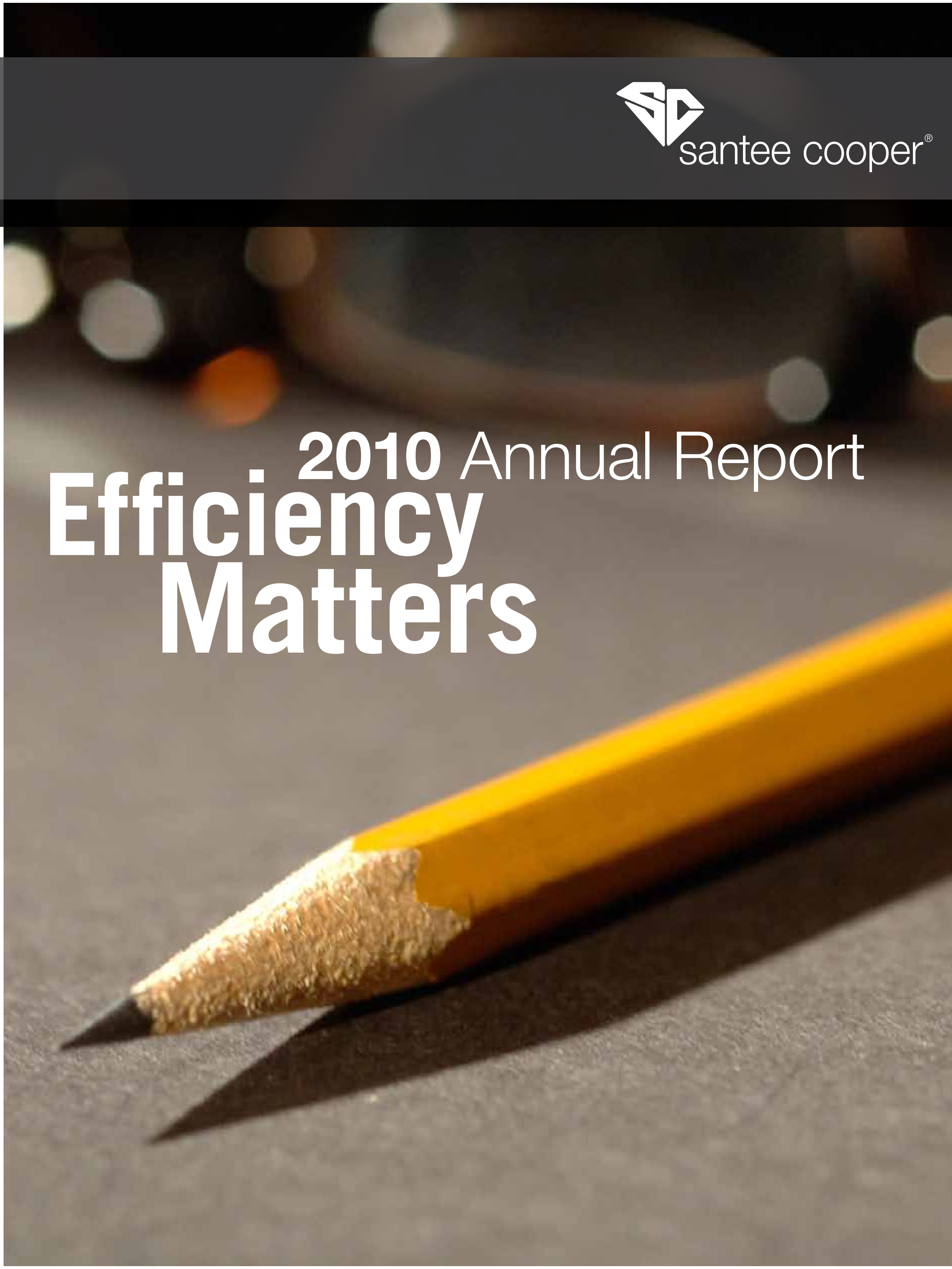
santee cooper®

2010 Annual Report

Efficiency Matters



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CHAIRMAN AND CEO LETTER

In many ways, 2010 was a year of records set and goals met. In fact, the year opened and closed with new peak demand records, of 5,668 megawatts set on Jan. 11 and then 5,743 MWs set Dec. 14, more notable because the economy is still in the early stages of recovery.

Santee Cooper remains on solid ground financially and operationally. The rating agencies continue to reaffirm strong long-term ratings and internally Santee Cooper performed significant belt-tightening to ensure we are operating efficiently and offering our customers the lowest possible cost for electricity. We cut our budget. We restructured debt to save customers $19 million in net present-day savings. Santee Cooper also practiced what we are preaching to customers through our Reduce The Use program, auditing our own facilities and making energy-efficient improvements that will save us money and energy.

Operationally, we achieved excellent system reliability results of 99.99 percent for distribution, 99.99 percent for transmission and 92.60 percent for generation availability. Santee Cooper continued working with our nuclear partner, SCE&G, on plans to add two new reactors to our nuclear generation beginning in 2016, and Santee Cooper has begun reviewing our level of participation in order to meet our customers' best interests. Our debt-to-equity ratio for 2010 was 74/26.

We moved ahead of schedule on our 2020 target for new renewable generation, ending the year with 197 MWs online or under contract, coming from landfill and agricultural biogas, biomass, solar and wind. More importantly, this renewable generation meets our cost targets, fulfilling our pledge to provide customers with low-cost and reliable power that is also environmentally protective.

Reduce The Use celebrated its first anniversary in September, and in that first year our comprehensive energy-efficiency program rolled out rebates and initiatives that helped our customers save 49 million kilowatt hours – that's enough to power 3,700 households a year, and ultimately every kilowatt saved is a kilowatt we don't need to generate. Reduce The Use will focus on extending energy savings to commercial customers in its second year as it moves toward a goal of 209 million kWhs saved a year by 2020.

Santee Cooper continues to see a slow growth in our number of customers, much slower than pre-recession growth rates.

2010 Annual Report

However, our energy sales in 2010 reached 28,182 gigawatt-hours, an increase over 2009 and more significantly, the first time sales have increased since 2007 and in part a reflection of the extreme winter and summer temperatures.

The bottom line is this: Santee Cooper's board, management and workforce remain focused on and committed to delivering low-cost, reliable and environmentally protective electricity and water to our 2 million direct and indirect customers in all 46 counties of South Carolina. We are doing all we can

Efficiency

to hold the line on costs and negotiate best terms on fuel and other variables: the price of fuel accounts for more than half of our operating budget, and historically Santee Cooper has negotiated fuel prices that are lower than market averages. We are ratcheting down spending on all costs while continuing to provide reliable power for our customers..

We are increasingly concerned about the additional costs for our customers from potential environmental legislation from Congress that would add cost to coal, natural gas and other fossil fuel used to generate electricity. Although legislation remains a possibility, the focus in Washington has shifted and it is our regulators who are coming forward with the biggest potential for cost increases, uncertainty and gridlock – threats that could drive our country's manufacturing base overseas and bring job development to a screeching halt. That is not what we need as we begin an already rickety recovery from the worst economic downturn since the Great Depression.

Rest assured, Santee Cooper is making the potential cost impacts to our customers known. We have testified in Environmental Protection Agency hearings against a proposal for disposal of combustion byproducts, a proposal that would gut our successful recycling program and significantly complicate our long-term storage plans. We continue to communicate to our elected officials and others the potential impacts from a variety of EPA initiatives, and we encourage a thoughtful approach that factors in affordability and reliability for our customers.

Santee Cooper is a leader in implementing environmental control technology and recycling our byproducts. We are proud of our significant – and non-mandated – programs to increase our customers' energy efficiency and our own renewable energy generation. We also know the importance of efficiently balancing these priorities with our other responsibility: to generate low-cost and reliable electricity as our state and our country seek to regain our economic footing. More than ever before, as we work to rebuild our communities and their economies in 2011, we know that efficiency matters.

O.L. Thompson
Chairman
Board of Directors

Lonnie N. Carter
President and Chief Executive Officer

CORPORATE STATISTICS

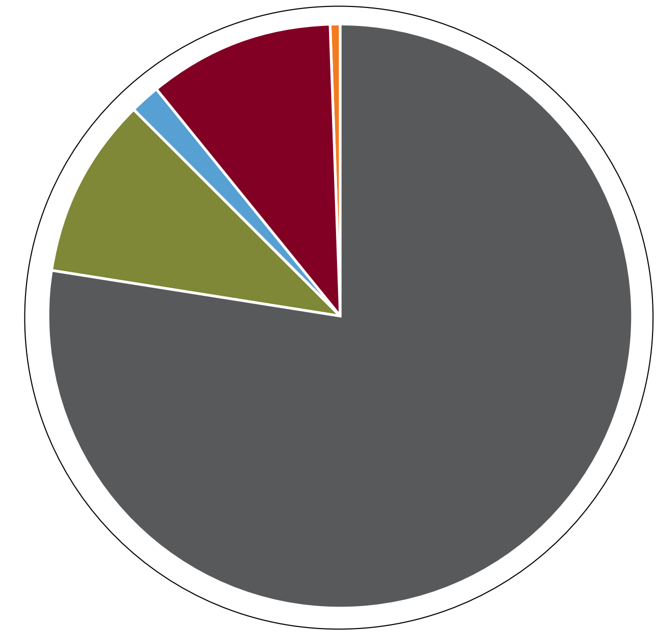
System Data 2010

Transmission system line miles:	4,950.4
Miles of distribution lines:	2,742
Number of transmission stations in operation on system:	101
Number of distribution substations:	49*
Number of CEPCI Delivery Points (DPs): (this total includes DPs for the 5 Upstate cooperatives served through Duke Energy system)	483

*A 50th substation was energized Jan. 3, 2011.

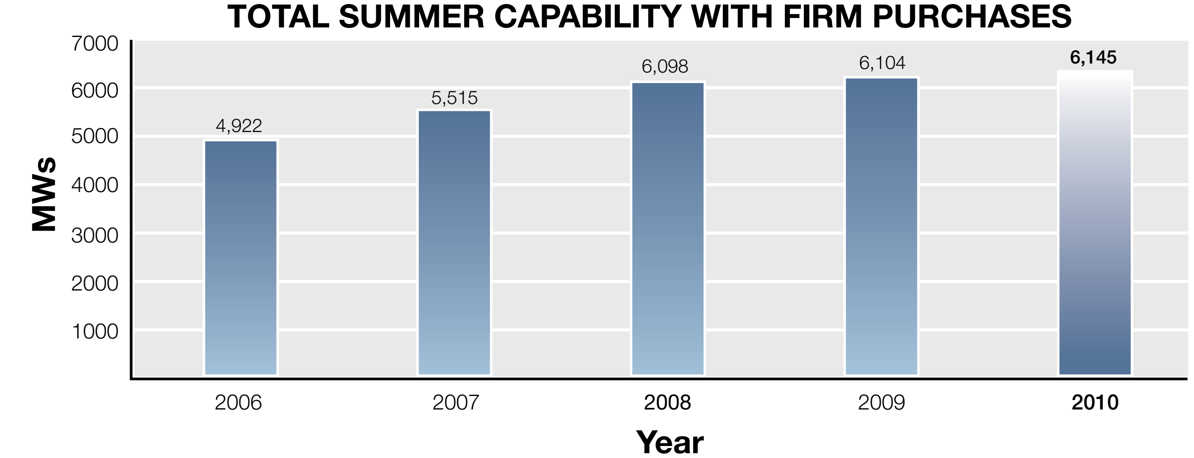
	2010	2009	2008	2007	2006
FINANCIAL (Thousands):					
Total Revenues & Income	**$1,895,194**	$1,702,513	$1,603,653	$1,494,467	$1,457,376
Total Expenses & Interest Charges	**$1,753,711**	$1,616,943	$1,484,446	$1,391,844	$1,359,494
Other	**($26,468)**	$3,883	($22,048)	($1,478)	$4,885
Reinvested Earnings	**$115,015**	$89,453	$97,159	$101,145	$102,767
OTHER FINANCIAL:					
Debt Service Coverage	**1.58**	1.45	1.67	1.75	1.79
Debt / Equity Ratio	**74/26**	73/27	72/28	69/31	69/31
STATISTICAL:					
Number of Customers (at Year-End)					
Retail Customers	**163,601**	162,981	162,657	161,317	156,462
Military and Large Industrial	**30**	30	31	31	33
Wholesale	**4**	4	4	4	4
	-------------	-------------	-------------	-------------	-------------
Total Customers	**163,635**	163,015	162,692	161,352	156,499
Generation:					
Coal	**21,889**	20,869	21,189	22,811	19,621
Nuclear	**2,828**	2,282	2,385	2,826	2,503
Hydro	**450**	449	212	337	335
Natural Gas	**2,906**	2,173	1,188	1,097	2,007
Oil	**12**	20	5	17	29
Landfill Gas	**108**	91	77	64	61
	-------------	-------------	-------------	-------------	-------------
Total Generation (GWh)	**28,193**	25,884	25,056	27,152	24,556
Purchases, Net Interchanges, etc. (GWh)	**940**	790	2,463	880	1,733
Wheeling, Interdepartmental, and Losses	**(951)**	(861)	(832)	(811)	(867)
	-------------	-------------	-------------	-------------	-------------
Total Energy Sales (GWh)	**28,182**	25,813	26,687	27,221	25,422
Summer Peak Generating Capability (net MW)	**5,681**	5,678	5,672	5,089	4,511
Territorial Peak Demand (MW)	**5,743**	5,590	5,650	5,563	5,195

2010 GENERATION BY FUEL MIX

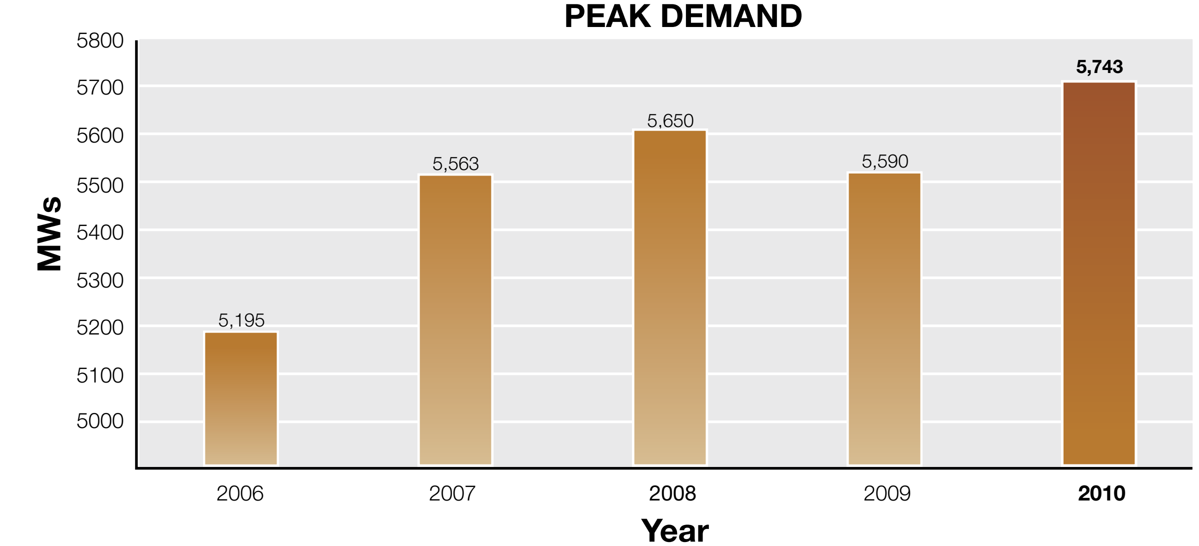


Source		GWh
Coal	77.67%	21,889
Nuclear	10.03%	2,828
Oil	0.04%	12
Hydro	1.60%	450
Natural Gas	10.31%	2,906
Landfill Methane	0.38%	108
Purchases (net)	-0.03%	(11)
Total Sales	100.00%	28,182

TOTAL SUMMER CAPABILITY WITH FIRM PURCHASES



PEAK DEMAND



AUDIT COMMITTEE CHAIRMAN'S LETTER

The Audit Committee of the Board of Directors is comprised of independent directors: John T. Molnar, Chairman; G. Dial Dubose; William A. Finn; and Cecil Vivarette.

