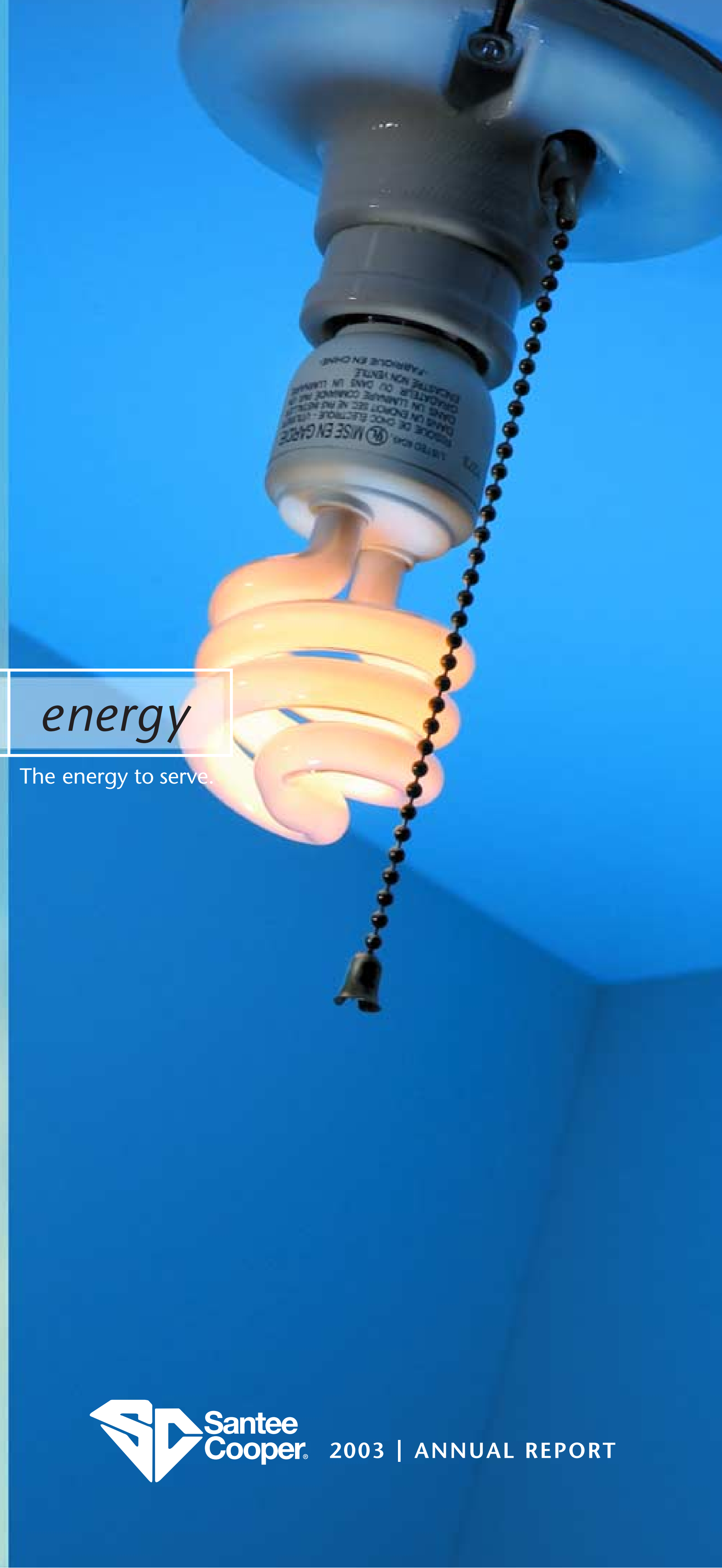


POWER | *energy*

The power to lead. The energy to serve.

Santee Cooper

2003 | ANNUAL REPORT

The power to lead. The energy to serve.

Construction of the Santee Cooper project began on April 18, 1939, with the first electricity generated on February 17, 1942 from the Pinopolis Power Plant, (renamed Jefferies Hydroelectric Station in 1966), a five-unit hydroelectric facility near Moncks Corner.

Santee Cooper serves approximately 138,000 retail customers in Berkeley, Georgetown and Horry counties and supplies power to the municipalities of Bamberg and Georgetown, 31 large industries and one military installation. The state-owned electric and water utility generates the power distributed by the state's 20 electric cooperatives to more than 625,000 customers in all 46 counties. All total, over 1.8 million South Carolinians receive their power from Santee Cooper.

In addition to its original hydroelectric station, the utility owns and operates five large-scale, generating stations, four of which are coal-fired and one is natural-gas fired. The coal-fired stations are Jefferies Station in Moncks Corner, Cross Station in Cross, Winyah Station in Georgetown and Grainger Station in Conway. Rainey Station in Anderson County is a natural-gas fired station.

Santee Cooper also owns and operates combustion turbine-peaking units at Myrtle Beach and Hilton Head Island, a small hydroelectric unit at the Santee Dam and seven small diesel fuel power units at various locations in the upper part of the state.

The utility has a one-third ownership in the V.C. Summer Nuclear Station near Jenkinsville.

In 2001, Santee Cooper became the first utility in South Carolina to produce green power. Electricity is generated using methane gas from the Horry County Solid Waste Authority.

In October 1994, the Santee Cooper Regional Water System began commercial operation. This signaled a new era in Santee Cooper service to South Carolina. The citizens of Moncks Corner, Goose Creek, Summerville and customers of the Berkeley County Water & Sanitation Authority, some 116,000 water users, receive their water from the system.

The mission of Santee Cooper is to be the state's leading resource for improving the quality of life for the people of South Carolina.

To fulfill this mission, Santee Cooper is committed to: being the lowest cost producer and distributor of reliable energy, water and other essential services; providing excellent customer service; maintaining a quality workforce through effective employee involvement and training; operating according to the highest ethical standards; protecting our environment; and being a leader in economic development.

