From Noncapital-Related Financing Activities:</b>			
Distribution to the State of South Carolina	(5,815)	(5,640)	(5,629)
<b>Cash Flows From Capital-Related Financing Activities:</b>			
Proceeds from sale of bonds	544,843	398,808	22,997
Proceeds (Repayments) Net from sale of commercial paper	(2,250)	4,000	70,000
Repayment and refunding of bonds	(228,003)	(99,184)	(35,571)
Interest paid on borrowings	(167,613)	(141,703)	(139,399)
Construction and betterments of utility plant	(235,279)	(145,622)	(102,286)
Bond Issuance Costs	(7,699)	(4,604)	(2)
Other	(3,052)	(2,961)	(2,877)
Net cash provided by (used in) capital-related financing activities	(99,053)	8,734	(187,138)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(40,587)</b>	101,735	11,759
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	<b>229,083</b>	127,348	115,589
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>\$ 188,496</b>	\$ 229,083	\$ 127,348

	1992	1991	1990
	(Thousands)		
<b>Reconciliation of Cash and Cash Equivalents:</b>			
Cash and investments held by trustee (designated)	<b>\$ 607,112</b>	\$ 430,419	\$ 197,939
Cash and investments held by trustee	<b>46,536</b>	50,023	53,960
Bond funds – current portion	<b>99,205</b>	95,444	84,583
Less investments, not considered cash and cash equivalents	<b>564,357</b>	346,803	209,134
 Cash and cash equivalents at the end of the year	 <b>\$ 188,496</b>	 \$ 229,083	 \$ 127,348

The accompanying notes are an integral part of these financial statements.

## **Notes to Financial Statements**

### **Note 1 - Summary of Significant Accounting Policies:**

**A - Reporting Entity** - The South Carolina Public Service Authority (the "Authority"), a component unit of the State of South Carolina, was created in 1934 by the State Legislature. The Board of Directors is appointed by the Governor of South Carolina. The purpose of the Authority is to provide electric power to the people of South Carolina. Capital projects are funded by bonds issued by the Authority and internally generated funds. The Board of Directors sets rates charged to customers to pay debt service and operating expenses, and to provide funds required under bond covenants.

**B - System of Accounts** - The accounting records of the Authority are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC).

**C - Utility Plant** - Utility plant is recorded at cost, which includes materials, labor, overhead, and interest capitalized during construction. The costs of repairs and minor replacements are charged to appropriate operation and maintenance expense accounts. The costs of renewals and betterments are capitalized. The original cost of utility plant retired and the cost of removal less salvage are charged to accumulated depreciation.

**D - Depreciation** - Depreciation is computed on a straight-line basis over the estimated useful lives of the various classes of the plant. Annual depreciation provisions, expressed as a percentage of average depreciable utility plant in service, were approximately 3.3% for each of the three years in the period ended December 31, 1992. Amortization expense related to capitalized leases is also included in depreciation expense.

**E - Revenue Recognition and Fuel Costs** - Substantially all wholesale and industrial revenues are billed and recorded at the end of each month. Revenues for electricity delivered to retail customers which has not been billed is being accrued. Fuel costs are reflected in operating expenses as the fuel is consumed.

**F - Bond Issuance Costs** - Unamortized debt discount, premium and expense are amortized to income over the terms of the related debt issues. Unamortized gains or losses on refunded debt are generally deferred and amortized to income over the terms of the debt issues.

**G - Cash and Cash Equivalents** - For purposes of the statements of cash flows, the Authority considers highly liquid investments with a maturity of less than three months and cash on deposit with financial institutions as cash and cash equivalents. In 1991, the Authority changed the definition of cash and cash equivalents to include Cash and Investments Held by Trustee (Designated).

**H - State Distribution** - The distribution to the state of South Carolina is determined utilizing a formula required under the 1949 Indenture which is based essentially on operating cash flows and mandatory reserve requirements. Such calculation varies substantially from reinvested earnings for the year principally due to costs to be recovered from future revenue and working capital requirements.

**I - Reclassifications** - Certain prior year amounts have been reclassified to conform with current year presentation.

### **Note 2 - Regional Water System:**

In 1992, the Authority's Board of Directors authorized the construction of a regional water system. The Authority executed a contract with the Lake Moultrie Water Agency, a joint municipal

water system consisting of the following members: City of Summerville Commission of Public Works, Town of Moncks Corner Commission of Public Works, City of Goose Creek, and the County of Berkeley. The Lake Moultrie Water Agency will purchase all of the capacity of the water system and sell such capacity to the four members. The water system is estimated to commence initial operation in September 1994 and begin commercial operation in January 1995. The estimated construction costs for the water system are approximately \$36,000,000. As of December 31, 1992, the construction costs incurred totalled approximately \$2,106,000.