The committee receives regular reports from members of management and Internal Audit regarding their activities and responsibilities.

The Audit Committee oversees Santee Cooper's financial reporting, internal controls and audit process on behalf of the board of directors.

Periodic financial statements and reports pertaining to operations and representations were received from management and the internal auditors. 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 accountants. The committee discussed the company's financial statements and the adequacy of its system of internal controls. The committee met with the independent public accountants and with the General Auditor to discuss the results of the audit, the evaluation of Santee Cooper's internal controls, and the overall quality of Santee Cooper's financial reporting.

John T. Molnar
Chairman
2010 Audit Committee

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL STATEMENTS

As management of South Carolina Pubic Service Authority (Authority), we offer this narrative overview and analysis of the financial activities of the Authority for the years ended December 31, 2010, 2009 and 2008. We encourage you to read this information in conjunction with additional information furnished in the Authority's audited financial statements that follow this narrative.

Statement of Net Assets

Assets and liabilities of proprietary funds should be presented to distinguish between current and long-term assets and liabilities.

Statement of Revenues, Expenses and Changes in Net Assets

This statement provides the operating results of the Authority broken into the various categories of operating revenues and expenses, non-operating revenues and expenses, as well as revenues from capital contributions.

Statement of Cash Flows

Sources and uses of cash are classified using the direct method resulting from operating, non-capital financing, capital and related financing or investing activities.

Notes to the Financial Statements

The notes are used to explain some of the information in the financial statements and provide more detailed data.

FINANCIAL CONDITION OVERVIEW

The Authority's Combined Balance Sheets as of December 31, 2010, 2009 and 2008 are summarized as follows:

	2010	2009	2008
		(Thousands)	
ASSETS			
Plant - net	**$4,873,428**	$4,817,143	$4,505,530
Current assets	**1,425,027**	1,211,584	861,295
Other noncurrent assets	**1,121,678**	988,721	859,566
Deferred debits	**541,944**	511,409	285,433
Total assets	**$7,962,077**	$7,528,857	$6,511,824
LIABILITIES & NET ASSETS			
Long-term debt - net	**$4,755,108**	$4,472,566	$3,928,521
Current liabilities	**981,495**	940,785	612,143
Other noncurrent liabilities	**468,010**	454,543	379,139
Net assets	**1,757,464**	1,660,963	1,592,021
Total liabilities and net assets	**$7,962,077**	$7,528,857	$6,511,824

2010 Compared to 2009

ASSETS

- Net plant increased by $56.3 million. Additions minus retirements to utility plant were $124.9 million in 2010. The addition of coal cars, Cross Unit 4, and distribution and transmission capital projects accounted for approximately 75 percent of the increase. Accumulated depreciation increased by $155.4 million, of which almost $80.0 million was due to the depreciation of the steam generation plant assets. The remaining increase resulted from the annual depreciation of the Authority's other system assets. Construction work in progress showed a net increase of approximately $86.8 million. This resulted primarily from additions of $353.0 million related to V.C. Summer Units 2 and 3 less a transfer of $253.0 million related to the cancellation of Pee Dee Unit 1.

- Current assets increased $213.4 million due primarily to increases in Unrestricted cash and cash equivalents, Receivables, Fuel inventories, and Prepaid expenses and other current assets. These were offset by a reduction in Restricted cash and cash equivalents.

- Other noncurrent assets increased $133.0 million primarily due to an increase in Restricted cash and cash equivalents, Restricted investments, and Regulatory assets.

- Deferred debits increased $30.5 million due mainly to increases in Other deferred debits offset by decreases in Unamortized debt expense and the Costs to be recovered from future revenue regulatory asset.

LIABILITIES

- Long-term debt increased $282.5 million due to the net effect of principal repayments and impact of 2010 bond issues.

- Current liabilities increased $40.7 million due to increases in Current portion of long-term debt and Accounts payable offset by decreases in Commercial paper and Other current liabilities.

- Other noncurrent liabilities increased $13.5 million due primarily to increases in Regulatory liabilities for asset retirement obligation and Other deferred credits and liabilities offset by a decrease in Construction fund liabilities.

- Net assets increased $96.5 million due mainly to increases in Restricted for debt service, Restricted for capital projects, and Unrestricted net assets. These were offset by decreases in Invested in capital assets, net of related debt and Restricted for other.

2009 Compared to 2008

ASSETS

- Net plant increased by $311.6 million. Additions minus retirements to utility plant were $116.2 million in 2009. Additions to the Cross Unit 4, slope protection at the Lake Moultrie dams, the Customer Care and Billing system, and transmission capital projects represented over 67 percent of this increase. Accumulated depreciation increased by $167.5 million, of which almost $80.0 million was due to the depreciation of the steam generation plant assets. The remaining increase resulted from the annual depreciation of the Authority's other system assets. Construction work in progress showed an increase of approximately $362.9 million mainly from additions related to V.C. Summer Units 2 and 3, and Pee Dee Unit 1.

- Current assets increased $350.3 million due primarily to increases in Restricted cash and cash equivalents and Fuel inventories. These were offset by reductions in Unrestricted cash and cash equivalents and Unrestricted and Restricted investments.

- Other noncurrent assets increased $129.2 million primarily due to an increase in Restricted cash and cash equivalents, Restricted investments, and Regulatory assets.

- Deferred debits increased $226.0 million due mainly to increases in Unamortized debt expense, Costs to be recovered from future revenue regulatory asset, and an increase in a long-term receivable.

LIABILITIES

- Long-term debt increased $544.0 million due to the net effect of principal repayments and new money issues.

- Current liabilities increased $328.6 million due to increases in Current portion of long-term debt, Accrued interest on long-term debt, Commercial paper notes outstanding, Accounts payable, and Other current liabilities.

- Other noncurrent liabilities increased $75.4 million due primarily to increases in Regulatory liabilities for Asset retirement obligation and post employment obligations.

- Net assets increased $68.9 million due mainly to increases in Restricted for other and Unrestricted net assets offset by a decrease in Invested in capital assets, net of related debt.

RESULTS OF OPERATIONS

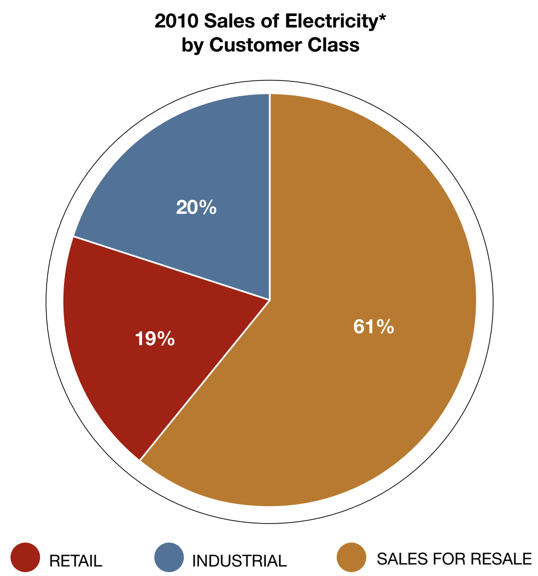
The Authority's Combined Statements of Revenues, Expense and Changes in Net Assets for years ended December 31, 2010, 2009 and 2008 are summarized as follows:

	2010	2009	2008
		(Thousands)	
Operating revenues	$ 1,894,902	$ 1,702,001	$ 1,586,303
Operating expenses	1,509,003	1,382,739	1,284,275
Operating income	385,899	319,262	302,028
Interest charges	(244,708)	(234,204)	(200,171)
Costs to be recovered from future revenue	(26,468)	3,883	(22,048)
Other income	292	512	17,350
Transfers out	(18,514)	(20,511)	(15,676)
Change in net assets	$ 96,501	$ 68,942	$ 81,483
Ending net assets	$ 1,757,464	$ 1,660,963	$ 1,592,021

2010 Compared to 2009

OPERATING REVENUES

Operating revenues for 2010 increased $192.9 million or 11 percent over the prior year. This was due primarily to a 9 percent increase in kWh sales, the 2009 rate increase, and higher demand revenues. Energy sales for 2010 totaled 28.2 million megawatts compared to approximately 25.8 million for 2009. Although megawatt sales increased in all customer categories, the primary increase was in the sales for resale customer category.

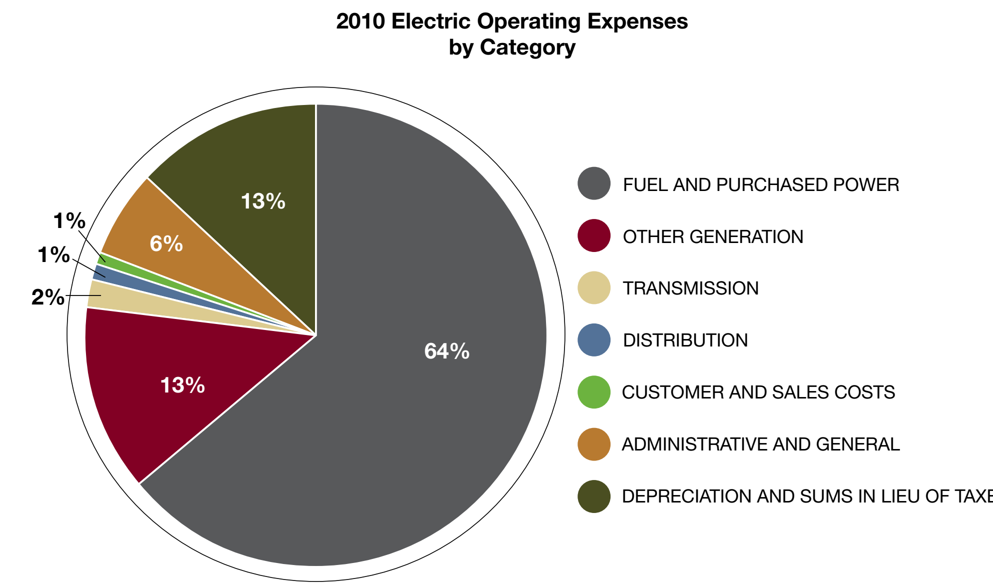


Sales of Electricity*	2010	2009	2008
		(Thousands)	
Retail	$ 355,992	$ 308,572	$ 291,681
Industrial	376,247	346,318	359,712
Sales for Resale	1,142,582	1,028,192	916,861
Totals	$ 1,874,821	$ 1,683,082	$ 1,568,254

*Excludes interdepartmental sales of $443 for 2010, $386 for 2009 and $365 for 2008.

OPERATING EXPENSES

Operating expenses for 2010 reflected a net increase of $126.3 million or 9 percent compared to 2009. Fuel and purchased power expenses accounted for approximately 64.0 percent of the current year's electric operating expenses and increased approximately 12 percent. The Authority manages fuel costs with a combination of long-term and short-term contracts, a fuel related risk hedging program and the blend of a variety of fuels (natural gas, oil, nuclear and coal). Compared to 2009, fuel and purchased power expense was $103.3 million higher due to the 9 percent increase in kWh sales, higher coal purchase prices, and additional station outages. Other generation operating and maintenance costs increased by approximately $8.2 million due primarily to station outages and environmental expense. Depreciation expense showed an increase over last year of $9.8 million due primarily to adjustments related to coal cars and paved roads.



Electric Operating Expenses	2010	2009	2008
		(Thousands)	
Fuel & Purchased Power	$ 968,464	$ 865,199	$ 808,869
Other Generation	193,783	185,617	178,520
Transmission	29,370	29,713	23,824
Distribution	14,527	14,461	14,384
Customer & Sales Costs	21,177	20,860	19,702
Administrative & General	88,668	82,724	74,046
Depreciation & Sums in Lieu of Taxes	189,319	180,701	161,741
Totals	$ 1,505,308	$ 1,379,275	$ 1,281,086

NET BELOW-THE-LINE ITEMS

- Interest charges for 2010 were $10.5 million or 4 percent higher than 2009 resulting mainly from the 2009 and 2010 bond activity.
- Costs to be recovered from future revenue increased expenses by $30.4 million when compared to last year primarily due to the impact of a higher adjusted principal component compared to 2009.
- Other income decreased $220,000. This resulted primarily from lower interest income and the change in the fair value of investments compared to 2009.
- Transfers out represents the dollars paid by the Authority to the State of South Carolina. There was a decrease of $2.0 million below 2009 which resulted from a decrease in projected revenues from the prior year.

2009 Compared to 2008

OPERATING REVENUES

Operating revenues for 2009 increased $115.7 million or 7 percent over the prior year. This was due mostly to increases in both demand and fuel related revenues. Energy sales for 2009 totaled 25.8 million megawatts compared to approximately 26.7 million for 2008. The decrease in megawatt sales was primarily in the industrial and sales for resale customer categories.

OPERATING EXPENSES

Operating expenses for 2009 reflected a net increase of $98.5 million or 8 percent compared to 2008. Fuel and purchased power expenses accounted for approximately 63 percent of the current year's electric operating expenses and increased approximately 7 percent. The Authority manages fuel costs with a combination of long-term and short-term contracts, a fuel related risk hedging program and the blend of a variety of fuels (natural gas, oil, nuclear and coal). Compared to 2008, fuel and purchased power expense increased $56.3 million due to both higher coal purchase prices and energy market prices. Other generation operating and maintenance costs increased by approximately $7.1 million due primarily to station outages and environmental equipment. Depreciation expense showed an increase over last year of $17.2 million due to the addition of Cross Unit 4 and large transmission line projects.

NET BELOW-THE-LINE ITEMS

- Interest charges for 2009 were $34.0 million or 17 percent higher than 2008 resulting mainly from the 2008 and 2009 bond activity.
- Costs to be recovered from future revenue expense decreased by $25.9 million when compared to last year primarily due to the impact of a higher depreciation component due to Cross Unit 4.
- Other income decreased $16.8 million. This resulted primarily from lower interest income and the change in the fair value of investments compared to 2008.
- Transfers out represents the dollars paid by the Authority to the State of South Carolina. There was an increase of $4.8 million over 2008 which resulted from an increase in projected revenues from the prior year.

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CAPITAL IMPROVEMENT PROGRAM

The purpose of the capital improvement program is to continue to meet the energy and water needs of the Authority's customers with economical and reliable service. The Authority's 2010 capital improvement program budgeted for years 2011 through 2013 in the amount of $2.3 billion is expected to be expended as follows:

Capital Improvement Expenditures	**2010 Budget 2011-13**	2009 Budget 2010-12	2008 Budget 2009-11
		(Thousands)	
Cross Units 3 & 4	$ **0**	$ 9,000	$ 31,000
Environmental Compliance	**54,000**	53,000	36,000
General Improvements to the System	**586,000**	670,000	720,000
Pee Dee Unit 1	**14,000**	21,000	462,000
Future Nuclear Units	**1,654,000**	1,376,000	1,495,000
Totals	$ **2,308,000**	$ 2,129,000	$ 2,744,000

The cost of the capital improvement program will be funded from revenues of the Authority which are set aside in the Capital Improvement Fund, along with additional revenue obligations, commercial paper notes and other short-term obligations, as determined by the Authority.

The Authority's capital improvement program includes funds for contractual obligations associated with the cancelled Pee Dee Unit 1, two future nuclear units, general improvements to the Authority's system and environmental compliance expenditures.

The Authority's estimated three-year capital improvement program for the years ended December 31, 2009 and 2008 was $2.1 and $2.7 billion, respectively.