[ENERGY SALES]

DIRECT RETAIL SERVICE	WHOLESALE	MILITARY AND LARGE INDUSTRIAL
At the end of 2003, Santee Cooper was serving 137,823 residential, commercial and other retail customers located in Berkeley, Georgetown and Horry counties. This was an increase of 2.6 percent over 2002. Sales to these retail customers were 3,259 gigawatt-hours, up 2.5 percent from the previous year.	Sales to Central Electric Power Cooperative Inc. and their member cooperatives remained essentially consistent. Central is Santee Cooper's largest single customer. These electric cooperatives distribute power to more than 625,000 customers in all 46 counties of the state. Santee Cooper also provides electricity to the municipalities of Bamberg and Georgetown. Sales to these municipalities decreased 9 percent.	Military and large industrial sales were up 0.1 percent over the previous year.

[CORPORATE STATISTICS]

Calendar Year	2003	2002	2001	2000	1999
Total Electric Revenue (in thousands of dollars)	1,043,776	1,029,124	968,795	858,458	810,572
Interdepartmental Sales of Electricity and Water	(242)	(260)	(300)	(260)	(230)
Total Electric Revenue-Net of Interdepartmental Sales (in thousands of dollars)	1,043,534	1,028,864	968,495	858,196	810,342
Water System	4,400	4,471	4,544	4,219	3,824
Total Operating Revenues (in thousands of dollars)	1,047,934	1,033,335	973,039	862,415	814,166
Operating & Maintenance Expenses Charged to Operations (in thousands of dollars)	675,276	646,403	627,493	541,515	480,371
Sums in Lieu of Taxes Charged to Operations[1] (in thousands of dollars)	2,904	2,975	2,521	2,490	2,238
Payments to the State Charged to Reinvested Earnings (in thousands of dollars)	10,486	10,315	9,216	8,497	7,883
Net Operating Revenues Available for Debt Service (in thousands of dollars)[2]	382,867	403,678	366,435	354,114	354,830
Reinvested Earnings (in thousands of dollars)	68,848	81,965	66,510	74,817	47,384
Energy Sales (in gigawatt-hours)	24,060	24,121	22,400	22,139	20,285
Number of Customers (at year end)					
Retail	137,823	134,299	130,897	128,513	124,647
Military and Large Industrial	32	33	33	35	35
Wholesale[3]	4	4	5	4	4
Total	137,859	134,336	130,935	128,552	124,686
Summer Peak Generating Capability, (net megawatts)	4,277	4,259	3,520	3,518	3,518
Generation: Coal	19,010	18,628	18,365	19,133	17,061
Nuclear	2,445	2,455	2,243	2,113	2,450
Hydro	670	253	220	301	304
Natural Gas	1,190	2,256	174	—	—
Oil	26	35	54	106	150
Landfill Gas	22	15	4	—	—
Total (in gigawatt-hours)	23,363	23,642	21,060	21,653	19,965
Purchases, Net Interchanges, etc. (in gigawatt-hours)	999	583	1,445	170	408
Total Territorial Energy Sales (in gigawatt-hours)	24,362	24,225	22,505	21,822	20,373
Territorial Peak Demand (in megawatts)	5,373	4,795	4,803	3,876	3,729

Notes:
(1) Amounts accrued for payment to the municipalities as franchise fees are not included. Franchise fees paid in the respective calendar years totaled $3,114,000 for 2003, $2,648,000 for 2002, $2,679,000 for 2001, $2,544,00 for 2000, and $2,427,000 for 1999.
(2) Operating revenues plus applicable other income less operating expenses excluding depreciation.
(3) Does not include non-firm sales to other utilities.

[COMPARATIVE HIGHLIGHTS]

Calendar Year	2003	2002	% Change
Total Revenues & Income	$1,057,586	$ 1,056,551	0
Total Expenses & Interest Charges	973,326	944,651	3
Other	(15,412)	(29,935)	-94
Reinvested Earnings	$ 68,848	$ 81,965	-19
Debt Service Coverage	1.86 times	1.79 times	—
Debt/Equity Ratio (excluding commercial paper)	68/32	70/30	—

Financial (in thousands of dollars)

The Power to Lead. The Energy to Serve. That's the theme of Santee Cooper's 2003 Annual Report. Since Santee Cooper is the source of power for more than 1.8 million South Carolinians, we do have the power and the energy needed to serve the Palmetto State.

Being the state's leading resource for improving the quality of life for the people of South Carolina remains the mission of Santee Cooper. We remember this in everything we do every single day which allows us to provide low cost, reliable power to our customers. We'd like to share with you some of our 2003 accomplishments.

Financial Stability

2003 was a successful year for Santee Cooper. Electric and water revenues topped $1 billion, and reinvested earnings were $68.8 million. Our bond ratings remained high, according to the top three bond rating agencies, Standard & Poor's Rating Services, Moody's Investors Service and Fitch Ratings.

Management continually monitors the bond market to look for savings opportunities. In May, the Santee Cooper board authorized the refunding of $352.1 million of 1993 Series C and 1995 Series A Revenue Bonds, which resulted in a net-present value savings of $17.7 million over the life of the bonds. Higher-interest debt was paid off and new bonds totaling $335.03 million were later issued at a lower interest rate. Interest rates were at a 40-year low at the time of the refunding.

Rates on Santee Cooper's commercial paper program averaged 1.24 percent for 2003. This was the lowest average rate since inception of the program in 1983.

Operational Strength

Santee Cooper is the nation's fourth largest publicly owned electric utility of its type based on generation and megawatt-hour sales to ultimate customers. This is based on the American Public Power Association's 2003 Annual Directory and Statistical Report.

Our generating capability continued to grow. Construction was completed on three units at Rainey Generating Station in Anderson County, adding 222 megawatts of capacity. With the addition of these units, Rainey now has the capability of generating almost 1,000 megawatts of electricity.

Also, construction plans are progressing on a new 600-MW generating unit at the Cross Station. Unit 3, a $675-million project, is scheduled for commercial operation in January 2007.

Once Cross Unit 3 is complete, Santee Cooper's total generating capability will be 5,100 MW, supplying needed electricity for the state's growing energy requirements.

Santee Cooper is also looking at new ways to add generation. One such way is through green power, which is electricity generated using methane gas produced by renewable resources like solar, wind and decomposing garbage in selected landfills. These resources are replenished naturally.