### **Note 3 - Costs to be Recovered from Future Revenue:**

The Authority's electric rates are established based upon debt service and operating fund requirements. Straight-line depreciation is not considered in the cost of service calculation used to design rates. The differences between debt principal maturities (adjusted for the effects of premiums, discounts and amortization of deferred gains and losses) and straight-line depreciation are recognized as costs to be recovered from future revenue. The recovery of outstanding amounts associated with costs to be recovered from future revenue will coincide with the retirement of the outstanding long-term debt of the Authority.

### **Note 4 - Cash and Investments Held by Trustee (Designated):**

Unexpended funds from the sale of bonds, debt service funds, other special funds, and cash and investments are held and maintained by trustees and their use designated in accordance with applicable provisions of various trust indentures, bond resolutions, lease agreements, and the Enabling Act included in the South Carolina law. Such funds consist principally of investments in government securities carried at amortized cost. **Cash** - Cash is categorized as follows: Category 1 includes bank balances entirely covered by federal depository insurance; Category 2 includes bank balances that are uncollateralized or collateralized with securities held by pledging financial institutions but not in the Authority's name.

**Investments** - Trust indentures and resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies, instrumentalities, and certificates of deposit. The Authority's investments consist of U.S. Government securities, certificates of deposit, and repurchase agreements. The Authority requires that securities underlying repurchase agreements have a market value of at least 102 percent of the cost of the repurchase agreement. At December 31, 1992, the Authority's repurchase agreements totalled approximately \$110,511,000.

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by trust agents in the Authority's name. Category 2 includes uninsured certificates of deposit which are collateralized with securities held by the pledging financial institution but not in the Authority's name.

**1992**

	Investments		Cash		Total	
	Category	Category	Category	Category	Carrying Value	Market Value
	1	2	1	2		
(Thousands)						
<b>Cash and Investments</b>						
Held by Trustee (Designated)						
General Improvement Funds .....	\$ 75,558	\$ 1,400	\$ 51	\$ (582)	\$ 76,427	\$ 76,519
Debt Service Reserve Funds.....	162,850	0	0	235	163,085	170,917
Other Special Funds .....	269,519	0	0	77	269,596	268,376
Funded Interest .....	98,004	0	0	0	98,004	99,251
<b>Total Cash and Investments</b>						
Held by Trustee (Designated) .....	<u>\$ 605,931</u>	<u>\$ 1,400</u>	<u>\$ 51</u>	<u>\$ (270)</u>	<u>\$ 607,112</u>	<u>\$ 615,063</u>
<b>Cash and Investments</b>						
Held by Trustee (Undesignated)						
Revenue Fund .....	\$ 42,680	\$ 0	\$ 0	\$ (1,260)	\$ 41,420	\$ 41,424
Special Reserve Fund .....	4,742	0	100	274	5,116	5,145
<b>Total Cash and Investments</b>						
Held by Trustee (Undesignated) .....	<u>\$ 47,422</u>	<u>\$ 0</u>	<u>\$ 100</u>	<u>\$ (986)</u>	<u>\$ 46,536</u>	<u>\$ 46,569</u>
<b>Bond Funds - Current Portion</b>						
Interest .....	\$ 14,870	\$ 0	\$ 0	\$ 51,119	\$ 65,989	\$ 65,989
Bond Principal.....	15,554	0	0	6	15,560	15,654
Funded Interest .....	17,217	0	0	0	17,217	17,217
Lease .....	439	0	0	0	439	439
Total Bond Funds - Current Portion.....	<u>\$ 48,080</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 51,125</u>	<u>\$ 99,205</u>	<u>\$ 99,299</u>

1991						
	Investments		Cash		Total	
	Category 1	Category 2	Category 1	Category 2	Carrying Value	Market Value
(Thousands)						
<b>Cash and Investments</b>						
Held by Trustee (Designated)						
General Improvement Funds .....	\$ 117,911	\$ 200	\$ 38	\$ 843	\$ 118,992	\$ 119,332
Debt Service Reserve Funds .....	149,130	1,200	92	37	150,459	159,481
Other Special Funds .....	139,398	0	0	(16,670)	122,728	121,503
Funded Interest .....	38,239	0	1	0	38,240	39,767
<b>Total Cash and Investments</b>						
Held by Trustee (Designated) .....	<u>\$ 444,678</u>	<u>\$ 1,400</u>	<u>\$ 131</u>	<u>\$(15,790)</u>	<u>\$ 430,419</u>	<u>\$ 440,083</u>
<b>Cash and Investments</b>						
Held by Trustee (Undesignated)						
Revenue Fund .....	\$ 28,594	\$ 0	\$ 100	\$ 14,025	\$ 42,719	\$ 42,777
Special Reserve Fund .....	7,309	0	0	(5)	7,304	7,588
<b>Total Cash and Investments</b>						
Held by Trustee (Undesignated) .....	<u>\$ 35,903</u>	<u>\$ 0</u>	<u>\$ 100</u>	<u>\$ 14,020</u>	<u>\$ 50,023</u>	<u>\$ 50,365</u>
<b>Bond Funds - Current Portion</b>						
Interest .....	\$ 8,309	\$ 0	\$ 1	\$ 59,977	\$ 68,287	\$ 68,288
Bond Principal .....	20,337	0	123	378	20,838	20,967
Funded Interest .....	5,880	0	0	0	5,880	5,880
Lease .....	439	0	0	0	439	439
<b>Total Bond Funds - Current Portion</b> .....						
	<u>\$ 34,965</u>	<u>\$ 0</u>	<u>\$ 124</u>	<u>\$ 60,355</u>	<u>\$ 95,444</u>	<u>\$ 95,574</u>