DEBT SERVICE COVERAGE

The Authority's debt service coverage (not including commercial paper) at December 31, 2010, 2009, and 2008 was 1.58, 1.45 and 1.67, respectively.

BOND RATINGS

Bond ratings assigned by the various agencies for years 2010, 2009 and 2008 were as follows:

Agency / Lien Level	2010	2009	2008
Fitch Ratings			
* Revenue Bonds	Not Applicable	AA	AA
Revenue Obligations	AA	AA	AA
Commercial Paper	F1+	F1+	F1+
Moody's Investors Service, Inc.			
* Revenue Bonds	Not Applicable	Aa2	Aa2
Revenue Obligations	Aa2	Aa2	Aa2
Commercial Paper	P-1	P-1	P-1
Standard & Poor's Rating Services			
* Revenue Bonds	Not Applicable	AA-	AA-
Revenue Obligations	AA-	AA-	AA-
Commercial Paper	A1+	A1+	A1+

* The remaining bonds outstanding under this lien level were refunded in May 2009.

Bond Market Transactions for Years 2010, 2009 and 2008

Year 2010

Revenue Obligations: 2010 Series M1 - Current Interest Bearing Bonds (CIBS) — **Par Amount:** $ 20,584,000 — **Date Closed:** May 14, 2010
- **Purpose:** To finance a portion of the Authority's capital improvements
- **Comments:** Tax-exempt minibonds

Revenue Obligations: 2010 Series M1 - Capital Appreciation Bonds (CABS) — **Par Amount:** $ 7,140,600 — **Date Closed:** May 14, 2010
- **Purpose:** To finance a portion of the Authority's capital improvements
- **Comments:** Tax-exempt minibonds

Revenue Obligations: 2010 Series A - LIBOR Index Bonds — **Par Amount:** $ 234,861,000 — **Date Closed:** July 8, 2010
- **Purpose:** To retire certain outstanding taxable commercial paper notes of the Authority
- **Comments:** Taxable bonds with variable interest rate set monthly based on the London Interbank Offered Rate (LIBOR) plus 25 basis points

Revenue Obligations: 2010 Refunding Series B — **Par Amount:** $ 231,060,000 — **Date Closed:** November 10, 2010
- **Purpose:** Refund a portion of the following: 2001 Series A, 2002 Series B, and 2002 Refunding Series D
- **Comments:** Gross savings of $22.8 million over the life of the bonds

Revenue Obligations: 2010 Series M2 - Current Interest Bearing Bonds (CIBS) — **Par Amount:** $ 12,161,000 — **Date Closed:** November 18, 2010
- **Purpose:** To finance a portion of the Authority's capital improvements
- **Comments:** Tax-exempt minibonds

Revenue Obligations: 2010 Series M2 - Capital Appreciation Bonds (CABS) — **Par Amount:** $ 4,880,200 — **Date Closed:** November 18, 2010
- **Purpose:** To finance a portion of the Authority's capital improvements
- **Comments:** Tax-exempt minibonds

Revenue Obligations: 2010 Series C - (Build America Bonds) — **Par Amount:** $ 360,000,000 — **Date Closed:** December 21, 2010
- **Purpose:** To finance a portion of the tax-exempt construction for V. C. Summer Units 2 and 3 - (The bond proceeds are taxable but will be used to pay tax-exempt expenditures)
- **Comments:** Taxable bonds with an all-in true interest cost of 4.24 percent

Year 2009

Revenue Obligations: 2009 Refunding Series A — **Par Amount:** $ 115,025,000 — **Date Closed:** May 20, 2009
- **Purpose:** Refund the following: 1997 Refunding Series A and 1998 Refunding Series B
- **Comments:** Gross savings of $10.8 million over the life of the bonds

Revenue Obligations: 2009 Series B — **Par Amount:** $ $164,130,000 — **Date Closed:** May 20, 2009
- **Purpose:** To finance a portion of the tax-exempt construction for Pee Dee Unit 1, V. C. Summer Units 2 and 3, ongoing transmission system construction / improvements and New Source Review environmental requirements
- **Comments:** Tax-exempt bonds with an all-in true interest cost of 4.83 percent

Revenue Obligations: 2009 Series C — **Par Amount:** $ 87,040,000 — **Date Closed:** May 20, 2009
- **Purpose:** To finance a portion of the taxable construction for Pee Dee Unit 1, V. C. Summer Units 2 and 3, and New Source Review environmental requirements
- **Comments:** Taxable bonds with an all-in true interest cost of 6.10 percent

Revenue Obligations: 2009 Refunding Series D — **Par Amount:** $ 39,725,000 — **Date Closed:** November 5, 2009
- **Purpose:** Refund the following: 1999 Series A
- **Comments:** Gross savings of $2.3 million over the life of the bonds

Revenue Obligations: 2009 Series E — **Par Amount:** $ 284,845,000 — **Date Closed:** November 5, 2009
- **Purpose:** To finance a portion of the tax-exempt construction for V. C. Summer Units 2 and 3, and extraordinary working capital expenses
- **Comments:** Tax-exempt bonds with an all-in true interest cost of 4.21 percent

Revenue Obligations: 2009 Series F — **Par Amount:** $ 100,000,000 — **Date Closed:** November 5, 2009
- **Purpose:** To finance a portion of the taxable construction for V. C. Summer Units 2 and 3
- **Comments:** Taxable bonds with an all-in true interest cost of 5.82 percent

Year 2008

Revenue Obligations: 2008 Series A — **Par Amount:** $ 406,985,000 — **Date Closed:** October 30, 2008
- **Purpose:** To finance a portion of the tax-exempt construction for Cross Units 3 and 4, Pee Dee Unit 1, V. C. Summer Unit 2 and 3, ongoing transmission system construction/improvements and capital improvements
- **Comments:** Tax-exempt bonds with all-in true interest cost of 5.77 percent

Revenue Obligations: 2008 Series B — **Par Amount:** $ 260,000,000 — **Date Closed:** October 30, 2008
- **Purpose:** To finance a portion of the taxable construction for Cross Unit 4, Pee Dee Unit 1, V. C. Summer Units 2 and 3, and SIP Call and New Source Review environmental requirements
- **Comments:** Taxable bonds with an all-in true interest cost of 7.56 percent.

Revenue Obligations: 2008 Series M - Current Interest Bearing Bonds (CIBS) — **Par Amount:** $ 18,811,500 — **Date Closed:** October 30, 2008
- **Purpose:** To finance a portion of the Authority's capital improvements
- **Comments:** Tax-exempt minibonds

Revenue Obligations: 2008 Series M - Capital Appreciation Bonds (CABS) — **Par Amount:** $ 5,620,200 — **Date Closed:** October 30, 2008
- **Purpose:** To finance a portion of the Authority's capital improvements
- **Comments:** Tax-exempt minibonds

REPORT OF INDEPENDENT AUDITORS

The Advisory Board and Board of Directors
The South Carolina Public Service Authority
Moncks Corner, South Carolina

We have audited the accompanying combined balance sheets of the South Carolina Public Service Authority (a component unit of the state of South Carolina) as of December 31, 2010 and 2009, and the related combined statements of revenues, and expenses and changes in net assets, and cash flows for each of the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the South Carolina Public Service Authority and do not purport to, and do not, present fairly the financial position of the State of South Carolina, as of and for the years ended December 31, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2010 and 2009, and the changes in its net assets and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis section listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Corporate Statistics, Audit Committee Chairman's Letter, Leadership and Other Locations sections as listed in the table of contents of the annual report are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on it.

Cherry, Bekaert & Holland LLP

CHERRY, BEKAERT & HOLLAND, L.L.P.

Raleigh, North Carolina
February 23, 2011

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Combined Balance Sheets

South Carolina Public Service Authority
As of December 31, 2010 and 2009

	2010	2009
	(Thousands)	
ASSETS		
Current assets		
Unrestricted cash and cash equivalents	$ 100,799	$ 61,826
Unrestricted investments	24,574	26,695
Restricted cash and cash equivalents	148,119	349,354
Restricted investments	109,340	91,248
Receivables, net of allowance for doubtful accounts of $1,510 and $1,148 at December 31, 2010 and 2009, repectively	200,978	153,398
Materials inventory	98,224	93,019
Fuel inventory		
Fossil fuels	430,376	347,979
Nuclear fuel - net	57,456	39,793
Interest receivable	2,398	4,173
Prepaid expenses and other current assets	252,763	44,099
Total current assets	1,425,027	1,211,584
Noncurrent assets		
Unrestricted cash and cash equivalents	2,057	705
Unrestricted investments	95,967	92,465
Restricted cash and cash equivalents	332,280	99,336
Restricted investments	447,356	559,893
Capital assets		
Utility plant	6,614,682	6,494,365
Long lived assets - asset retirement cost	33,078	33,078
Accumulated depreciation	(2,719,756)	(2,564,325)
Total utility plant - net	3,928,004	3,963,118
Construction work in progress	938,254	851,442
Other physical property - net	7,170	2,583
Investment in associated companies	10,769	9,727
Regulatory asset - asset retirement obligation	179,307	176,471
Other noncurrent and regulatory assets	53,942	50,124
Deferred debits		
Unamortized debt expenses	35,866	37,962
Costs to be recovered from future revenue	205,023	231,491
Other	301,055	241,956
Total noncurrent assets	6,537,050	6,317,273
Total assets	$ 7,962,077	$ 7,528,857

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

Combined Balance Sheets (continued)

South Carolina Public Service Authority
As of December 31, 2010 and 2009

	2010	2009
	(Thousands)	
LIABILITIES		
Current liabilities		
Current portion of long-term debt	$ 369,346	$ 128,223
Accrued interest on long-term debt	113,134	114,420
Commercial paper	159,338	276,551
Accounts payable	266,519	169,397
Other current liabilities	73,158	252,194
Total current liabilities	981,495	940,785
Noncurrent liabilities		
Construction liabilities	13,061	21,488
Asset retirement obligation liability	332,279	317,754
Total long-term debt (net of current portion)	4,785,274	4,513,209
Unamortized refunding and other costs	(30,166)	(40,643)
Long-term debt - net	4,755,108	4,472,566
Other deferred credits and noncurrent liabilities	122,670	115,301
Total noncurrent liabilities	5,223,118	4,927,109
Total liabilities	6,204,613	5,867,894
NET ASSETS		
Invested in capital assets, net of related debt	(62,332)	221,548
Restricted for debt service	126,512	119,587
Restricted for capital projects	79,079	41,066
Restricted for other	204,305	380,119
Unrestricted	1,409,900	898,643
Total net assets	1,757,464	1,660,963
Total liabilities and net assets	$ 7,962,077	$ 7,528,857

Combined Statements of Revenues, Expenses and Changes in Net Assets

South Carolina Public Service Authority
Years Ended December 31, 2010 and 2009

	2010	2009
	(Thousands)	
Operating revenues		
Sale of electricity	$ 1,874,821	$ 1,683,082
Sale of water	6,274	5,811
Other operating revenue	13,807	13,108
Total operating revenues	1,894,902	1,702,001
Operating expenses		
Electric operating expenses		
Production	95,061	89,629
Fuel	932,553	838,821
Purchased and interchanged power	35,911	26,378
Transmission	20,995	22,462
Distribution	9,649	9,789
Customer accounts	16,181	16,825
Sales	4,996	4,035
Administrative and general	85,023	79,564
Electric maintenance expense	115,620	111,071
Water operation expense	2,104	1,915
Water maintenance expense	535	474
Total operation and maintenance expenses	1,318,628	1,200,963
Depreciation and amortization	185,694	175,868
Sums in lieu of taxes	4,681	5,908
Total operating expenses	1,509,003	1,382,739
Operating income	385,899	319,262
Nonoperating revenues (expenses)		
Interest and investment revenue	7,896	11,067
Net increase in the fair value of investments	(4,173)	(8,117)
Interest expense on long-term debt	(235,253)	(219,562)
Other interest expense	(9,455)	(14,642)
Costs to be recovered from future revenue	(26,468)	3,883
Other - net	(3,431)	(2,438)
Total nonoperating revenues (expenses)	(270,884)	(229,809)
Income before transfers	115,015	89,453
Capital Contributions & Transfers		
Distribution to the State	(18,514)	(20,511)
Total capital contributions & transfers	(18,514)	(20,511)
Change in net assets	96,501	68,942
Total net assets-beginning	1,660,963	1,592,021
Total net assets-ending	$ 1,757,464	$ 1,660,963

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

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Combined Statements of Cash Flows

South Carolina Public Service Authority
Years Ended December 31, 2010 and 2009

	2010	2009
	(Thousands)	
Cash flows from operating activities		
Receipts from customers	$ 1,846,960	$ 1,705,209
Payments to non-fuel suppliers	(371,444)	(587,697)
Payments for fuel	(921,981)	(828,968)
Purchased power	(35,986)	(26,453)
Payments to employees	(155,364)	(152,484)
Other receipts - net	(280,052)	182,110
Net cash provided by operating activities	82,133	291,717
Cash flows from non-capital related financing activities		
Distribution to the State of South Carolina	(18,514)	(20,511)
Net cash used in non-capital related financing activities	(18,514)	(20,511)
Cash flows from capital-related financing activities		
Proceeds from sale of bonds	870,687	790,765
Net commercial paper issuance	(117,336)	123,844
Repayment and refunding of bonds	(357,070)	(264,966)
Interest paid on borrowings	(233,395)	(195,562)
Construction and betterments of utility plant	(220,141)	(551,993)
Debt premium	4,475	21,094
Other - net	(37,367)	(2,384)
Net cash used in capital-related financing activities	(90,147)	(79,202)
Cash flows from investing activities		
Net decrease in investments	88,891	(138,528)
Interest on investments	9,671	10,217
Net cash provided by investing activities	98,562	(128,311)
Net increase in cash and cash equivalents	72,034	63,693
Cash and cash equivalents-beginning	511,221	447,528
Cash and cash equivalents-ending	$ 583,255	$ 511,221

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

Combined Statements of Cash Flows (continued)

South Carolina Public Service Authority
Years Ended December 31, 2010 and 2009

	2010	2009
	(Thousands)	
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 385,899	$ 319,262
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	203,627	185,750
Net power gains involving associated companies	(15,533)	(12,167)
Distributions from associated companies	12,006	8,065
Advances to associated companies	26	(44)
Other income and expense	514	364
Changes in assets and liabilities		
Accounts receivable - net	(47,580)	3,308
Inventories	(87,602)	(219,677)
Prepaid expenses	(208,664)	1,230
Other deferred debits	(59,161)	(218,950)
Accounts payable	96,407	5,943
Other current liabilities	(183,727)	152,379
Other noncurrent liabilities	(14,079)	66,254
Net cash provided by operating activities	$ 82,133	$ 291,717
Composition of cash and cash equivalents		
Current		
Unrestricted cash and cash equivalents	$ 100,799	$ 61,826
Restricted cash and cash equivalents	148,119	349,354
Noncurrent		
Unrestricted cash and cash equivalents	2,057	705
Restricted cash and cash equivalents	332,280	99,336
Cash and cash equivalents at the end of the year	$ 583,255	$ 511,221

NOTES

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A - Reporting Entity - The South Carolina Public Service Authority (the "Authority" or "Santee Cooper"), a component unit of the State of South Carolina, was created in 1934 by the State legislature. The Santee Cooper Board of Directors (Board) is appointed by the Governor of South Carolina with the advice and consent of the Senate. The purpose of the Authority is to provide electric power and wholesale water to the people of South Carolina. Capital projects are funded by bonds, commercial paper and internally generated funds. As authorized by State law, the Board 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 on an accrual basis in accordance with accounting principles generally accepted in the United States (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting and the Financial Accounting Standards Board (FASB) that do not conflict with rules issued by the GASB. The Authority's combined financial statements include the accounts of the Lake Moultrie and Lake Marion Regional Water Systems after elimination of inter-company accounts and transactions. The accounts are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) for the electric system and the National Association of Regulatory Utility Commissioners (NARUC) for the water systems. The Authority also complies with policies and practices prescribed by its Board and to practices common in both industries. As the Board is authorized to set rates, the Authority has historically followed FASB Accounting Standard Codification 980, "Regulated Operations" (FASB ASC 980). This Standard provides for the reporting of assets and liabilities consistent with the economic effect of the rate structure. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

C - Reclassifications – To achieve conformity and comparability, the Authority may reclassify certain amounts in prior year financial statements where applicable.