Since its introduction in September 2001, Green Power has been a growing success, with three generators now producing 3.3 MWs of electricity at a landfill owned and operated by Horry County Solid Waste Authority. Santee Cooper is an environmental steward, and this is one of the many ways we help protect our environment.

It is impossible to guarantee that electricity received in homes and businesses comes directly from Green Power generators. However, participation in the Green Power Program ensures that electricity generated from renewable-resource generators are added to Santee Coopers's grid and less energy from conventional sources is being produced.

In 2003, Santee Cooper had more than 1,400 residential customers, commercial customers and local businesses committed to protecting the environment through the Green Power program. Total sales in 2003 were over 9 million kWh.

Seven electric cooperatives across South Carolina have joined our effort to promote and sell Green Power. Additional electric cooperatives are expected to join the Green Power program in 2004.

Plans were announced in 2003 for three additional methane-gas-to-electricity projects in Lee, Richland and Anderson counties. Each site will add over 5 MWs of green power to the system, bringing Santee Cooper's total green power generating capacity to approximately 20 MWs. These generating units are scheduled to begin commercial operation between late 2004 and early 2005.

Customer Growth

Retail growth was 2.5 percent while wholesale and industrial sales remained constant.

Santee Cooper's largest industrial customer is Alcoa Mt. Holly, an aluminum manufacturer located in southern Berkeley County. A new long-term power agreement, signed in August, allows Santee Cooper to continue as Alcoa's source of electricity through 2015. Alcoa Mt. Holly accounts for more than 14 percent of Santee Cooper's annual energy sales.

Palmetto Economic Development Corporation, jointly owned by the electric cooperatives and Santee Cooper, conducts economic development activities in the state. Together, in 2003, Santee Cooper and the electric cooperatives brought to the state $119 million in new investment, 1,145 direct jobs and 10,700 kilowatts of new electrical load.

Our customers receive high quality customer service. We know this because in our annual residential customer satisfaction survey, Santee Cooper received a 99.4 percent overall customer satisfaction rating. This quality customer service, ranked well-above the national average, is provided by some of the best employees in the country. Our highly skilled and conscientious employees strive to provide low-cost, reliable electricity with excellent customer service.

Santee Cooper's system includes four coal-fired stations, one natural gas-fired station, two hydro stations, one methane gas station and combustion turbine and diesel peaking units. We also have a one-third ownership in a nuclear facility. There are 4,418 miles of transmission lines, 2,258 miles of distribution lines, 80 transmission substations, 330 delivery points with the electric cooperatives and 17 ties with other utilities. With all of these facilities, we maintained a 99.997 percent reliability rating on the transmission system and a 99.996 percent reliability rating on the distribution system. Again, this is due in part to the outstanding work provided by Santee Cooper's 1,700 employees across the state.

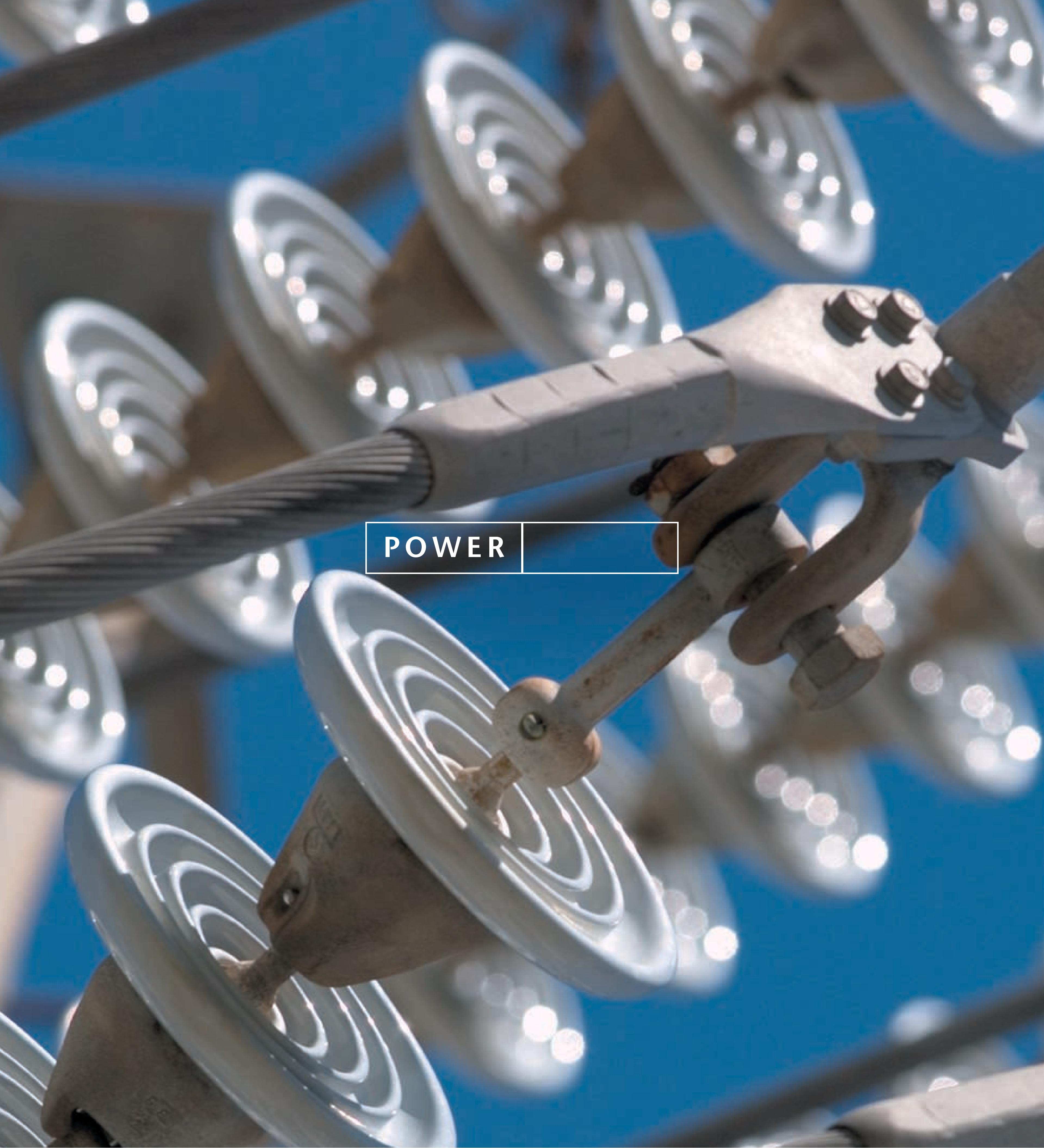
Santee Cooper is well positioned to move into the future. Generation plans are in place to prepare Santee Cooper to serve growth in the state. Long-term financial strategies have been developed to assure stability in the financial market. Employee development plans have been formulated to ensure we have a well-trained workforce with the right people in the right jobs.