**Note 5 - Long-Term Debt Outstanding:**

The Authority's long-term debt at December 31, 1992 and 1991 consisted of the following:

	1992	1991
	(Thousands)	
<b>Electric Revenue Bonds - Priority Obligations: (mature through 2006)</b>		
Interest rates vary from 2.70% - 4.10% .....	\$ 47,245	\$ 49,705
<b>Electric System Expansion Revenue Bonds: (mature through 2022)</b>		
Interest rates vary from 5.00% - 9.10% .....	1,539,535	1,695,100
<b>Electric System Revenue Bonds: (mature through 1992).....</b>		
	—	40,500
<b>Capitalized lease obligations: (mature through 2015)</b>		
Interest rates vary from 2.00% - 5.00% .....	55,819	58,871
<b>Revenue Bonds: (mature through 2031)</b>		
Interest rates vary from 5.00% - 7.10% .....	858,435	368,910
<b>Total Long-Term Debt .....</b>	<b>2,501,034</b>	2,213,086
<b>Current Portion - Long-Term Debt .....</b>	<b>34,266</b>	44,801
<b>Total Long-Term Debt - Net .....</b>	<b>\$ 2,466,768</b>	\$ 2,168,285

Maturities of long-term debt through 1997 are as follows:

	Priority Obligations	Expansion Bonds	Capitalized Leases	Revenue Bonds	Total
Year Ending December 31,	(Thousands)				
1993.....	\$ 2,540	\$ 23,095	\$ 3,146	\$ 5,485	\$ 34,266
1994.....	2,605	24,550	3,225	5,795	36,175
1995.....	2,720	26,115	3,318	19,645	51,798
1996.....	2,845	29,725	3,418	1,220	37,208
1997.....	2,975	31,655	3,527	6,010	44,167

The fair value of the Authority's debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Authority for debt with the same remaining maturities. Based on the borrowing rates currently available to the Authority for tax-exempt bonds and other debt with similar terms and average maturities, the fair value of debt is approximately \$2.8 billion at December 31, 1992.

The Authority refunds and defeases debt primarily as a means of reducing debt service, thereby postponing or reducing future electric rate adjustments. In 1992, the Authority issued \$168,545,000 in 1992 Refunding Series A Revenue Bonds. The

1992 Refunding Series A Bonds refunded the following Electric System Expansion Revenue Bonds: \$3,370,000, 1985 Refunding Bonds; \$5,405,000, 1985 Refunding Series A Bonds; \$22,555,000, 1988 Refunding Series A Bonds; \$100,010,000, 1986 Refunding Series A Bonds; and \$15,370,000, 1991 Series B Revenue Bonds; and \$12,085,000, 1991 Series D Revenue Bonds. The refunding resulted in the Authority reducing its total debt service by approximately \$28,597,000 and obtaining an economic gain of approximately \$10,268,000 after adjusting for funds used from the refunding of other than the 1992 Refunding Series A Bond proceeds.

Amounts outstanding, original loss on refunding, and the unamortized loss at December 31, 1992 follow:

Refunding Issue	Refunded Bonds	Refunded Amount Outstanding	Original Loss	Unamortized Loss
(Thousands)				
1977 Refunding	1971 and 1976 Series	\$ —	\$ 11,244	\$ 5,419
1982 Refunding	\$ 100,000 of the 1981 Series C \$ 127,000 of the 1982 Series A	—	62,588	1,023
1985 Refunding	\$ 150,000 of the 1982 Series B	—	30,570	3,392
Cash Defeasance	\$ 20,000 of the 1982 Series A	—	2,763	2,174
1986 A&B Refunding	\$ 42,725 of the 1980 Series A \$ 42,000 of the 1981 Series A \$ 61,000 of the 1981 Series B \$ 4,420 of the 1981 Series C \$ 7,820 of the 1982 Series A \$ 9,010 of the 1982 Series B	—	43,736	16,288
1986 C&D Refunding	\$280,275 of the 1982 Refunding Series	—	97,109	85,158
1987 A Refunding	\$160,510 of the 1985 Refunding Series	160,510	48,038	39,891
1988 A Refunding	\$ 18,220 of the 1980 Series A \$ 18,315 of the 1981 Series A \$ 9,110 of the 1982 Refunding Series \$ 5,000 of the 1985 Refunding Series \$120,890 of the 1985 Refunding Series A	125,890	28,644	23,195
1991 A,B&C Refunding & Improvement Series	\$ 4,855 of the 1980 Series A \$ 8,075 of the 1981 Series A \$ 13,500 of the 1985 Series \$ 32,500 of the 1985 Refunding Series	32,500	4,856	4,288
Commercial Paper	\$ 27,000 of the 1985 Subordinate Series	—	495	413
1992 A Refunding	\$ 5,405 of the 1985 Refunding Series A \$ 3,370 of the 1985 Refunding Series \$100,010 of the 1986 Refunding Series A \$ 22,555 of the 1988 Refunding Series A \$ 15,370 of the 1991 Refunding Series B \$ 12,085 of the 1991 Series D	158,795	42,188	42,188
Total		\$ 477,695	\$ 372,231	\$ 223,429