D - Cash and Cash Equivalents - For purposes of the Combined Statements of Cash Flows, the Authority considers highly liquid investments with original maturities of ninety days or less and cash on deposit with financial institutions as Restricted and Unrestricted cash and cash equivalents. "Restricted" refers to those funds limited by law, regulations or Board action as to their allowable disbursement. "Unrestricted" refers to all other funds not meeting the requirements of restricted.

E – Inventory - Material and fuel inventories are carried at weighted average costs. At the time of issuance or consumption, an expense is recorded at the weighted average cost.

F - Utility Plant - Utility plant is recorded at cost, which includes materials, labor, overhead and interest capitalized during construction. Interest is only capitalized when interest payments are funded through borrowings. There was no interest capitalized in 2010 or 2009. Other interest expense is recovered currently through rates. The costs of maintenance, 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.

G - Depreciation - Depreciation is computed using composite rates on a straight-line basis over the estimated useful lives of the various classes of the plant. Composite rates are applied to the net carrying basis of various classes of plant which includes

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appropriate adjustments for cost of removal and salvage. The Authority periodically has depreciation studies performed by independent parties to assist management in establishing appropriate composite depreciation rates. Annual depreciation provisions, expressed as a percentage of average depreciable utility plant in service, were approximately 2.9 and 2.8 percent for the periods ended December 31, 2010 and 2009, respectively. Amortization of property under capitalized leases is also included in depreciation expense.

H - Investment in Associated Companies - The Authority is a member of The Energy Authority (TEA) with a 22 percent ownership interest. Other members include City Utilities of Springfield (Missouri), Gainesville Regional Utilities (Florida), JEA (Florida), MEAG Power (Georgia), Nebraska Public Power District (NPPD), and Cowlitz Public Utility District (Washington).

TEA markets wholesale power and coordinates the operation of the generation assets of its members to maximize the efficient use of electrical energy resources, reduce operating costs and increase operating revenues of the members. TEA is expected to accomplish the foregoing without impacting the safety and reliability of the electric system of each member. TEA does not engage in the construction or ownership of generation or transmission assets. In addition, TEA assists members with fuel hedging activities and acts as an agent in the execution of forward gas transactions. The Authority accounts for its investment in TEA under the equity method of accounting.

All of TEA's revenues and costs are allocated to the members. The following table summarizes the transactions applicable to the Authority:

TEA Investment

Years Ended December 31,	2010	2009
	(Thousands)	
Balance as of January 1,	$ 9,519	$ 8,283
Reduction to power costs and increases in electric revenues	13,074	9,301
Less: Distributions from TEA	12,006	8,065
Balance as of December 31,	$ 10,587	$ 9,519

At December 31, 2010 and 2009, the Authority had a payable to TEA of $29.1 million and $4.4 million, respectively, for power and gas purchases. The Authority also had a receivable due from TEA of approximately $5.2 million and $3.7 million for power sales and sales of excess gas capacity at December 31, 2010 and 2009, respectively.

The Authority's exposure relating to TEA is limited to the Authority's capital investment, any accounts receivable and trade guarantees provided by the Authority. These guarantees are within the scope of FASB ASC 952, "Franchisors". Upon the Authority making any payments under its electric guarantee, it has certain contribution rights with the other members of TEA in order that payments made under the TEA member guarantees would be equalized ratably, based upon each member's equity ownership interest in TEA. After such contributions have been affected, the Authority would only have recourse against TEA to recover amounts paid under the guarantee. The term of this guarantee is generally indefinite, but the Authority has the ability to terminate its guarantee obligations by causing to be provided advance notice to the beneficiaries thereof. Such termination of its guarantee obligations only applies to TEA transactions not yet entered into at the time the termination takes effect. The Authority's support of TEA's trading activities is limited based on the formula derived from the forward value of TEA's trading positions at a point in time. The formula was approved by the Authority's Board. At December 31, 2010, the trade guarantees are an amount not to exceed approximately $70.9 million.

The Authority is also a member of Colectric Partners (Colectric) with a 25 percent ownership interest. In addition to the Authority, Colectric's members and participants are: Florida Municipal Power Agency, Gainesville Regional Utilities, JEA, MEAG Power, Nebraska Public Power District and Orlando Utilities Commission.

Colectric provides public power utilities with key project and business management resources. Colectric also specializes in the development, project management, operations and maintenance of public power utilities' electric generation and gas infrastructure facilities. The members may elect to participate in Colectric initiatives based on individual utility needs.

Currently, the Authority participates in two of Colectric's initiatives. The first involves managing the major gas turbine overhauls thereby promoting the sharing of spare parts and technical expertise. The second initiative is a strategic sourcing initiative intended to achieve major cost savings through volume purchasing leverage.

The Authority's exposure relating to Colectric is limited to its capital investment in Colectric, any accounts receivable from Colectric and any indemnifications related to agreements between Colectric and the Authority. These indemnifications are within the scope of FASB ASC 952. The Authority's initial investment in Colectric was $413,000. The balance in the Authority's Member Equity account at December 31, 2010 and 2009 was approximately $182,000 and $208,000.

I - Bond Issuance Costs and Refunding Activity - Unamortized debt discount, premium and expense are amortized to income over the terms of the related debt issues. Gains or losses on refunded debt are amortized to income over the shorter of the remaining life of the refunded debt or the life of the new debt.

J - 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 but not billed are accrued monthly. Accrued revenue for retail customers totaled $14.3 million in 2010 and $11.5 million in 2009.

Fuel costs are reflected in operating expenses as fuel is consumed. Fuel expense for all customers is billed utilizing rates and contracts, the majority of which include fuel adjustment provisions based on either the accrual costs for the previous month or the actual weighted average costs for the previous three-month period.

K - Payment to the State - The Authority is operated for the benefit of the people of South Carolina (the "State") and was created by Act No. 887 of the Acts of the State of South Carolina for 1934 and acts supplemental thereto and amendatory thereof (Code of Laws of South Carolina 1976, as amended – Sections 58-31-10 through 58-31-50) (the "Act"). Nothing in the Act prohibits the Authority from paying to the State each year up to one percent of its projected operating revenues, as such revenues would be determined on an accrual basis from the combined electric and water systems. The Authority recognizes the distributions (shown as "Capital contributions & transfers – Distribution to the State" on the Combined Statements of Revenues, Expenses and Changes in Net Assets) as a reduction to net assets when paid.

Payments made to the State totaled approximately $18.5 million in 2010 and $20.5 million in 2009.

L - Accounting for Derivative Instruments – The Authority elected early implementation of GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" (GASB 53) in 2008. The annual changes in the fair value of effective hedging derivative instruments are required to be deferred – reported as deferred inflows and deferred outflows on the balance sheet. Deferral of changes in fair value generally lasts until the transaction involving the hedged item ends.

Natural gas, a core business commodity input for the Authority, has historically been hedged in an effort to mitigate gas cost risk by reducing cost volatility and improving cost effectiveness.

Unrealized gains and losses related to such activity are deferred in a regulatory account and recognized in earnings as fuel costs are incurred in the production cycle.

During 2010, the Authority recorded net unrealized losses of $23.5 million for natural gas and a net unrealized gain of $5.6 million for crude oil; recognized net losses of $10.4 million for natural gas and $4.1 million for crude oil; and realized but not yet recognized net losses of $2.7 million for natural gas and realized but not yet recognized net gain of approximately $700,000 for crude oil associated with hedging transactions.

During 2009, the Authority recorded net unrealized losses of $20.4 million for natural gas and a net unrealized gain of $6.7 million for crude oil; recognized net losses of $24.6 million for natural gas and $4.0 million for crude oil; and realized but not yet recognized net losses of $1.5 million for natural gas and realized but not yet recognized net gain of $1.0 million for crude oil associated with hedging transactions.

Following is a summary of the Authority's derivative activity for years ended December 31, 2010 and 2009:

Cash Flow Hedges:

Years Ended December 31,	Classification (1)	2010	2009
		(Millions)	
Fair Value			
Natural Gas	Regulatory Assets/Liabilities	$ **(23.5)**	$ (20.4)
Crude Oil	Regulatory Assets/Liabilities	$ **5.6**	$ 6.7
Changes in Fair Value			
Natural Gas	Regulatory Assets/Liabilities	$ **(3.1)**	$ 3.0
Crude Oil	Regulatory Assets/Liabilities	$ **(1.1)**	$ 10.4
Notional			
		MBTUs	
Natural Gas		**14,840**	12,170
		Barrels (000s)	
Crude Oil		**319**	420

(1) The Authority records fair value transactions related to hedging under current and noncurrent sections of the Combined Balance Sheets.

M - Retirement of Long-Lived Assets – The Authority has a one-third undivided interest in the V.C. Summer Nuclear Station ("Summer") and is therefore subject to the requirements of FASB ASC 410, "Asset Retirement and Environmental Obligations" due to legal and regulatory requirements related to nuclear decommissioning.

At December 31, 2010 and 2009, the Authority recorded an asset retirement obligations (ARO) on its one-third share of Summer of approximately $268.3 million and $257.0 million, respectively. For the years ended 2010 and 2009, approximately $22.7 million was recorded on the accompanying balance sheets as an associated Asset Retirement Cost (ARC) within "Capital assets." The ARC was recorded commencing on the in-service date of the nuclear facility.

FASB ASC 410 provides guidance for recording and disclosing liabilities related to future legally enforceable obligations to retire assets. At December 31, 2010 and 2009, the Authority recorded an ARO on the closing of its ash ponds of approximately $64.0

million and $60.7 million, respectively. For the years ended 2010 and 2009, approximately $10.4 million was recorded as an associated ARC within "Capital assets" on the accompanying balance sheets.

The asset retirement obligation is adjusted each period for any liabilities incurred or settled during the period, accretion expense and any revisions made to the estimated cash flows.

The following table summarizes the Authority's transactions:

Reconciliation of Asset Retirement Obligation Liability		
Years Ended December 31,	**2010**	2009
	(Millions)	
Balance as of January 1,	**$ 317.8**	$ 303.9
Accretion expense	**14.5**	13.9
Balance as of December 31,	**$ 332.3**	$ 317.8

N - Review of New Accounting Standards - In June 2007, GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets" (GASB 51). This Statement became effective for periods beginning after June 15, 2009. The Authority believes it is in compliance with the criteria established in GASB 51 and therefore, the impact of this statement would have no material effect on the financial position or results of operations of the Authority.

In February 2009, GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54). This Statement became effective for periods beginning after June 15, 2010. The Authority believes GASB 54 does not apply and therefore, it would have no impact on the Authority's financial position, overall cash flow or balances or results of operations.

In December 2009, GASB issued Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies", (GASB 58). The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB 58 was effective for reporting periods beginning after June 15, 2009. The Authority is in sound financial condition; therefore, the Statement does not apply since the Authority has not petitioned for bankruptcy protection.

O - Issued But Not Yet Effective Pronouncements - In June 2010, GASB issued Statement No. 59, "Financial Instruments Omnibus", (GASB 59). This statement is effective for reporting periods beginning after June 15, 2010. GASB 59 is not expected to have a material effect on the Authority's financial position, overall cash flow or balances or results of operations.

In November 2010, GASB issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", (GASB 60). GASB 60 is effective for periods beginning after December 15, 2011 and is not expected to have a material effect on the Authority's financial position, overall cash flow or balances or results of operations.

In November 2010, GASB issued Statement No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34" (GASB 61). GASB 61 is effective for periods beginning after June 15, 2012. This statement is not expected to have a material impact on the Authority's financial position, overall cash flow or balances or results of operations.

In December 2010, GASB issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" (GASB 62). This statement is effective for periods beginning after December 15, 2011, and is not expected to have a material impact on the Authority's financial position, overall cash flow or balances or results of operations.

NOTE 2 – COSTS TO BE RECOVERED FROM FUTURE REVENUE:

The Authority's electric rates are established based upon debt service and operating fund requirements. Depreciation is not considered in the cost of service calculation used to design rates. In accordance with FASB ASC 980, the differences between debt principal maturities (adjusted for the effects of premiums, discounts, expenses and amortization of deferred gains and losses) and depreciation on debt financed assets are recognized as costs to be recovered from future revenue (CTBR). The recovery of outstanding amounts recorded as CTBR will coincide with the repayment of the applicable outstanding debt of the Authority.

At December 31, 2010 and 2009, the CTBR Regulatory Asset balance was $205.0 million and $231.5 million, respectively. CTBR expense totaled $26.5 million for 2010 compared to a $3.9 million reduction in the expense for 2009.

NOTE 3 – CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2010 and 2009 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
	(Thousands)			
	YEAR 2010			
Utility Plant	$ 6,494,365	$ 154,814	$ (34,497)	$ 6,614,682
Long lived-assets retirement cost	33,078	0	0	33,078
Accumulated depreciation	(2,564,325)	(189,928)	34,497	(2,719,756)
Total utility plant-net	3,963,118	(35,114)	0	3,928,004
Construction work in progress	851,442	248,522	(161,710)	938,254
Other phyical property-net	2,583	4,587	0	7,170
Totals	$ 4,817,143	$ 217,995	$ (161,710)	$ 4,873,428
	YEAR 2009			
Utility Plant	$ 6,378,692	$ 129,940	$ (14,267)	$ 6,494,365
Long lived-assets retirement cost	33,078	0	0	33,078
Accumulated depreciation	(2,396,865)	(181,727)	14,267	(2,564,325)
Total utility plant-net	4,014,905	(51,787)	0	3,963,118
Construction work in progress	488,585	500,562	(137,705)	851,442
Other phyical property-net	2,040	543	0	2,583
Totals	$ 4,505,530	$ 449,318	$ (137,705)	$ 4,817,143

During 2010, the Authority's Board cancelled the construction of the units planned for the Pee Dee site. Accordingly, construction charges were reclassified from Construction work in progress to "Prepaid expenses and other current assets" and "Deferred debits-other" on the Combined Balance Sheets. The Authority is confident certain assets are marketable and can be sold. Currently, the Authority cannot determine how much will be recovered through the sale of assets originally purchased for those units. The Authority's Board has determined unrecovered costs associated with Pee Dee will be recovered through customer rates. In addition, the Authority plans to apply the unspent bond proceeds for Pee Dee as well as any proceeds received from the sale of certain Pee Dee assets to reduce borrowings on other capital projects.

NOTE 4 – CASH AND INVESTMENTS HELD BY TRUSTEE:

Cash and investments as of December 31, 2010 and 2009 are classified in the accompanying financial statements as follows:

Combined Balance Sheets:	2010	2009
	(Thousands)	
Current assets		
Unrestricted cash and cash equivalents	$ 100,799	$ 61,826
Unrestricted investments	24,574	26,695
Restricted cash and cash equivalents	148,119	349,354
Restricted investments	109,340	91,248
Noncurrent assets		
Unrestricted cash and cash equivalents	2,057	705
Unrestricted investments	95,967	92,465
Restricted cash and cash equivalents	332,280	99,336
Restricted investments	447,356	559,893
Total cash and investments	$ 1,260,492	$ 1,281,522
Cash and investments as of December 31 consisted of the following:		
Cash/Deposits	$ 42,599	$ 57,898
Investments	1,217,893	1,223,624
Total cash and investments	$ 1,260,492	$ 1,281,522

Unexpended funds from the sale of bonds, debt service funds, other special funds cash and investments are held and maintained by custodians and trustees. Their use is designated in accordance with applicable provisions of various bond resolutions, lease agreements and the Enabling Act included in the South Carolina Code of Laws.