We're a public power utility, and we're accountable to the people we serve and the citizens of South Carolina. In the next few pages of this report, you will see what Santee Cooper has accomplished that makes us an American tradition that works.

Because of our Dependable Power and Dependable People, we have the Power to Lead and the Energy to Serve.

T. Graham Edwards
Chairman
Board of Directors

Lonnie N. Carter
President and
Chief Executive Officer



POWER

A new all-time system peak of 5,373 megawatts was set on Jan. 24 as sleet, snow and freezing rain visited much of Santee Cooper's direct and indirect service territory. Low temperatures, ranging from 9 degrees F in the Anderson area to 14 degrees F in Conway, contributed to the record-setting peak. The previous peak was 4,803 MWs.

Lee County embraces methane gas project

Santee Cooper and Lee County Landfill LLC announced an agreement on Feb. 5 authorizing Santee Cooper to construct and operate a $6 million methane gas-to-electricity project at the 210-acre landfill, located near Bishopville.

The Lee County landfill, part of Allied Waste Industries Inc., will initially produce enough methane gas to fuel 5.4 MWs of generation, with an eventual build-out of up to 25 MWs from additional units. Commercial operation is expected in late 2004.

Anderson and Richland county landfills bolster methane-fired generation

Santee Cooper and Anderson Regional Landfill, LLC announced on Sept. 10 an agreement to generate electricity from methane gas produced by decaying refuse at the 135-acre landfill.

The methane gas will be used to fuel a $7 million generating station Santee Cooper will construct, own and operate at the site, located near Belton. The station is projected to initially produce 5.5 MWs — with an eventual build-out producing up to 13 MWs from additional units. The Anderson project is expected to enter commercial operation in 2005.

The Richland County Landfill project will add 5.5 MWs to the Santee Cooper system and is expected to be in commercial operation in mid-2005.

Rainey Station best in class

The Rainey Generating Station bested the competition in Santee Cooper's 18th annual Generation Goals Program. It was a first for the natural gas-fired facility. Rainey's first phase, Units 1A, 1B and 1S with 447 MWs of generating capability, entered commercial operation on Jan. 1, 2002. Units 2A and 2B went commercial in March and May with 292 MWs of generation.

The annual goals program allows for friendly competition in the areas of safety, cost of power and reliability of power among Santee Cooper's generating stations.

Coelectrics Partners applies economies of scale

Colectric Partners, an "economies of scale" organization for public power formed by Santee Cooper, JEA, MEAG Power and the Nebraska Public Power District, announced on March 5 the launch of Colectric's Combustion Turbine Spare Parts Initiative, or CT-SPIN. This fleet-management program for large frame, industrial-gas turbines allows participating members to pool their critical spare parts, thereby optimizing inventory costs while assuring parts availability during planned outages and emergencies. The organization is headquartered in Jacksonville, Fla.

Rain, finally

In the spring, rains in the 15,000-square mile area comprising the Santee Cooper watershed necessitated the opening of floodgates at the Santee Dam on Lake Marion. Spilling had not occurred since early 1998 due to a prolonged drought that affected the Southeast.

(left to right) In February, Santee Cooper signed an agreement with Allied Waste to build a methane-gas-to-electricity facility at the Lee County Landfill LLC. • Work began on selective catalytic reduction equipment at Winyah Station. SCRs reduce nitrogen-oxide emissions. • As a result of the large amount of rainfall received in March, Santee Cooper accelerated its mosquito control program around the lakes.

…Followed by mosquitoes

Vector Management accelerated its program of mosquito control around the Santee Cooper Lakes in response to increased rainfall in the five-county region. Santee Cooper is responsible for mosquito control on 150,000 acres and 450 miles of shoreline.

GOFER expands

Environmental Services announced a pilot program on May 14 to collect used cooking oil generated by residential consumers at Give Oil for Energy Recovery or GOFER tanks in Berkeley, Charleston and Dorchester counties. The program is aimed to reduce the amount of cooking oil going in the trash, down garbage disposals and ending up in landfills and waterways.

GOFER tops 2 million gallons again

For the second time in three years, the GOFER program collected more than 2 million gallons of used motor oil, a 13 percent increase over 2002's total.

EPA hails methane gas effort

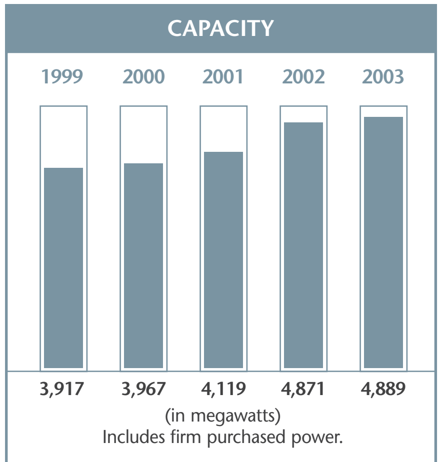
Santee Cooper was recognized by the U.S. Environmental Protection Agency's Landfill Methane Outreach Program for its partnership with the federal agency in advancing the use of methane gas to generate electricity.