The Authority's bond indentures provide for certain restrictions, the most significant of which are:

1. The Authority covenants to establish rates sufficient to pay all debt service, required lease payments, capital improvement fund requirements, and all costs of operation and maintenance of the Authority's electric system and all necessary repairs, replacements,

and renewals thereof.

2. The Authority is restricted from issuing additional parity bonds unless certain conditions are met.

As of December 31, 1992, the Authority is in compliance with all debt covenants.

**Note 6 - Revenue Bonds:**

On December 22, 1992, the Authority's Board of Directors authorized the sale of \$25,000,000 Revenue Bonds, 1992 Series B (1992 B Bonds). The 1992 B Bonds were closed on January 7, 1993. Proceeds from the 1992 B Bonds will be used for the construction of the regional water system.

The 1992 B Bonds were sold at an all in interest cost of 6.29% and are due July 2000 to 2014, 2020 and 2027.

**Note 7 - Commercial Paper and Mini-Bonds:**

The Board of Directors has authorized the issuance of commercial paper not to exceed \$150,000,000. The paper is issued for valid corporate purposes with a term not to exceed 270 days. As of December 31, 1992 and 1991, the effective interest rate on outstanding borrowings was 2.69% and 4.20%, respectively. During 1992 and 1991, the average amount outstanding was \$115,410,000 and \$123,880,000, respectively; the average maturity was 62 and 44 days, respectively; and the average effective interest rate was 2.96% and 4.48%, respectively.

At December 31, 1992, the Authority had a Revolving Credit Agreement with NationsBank for \$150,000,000. This agreement is used to support the Authority's issuance of commercial paper. There were no borrowings under the agreement during 1992.

In 1988 and 1989 the Authority issued bonds (Mini-Bonds) in small denominations which are due on demand by the registered owner under a Mini-bond Resolution. In 1990, the Revenue Bond Resolution was adopted and all senior debt including the existing 1988 and 1989 Mini-Bonds were frozen except for refunding purposes. Under the Revenue Bond Resolution, small denomination bonds due on demand (Series M Bonds) were issued. The Mini-Bonds and the Series M Bonds are collectively referred to as "Mini-Bonds" because they retain the same characteristics even though they are different lien levels. The pledge of revenues securing Revenue Bonds is junior and subordinate to the pledge of revenues securing the Priority Obligations, Electric System Expansion Revenue Bonds, and the 1988 and 1989 Mini-Bonds and capitalized lease obligations, but is superior to the lien and pledge of revenues securing the Commercial Paper, payments to the Contingency Fund, Capital Improvement Fund, Special Reserve Fund, and the payments to the State.

At December 31, 1992, the Authority had two Revolving Credit Agreements with NationsBank for \$40,000,000. These agreements are used to provide liquidity for the put feature on all outstanding Mini-Bonds. There were no borrowings under these agreements during 1992.

Commercial Paper and Mini-Bonds outstanding at December 31:

	1992	1991
	(Thousands)	
Commercial Paper .....	<b>\$ 121,750</b>	\$ 124,000
<b>Mini-Bonds:</b>		
1988 Series, bearing interest at 7.75% and due 2003 .....	\$ 16,641	\$ 16,711
1989 Series, bearing interest at 7.00% and due 2004 .....	18,299	18,018
Total Mini-Bonds .....	<b>\$ 34,940</b>	\$ 34,729
<b>Revenue Bonds (Series M):</b>		
1990 Series, bearing interest at 7.30% and due 2005 and 2006 .....	\$ 21,842	\$ 21,495
1991 Series, bearing interest at 6.875% and due 2007 and 2008 .....	27,671	27,290
1992 Series, bearing interest at 6.25% and due 2007, 2008, and 2009 .....	39,342	—
Total Revenue Bonds (Series M) .....	<b>\$ 88,855</b>	\$ 48,785
Total Mini-Bonds and Revenue Bonds (Series M) .....	<b>\$ 123,795</b>	\$ 83,514
Total Commercial Paper, Mini-Bonds and, Revenue Bonds (Series M) .....	<b>\$ 245,545</b>	\$ 207,514