The Authority's investments are authorized by the Enabling Act included in the South Carolina Code of Laws, the Authority's investment policy and the Revenue Obligation Resolution. Authorized investment types include Federal Agency Securities, State

of South Carolina General Obligation Bonds and U.S. Treasury Obligations, all of which are limited to a ten year maximum maturity. Certificate of Deposits and Repurchase Agreements are also authorized with a maximum maturity of one year.

All equity and debt securities are recorded at their fair value with gains and losses in fair value reflected as a component of non-operating income in the Combined Statements of Revenues, Expenses and Changes in Net Assets. As of December 31, 2010 and 2009, the Authority had investments totaling approximately $1,217.9 million and $1,223.6 million, respectively.

As of December 31, 2010, the Authority's cash and investments carried at fair market value included nuclear decommissioning funds of $166.2 million with unrealized holding gains of $15.3 million. As of December 31, 2009, decommissioning funds totaled approximately $155.0 million including unrealized holding gains of $12.0 million. In accordance with the provisions of FASB ASC 980, earnings, both realized and unrealized, on the decommissioning fund assets are credited to the "Regulatory asset - asset retirement obligation" and not as a separate component of non-operating income in the Combined Statements of Revenues, Expenses and Changes in Net Assets.

All of the Authority's investments, with the exception of decommissioning funds, are limited to a maturity of ten years or less. For the year ended December 31, 2010, the Authority made total investment purchases and sales each at a cost of approximately $43.2 billion. Included in these amounts, the Authority's investment purchases and sales at cost for its decommissioning funds were each $1.0 billion. Compared to the year ended December 31, 2009, the Authority's total investment purchases and sales at cost were approximately $46.7 billion and $46.5 billion, respectively. Of these amounts, investment purchases and sales at cost for the decommissioning funds were $521.3 million and $517.6 million, respectively.

The Authority's repurchase agreements at December 31, 2010 and 2009 totaled approximately $410.1 million and $310.8 million, respectively. The Authority requires that securities underlying repurchase agreements have a market value of at least 102 percent of the cost of the repurchase agreement. Securities underlying repurchase agreements are delivered by broker/dealers to the Authority's custodial agents.

Common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk are as follows:

Credit Risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investments. This is measured by the assignment of rating by a nationally recognized statistical rating organization. State law and restrictions established by bond resolution limit investments in debt securities to those securities issued by the U.S. government and agencies or instrumentalities of the United States created pursuant to an Act of Congress. Examples of these agencies' securities are Federal Home Loan Bank and Federal National Mortgage Association. As of December 31, 2010 and 2009, all of the agency securities held by the Authority were rated AAA by Fitch Ratings and Aaa by Moody's Investors Service, Inc.

Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of December 31, 2010, all of the Authority's investment securities are held by the Trustee or Agent of the Authority and therefore there is no custodial risk for investment securities.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At December 31, 2010 and 2009, the Authority had exposure to custodial credit risk for deposits as follows:

Depository Account Type	Bank Balance 2010		Bank Balance 2009	
	(Thousands)			
Uninsured and collateral held by Bank's agent not in Authority's name	$	**750**	$	33,646

Concentration of Credit Risk - The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities) that represent five percent or more of total Authority investments at December 31, 2010 and 2009 were as follows:

Security Type / Issuer	Fair Value 2010		Fair Value 2009	
Federal Agency Fixed Income Securities	(Thousands)			
Federal Home Loan Bank	$	**327,931**	$	310,553
Federal National Mortgage Association		**225,204**		331,471
Federal Farm Credit Bank		**75,336**		141,731
Federal Home Loan Mortgage Corp		**112,610**		67,851

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority manages its exposure to interest rate risk by investing in securities that mature as necessary to provide the cash flow and liquidity needed for operations.

The following table shows the distribution of the Authority's investments by maturity at December 31, 2010 and 2009:

Investment Type	2010 Fair Value	2010 Weighted Average Maturity	2009 Fair Value	2009 Weighted Average Maturity
	(Thousands)	(Years)	(Thousands)	(Years)
Certificates of Deposits	$ 1,800	0.24	$ 1,900	0.25
Federal Agency Discount Notes	269,127	0.11	307,660	0.21
Federal Agency Securities	491,916	3.86	559,516	3.10
Repurchase Agreements	410,068	0.01	310,840	0.01
TLGP	0	0.00	3,003	0.58
U.S. Treasury Notes and Strips	44,982	6.18	40,705	3.83
Total	$ 1,217,893		$ 1,223,624	
Portfolio Weighted Average Maturity		1.78		1.58

The Authority holds zero coupon bonds which are highly sensitive to interest rate fluctuations in both the Nuclear Decommissioning Trust and Nuclear Decommissioning Fund. Together these accounts hold $58.6 million par in U.S. Treasury Strips ranging in maturity from February 15, 2011 to May 15, 2039. They also hold $56.9 million par in government agency zero coupon securities (i.e. Resolution Corp, FNMA, FICO and REFCORP Securities) in the two portfolios ranging in maturity from November 15, 2014 to April 15, 2030. Zero coupon bonds or U.S. Treasury Strips are subject to wider swings in their market value than coupon bonds. These portfolios are structured to hold these securities to maturity or early redemption. The Authority has a buy and hold strategy for these portfolios. Based on the Authority's current decommissioning assumptions, it is anticipated that no funds will be needed any earlier than 2043. The Authority has no other investments that are highly sensitive to interest rate fluctuations.

Foreign Currency Risk - Foreign currency risk exists when there is a possibility that changes in exchange rates could adversely affect investment or deposit fair market value. The Authority is not authorized to invest in foreign currency and therefore has no exposure.

NOTE 5: LONG-TERM DEBT OUTSTANDING:

The Authority's long-term debt at December 31, 2010 and 2009 consisted of the following:

	2010	2009	Interest Rate(s) (1)	Call Price (1)
	(Thousands)		(%)	(%)
Capitalized Lease Obligations: (mature through 2014)	$ 3,914	$ 5,599	5.00	N/A
Revenue Obligations: (mature through 2050)				
1999 Tax-exempt Improvement Series A	0	7,940	N/A	N/A
1999 Taxable Improvement Series B	43,135	48,725	7.27-7.42	Non-callable
2001 Tax-exempt Improvement Series A	2,565	35,445	5.00	Non-callable
2002 Tax-exempt Refunding Series A	71,615	80,360	5.125-5.50	101
2002 Tax-exempt Improvement Series B	141,890	267,325	5.125-5.375	100
2002 Tax-exempt Refunding Series D	215,425	330,635	5.00-5.25	100
2003 Tax-exempt Refunding Series A	335,030	335,030	4.75-5.00	100
2004 Tax-exempt Improvement Series A	386,905	392,995	3.00.-5.00	100
2004 Taxable Improvement Series B	14,970	17,635	3.89-4.52	P&I Plus Make-Whole Premium
2004 Tax-exempt Improvement Series M - CIBS	19,140	19,251	4.25-4.90	100
2004 Tax-exempt Improvement Series M - CABS	10,090	9,786	4.375-5.00	Accreted Value
2005 Tax-exempt Refunding Series A	125,295	125,295	5.25-5.50	100
2005 Tax-exempt Refunding Series B	251,250	270,405	5.00	100
2005 Tax-exempt Refunding Series C	78,150	78,150	4.125-4.75	100
2005 Tax-exempt Improvement Series M - CIBS	10,681	10,784	3.65-4.35	100
2005 Tax-exempt Improvement Series M - CABS	5,341	5,154	4.00-4.35	Accreted Value
2006 Tax-exempt Improvement Series A	449,705	453,085	3.40-5.00	100
2006 Taxable Improvement Series B	96,250	110,295	4.90-5.05	P&I Plus Make-Whole Premium
2006 Tax-exempt Improvement Series M - CIBS	7,113	7,183	3.75-4.20	100
2006 Tax-exempt Improvement Series M - CABS	3,022	2,926	4.00-4.20	Accreted Value
2006 Tax-exempt Refunding Series C	114,755	114,755	4.00-5.00	100
2007 Tax-exempt Improvement Series A	324,535	332,250	4.00-5.00	100
2007 Tax-exempt Refunding Series B	97,970	97,970	4.00-5.00	Non-callable
2008 Tax-exempt Improvement Series A	401,985	406,985	5.00-5.75	100
2008 Taxable Improvement Series B	260,000	260,000	6.808-8.368	P&I Plus Make-Whole Premium
2008 Tax-exempt Improvement Series M - CIBS	18,732	18,791	3.00-4.80	100
2008 Tax-exempt Improvement Series M - CABS	6,112	5,913	3.80-4.80	Accreted Value
2009 Tax-exempt Refunding Series A	112,410	115,025	2.00-5.00	100
2009 Tax-exempt Improvement Series B	164,130	164,130	3.00-5.25	100
2009 Taxable Improvement Series C	87,040	87,040	3.72-6.224	P&I Plus Make-Whole Premium
2009 Tax-exempt Refunding Series D	39,725	39,725	3.00-5.00	Non-callable
2009 Tax-exempt Improvement Series E	284,845	284,845	3.00-5.00	100
2009 Taxable Improvement Series F	100,000	100,000	5.74	P&I Plus Make-Whole Premium
2010 Tax-exempt Improvement Series M1 - CIBS	20,584	0	1.35-4.30	100
2010 Tax-exempt Improvement Series M1 - CABS	7,322	0	3.50-4.30	Accreted Value

NOTE 5: LONG-TERM DEBT OUTSTANDING (CONTINUED):

The Authority's long-term debt at December 31, 2010 and 2009 consisted of the following:

	2010	2009	Interest Rate(s) (1)	Call Price (1)
		(Thousands)	(%)	(%)
2010 Taxable Libor Index Floating Rate Series A	234,861	0	1 Month LIBOR plus 0.25%	100
2010 Tax-exempt Refunding Series B	231,060	0	3.00-5.00	100
2010 Tax-exempt Improve ment Series M2 - CIBS	12,161	0	1.60-3.875	100
2010 Tax-exempt Improvement Series M2 - CABS	4,907	0	2.875-3.875	Accreted Value
2010 Taxable Improvement Series C (Build America Bonds) (2)	360,000	0	6.454	P&I Plus Make-Whole Premium
Total Revenue Obligations	5,150,706	4,635,833		
Less: Current Portion - Long-term Debt	369,346	128,223		
Total Long-term Debt - (Net of current portion)	$4,785,274	$4,513,209		

(1) Apply only to bonds outstanding as of 12/31/2010.
(2) These bonds were issued as "Build America Bonds" under the American Recovery and Reinvestment Act of 2009 and are eligible to receive an interest subsidy payment from the United States Department of Treasury in an amount equal to 35% of interest payable on the bonds.

Long-term debt activity for the years ended December 31, 2010 and 2009 was as follows:

	Gross LTD Beginning Balances	Increases	Decreases	Gross LTD Ending Balances	Current Portion LTD	Net LTD Ending Balances
			(Thousands)			
			YEAR 2010			
Capitalized Lease Obligations	$ 5,599	$ 0	$ (1,685)	$ 3,914	$ 1,444	$ 2,470
Revenue Obligations	4,635,833	871,944	(357,071)	5,150,706	367,902	4,782,804
Totals	$ 4,641,432	$ 871,944	$ (358,756)	$ 5,154,620	$ 369,346	$ 4,785,274
			YEAR 2009			
Capitalized Lease Obligations	$ 7,983	$ 0	$ (2,384)	$ 5,599	$ 1,685	$ 3,914
Revenue Bonds	120,465	0	(120,465)	0	0	0
Revenue Obligations	3,988,560	791,773	(144,500)	4,635,833	126,538	4,509,295
Totals	$ 4,117,008	$ 791,773	$ (267,349)	$ 4,641,432	$ 128,223	$ 4,513,209

Maturities and projected interest payments of long-term debt are as follows:

	PRINCIPAL			INTEREST			TOTAL
	Capitalized Lease Obligations	Revenue Obligations	Total Principal	Capitalized Lease Obligations	Revenue Obligations	Total Interest (2)	
Year Ending December 31,				(Thousands)			
2011 (1)	$ 1,444	$ 361,781	$ 363,225	$ 166	$ 238,843	$ 239,009	$ 602,234
2012	1,243	129,965	131,208	100	245,830	245,930	377,138
2013	982	176,058	177,040	41	238,459	238,500	415,540
2014	245	426,750	426,995	7	221,233	221,240	648,235
2015	0	224,388	224,388	0	202,807	202,807	427,195
2016-2020	0	1,121,113	1,121,113	0	854,258	854,258	1,975,371
2021-2025	0	762,505	762,505	0	606,147	606,147	1,368,652
2026-2030	0	609,981	609,981	0	455,233	455,233	1,065,214
2031-2035	0	518,650	518,650	0	299,922	299,922	818,572
2036-2040	0	453,420	453,420	0	161,676	161,676	615,096
2041-2045	0	66,095	66,095	0	114,544	114,544	180,639
2046-2050	0	300,000	300,000	0	48,405	48,405	348,405
Total	$ 3,914	$ 5,150,706	$ 5,154,620	$ 314	$ 3,687,357	$ 3,687,671	$ 8,842,291

(1) Year 2011 Interest includes projected interest for 2010 Taxable Series A (LIBOR Index Bonds).

(2) Does not reflect impact of subsidy interest payments on 2010 Taxable Series C (Build America Bonds - Direct Payment - Federally Taxable).

Refunded and defeased bonds outstanding, original loss on refunding, and the unamortized loss at December 31, 2010 are as follows:

Refunding Issue	Refunded Bonds	Refunded and Defeased Bonds Outstanding	Original Loss	Unamortized Loss
		(Thousands)		
Cash Defeasance	$ 20,000 of the 1982 Series A	$ 0	$ 2,763	$ 847
Commercial Paper	$ 76,050 of the 1973 Series 105,605 of the 1977 Series 81,420 of the 1978 Series	0	2,099	283
2002 Refunding Series A	$ 113,380 of the 1992 Refunding Series A	0	23,378	6,070
2002 Refunding Series D	$ 293,250 of the 1993 Refunding Series A 25,900 of the 1993 Refunding Series B-1 25,900 of the 1993 Refunding Series B-2 132,095 of the 1993 Refunding Series C	0	73,613	17,682
2003 Refunding Series A	$ 336,385 of the 1993 Refunding Series C 15,750 of the 1995 Refunding Series A	0	57,064	35,134
2005 Refunding Series A	$ 74,970 of the 1995 Refunding Series A 37,740 of the 1995 Refunding Series B 20,080 of the 1996 Refunding Series A	0	23,864	14,090
2005 Refunding Series B	$ 2,590 of the 1995 Refunding Series A 100,320 of the 1995 Refunding Series B 192,305 of the 1996 Refunding Series A 21,505 of the 1996 Refunding Series B	0	73,749	44,374
2005 Refunding Series C	$ 86,335 of the 1993 Refunding Series C	0	12,125	8,362
2006 Refunding Series C	$ 105,005 of the 1999 Series A 10,000 of the 2002 Series B	10,000	7,054	1,531
2007 Refunding Series B	$ 105,370 of the 1997 Refunding Series A	0	8,832	5,425
2009 Refunding Series A	$ 99,515 of the 1997 Refunding Series A 20,125 of the 1998 Refunding Series B	0	8,707	7,718
2010 Refunding Series B	$ 30,430 of the 2001 Series A 118,600 of the 2002 Series B 84,780 of the 2002 Refunding Series D	233,810	22,954	22,538
Total		$ 243,810	$ 316,202	$ 164,054

The fair value of the Authority's debt is estimated based on 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 debt with similar terms and average maturities, the fair value of debt was approximately $5.5 billion and $4.4 billion at December 31, 2010 and 2009, respectively.