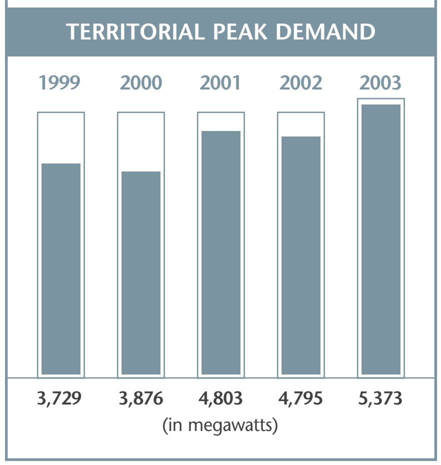
Water system exceeds standards

People receiving water from the Santee Cooper Regional Water System now total 116,000. Water for this system comes from Lake Moultrie. The S.C. Department of Health and Environmental Control awarded the Santee Cooper Regional Water System the 2002 AWOP Excellence Award. AWOP stands for Area-Wide Optimization Program. The system's 30-million gallons per day treatment plant was among 19 others statewide that exceeded water-quality standards. It is administered by S.C. DHEC's Bureau of Water, part of the agency's Environmental Quality Control division.

Upgrades complete at Pinopolis Lock

Santee Cooper's Pinopolis Lock was taken out of service on Oct. 6 to replace the lock's emergency taintor gate and associated equipment. The lock officially returned to service on Dec. 13. The lock's 75-foot high boat lift allows boats to travel to and from Lake Moultrie, Tailrace Canal and Cooper River.





Ash recovery, re-use increases significantly

Santee Cooper found alternate uses for approximately 500,000 tons of coal ash, an increase of 200,000 tons from the previous year. About 170,000 tons of synthetic gypsum from generating stations were also produced. Use of combustion products is over 70 percent, exceeding the national average of 35 percent for all utilities. Cost recovery in 2003 exceeded $1.5 million.

Over 34,000 tons of bottom ash were supplied to concrete block manufacturers, enough to manufacture 8 million concrete blocks.

Nitrogen oxide emissions being reduced even further

The selective catalytic reduction equipment project was completed at Cross Station, and work began on installation of SCRs at Winyah Station. SCRs reduce nitrogen-oxide emissions. Low nitrogen-oxide burners were also installed during the year on Unit 2 at Grainger Station. Santee Cooper has earmarked $280 million for these nitrogen-oxide reduction projects.

With the addition of lines associated with the tie to Duke Energy, Santee Cooper now has 4,418 miles of transmission lines.

Transmission & Distribution

Santee Cooper notified the Federal Energy Regulatory Commission on Feb. 19 that it had withdrawn from the proposed SeTrans Regional Transmission Organization. On Dec. 2, SeTrans announced that efforts were being suspended to bring an RTO to the Southeast. In addition to Santee Cooper, SeTrans was composed of eight investor-owned and publicly owned electric utilities.

Santee Cooper completes tie with Duke

A double circuit, 230-kV transmission line from Rainey Station's 230 kV Switching Station to Duke's Anderson 230-100 kV Substation was completed in 2003. This project was initiated to establish a new interconnection with Duke Energy. The transmission facilities were recommended to reinforce the delivery of the power from Rainey Station.

Rodeo lets crews show off their skills, and safety record shows they are pros

In September, Santee Cooper hosted a Lineworkers' Rodeo at Somerset Point. This rodeo, conducted jointly by Training and Development & Transmission and Distribution, allows Santee Cooper's line technicians to measure their work practices and methods against other utilities. Participating in that event were teams from Santee Cooper, Berkeley Electric Cooperative, Laurens Electric Cooperative and Tri-County Electric Cooperative.

Santee Cooper's winning teams then advanced to the American Public Power Association's 3rd annual Public Power Lineworkers' Rodeo held March 29 in Jacksonville, Fla. Santee Cooper employees placed in several of the events during the national competition.

Customer Service

Low rates, reliable service and a firm commitment to the environment earned Santee Cooper an overall residential Customer Satisfaction Rate of 99.4 percent, well above the national average of 89.3 percent. When an outage occurs, 99 percent of customers surveyed are satisfied that Santee Cooper works quickly to restore power.

Earth Day brings more Green Power

In the spirit of Earth Day, Palmetto Electric Cooperative announced April 21 that it would offer its customers the option of purchasing Green Power generated by Santee Cooper. Palmetto, which serves over 56,000 customers in Beaufort, Hampton and Jasper counties, became the third electric cooperative to offer Green Power generated by Santee Cooper at its Horry County Landfill Gas Station.

Santee Cooper, the Horry County Solid Waste Authority, Grand Strand Lowe's stores and Central True Value Hardware in Moncks Corner teamed up to observe Earth Day by giving away river birch seedlings on April 26.

Berkeley Electric Cooperative announced on Sept. 8 that it would offer Santee Cooper-generated Green Power to its customers. The Moncks Corner-based cooperative is the state's largest, providing power to 65,600 customers in Berkeley, Charleston and Dorchester counties.

On Sept. 25, Mid-Carolina Electric Cooperative announced it too would offer Green Power. Based in Lexington, Mid-Carolina serves 44,000 customers in Aiken, Lexington, Newberry, Richland and Saluda counties.

Tri-County Electric Cooperative followed suit on Sept. 29, announcing its 17,500 customers in Calhoun, Kershaw, Lexington, Orangeburg, Richland and Sumter counties could sign up for Green Power.

Santee Cooper finished 2003 with 137,823 retail customers, an increase of 3,524 over the previous year. Green Power sales also continued to grow as 372 new residential customers purchased 546 100-kilowatt-hour blocks and 49 commercial customers signed up for 797 200 kWh blocks. There are 1,183 residential customers and 206 commercial customers buying Green Power.

"EZ-Audit" tailored for convenience

On July 1, Santee Cooper began offering its residential customers a new "EZ-Audit" feature as part of the Online Energy Audit program. The EZ-Audit gives customers the option to answer fewer questions than the original format, thus reducing the amount of time it takes to complete an audit.

Safety Recognition

Emphasis on safe work earns honors

In 2003, Santee Cooper had an overall incident rate of 2.6 and a days away from work incident rate of 0.2. These are approximately half the national average for electric utilities.

Santee Cooper earned awards for safety from the National Safety Council, the South Carolina Occupational Safety Council and the South Carolina Chamber of Commerce.

Santee Cooper has had 38 years of eligibility in the American Public Power Association safety contest and has earned awards 33 times.