**Note 8 - Summer Nuclear Station:**

The Authority and South Carolina Electric and Gas (SCE&G) are parties to a joint ownership agreement providing that the Authority and SCE&G shall own the Summer Nuclear Station with undivided interests of 33 1/3% and 66 2/3%, respectively. SCE&G is solely responsible for the design, construction, budgeting, management, operation, maintenance, and decommissioning of the Summer Nuclear Station, and the Authority is obligated to pay its ownership share of all costs relating thereto. The Authority

receives 33 1/3% of the net electricity generated. At December 31, 1992 and 1991, the plant accounts included approximately \$436,409,000 and \$438,771,000, respectively, representing the Authority's investment, including capitalized interest, in the Summer Nuclear Station. For each of the three years ended December 31, 1992, 1991, and 1990 the Authority's operation and maintenance expenses included \$41,431,000, \$30,880,000, and \$33,167,000, respectively, for the Summer Nuclear Station.

Nuclear fuel costs are being amortized based on energy expended which includes a component for estimated disposal costs of spent nuclear fuel. This amortization is included in fuel expense and is recovered through the Authority's rates.

SCE&G has an on-site spent fuel storage capability until at least 2008 and expects to be able to expand its storage capacity to accommodate the spent fuel output for the life of the plant through rod consolidation, dry cask storage, or other technology as it becomes available. In addition, there is sufficient on-site storage capacity over the life of Summer Nuclear Station to permit storage of the entire reactor core in the event that complete unloading should become desirable or necessary for any reason.

The Nuclear Regulatory Commission (NRC) has published final regulations on decommissioning of nuclear facilities that require a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. In order to comply with the applicable NRC regulations, the Authority established an external trust fund and began making deposits into this fund in September 1990. A site-specific decommissioning study was completed in 1991 indicating approximately \$76,266,000 (the Authority's one-third share) in 1990 dollars will be required to decommission Summer Nuclear Station. The Authority accrues for its share of the estimated decommissioning costs over the remaining life of the facility. These costs are being recovered through the Authority's rates. Decommissioning costs are included on the balance sheet in deferred credits and other non-current liabilities.

In addition to providing for the minimum requirements imposed by the NRC, the Authority established in 1983 an internal decommissioning account. Based on the current site-specific decommissioning study, these funds, which totalled approximately \$20,819,000 at December 31, 1992, along with future deposits into both the external and internal decommissioning accounts and investment earnings, are estimated to provide sufficient funds for the Authority's one-third share of the total decommissioning costs.

SCE&G has determined that the Summer Nuclear Station steam generators must be replaced due to stress corrosion cracking. SCE&G estimates replacement of the steam generators will cost approximately \$156 million, of which the Authority's share will be approximately \$52 million, exclusive of the Authority's indirect costs. Replacement of the generators is scheduled for 1994. SCE&G has filed suit against the manufacturer of the generators seeking damages for the replacement of the generators. The ultimate outcome of the claim cannot be determined at this time, accordingly no benefit has been recorded in the financial statements.

The supplier under the original uranium supply contract breached the contract in 1975 due to uranium market conditions. SCE&G initiated action seeking specific performance of the contract provisions, and a final settlement was reached and approved by all parties in April 1980. By terms of the settlement, the Authority has received approximately \$10,243,000 in cash as partial settlement of the lawsuit. Additionally, the agreement provides for delivery of uranium, long-term deliveries of equipment and services (including conversion and fuel fabrication) at a discount. The cash and discounts received which approximated \$16,572,000, were recorded as deferred credits. During the three prior refueling outages, deferred credits and related interest were used to offset additional fuel costs associated with replacement

energy during the refueling outages. The remaining deferred credits of \$379,000 will be used during the scheduled refueling outage in 1993.

The Energy Policy Act of 1992 gave the Department of Energy (DOE) the authority to assess utilities for the decommissioning of its facilities used for the enrichment of uranium included in nuclear fuel costs. In order to decommission these facilities, the DOE estimates that it would need to charge utilities a total of \$150,000,000 annually for fifteen (15) years based on enrichment services to date. Based on an estimate from SCE&G covering the fifteen years, the Authority at December 31, 1992, recorded its one-third share of the liability which totalled \$3,529,000. Such amount has been deferred and will be recovered through rates as paid. These costs are included on the balance sheet in deferred credits and other non-current liabilities.

The maximum liability for public claims arising from any nuclear incident has been established at \$7.8 billion by the Price-Anderson Indemnification Act. This \$7.8 billion would be covered by nuclear liability insurance of up to \$200 million per site, with any additional liability covered by retrospective assessments of up to \$66.15 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed \$10 million per incident per year). Based on its one-third interest in Summer Nuclear Station, the Authority would be responsible for the maximum assessment of \$22.05 million, not to exceed approximately \$3.3 million per incident, per year. This amount is subject to further increases to reflect the increase of (i) inflation, (ii) the licensing for operation of additional nuclear reactors, and (iii) any increase in the amount of commercial liability insurance required to be maintained by the NRC.