On May 1, 2010, the Authority's Board authorized the sale of approximately $27.7 million Revenue Obligations, 2010 Series M1 (2010M1 Bonds). The 2010M1 Bonds consisted of Current Interest Bearing Bonds issued in denominations of $500 and Capital Appreciation Bonds issued in denominations of $200. The 2010M1 Bonds were issued directly by the Authority to residents of the State, customers of the Authority, members of electric cooperatives organized under the laws of the State and electric customers of the City of Bamberg and City of Georgetown. Interest rates range from 1.35 percent in 2013 to 4.30 percent in 2030.

On October 15, 2010, the Authority's Board authorized the sale of approximately $231.1 million Revenue Obligations, 2010 Series Refunding Series B (2010B Bonds). This refunding reduced the Authority's total debt service over the life of its bonds by approximately $22.8 million, resulting in an economic gain of approximately $18.9 million. The 2010B Bonds were issued November 10, 2010 at an aggregate all-in true interest cost of 3.30 percent. The 2010B Bonds will mature between January 1, 2013 and January 1, 2033.

On November 1, 2010, the Authority's Board authorized the sale of approximately $17.0 million Revenue Obligations, 2010 Series M2 (2010M2 Bonds). The 2010M2 Bonds consisted of Current Interest Bearing Bonds issued in denominations of $500 and Capital Appreciation Bonds issued in denominations of $200. The 2010M2 Bonds were issued directly by the Authority to residents of the State, customers of the Authority, members of electric cooperatives organized under the laws of the State and electric customers of the City of Bamberg and City of Georgetown. Interest rates range from 1.60 percent in 2015 to 3.875 percent in 2030.

On December 9, 2010, the Authority's Board authorized the sale of $360.0 million Revenue Obligations, 2010 Series C (Build America Bonds – Direct Payment – Federally Taxable) (2010C Bonds). Build America Bonds provide a federal subsidy through a refundable tax credit paid to state or local governmental issuers by the Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors in taxable bonds. The 2010C Bonds were issued on December 21, 2010 at an aggregate all-in true interest cost of 4.24 percent. The 2010C Bonds will mature January 1, 2050.

As of December 31, 2010, the Authority is in compliance with all debt covenants. 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 and water systems and all necessary repairs, replacements and renewals thereof; and

(2) the Authority is restricted from issuing additional parity bonds unless certain conditions are met.

All Authority debt (Electric and Water Systems) issued pursuant to the Revenue Obligation Resolution is payable solely from and secured by a lien upon and pledge of the applicable Electric and Water Revenues of the Authority. Revenue Obligations are senior to:

(1) payment of expenses for operating and maintaining the System; and

(2) payments for debt service on Capitalized Leases and payments made into the Capital Improvement Fund.

At December 31, 2010, the Authority had approximately $5.2 billion in outstanding Revenue Obligations. Estimated interest payments remaining on these bonds total approximately $3.7 billion. These bonds were issued between the years 1999 and 2010 and will mature during years 2011 through 2050. Proceeds from these bonds were/will be used to fund a portion of the Authority's on-going capital program or retire or refund certain outstanding debt of the Authority.

NOTE 6 - VARIABLE RATE DEBT:

The Board has authorized the issuance of variable rate debt not to exceed 20 percent of the aggregate Authority debt outstanding (including commercial paper notes) as of the last day of the most recent fiscal year for which audited financial statements of the Authority are available. The lien and pledge of Revenues securing variable rate debt issued as Revenue Obligations is senior to that securing commercial paper notes.

On June 25, 2010, the Authority's Board authorized the sale of approximately $234.9 million Revenue Obligations, 2010 Series A (LIBOR Index Bonds) (2010A Bonds). The 2010A Bonds were issued July 8, 2010 and will bear interest from their delivery date and will be payable on the fifteenth day of each month. The interest rate is variable and is set monthly based on the London Interbank Offered Rate ("LIBOR") plus 25 basis points. The 2010A Bonds will mature on July 15, 2011.

Commercial paper is issued for valid corporate purposes with a term not to exceed 270 days. The information related to commercial paper was as follows:

Years Ended December 31,	2010	2009
Effective interest rate (at December 31)	**0.30%**	0.43%
Average annual amount outstanding (000's)	**$251,916**	$145,500
Average maturity	**69 Days**	128 Days
Average annual effective interest rate	**0.36%**	0.61%

At December 31, 2010, the Authority had a Revolving Credit Agreement with Wells Fargo Bank, N.A. and J. P. Morgan Chase Bank, N.A. for $375.0 million. This agreement is used to support the Authority's issuance of commercial paper. There were no borrowings under the agreement during 2010.

Commercial paper outstanding was as follows:

Years Ended December 31,	2010	2009
	(Thousands)	
Commercial Paper-Gross	**$ 159,338**	$ 276,674
Less: Unamortized Discount on Taxable Commercial Paper	**0**	(123)
Commercial Paper-Net	**$ 159,338**	$ 276,551

NOTE 7 - 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 Unit 1 at the Summer Nuclear Station with undivided interests of 33 1/3 percent and 66 2/3 percent, respectively. SCE&G is solely responsible for the design, construction, budgeting, management, operation, maintenance and decommissioning of Unit 1 and the Authority is obligated to pay its ownership share of all costs relating thereto. The Authority receives 33 1/3 percent of the net electricity generated. At December 31, 2010 and 2009, the plant accounts before depreciation included approximately $529.4 million and $522.7 million, respectively, representing the Authority's investment, including capitalized interest, in Unit 1. The accumulated depreciation at December 31, 2010 and 2009 was $306.8 million and $301.7 million, respectively. For the years ended December 31, 2010 and 2009, the Authority's share of operation and maintenance expenses totaled $71.9 million and $64.0 million, respectively.

Nuclear fuel costs are being amortized based on energy expended using the unit-of-production method. Costs include a component for estimated disposal expense of spent nuclear fuel. This amortization is included in fuel expense and is recovered through the Authority's rates.

In 2002, SCE&G commenced a re-racking project of the on-site spent fuel pool. The new pool storage capability will permit full core off-load through 2018. Further on-site storage, if required, will be accomplished through dry cask storage or other technology as it becomes available.

The Nuclear Regulatory Commission (NRC) requires a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable NRC regulations, the Authority established an external trust fund and began making deposits into this fund in September 1990. In addition to providing for the minimum requirements imposed by the NRC, the Authority makes deposits into an internal fund in the amount necessary to fund the difference between a site-specific decommissioning study completed in 2006 and the NRC's imposed minimum requirement. Based on these estimates, the Authority's one-third share of the estimated decommissioning costs of the Unit 1 equals approximately $178.9 million in 2006 dollars. As deposits are made, the Authority debits FERC account 532 - Maintenance of Nuclear Plant, an amount equal to the deposits made to the internal and external trust funds. These costs are recovered through the Authority's rates. Based on current decommissioning cost estimates, these funds, which totaled approximately $166.2 million (adjusted to market) at December 31, 2010, 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.

In 2004, the NRC granted a twenty-year extension to the operating license for Unit 1, extending it to August 6, 2042.

In February 2006, the Authority and SCE&G announced they would consider the possibility of constructing two jointly owned 1100 MW nuclear units (Units 2 and 3) at Summer Nuclear Station. In March 2008, SCE&G acting for itself and as agent for the Authority, submitted an application for a Combined Construction and Operating License (COL) to the NRC. On May 22, 2008, the Authority's Board reaffirmed the management authorization to take actions necessary to design, permit, procure, and install two 1100 MW nuclear generating units and further authorized management to execute a Limited Agency Agreement appointing SCE&G to act as the Authority's agent in connection with the performance of an Engineering, Procurement, and Construction (EPC) Contract. This authorization includes the expenditure of up to $1.9 billion through December 31, 2011 to obtain the COL and fund the Authority's share of the EPC Contract and associated Owner's Costs for the project. On May 23, 2008, SCE&G acting for itself, and as agent for the Authority, executed an EPC Contract with Westinghouse Electric Company, Inc. and Stone & Webster, Inc. for the engineering, procurement, and construction of two 1100 MW nuclear generating units. The Authority and SCE&G have entered into a short term Bridge Agreement specifying an Authority ownership interest of 45 percent in the two units. The Authority anticipates the Bridge Agreement will be replaced by more permanent agreements governing construction, operation, and decommissioning of the units. The Authority and SCE&G are developing a Permanent

Design and Construction Agreement and a Permanent Operating and Decommissioning Agreement that will replace the Bridge Agreement. The Bridge Agreement allows, and the Permanent Design and Construction Agreement will allow, either or both parties to withdraw from the project under certain circumstances. The Authority expects to receive the COL in late 2011 and to achieve commercial operation on Unit 2 in 2016 and Unit 3 in 2019.

NOTE 8 - LEASES:

The Authority has remaining capital lease contracts with Central Electric Power Cooperative, Inc. (Central), covering transmission and various other facilities. The remaining lease terms range from one to four years. Quarterly lease payments are based on a sum equal to the interest on and principal of Central's indebtedness to the Rural Utilities Service (formerly 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, 2010 are as follows:

Year ending December 31,	
	(Thousands)
2011	$ 1,610
2012	1,343
2013	1,023
2014	252
Total minimum lease payments	4,228
Less amounts representing interest	314
Principal Payments	$ 3,914

Property under capital leases and related accumulated amortization included in utility plant at December 31, 2010, totaled approximately $27.5 million and $25.8 million, respectively, and at December 31, 2009, totaled $88.4 million and $87.4 million, respectively.

Operating lease payments totaled approximately $4.9 million and $4.2 million during the years ended December 31, 2010 and 2009, respectively. Included in these operating lease payments are periodic expenses related to leased coal cars, which are initially reflected in fuel inventory and subsequently reported in fuel expense based on the tons burned. The terms of the current coal car leases expire June 2011, June 2012, and December 2013, although, cars may be returned early with proper notice, without penalty, if demand is reduced. The maximum amounts for the coal car leases to be paid for the years 2011 through 2013 are $2.2 million, $1.2 million and $462,000, respectively. Future lease options will be evaluated based on fuel requirements.

In addition, as of December 31, 2010, the Authority has a lease agreement for a hydro electric generating facility. The lease agreement is automatically extended for five-year periods until terminated by either party by giving a two-year notice. The obligation is a $600,000 per year payment for the lease, in addition to operating expenses associated with the facility.

NOTE 9 - CONTRACTS WITH ELECTRIC POWER COOPERATIVES:

Central is a generation and transmission cooperative that provides wholesale electric service to each of the 20 distribution cooperatives which are members of Central. Power supply and transmission services are provided to Central in accordance with a power system coordination and integration agreement (the Coordination Agreement). Under this agreement, the Authority is the sole supplier of energy needs for Central, excluding energy Central receives from the Southeastern Power Administration (SEPA), small amounts provided by Broad River Electric Cooperative's ownership interest in a small run of the river hydro electric plant and small amounts purchased from others.

Central, under the terms of the Coordination Agreement, has the right to audit costs billed to them through the cost of service. Any differences found as a result of this process are accrued if they are probable and estimable. To the extent that differences arise, prospective adjustments are made to the cost of service and are reflected in operating revenues in the accompanying Combined Statements of Revenues, Expenses and Changes in Net Assets. Such adjustments in 2010 and 2009 were not material to the Authority's overall operating revenue.

In September 2008, Central requested that the Authority and Central begin formal negotiations to consider changes to the Central Agreement in light of changes in the electric industry. Subsequently, the Authority and Central began meetings to discuss Central's concerns. During those discussions, Central informed the Authority that it had an opportunity to obtain, from another supplier, a portion of its requirements related to five of its member cooperatives located in the upper part of the State, (the "Upstate Load"): Blue Ridge Electric Cooperative, Inc., Broad River Electric Cooperative, Inc., Laurens Electric Cooperative, Inc., Little River Electric Cooperative, Inc. and York Electric Cooperative, Inc. Central requested that the Authority allow it to pursue that opportunity.

In September 2009, the Authority and Central entered into an agreement which, among other things, permits Central to purchase the electric power and energy requirements necessary to serve the Upstate Load from a supplier other than the Authority. Central and the new supplier have obtained the necessary regulatory approvals and a majority of the Upstate Load will transition to the new supplier over a seven-year period beginning in 2013; by 2019, approximately 1,000 MW will be transitioned to the new supplier. The agreement also provides that neither party will exercise any rights to terminate the Central Agreement before December 31, 2030; the parties agree to negotiate in good faith, terms and conditions by which the rights of the Authority and Central to terminate the Central Agreement will be deferred beyond 2030.

NOTE 10 - COMMITMENTS AND CONTINGENCIES:

Budget - The Authority's capital budget provides for expenditures of approximately $516.4 million during the year ending December 31, 2011 and $1,791.6 million during the two years thereafter. These expenditures include $1,654.0 million for new nuclear generating units being constructed to begin operation in 2016 and 2019, $14.0 million for contractual obligations associated with the cancelled Pee Dee Unit 1, and $54.0 million for environmental compliance expenditures. The total estimated project cost, including related tranmission improvements, of the 45 percent ownership interest in the new nuclear generating units which are scheduled to begin operation in 2016 through 2019 is $5,149.0 million. Capital expenditures will be financed by internally generated funds and a combination of taxable and tax-exempt debt.

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Purchase Commitments - The Authority has contracted for long-term coal purchases under contracts with estimated outstanding minimum obligations after December 31, 2010. The disclosure of minimum obligations below (including market re-opener contracts) is based on the Authority's contract rates and represents management's best estimate of future expenditures under long-term arrangements.

Year Ending December 31,	With Re-openers	Without Re-openers
	(Thousands)	
2011	$ 681,132	$ 681,132
2012	480,308	364,514
2013	438,920	391,875
2014	228,000	228,000
2015	234,500	234,500
2016 - 2024	271,280	271,280
Total	$2,334,140	$2,171,301

The Authority has the following outstanding obligations under existing long-term purchased power contracts as of December 31, 2010:

Contracts with Minimum Fixed Payment Obligations:			
Number of Contracts	**Delivery Beginning**	**Remaining Term**	**Obligations (Millions)**
1	1985	24 Years	$62.5
1	2011	4 Years	$38.4
Contracts with Power Receipt and Payment Obligations (1):			
Number of Contracts	**Delivery Beginning**	**Remaining Term**	**Obligations (Millions)**
1	2010	15 Years	$397.6
1	2012	20 Years	$621.3
1	2013	20 Years	$266.0
3	2013	30 Years	$788.4

(1) Payment required upon receipt of power. Asumes no change in indices or escalation.

The Authority entered into agreements effective October 1, 2008 whereby New Horizon Electric Cooperative, Inc. assigned its interests, rights and obligations in contracts with Duke Energy Corporation and SCE&G for network integration transmission service to the Authority. The agreements are for network transmission service for the Upstate Load as defined in NOTE 9 –

CONTRACTS WITH ELECTRIC POWER COOPERATIVES. The initial term of both agreements is through July 2023 with annual obligations of approximately $8.1 million and $374,000, respectively. As stated in the last paragraph of NOTE 9, the majority of the Upstate Load will transition to a new supplier. The Authority's obligation for transmission service for this load will decrease in approximately the same proportion. At the end of the transition period, the Authority will no longer be responsible for purchasing transmission service for the load served by the new supplier.

CSX Transportation, Inc. (CSX) provides substantially all rail transportation service for the Authority's coal-fired generating units. During 2002, a new agreement was signed with an effective date of January 1, 2003. This contract will continue to apply a price per ton of coal moved, with the minimum being set at four million tons per year. Currently the Authority is negotiating an extension of the contract.