Support for citizen-soldiers ongoing

For the third consecutive year, Santee Cooper has worked closely with employees activated for military duty to support Operations Noble Eagle, Enduring Freedom and Iraqi Freedom.

Community Relations

More than two dozen Santee Cooper employees and their families participated in the Beautiful Berkeley Cleanup. It was part of an 89-person volunteer effort that netted 5,910 pounds of litter along Berkeley County roadways.



(left to right) The Power line Hazard Awareness Demonstration unit presented 45 demonstrations to groups all across the state. • Line technicians participated in the Santee Cooper and the American Public Power Association's line workers rodeos. • Santee Cooper's EZ-Audit offers residential customers a way to complete an online energy audit.

Relay for Life aids Cancer Society

Santee Cooper employees have always been very active in the American Cancer Society's Relay for Life campaign, and 2003 was no exception. The Winyah Generating Station team participated in the April 11 Georgetown Relay for Life, and teams from the Moncks Corner headquarters, Cross and Jefferies stations, and the Myrtle Beach area participated in April 25 events. The Moncks Corner area event fielded 53 teams that raised approximately $239,000, an effort that involved 1,110 people. The Moncks Corner Relay for Life has raised $1 million in the six years the annual event has been held.

United Way is company tradition

The employees at Santee Cooper have always been supportive of their local United Ways. 2004 campaigns for Anderson, Georgetown, Horry and Trident United Ways were held during the year, resulting in almost $400,000 in employee and corporate pledges.

Heart Walk raises over $21,000

On Oct. 11, the American Heart Association held its annual Heart Walk in Myrtle Beach and Santee Cooper's team raised $21,443 and took first place in the team competition. Board chairman T. Graham Edwards served as the event's co-chair.

Environmental Symposium focuses on future

The South Carolina Environmental Symposium drew 200 to the 12th event, held Oct. 15-17 at Springmaid Beach in Myrtle Beach. The symposium featured more than 30 speakers and presenters, 11 exhibitors and the annual Governor's Pollution Prevention Awards dinner.

Santee Cooper is the symposium's primary sponsor. The theme was "Shaping South Carolina's Future: A Model for the 21st Century." Keynote speaker was Storm Cunningham, author of "The Restoration Economy."

Education efforts expand

The Santee Cooper Energy Educator's Institute, a graduate-level course offered through Charleston Southern University, is held each summer.

Another education tool used by Santee Cooper is the Power line Hazard Awareness Demonstration unit. In 2003, 45 presentations were made to school and community groups. The unit is a mobile platform with utility poles, electrical conductors and distribution transformers used to demonstrate live power. It teaches electrical safety in a realistic and vivid way by showing exactly what happens when animals, trees, tools and equipment, antennas, ladders or kites come into contact with power lines.

Students respond to outreach efforts

Santee Cooper's participation in the High Performance Partnership at Berkeley Middle School is having a positive impact on students as reflected in HPP data submitted to the S.C. Chamber of Commerce.



(left to right) Santee Cooper employees work with students in area schools through several outreach programs, such as Lunch Buddies. • Megan McDuffie was the winner of the 2003 Environmental Essay Contest. The contest topic was "How Environmentally Friendly is Your Home?". • Some 200 people attended the 2003 Environmental Symposium.

Of the 421 sixth-graders at BMS, 45 are mentored in the Lunch Buddies program. The Choices Career program was also implemented during the school year, and nearly all of the school's 400 sixth-graders participated. Santee Cooper also has HPPs with Macedonia Middle School and Loris Middle School.

Property Management

The Wadboo Tract, some 2,600 acres in Berkeley County, was set aside in a permanent nondevelopment conservation easement. The environmental treasures protected by the easement include a bottomland forest, unique limestone bluff and eight miles of a freshwater creek. The tract is protected through an agreement with Santee Cooper and the Lord Berkeley Conservation Trust.

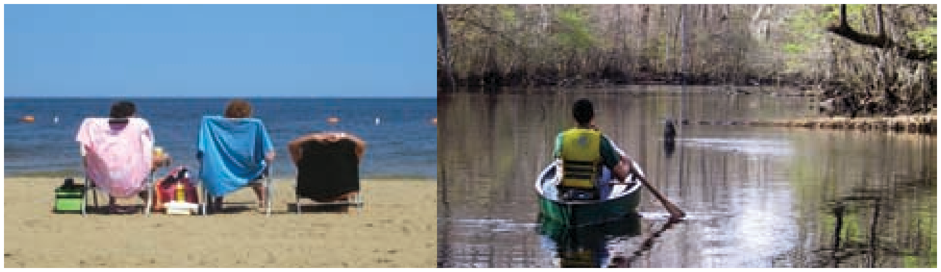
New park and swimming area opens

Construction began on the first phase of Overton Park, a 14-acre public swimming area on Lake Moultrie north of Moncks Corner. Located near the Short Stay military recreation facility, the park opened in late May and features a 400 foot-long beachfront, picnic tables and parking for 100 vehicles.

Whole lot of shuckin' goes on

Approximately 1,000 oyster lovers attended the 4th annual Shuckin' in the Park Oyster Festival, held March 15 at the Old Santee Canal Park in Moncks Corner. A record amount of oysters, 150 bushels, was prepared for the festival.

Santee Cooper has operated the park since acquiring the property from the State Park Service in June 1999.



(left to right) Overton Park, a new 14-acre public swimming area on Lake Moultrie, opened in May. • The 2,600 acres of Wadboo Tract are now protected through an agreement between Santee Cooper and the Lord Berkeley Conservation Trust.

Music for every taste

A crowd of 400 music lovers attended "Blues Night at the Old Santee," held May 30 at the Old Santee Canal Park. This Piccolo Spoleto event was one of three sponsored by Santee Cooper, which included a June 1 concert at Mepkin Abbey featuring the St. Petersburg String Quartet and classical guitarist Paul Galbraith and a June 3 Outreach Pops Concert by the Charleston Symphony at Timberland High School.

Duck race helps children's center

Thousands attended the July 5 Festival in the Park, an annual event at the Old Santee Canal Park in Moncks Corner. A highlight of the festival was the Million Dollar Duck Race. Sponsored by Santee Cooper and Home Telephone Co., the duck race is a fund-raiser for the Callen-Lacey Center for Children.