Additionally, SCE&G and the Authority maintain with American Nuclear Insurers (ANI) and Nuclear Electric Insurance Limited (NEIL) \$500 million primary and \$1.325 billion excess property and decontamination insurance to cover the costs of cleanup of the facility in the event of an accident. In addition to the premiums paid on the excess policy, SCE&G and the Authority could also be assessed a retroactive premium, not to exceed 7.5 times the annual premium, in the event of property damage to any nuclear generating facility covered by NEIL. Based on the current annual premium and the Authority's one-third interest, the Authority's maximum retroactive premium would be \$1.9 million.

The Authority is self-insured for any retroactive premium assessments, claims in excess of stated coverage, or cost increases due to the purchase of replacement power.

#### **Note 9 - Leases:**

The Authority has capital lease contracts with Central Electric Power Cooperative, Inc. (Central), covering a steam electric generating plant, transmission facilities, and various other facilities. The lease terms range from three to twenty-three years. Quarterly lease payments are based on a sum equal to the interest on, and principal of, Central's indebtedness to the Rural Electrification Administration for funds borrowed to construct the above-mentioned facilities. The Authority has options to purchase the leased properties at any time during the period of the lease agreements for sums equal to Central's indebtedness remaining outstanding on the properties at the time the options are exercised or to return the properties at the termination of the lease. The Authority plans to exercise each and every option to acquire ownership of such facilities prior to expiration of the leases.

Future minimum lease payments on Central leases, at December 31, 1992 were:

Years ending December 31:	Amount (Thousands)
1993 .....	\$ 5,259
1994 .....	5,240
1995 .....	5,233
1996 .....	5,228
1997 .....	5,229
Thereafter .....	51,608
Total minimum lease payments .....	77,797
Less, amounts representing interest .....	21,977
Balance at December 31, 1992 .....	\$ 55,820

Property under capitalized leases and related accumulated amortization included in utility plant at December 31, 1992, totalled \$100,995,000 and \$54,491,000, respectively, and at December 31, 1991, totalled \$101,400,000 and \$51,900,000, respectively.

Operating lease payments during the years ended December 31, 1992, 1991, and 1990 totalled \$1,021,000, \$1,431,000, and \$1,159,000, respectively.

#### **Note 10 - Contract with Central Electric Power Cooperative, Inc.:**

Power supply and transmission services are provided to Central in accordance with the Power System Coordination and Integration Agreement dated January 19, 1981, and amended as of March 31, 1988. The amendment provides for a change in the Authority's rate-making methodology for Central. The Authority will be the sole supplier of Central's energy needs excluding energy Central receives from the Southeastern Power Administration and SCE&G.

#### **Note 11 - Commitments and Contingencies:**

**Budget** - The Authority's capital budget provides for expenditures of approximately \$392,400,000 during the year ending December 31, 1993, and \$387,100,000 during each of the two years thereafter. These projects will be financed by internally generated funds and additional borrowings.

**Future Generation** - The Authority's Board of Directors has approved the construction of a second 540-megawatt coal-fueled electric generating unit at the Cross Plant with power generation to begin no later than May 1995.

The estimated cost of construction is expected to total approximately \$484.0 million which includes \$441.5 million for the generating unit, \$25.9 million for related transmission facilities, \$9.3 million for coal cars, and \$7.3 million for the initial coal stockpile.

**Purchase Commitments** - The Authority has contracted for long-term coal purchases under contracts with outstanding minimum obligations at December 31, 1992 as follows:

Years ending December 31:	Amount (Thousands)
1993 .....	\$ 130,659
1994 .....	120,875
1995 .....	120,875
1996 .....	120,875
1997 .....	120,875
Thereafter .....	354,960
Total .....	\$ 969,119

The Authority's outstanding minimum obligations under existing purchased power contracts as of December 31, 1992, were approximately \$139.7 million. The terms of the contracts range from 3 to 43 years.

The Authority has commitments for 1993 of approximately \$3.5 million under the joint ownership agreement with SCE&G for the purchase, conversion, enrichment, and fabrication of uranium. **Clean Air Act** - The Authority endeavors to ensure that its facilities comply with applicable environmental regulations and standards.

Congress has promulgated comprehensive amendments to the Clean Air Act, including the addition of a new federal program relating to acid precipitation. The Authority has evaluated the potential impact of this legislation, including new limits on the allowable rates of emission of sulfur dioxide and nitrogen oxide. While the legislation contains a number of new restrictions, the most significant new requirements, relating to acid precipitation, would not begin to impact the Authority until the year 2000.

Under the Clean Air Act, among other things, specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fueled generating units will be required in two phases. In general, Phase I compliance must be implemented by January 1, 1995, and Phase II compliance by January 1, 2000. Specific regulations, rules, and procedures for implementing the Clean Air Act are currently being promulgated by the EPA. The Authority believes that, based on its review of the Clean Air Act, the Clean Air Act will not materially affect the Authority's operations until after 1997.