The Authority has commitments for nuclear fuel and nuclear fuel conversion, enrichment and fabrication contracts. As of December 31, 2010, these contracts total approximately $221.0 million over the next 13 years. The enrichment and fabrication component of these commitments from 2011 through 2013 totaling $21.0 million are contingent upon the operating requirements of the nuclear unit.

In 2009, the Authority amended the Rainey Generating Station Long-Term Parts and Long-Term Service Contract with General Electric International, Inc. (GEII). In lieu of exercising its option to terminate the Contract for convenience and to pursue non-OEM parts and services, the Authority negotiated an amendment with reduced pricing for maintenance and fixed escalation. The contract provides a contract performance manager (CPM), initial spare parts, parts and services for specified planned maintenance outages, remote monitoring and diagnostics of the turbine generators, and combustion tuning for the gas turbines. The amended contract value is approximately $103.5 million, including escalation. The contract term extends through the second major inspection for Rainey 1 (expected to be completed in 2024) and through the second hot gas path inspection for Rainey 2A (expected to be completed in 2014) and for Rainey 2B (expected to be completed in 2017). The contract can be terminated for convenience at the end of 2015. The Authority's Board has approved recovery of contract expenditures on a straight-line basis over the term of the contract.

On January 31, 2005, the Authority entered a $4.0 million Parts and Services Agreement with GEII for maintenance of the Rainey 3, 4 and 5 gas turbines. GEII's scope of work includes the supply of parts, repair services, and technical direction for one combustion inspection and one hot gas path inspection for each of the three gas turbines. The combustion inspections have been completed. The remaining scope includes three hot gas path inspections (approximately $3.0 million). The term of the agreement, which is dependent on unit operation, is expected to end in 2016.

Effective November 1, 2000, the Authority contracted with Transcontinental Gas Pipeline Corporation (TRANSCO) to supply gas transportation needs for its Rainey Generating Station. This is a firm transportation contract covering a maximum of 80,000 decatherms per day for 15 years.

Risk Management - The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. The Authority purchases commercial insurance to cover these risks, subject to coverage limits and various exclusions. Settled claims resulting from these risks did not exceed commercial insurance coverage in 2008 or 2009. However, during 2010 settled claims resulting from the Santee River Flooding Case exceeded coverage limits and were paid by the Authority (see Note 10 – Legal Matters). Policies are subject to deductibles ranging from $250 to $1.0 million, with the exception of named storm losses which carry deductibles from $1.0 million up to $5.0 million. Also a $1.4 million general liability self-insured layer exists between the Authority's primary and excess liability policies. During 2010, there were no losses incurred or reserves recorded for general liability.

The Authority is self-insured for auto, dental, worker's compensation and environmental incidents that do not arise out of an insured event. The Authority purchases commercial insurance, subject to coverage limits and various exclusions, to cover

automotive exposure in excess of $2.0 million per incident. Risk exposure for the dental plan is limited by plan provisions. There have been no third-party claims for environmental damages for 2010 or 2009. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

At December 31, 2010 and 2009, the amount of the self-insured liabilities for auto, dental, worker's compensation and environmental remediation was approximately $2.3 million and $1.8 million, respectively. The liability is the Authority's best estimate based on available information.

Changes in the reported liability were as follows:

Year Ended December 31:	**2010**	2009
	(Thousands)	
Unpaid claims and claim expense at beginning of year	**$ 1,753**	$ 2,120
Incurred claims and claim adjustment expenses:		
Add: Provision for insured events of the current year	**3,548**	2,027
Less: Payments for current and prior years	**3,038**	2,394
Total unpaid claims and claim expenses at end of year	**$ 2,263**	$ 1,753

The Authority pays insurance premiums to certain other State agencies to cover risks that may occur in normal operations. The insurers promise to pay to, or on behalf of, the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. Several State funds accumulate assets, and the State itself assumes all risks for the following:

(1) claims of covered employees for health benefits (Employee Insurance Program); not applicable for worker's compensation injuries; and

2) claims of covered employees for basic long-term disability and group life insurance benefits (Employee Insurance Program and Retirement System).

Employees elect health coverage through the State's self-insured plans. All other coverage listed above is through the applicable State self-insured plan except that additional group life and long-term disability premiums are remitted to commercial carriers. The Authority assumes the risk for claims of employees for unemployment compensation benefits and pays claims through the State's self-insured plan.

Nuclear Insurance - The maximum liability for public claims arising from any nuclear incident has been established at $12.5 billion by the Price-Anderson Indemnification Act. This $12.5 billion would be covered by nuclear liability insurance of $300.0 million per site, with potential retrospective assessments of up to $117.5 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed $17.5 million per incident, per year). Based on its one-third interest in Summer Nuclear Station, the Authority could be responsible for the maximum assessment of $39.2 million, not to exceed approximately $5.8 million per incident, per year. This amount is subject to further increases to reflect the effect 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 Nuclear Electric Insurance Limited (NEIL), $500.0 million primary and $1.5 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 primary and excess policies, SCE&G and the Authority could also be assessed a retrospective premium, not to exceed ten times the annual premium of each policy, in the event of property damage to any nuclear generating facility covered by NEIL. Based on current annual premiums and the Authority's one-third interest, the Authority's maximum retrospective premium would be approximately $2.9 million for the primary policy and $3.0 million for the excess policy. SCE&G and the Authority also maintain accidental outage insurance to cover replacement power costs (within policy limits) associated with an insured property loss. This policy also carries a potential retrospective assessment of $1.6 million.

The Authority is self-insured for any retrospective premium assessments, claims in excess of stated coverage, or cost increases due to the purchase of replacement power associated with an uninsured event. Management does not expect any retrospective assessments, claims in excess of stated coverage, or cost increases for any periods through December 31, 2010.

Clean Air Act - The Authority endeavors to ensure that its facilities comply with applicable environmental regulations and standards.

In addition to the existing Clean Air Act (CAA) Federal Acid Rain Program, the EPA promulgated in 2005 two Clean Air Act Regulations: the Clean Air Mercury Rule (CAMR) and the Clean Air Interstate Rule (CAIR). The CAIR program required revisions to the South Carolina State Implementation Plans (SIP) accordingly for NOx. The Authority, along with other utilities, challenged the SO2 allocation portion of CAIR, and participated in a stakeholders' process to develop with the South Carolina Department of Health and Environmental Control (DHEC), a regulation for CAIR and CAMR in South Carolina. The proposed regulation for CAIR and CAMR was approved by the state legislature and went into effect June 22, 2007. However, both CAIR and CAMR have been subject to DC Circuit Court review and subsequent decisions.

In 2008, the CAMR was vacated by the DC Circuit Court. In place of the state promulgated CAMR, South Carolina utilities and DHEC finalized a Memorandum of Agreement (MOA) in which the Authority committed to install and certify mercury Continuous Emissions Monitoring Systems (CEMS) at a set of agreed-upon coal-fired units, and collaborate with the South Carolina utilities and DHEC to provide support for a state-wide assessment evaluating the mercury deposition resulting from coal-fired power plants in South Carolina. In 2009, the mercury CEMS were installed at the specified Authority units and utilities began initial reporting. There are no cap and trade requirements.

Also in 2008, the DC Circuit Court remanded CAIR back to EPA without vacatur with the requirement for EPA to develop a replacement rule. CAIR and the CAIR Federal Implementation Programs (FIPs) – including the CAIR trading programs – remain in place, until EPA issues a new rule to replace CAIR. The CAIR replacement rule, the Clean Air Transport Rule (CATR) was proposed by EPA in 2010. The Authority participated in the public comment process for CATR. The Final Rule is anticipated in 2011. The Authority will continue to evaluate the courts ruling and any subsequent action by EPA.

The Authority has been operating under a settlement agreement, called the Consent Decree, which became effective June 24, 2004. The settlement with EPA and DHEC was related to certain environmental issues associated with coal-fired units. It involved the payment of a civil penalty, an agreement to perform certain environmentally beneficial projects, and capital costs to achieve emissions reductions over the period ending 2013. The capital costs are expected to be largely offset by savings resulting from a reduced need to purchase emission credits.

Currently there are both legislative and regulatory efforts to reduce greenhouse gas emissions. The Authority continues to review proposed greenhouse gas regulations to assess potential impacts to its operations. In 2010, EPA finalized the Prevention of Significant Deterioration (PSD) Tailoring Rule for regulating greenhouse gases through the PSD permitting process under the existing CAA. EPA issued Best Available Control Technology (BACT) Guidance in 2010 for use under the rule effective July 1,

2011. The Authority will continue to monitor both regulatory and legislative efforts to reduce greenhouse gas emissions to access potential impacts to its operations.

The EPA is in the process of proposing regulations to reduce the emissions of mercury and other hazardous air pollutants (HAPs) from coal-fired electric utility boilers through the maximum achievable control technology (MACT) regulatory process. As a part of EPA rule development, the Authority participated in the EPA's mandatory Information Collection Request (ICR) for mercury and other HAPs for its coal-fired and oil-fired units. The ICR required facility and fuel information as well as stack testing at Cross, Winyah and Jefferies generating stations. The proposed MACT rule is anticipated in March 2011. The Authority will review the proposed regulations when released to determine impacts to its operations.

Safe Drinking Water Act - The Authority continues to monitor for Safe Drinking Water Act regulatory issues impacting drinking water systems at Santee Cooper's regional water systems, generating stations, substations and other auxiliary facilities such as Wampee and Somerset. DHEC has regulatory authority of potable water systems in South Carolina. The State Primary Drinking Water Regulation, R.61-58, governs the design, construction and operational management of all potable water systems in South Carolina subject to and consistent with the requirements of the Safe Drinking Water Act and the implementation of federal drinking water regulations. The Authority endeavors to manage its potable water systems for compliance with R.61-58.

Clean Water Act - The Clean Water Act (CWA) prohibits the discharge of pollutants, including heat, from point sources into waters of the United States, except as authorized in the National Pollutant Discharge Elimination System (NPDES) permit program. The CWA also requires that cooling water intake structures reflect the best technology available for minimizing adverse environmental impact. DHEC has been delegated NPDES permitting authority by the EPA and administers the program for the State. For applications submitted prior to the renewal application date, DHEC has stated that if there should be a delay in renewing permits beyond the expiration of the existing permits, the permits will be extended by operation of law and the Authority may still discharge pursuant to Section 1-23-370 of the Code of Laws of South Carolina 1976, as amended.

Each station's stormwater discharge is covered under the State's NPDES General Permit No. SCR000000. The Authority continually strives to operate in compliance with this permit.

Industrial wastewater discharges from all stations and the regional water plants are governed by NPDES permits.

The status of the Authority's permits is shown below:

Facility	Permit Type	Effective Date	Expiration Date	Renewal Application Date
Cross Generating Station	Individual	Nov 3, 2006	Aug 31, 2010	Mar 4, 2010
Grainger Generating Station	Individual	Oct 1, 2002	Sep 30, 2006	Mar 28, 2006
Jefferies Generating Station	Individual	Mar 1, 2003	Feb 29, 2008	Aug 29, 2007
Rainey Generating Station	Individual	Mar 1, 2010	Mar 31, 2013	N/A *
Winyah Generating Station	Individual	Mar 1, 2007	Jul 31, 2011	Feb 1, 2011
Regional Water Systems	General	Oct 1, 2001	Oct 31, 2006	Apr 24, 2006

* Renewal applications must be submitted to SC DHEC 180 days or more prior to the listed expiration date.

The EPA revised sections of the CWA relating to Spill Prevention Control and Counter-measures (SPCC). These revisions require that regulated facilities, including generating stations, substations and auxiliary facilities, amend their current SPCC plans to meet the standard. The Authority continues to be in compliance with the new standard before the regulatory required implementation date of November 1, 2011. By that date, facilities must amend or prepare, and implement SPCC Plans in accordance with revisions to the SPCC rule promulgated since 2002.

The EPA published regulations implementing Section 316(b) of the CWA for existing electric generating facilities in the Federal Register on July 9, 2004. These regulations require that cooling water intake structures reflect the Best Technology Available (BTA) for minimizing adverse environmental impacts such as the impingement of fish and shellfish on the intake structures and the entrainment of eggs and larvae through cooling water systems. These regulations, which became effective September 7, 2004, establish performance standards for reduction in impingement mortality and entrainment. On July 9, 2007 the EPA published in the Federal Register a Suspension of Regulations Establishing Requirements for Cooling Water Intake Structures, known as the EPA 316(b) Phase II rule. Even though this rule was suspended, the NPDES permit continues to require that a compliance plan be submitted in the form of a Comprehensive Demonstration Study (CDS) to DHEC. Jefferies Generating Station and the Grainger Generating Station NPDES permits additionally require submission of a CDS. With the suspension of the rule, DHEC granted a variance from this specific permit condition with qualifying conditions. A letter dated December 14, 2007 from DHEC stated that Jefferies and Grainger would not be required to complete the CDS process at this time but requested an interim partial CDS be submitted in regards to certain activity already completed. Thus, the Authority's facilities affected by the new rule, Jefferies and Grainger Stations, are currently in compliance with the requirements.

Hazardous Substances and Wastes - Section 311 of the CWA imposes substantial penalties for spills of Federal EPA-listed hazardous substances into water and for failure to report such spills. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) provides for the reporting requirements to cover the release of hazardous substances generally into the environment, including water, land and air. When these substances are processed, stored, or handled, reasonable and prudent methods are employed to prevent a release to the environment.

Additionally, the EPA regulations under the Toxic Substances Control Act impose stringent requirements for labeling, handling, storing and disposing of polychlorinated biphenyls (PCB) and associated equipment. There are regulations covering PCB notification and manifesting, restrictions on disposal of drained electrical equipment, spill cleanup record-keeping requirements, etc. The Authority has recently updated a comprehensive PCB management program in response to these regulations.

Under the CERCLA and Superfund Amendments and Reauthorization Act (SARA), the Authority could be held responsible for damages and remedial action at hazardous waste disposal facilities utilized by it, if such facilities become part of a Superfund effort. CERCLA liability, which is strict, joint and several, can be imposed on any generator of hazardous substances who arranged for disposal or treatment at the affected facility. Moreover, under SARA, the Authority must comply with a program of emergency planning and a "Community Right-To-Know" program designed to inform the public about more routine chemical hazards present at the facilities. Both programs have stringent enforcement provisions.

The Authority endeavors to comply with the applicable provisions of CERCLA and SARA, but it is not possible to determine if some liability may be imposed in the future for past waste disposal or compliance with new regulatory requirements. In addition to handling hazardous substances, the Authority generates solid waste associated with the combustion of coal, the vast majority of which is fly ash, bottom ash, gypsum and scrubber sludge. These wastes are presently exempt from hazardous wastes regulation under the Resource Conservation and Recovery Act (RCRA).

Also under RCRA, the Authority may be required to undertake corrective action with respect to any leaking underground petroleum storage tank and is liable for the costs of any corrective action taken by the EPA, including compensating third parties for personal injuries and property damage. The Authority implemented a program which assessed all underground storage tanks (USTs). As a result of the assessment, the number of USTs was significantly reduced. The Authority is required by the EPA and DHEC to maintain documentation of sufficient funds or insurance to cover environmental impacts.

Pollution Remediation Obligations – During 2008, the Authority adopted GASB 49, which addresses standards for pollution (including contamination) remediation obligations for remediation activities such as site assessments and cleanups. GASB 49 excludes pollution prevention or control obligations with respect to current operations and future pollution remediation activities that are required upon retirement of an asset, such as land fill closure and post closure care and nuclear power plant decommissioning.