Boat launch at Bonneau improves access

Santee Cooper announced on July 30 that it would construct a boat-launching facility at Bonneau Beach, giving the public greater access to Lake Moultrie in Berkeley County. The Richardson Landing project is on a nearly six-acre tract adjacent to the Live Oak subdivision and Black Oak Road.

The project features a two-lane boat ramp, a parking lot with spaces for 80 vehicles, fishing pier, courtesy dock, breakwater structure, fencing and security lights. The project will be completed in the first quarter of 2004.

Tractor pull gives museum a push

Over 3,000 people attended the Berkeley Museum's 2nd annual Antique Tractor and Engine Show held Sept. 13 and 14 at the Old Santee Canal Park. More than 140 pulls were made in the tractor-pull competition, a highlight of the event. The show is a fund-raiser for the museum.

Bluegrass, with a side of barbecue

Seven musical acts, cloggers, barbecue and delightful chamber of commerce weather combined to make the Pickin' in the Park Bluegrass Festival a success as 1,100 attended the all-day affair on Oct. 4. For the first time, the fourth annual event was held in conjunction with the seventh annual Lions Club Barbecue Cookoff, organized by the Moncks Corner and St. Stephen Lions clubs.

Corporate Communications

Megan McDuffie, a seventh-grade student at Myrtle Beach Middle School, was the statewide winner in the 13th annual Santee Cooper Environmental Essay Contest. Over 3,000 students from nearly 90 schools wrote and submitted essays on "How Environmentally Friendly is Your Home?" Since the contest began in 1991, over 45,000 students have participated. McDuffie and 12 other winners were honored May 19 at a luncheon held at the Wampee Conference and Training Center.

Safety education becomes a media event

As South Carolina's largest electric provider, Santee Cooper decided that the public should know how to use electricity safely. To help accomplish this, a multimedia campaign to educate the public about some potential electricity hazards was developed and implemented in 2003. The television commercials and print advertisements encourage viewers and readers to visit two of Santee Cooper's Web sites (www.scsafeguard.com and www.scwaters.com) to learn about electrical safety in the home and outdoors and to learn about swimming and boating safety.

Economic Development

On the economic development front, the economy showed signs of recovery in the fourth quarter. Santee Cooper and the electric cooperatives concluded the year with the addition of $119 million in direct investment, 1,145 direct jobs and 10,700 kilowatts of installed capacity in their service territories. One of the many ways in which Santee Cooper contributes to economic development in the state is through its partnership with the Palmetto Economic Development Corporation (PEDC). Headquartered in Columbia, the PEDC coordinates the joint economic development efforts of Santee Cooper and the state's 20 electric cooperatives.

Combustion products from several of Santee Cooper's generating stations have a variety of uses, such as being used in the making of concrete.

Corporate Planning and Bulk Power

Alcoa Mt. Holly, an aluminum manufacturer, and Santee Cooper signed a power agreement on Aug. 5. The agreement extends service through 2015. The Berkeley County facility has a work force of approximately 630. It is one of Santee Cooper's 31 large industrial customers and accounts for nearly 14 percent of Santee Cooper's annual energy sales. The facility began commercial operation in 1980.

Energy Authority boosts wholesale marketing

The Energy Authority, a nonprofit power marketing organization that provides wholesale marketing services for Santee Cooper and several other public power utilities, completed its sixth year of operations. Based in Jacksonville, Fla., TEA marketed 1,485,340 MWhs for Santee Cooper and purchased 9,663,193 mmBtus of natural gas for the Rainey Station.

Central billing service updated

Customer Billing and MIS implemented a new Central Billing Program on June 1. The program bills Central Electric Power Cooperative Inc. for power ultimately distributed by the state's 20 electric cooperatives and accounts for approximately 49 percent of Santee Cooper's electric revenues.

Georgetown Steel closes

Georgetown Steel, one of Santee Cooper's 31 industrial customers, closed its doors in October and filed for bankruptcy on Nov. 7. The steel manufacturer, the county's largest employer with some 465 employees, received about 120 MWs of Santee Cooper power.

Natural gas risk management program developed

Santee Cooper developed a natural gas risk management program with a governing policy that was adopted by the Santee Cooper Board of Directors on June 23. This program enables Santee Cooper to identify, measure and manage the market risk associated with the price volatility of natural gas, the major fuel source at Rainey Station.

Administration and Finance

Laws requiring the phasing-in of alternative fuels affected the nearly 700 "on road" vehicles in Santee Cooper's fleet. Two fuels, E-85 and biodiesel, are part of this mandate toward "flex fuels." These fuels lower emissions and thus, are environmentally beneficial.

Santee Cooper and Alcoa Mt. Holly representatives signed a power agreement extending service to the aluminum manufacturer through 2015.

Availability – The amount of time that a system is available to provide service, usually expressed in percentage, for a specific period of time such as a month or year.

Btu (British thermal unit) – The standard unit for measuring quantity of heat energy, such as the heat content of fuel. It is the amount of heat energy necessary to raise the temperature of one pound of water one degree Fahrenheit.

Capacity – The load for which a generating unit, generating station, or other electrical apparatus is rated either by the user or by the manufacturer.

Combustion turbine – A jet-type turbine engine which burns gas or oil and propels a generator to produce electricity.

Commercial customer – All nonresidential retail customers served under the General Service rate schedules. Generally, these customers have a demand less than 1,000 kW per month.

Demand – The rate at which electric energy is delivered to or by a system, part of a system or a piece of equipment. It is expressed in kilowatts at a given instant or averaged over any designated period of time. The primary source of "demand" is the power-consuming equipment of the customers.

Distribution – The process of delivering electric energy from convenient points on the transmission or bulk power system to the consumers. Also, a functional classification relating to that portion of a utility plant used for the purpose of delivering electric energy from convenient points on the transmission system to consumers, or to expenses relating to the operation and maintenance of a distribution plant.

Electric cooperative – A private business entity owned by the customers it serves that supplies electric energy to a specified area. In South Carolina, there are 20 electric distribution co-ops, all of which receive Santee Cooper-generated power.