**Energy Policy Act of 1992** - The Energy Policy Act of 1992 (Energy Act) promotes energy efficiency, alternative fuel use, and increased competition for electric utilities and will have a significant impact on the utility industry. Under the Energy Act, Independent Power Producers (IPPs) are allowed access to a utility's transmission lines to sell their electricity to other utilities, thus enhancing their incentive to build generation plants for the utility's large industrial and commercial customers. At this time, the Authority is not able to determine what impact open transmission access will have on the financial results of the Authority.

#### **Note 12 - Retirement Benefits:**

Substantially all Authority full-time employees must participate in the South Carolina Retirement System (System), a cost-sharing, multiple-employer public employee retirement system. The payroll for employees covered by the System for each of the years ended December 31, 1992, 1991, and 1990, was \$61,558,000, \$57,125,000, and \$53,355,000, respectively.

Vested employees who retire at age 65 or with 30 years of service at any age are entitled to a retirement benefit, payable monthly for life. The annual benefit amount is equal to 1.82 percent of their average final compensation times years of service. Benefits fully vest on reaching five years of service. Reduced retirement benefits are payable as early as age 55. The System also provides death and disability benefits. Benefits are established by state statute.

Employees are required by state statute to contribute 6 percent of salary. The Authority is required by the same statute to contribute 7.55 percent of total payroll. The contribution requirement for each of the years ended December 31, 1992, 1991, and 1990 was \$4,742,000, \$4,449,000, and \$4,109,000 from the Authority and \$3,689,000, \$3,431,000, and \$3,198,000 from employees.

An actuarial valuation is performed for the System annually. At the most recent valuation date, June 30, 1992, the pension benefit obligation for retired and active members was approximately \$11.5 billion. The amortized cost of assets of the System was approximately \$8.4 billion. The unfunded pension obligation was approximately \$3.1 billion. The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure, which is an actuarial present value of credited projected benefits, is intended to help users assess the System funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The System does not make separate measurements of assets and benefits payable for individual employers. The Authority's contribution represented approximately one and a half percent of the total contribution to the System.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 1992, Comprehensive Annual Financial Report.

The Authority also provides deferred compensation benefits to certain employees who are eligible to retire with ten years of service and have reached the age of 50. The cost of these benefits is accrued on an actuarially determined basis. As of December 31, 1992, there were 29 active participants and 22 retirees. The accrued liability at December 31, 1992 and 1991 was approximately \$2,956,000 and \$2,676,000, respectively.

#### **Note 13 - Other Post-Retirement Benefits:**

The Authority provides certain health, dental, and life insurance benefits for retired employees. Substantially all of the Authority's employees may become eligible for these benefits if they retire at any age with 30 years of service or at age 60 with at least 20 years of service. Currently, approximately 230 retirees meet these requirements. The cost of the health, dental, and life insurance benefits are recognized as expense as the premiums are paid. For the years ended December 31, 1992, 1991, and 1990, these costs totalled \$371,000, \$329,000, and \$279,000, respectively.

During their first ten years of service, full-time permanent employees can earn up to 15 days vacation leave per year. After ten years of service, employees earn an additional day vacation leave for each year of service over ten until they reach the maximum of 25 days per year. Employees earn annually a half day per month plus three additional days at year end for sick leave.

Employees may carry forward up to 45 days of vacation leave and 180 days of sick leave from one calendar year to the next. Upon termination, the Authority pays employees for accumulated vacation leave at the pay rate then in effect. In addition, the Authority pays employees upon retirement 20 percent of their accumulated sick leave at the pay rate then in effect. These costs are carried as a deferred debit and a liability on the balance sheet and will be recovered through rates as they are paid.

#### **Note 14 - Credit Risk and Major Customers:**

Concentrations of credit risk with respect to the receivables are limited due to the large number of customers in the Authority's customer base and their dispersion across different industries. The Authority maintains an allowance for uncollectible accounts based upon the expected collectibility of all accounts receivable.

Sales to two major customers for the years ended December 31, were:

	1992	1991	1990
(Thousands)			
Central	<b>\$ 236,000</b>	\$ 242,000	\$ 225,000
Alumax of South Carolina, Inc. (Alumax)	<b>\$ 82,000</b>	\$ 88,000	\$ 84,000

During calendar years 1988 through 1990, Alumax received rate relief of \$4.4 million which is subject to repayment if the monthly price of aluminum is \$.72 per pound or more as stated in 1986 dollars. Alumax is not eligible for any additional rate relief. On December 31, 1993, Alumax's obligation to repay such rate relief will end.

Subsequent to year end, Alumax has announced a 20 percent temporary reduction in production at their plant served by the Authority. The Authority does not believe the impact of this item will be material.