The Authority had recorded approximately $181,000 and $182,000 for pollution remediation liabilities for years ended December 31, 2010 and 2009, respectively. The liabilities are recorded at the current value of the costs. The method used to estimate the liabilities consists of weighting a range of possible estimated job cost amounts and calculating a weighted average cost. The weights and estimated costs are developed using professional engineering judgment acquired through years of estimating and completing many pollution remediation projects. The Authority foresees no cost recoveries at this time which would reduce the recorded estimated liabilities.

Homeland Security - The Department of Homeland Security (DHS) was established by the Homeland Security Act of 2002. These regulations are housed in Title 6 of the Code of Federal Regulations. Some of these regulations deal with issues involving major industrial facilities. Particularly relevant is 6 CFR 27, which relates to anti-terrorism standards at facilities which store or process chemicals. This regulation required the submittal of a screening assessment for certain facilities which store chemicals in excess of the screening threshold quantity. The Authority has been proactive in conducting security assessments independently and with guidance from DHEC and DHS since 2001, and will continue to comply with this evolving body of regulations.

Legal Matters - Landowners located along the Santee River contend that the Authority is liable for damage to their real estate as a result of flooding that has occurred since the U.S. Army Corps of Engineers' (the "Corps") Cooper River Rediversion Project (the "Project") was completed in 1985. A jury trial held in 1997 in the U.S. District Court, Charleston, SC, returned a verdict against the Authority on certain causes of action. The Authority has entered into a settlement agreement with the plaintiffs which involve mediation of the claims and non-jury hearings regarding those claims which cannot be resolved through mediation. Pursuant to this agreement, the claims of five landowners were resolved with the Authority paying $15.6 million for those claims. The claims of seven landowners were tried in July 2009. On February 5, 2010, the Court entered an amended judgment in the amount of approximately $55.0 million plus prejudgment interest at eight percent compounded annually. The Authority paid the judgment amount, approximately $206.0 million including interest, on March 1, 2010. All remaining issues in the District Court action are expected to be resolved in 2011. The U.S. Army Contract Board of Appeals has determined that the contract between the Corps and the Authority requires that the Corps indemnify the Authority for certain claims arising out of the construction and operation of the Project. The Authority will seek recovery from the Corps with regard to payment of these claims. No estimate relative to potential loss to the Authority can be made at this time.

In late 2007 an action was instituted in the Court of Common Pleas, Horry County, South Carolina, by an Authority retail customer, seeking to represent himself and others similarly situated, as a class seeking damages against the Authority. The plaintiff makes claims related to the propriety of the Authority's rates and rate making process. The action has been resolved through a court approved settlement. The settlement will not have a material adverse effect on the financial position of the Authority.

The Authority is also a party in various other claims and lawsuits that arise in the conduct of its business. Although the results of litigation cannot be predicted with certainty, in the opinion of management, the ultimate disposition of these matters will not have material adverse effect on the financial position or results of operations of the Authority.

NOTE 11 - RETIREMENT PLAN:

Substantially all Authority regular employees must participate in one of the components of the South Carolina Retirement System (SCRS), a cost sharing, multiple-employer public employee retirement system, which was established by Section 9-1-20 of the South Carolina Code of Laws. The payroll for active employees covered by the SCRS for each of the years ended December 31, 2010, 2009 and 2008 was approximately $121.5 million, $122.0 million and $114.0 million, respectively.

Vested employees who retire at age 65 or with 28 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 60 or 55 with 25 years of service. The SCRS also provides death and disability benefits. Benefits are established by State statute.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allowed SCRS employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit or disability retirement benefits. Effective July 1, 2005, TERI employees began "re-contributing" to the SCRS at the prevailing rate. However, no service credit is earned under the new regulations. The group life insurance of one times annual salary was re-established for TERI participants.

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement plans be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws (as amended) prescribes requirements relating to membership, benefits and employee/employer contributions.

All employees are required by State statute to contribute to the SCRS at the prevailing rate (currently 6.50 percent). The Authority contributed 9.24 percent of the total payroll for SCRS retirement. For 2010, the Authority also contributed an additional 0.15 percent of total payroll for group life. The contribution requirement for the years ended December 31, 2010, 2009 and 2008 was approximately $12.0 million, $12.0 million and $11.0 million, respectively, from the Authority and $7.9 million, $7.9 million and $7.4 million, respectively from employees. The Authority made 100 percent of the required contributions for each of the years ended December 31, 2010, 2009 and 2008.

The SCRS issues a stand-alone financial report that includes all required supplementary information. The report may be obtained by writing to: South Carolina Retirement System, P.O. Box 11960, Columbia, S.C. 29211.

Effective July 1, 2002, new employees have a choice of type of retirement plan in which to enroll. The State Optional Retirement Plan (State ORP) which is a defined contribution plan is an alternative to the SCRS retirement plan which is a defined benefit plan. The contribution amounts are the same, (6.50 percent employee cost and 9.24 percent employer cost) however, 5.0 percent of the employer amount is directed to the vendor chosen by the employee and the remaining 4.24 percent is to the Retirement System. As of December 31, 2010, the Authority had 40 employees participating in the State ORP and consequently the related payments are not material.

The Authority is the non-operating owner (one-third share) of SCE&G's V.C. Summer Nuclear Station. As such, the Authority is responsible for funding its share of pension requirements for the nuclear station personnel in accordance with FASB ASC 715, "Employers' Accounting for Pensions". Any earnings generated from the established pension plan are shared proportionately and used to reduce the allocated funding.

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As of December 31, 2010 and 2009, the Authority had over-funded its share of the plan FASB ASC 715 requirements by $6.8 million and $8.5 million, respectively. This receivable however, is offset by a regulatory liability as a result of the Authority adopting FASB ASC 715 during 2007. The Authority's regulatory asset and liability balances were approximately $19.9 million and $19.7 million for the unfunded portion of pension benefits at December 31, 2010 and 2009, respectively. Additional information may be obtained by reference to the SCANA Corporation Annual Report on Form 10K as filed with the Securities Exchange Commission as of December 31, 2010.

The Authority also provides retirement benefits to certain employees designated by management and the Board under supplemental executive retirement plans. Benefits are established and may be amended by management and the Authority's Board and includes retirement benefit payments for a specified number of years and death benefits. The cost of these benefits is actuarially determined annually. Beginning in 2006, the supplemental executive retirement plans were segregated into internal and external funds. The qualified benefits are funded externally with the annual cost set aside in a trust administered by a third party. The pre-2006 retiree benefits and the non-qualified benefits are funded internally with the annual cost set aside and managed by the Authority. The total cost for the years 2010 and 2009 was approximately $1.4 million and $1.5 million, respectively. At December 31, 2010 and 2009 the accrued liability was approximately $5.1 million and $5.0 million, respectively.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS:

Vacation / Sick Leave - During their first 10 years of service, full-time employees can earn up to 15 days vacation leave per year. After 11 years of service, employees earn an additional day of vacation leave for each year of service over 11 until they reach the maximum of 25 days per year. Employees earn two hours per pay period, plus twenty additional hours at year-end for sick leave.

Employees may accumulate up to 45 days of vacation leave and 180 days of sick leave. Upon termination, the Authority pays employees for unused vacation leave at the pay rate then in effect. In addition, the Authority pays employees upon retirement 20 percent of their sick leave at the pay rate then in effect.

Plan Description - The Authority participates in an agent multiple-employer defined benefit healthcare plan whereby the South Carolina Employee Insurance Program (EIP) provides certain health, dental and life insurance benefits for eligible retired employees of the Authority. The retirement benefits available are defined by the EIP and substantially all of the Authority's employees may become eligible for these benefits if they retire at any age with a minimum of 10 years of earned service or at age 60 with at least 20 years of service. Currently, approximately 640 retirees meet these requirements. For employees hired May 2, 2008 or thereafter, the number of years of earned service necessary to qualify for funded retiree insurance is 15 years for a one-half contribution, and 25 years for a full contribution. The EIP may be contacted at: Employee Insurance Program, Financial Services, P.O. Box 11661, Columbia, S.C. 29211-1661.

Funding Policy – Prior to 2010, the Authority used the unfunded pay-as-you-go option (or cash disbursement) method pursuant to GASB 45 to record the net OPEB obligations. During 2010, the Authority established an irrevocable trust with Synovus Trust Company and elected the funding policy method. This method of funding will result in decreasing contributions over time whereby the more retirees, the lesser the disbursements as a percentage of employee payroll.

Annual OPEB Cost - The Authority's annual OPEB cost, the annual required contribution of the employer (ARC), is an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The Authority's annual OPEB cost contributed for these benefits is equal to the actual disbursements during the year for health care benefits for retired employees plus annual funding amounts for the trust. The Authority's annual OPEB cost (expense) for the current and prior years was as follows:

Year Ended December 31:	2010	2009
	(Thousands)	
Beginning Liability Balance	$ 19,855	$ 12,457
Add: Annual OPEB Cost	8,858	10,348
Less: Annual OPEB Cost Contributed	14,367	2,950
Add/Less: Trust Market Value Adjustment	68	0
Net OPEB Obligation	$ 14,414	$ 19,855

Funded Status and Funding Progress - The funded status of the plan based on the latest actuarial study dated June 30, 2008 is as follows:

	(Thousands)
Actuarial Accrued Liability (AAL)	$107,113
Actuarial Value of Plan Assets	0
Unfunded Actuarial Accured Liability (UAAL)	$107,113
Funded Ratio (Actuarial Value of Plan Assets / AAL)	0.00%

Actuarial valuations of an ongoing plan involve estimates such as mortality rates and potential rising health costs. The unfunded actuarial accrued liabilities (UAAL) were amortized as a level percent of active member payroll over a period of 30 years. A 30-year amortization period is the maximum period that complies with the GASB requirements.

Actuarial Methods and Assumptions - Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an individual entry-age actuarial cost method to accumulate the value of the member's benefit at the time of retirement.

The Entry Age Normal actuarial cost method has been used to calculate the ARC for this valuation. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability. The ARC is expected to increase at approximately the same rate as active member payroll. This is both an acceptable and reasonable cost method.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a / b)
			(Thousands)	(%)
6/30/2006	$0	$137,543	$137,543	0.00
6/30/2008	$0	$107,113	$107,113	0.00

V.C. Summer OPEB - The Authority is the non-operating owner (one-third share) of SCE&G's V.C. Summer Nuclear Station. As such the Authority is responsible for funding its share of other post-employment benefit costs for the station's employees. The Authority's liability balances as of December 31, 2010 and 2009 were approximately $8.9 million and $8.6 million, respectively.

In addition, the Authority adopted the balance sheet recognition provision of FASB ASC 715 during 2007. At December 31, 2010 and 2009, respectively, regulatory asset and liability balances of approximately $2.0 million and $1.7 million were recorded for the unfunded portion of other post-employment benefit costs for V.C. Summer employees. Additional information may be obtained by reference to the SCANA Corporation Annual Report on Form 10K as filed with the Securities Exchange Commission as of December 31, 2010.

NOTE 13 - CREDIT RISK AND MAJOR CUSTOMERS:

Sales to two major customers for the years ended December 31, 2010 and 2009 were as follows:

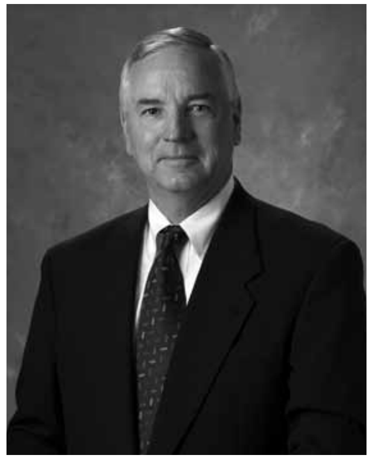
	2010	2009
	(Thousands)	
Central (including Saluda)	$ 1,096,000	$ 997,000
Alumax of South Carolina	$ 176,000	$ 169,000

No other customer accounted for more than 10 percent of the Authority's sales for either of the years ended December 31, 2010 or 2009. The Authority maintains an allowance for uncollectible accounts based upon the expected collectibility of all accounts receivable.

NOTE 14 – SUBSEQUENT EVENT(S):

We have evaluated subsequent events through February 23, 2011 in conjunction with the preparation of these financial statements which is the date the financial statements were available to be issued. As of this date, the Authority has no subsequent events to report.

BOARD OF DIRECTORS



O.L. THOMPSON III
Chairman
At-Large
Mt. Pleasant, S.C.

President and CEO of O.L. Thompson Construction Co., Inc, that includes Thompson Trucking Co., Inc and Wando Concrete.

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1st Vice Chairman
3rd Congressional District
Easley, S.C.

Real estate consultant at Nalley Commercial Properties in Easley, S.C.

WILLIAM A. FINN
2nd Vice Chairman
1st Congressional District
Charleston, S.C.

Chairman of AstenJohnsen, Inc., a specialty textile company for the printing and papermaking industries based in Charleston, S.C.

J. CALHOUN LAND, IV
6th Congressional District
Manning, S.C.

Partner in Land, Parker and Welch, a general practice Manning law firm.

W. LEIGHTON LORD III
2nd Congressional District
Columbia, S.C.

Partner in Nexsen Pruet law firm in Columbia.

DR. JOHN MOLNAR
Horry County
Myrtle Beach, S.C.

Medical Director for Grand Strand Regional Medical Center, Emergency Department.

PEGGY PINNELL
Berkeley County
Moncks Corner, S.C.

Owner of State Farm Insurance Agency, Moncks Corner.

DAVID A. SPRINGS
Georgetown County
Murrells Inlet, S.C.

Retired Consulting Engineer for electric cooperatives and municipal utilities with Southern Engineering Company of Georgia.

CECIL VIVERETTE
At-Large
Hilton Head Island, S.C.

Retired President and CEO of Rappahannock Electric Cooperative in Virginia.

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BARRY WYNN
4th Congressional District
Spartanburg, S.C.

President of Colonial Trust Company, a private trust company specializing in investment management and estate services.

Director James W. Sanders, Sr., representing the 5th Congressional District, passed away on July 9, 2010.

ADVISORY BOARD*

Mark Sanford
Governor

Mark Hammond
Secretary of State

Henry D. McMaster
Attorney General

Richard A. Eckstrom
Comptroller General

Converse A. Chellis III
State Treasurer

EXECUTIVE MANAGEMENT

Lonnie N. Carter	*President and Chief Executive Officer*
Bill McCall	*Executive Vice President and Chief Operating Officer*
Elaine G. Peterson	*Executive Vice President and Chief Financial Officer*
James E. Brogdon Jr.	*Executive Vice President and General Counsel*
R.M. Singletary	*Executive Vice President of Corporate Services*

MANAGEMENT

Terry L. Blackwell	*Senior Vice President, Power Delivery*
S. Thomas Abrams	*Vice President, Planning and Power Supply*
Jeffrey D. Armfield	*Vice President, Business Services and Treasurer*
Wm. Glen Brown	*Vice President, Human Resource Management*
Zack W. Dusenbury	*Vice President, Retail Operations*
Glenda W. Gillette	*Vice President, Administration*
Thomas L. Kierspe	*Vice President, Property and Environmental Management*
Richard Kizer	*Vice President, Government and Community Relations*
L. Phil Pierce	*Vice President, Fossil and Hydro Generation*
Suzanne H. Ritter	*Vice President, Corporate Planning and Bulk Power*
Marc Tye	*Vice President, Conservation and Renewable Energy*
Laura G. Varn	*Vice President, Corporate Communications*

AUDITOR

Stephon Terrell Thompson

CORPORATE SECRETARY

Pamela J. Williams — *Associate General Counsel – Corporate Affairs*

* *On Jan. 12, 2011, Nikki Haley was sworn in as governor of South Carolina. Other new members of Santee Cooper's Advisory Board who took office that day include Alan Wilson as Attorney General and Curtis M. Loftis, Jr., as Treasurer. Richard Eckstrom continues to serve as Comptroller General, and Mark Hammond continues as Secretary of State.*

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