#### **Note 15 - Storm Damage:**

On September 21, 1989, the Authority's system was substantially damaged by Hurricane Hugo. Through December 1992, the Authority has incurred costs of approximately \$22.4 million to repair and replace damaged facilities and systems. Substantially all such costs have been funded by insurance proceeds and Federal Emergency Assistance grants.

The Authority does not expect to increase rates due to the impact of Hurricane Hugo and foresees no measurable long-term impact on its operations or the demand for electricity by its customers.

### **Audit Committee Chairman's Letter**

The Finance-Audit Committee of the Board of Directors is composed of five independent directors: Leon S. Goodall, chairman; A. Clint Gossett; B.L. Hendricks; D. Gene Rickenbaker; and Johnnie (Joe) Young. The Committee meets monthly with members of management and Internal Audit to review and discuss their activities and responsibilities.

The Finance-Audit Committee oversees Santee Cooper's financial reporting and internal auditing processes on behalf of the Board of Directors. Monthly briefings on the financial statements and periodic reports from management and the internal auditors pertaining to operations and representations were received. In fulfilling its responsibilities, the Committee also reviewed the overall scope and specific plans for the respective audits by the internal auditors and the independent public accountant. The Committee discussed the Company's financial statements and the adequacy of its internal controls.

The Committee met with the independent public accountant and with the General Auditor, without management present, to discuss the results of the examination, the evaluation of Santee Cooper's internal controls, and the overall quality of Santee Cooper's financial reporting.

Leon S. Goodall, Chairman  
Finance-Audit Committee

## Santee Cooper Honors Walter T. Cox

After nearly 20 years on the Santee Cooper Board of Directors, Walter T. Cox concludes a distinguished career of public service to Santee Cooper and the state of South Carolina.

As a representative of the 3rd Congressional District, Cox considers telling the Santee Cooper story to his upstate constituents one of his ongoing challenges.

"It is the best-kept secret there is to many people upstate," he says of Santee Cooper. "The taxpayers of South Carolina don't realize what they, as citizens, own in Santee Cooper, beyond having a source of electric power. When I first came on the board, some folks at Clemson thought I was coming down here to supervise fishing on the Santee Cooper lakes. That was the extent of their knowledge. I hope I've helped to tell our story."

The 74-year old Cox cites statewide economic development, environmental stewardship, and educational commitments as evidence that Santee Cooper truly lives up to its formal name: the South Carolina Public Service Authority.

Cox, a Belton native, is president emeritus of Clemson University, where he has lived and worked since being hired by legendary Clemson football coach Frank Howard in 1940 after graduating that spring. An outstanding lineman, Cox played on the 1939 Tiger football team that defeated Boston College in the Cotton Bowl.

The former dean of men at the state's land-grant university has seen his beloved school go from college to university, with enrollment and excellence in academics and athletics reaching nationally recognized proportions. Clemson's progress and Santee Cooper's progress have often gone hand-in-hand, he notes.

The former educator's eyes brighten when he talks about the educational commitment on Santee Cooper's 110 acres of leased property at Camp Bob Cooper on Lake Marion, one of two 4-H camps operated by Clemson.

Earlier this year the Santee Cooper board committed to assist in funding construction of an educational building at the camp, unanimously voting to name it the "Santee Cooper/Walter T. Cox Educational Building." Ground will soon be broken on the facility, which will supplement the Santee Cooper-sponsored Outdoor Adventure Camp held each August. "I am very proud of this building and humbled that the board named it after me."

As chairman of the finance committee, the outgoing first vice chairman is particularly proud of Santee Cooper's solid financial footing with highly rated revenue bonds and popular tax-free Mini-Bonds.

"Santee Cooper is as well managed as any organization I know," Cox says. "I've been a part of the boards of Blue Cross/Blue Shield and C&S Bank, and seeing their methods and comparing the skills provided by the management of Santee Cooper, we're excellently run. And the growth. When appointed by Governor John West, Santee Cooper had about 32,000 retail customers and today that figure is 95,000."

Cox cites the strengthening of ties with Central Electric Power Cooperative and the formation of the Palmetto Economic Development Corporation as big achievements during his tenure.

Recent talk of proposals to privatize Santee Cooper is a concept that Cox views as unwise for all of the state's electric consumers, whether they receive power from Santee Cooper, a co-op, or an investor-owned utility.

"It would be the greatest disaster to ever happen to our state—for the position of Santee Cooper to be changed," he says without hesitation. "If sold it would be like the farmer selling his farm and then his assets are gone."

Cox says improved communications with the Legislature in recent years is serving Santee Cooper well in the current situation. He is confident that lawmakers will weigh any

decision very carefully to sell an organization that has served so well for more than five decades. "I feel that Santee Cooper will continue to be the best-run state agency there is," he says. "It's going to continue to grow."

"Twenty years of the most wonderful experiences I've had," Cox concludes. "Add these to the other good fortunes I've had—being able to work with so many South Carolinians, it's been a great experience I've cherished."

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