Energy sales – The sale of electric energy to wholesale and retail customers usually expressed in kilowatt-hours.

FERC (Federal Energy Regulatory Commission) – An independent federal agency created within the Department of Energy, FERC is vested with broad regulatory authority over wholesale electric, natural gas and oil production and the licensing of hydroelectric facilities. Among other things, the agency has regulatory authority over the safety of Santee Cooper's dams and dikes.

Fly ash – Gas-borne particles of matter resulting from the combustion of fuels and other materials.

Generating unit – A combination of equipment needed to produce electricity, such as a turbine-generator and its boiler. A generating station usually consists of several units.

Gypsum – This is both a naturally occurring and an artificially produced calcium sulfate ($CaSO_4$) compound. It is used for a multitude of purposes including sheetrock, fertilizer and cement production. Artificial gypsum may be produced by utilities using forced-oxidation desulfurization systems.

Heat rate – A measure of generating station thermal efficiency, generally expressed in Btu per net kilowatt-hour. It is computed by dividing the total Btu content of fuel burned for electric generation by the resulting kilowatt-hour generation. The lower the heat rate, the more efficient the production.

Industrial customer – Very large retail customers served under Santee Cooper's Large Light and Power rate schedule (or associated riders). These customers have a demand greater than 1,000 kW.

Kilowatt (kW) – 1,000 watts.

Kilowatt-hour (kWh) – The basic unit of electric energy equal to one kilowatt (1,000 watts) of power flowing through an electric circuit steadily for one hour.

Load – The amount of electric power delivered or required at any specified point or points on a system.

Megawatt (MW) – One million watts or 1,000 kilowatts.

Megawatt-hour – The basic unit of electric energy equal to one megawatt (1,000 kilowatts) of power flowing through an electric circuit steadily for one hour.

Peak demand – The maximum amount of electricity used by a utility customer at any instant during a specific time period. The peak is used to measure the amount of electric generating capacity that is required to meet that maximum demand.

Public power – Refers collectively to those utilities owned by municipalities or the state or federal government. Although not government owned, electric cooperatives are sometimes considered within the scope of public power.

Regional Transmission Organization (RTO) – A voluntarily created entity approved by the Federal Energy Regulatory Commission to efficiently coordinate transmission planning, operation and use on a regional and interregional basis. It may be a nonprofit or for-profit entity, and it may or may not own the transmission facilities that it operates.

Reinvested earnings – Net revenues available for reinvestment in the business.

Residential customer – The classification of customers to whom electricity is sold for household purposes.

Retail customer – These customers are the ultimate consumer of electric energy. Includes residential, commercial, small industrial and other non-wholesale customers.

Revenue bond – A bond payable solely from net or gross non-taxable revenues derived from the operation and charges paid by users of the system.

Substation – An assembly of equipment for the purpose of switching and/or changing or regulating the voltage of electricity.

Tax-exempt financing – A form of financing employed by publicly owned utilities that allows such utilities to issue bonds where the interest paid on the bonds is not generally subject to taxation. This policy, established in law, stems from the long-standing philosophical viewpoint that publicly owned utilities (electric, water, sewer) provide basic services to the citizens they serve and thus should not be taxed.

Transmission – The process of transporting electric energy in bulk from a source or sources of supply to other principal parts of the system or to other utility systems. Also, a functional classification relating to that portion of utility plant used for the purpose of transmitting electric energy in bulk to other principal parts of the system or to other utility systems, or to expenses relating to the operation and maintenance of transmission plant.

Watt – The basic electrical unit of power or rate of doing work. The rate of energy transfer equivalent to one ampere flowing due to an electrical pressure of one volt at unity power factor. One watt is equivalent to approximately 1/746 horsepower, or one joule per second.

Wholesale customer – A customer who purchases all or part of his or her electricity from the electric utility for resale.

FINANCIALS

FINANCE-AUDIT COMMITTEE CHAIRMAN'S LETTER

The Finance-Audit Committee of the Board of Directors is comprised of five independent directors: Guerry E. Green, chairman, Paul G. Campbell Jr., Vernie E. Dove Sr., G. Dial DuBose and Keith D. Munson.

The committee meets monthly with members of management and Internal Audit to review and discuss their activities and responsibilities.

The Finance-Audit Committee oversees Santee Cooper's financial reporting and internal auditing processes on behalf of the board of directors.

Periodic financial statements and reports from management and the internal auditors pertaining to operations and representations were received. In fulfilling its responsibilities, the committee also reviewed the overall scope and specific plans for the respective audits by the internal auditors and the independent public 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, without management present, 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.

Guerry Green

Guerry E. Green
Chairman
Finance-Audit Committee

Management's Discussion and Analysis

Overview of the Financial Statements

In June 1999 the Governmental Accounting Standards Board issued Statement No. 34, "Basic Financial Statements – Management's Discussion and Analysis - for State and Local Governments." The objective of this Statement is to enhance the understandability and usefulness of the general-purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors. This Statement was effective for the Authority beginning in fiscal year 2001.

By definition within this Statement, Santee Cooper is deemed a proprietary or enterprise fund; where a government entity operates like a business. GASB 34 requires the following components in a governmental entity's annual report.

- Management's Discussion and Analysis
  The purpose is to provide an objective and easily readable analysis of the Authority's financial activities based on currently known facts, decisions, or conditions.
- 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 Fund Net Assets
  This statement provides the operating results of the Authority broken into the various categories of operating revenue 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 as 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 Highlights

	2003	2002
	(Thousands)	
Operating revenues	$ 1,047,934	$ 1,033,335
Operating expenses	817,811	783,424
Operating income	230,123	249,911
Interest charges	(155,516)	(161,227)
Costs to be recovered	(15,411)	(29,935)
Other income	9,652	23,216
Transfers out	(10,486)	(10,315)
Change in net assets	58,362	71,650
Ending net assets	$ 1,122,480	$ 1,064,118

Operating revenues for 2003 increased $14.6 million or 1 percent. Overall kilowatt-hour sales were consistent with those reported for 2002. Retail energy sales grew by 2 percent due to a combination of weather conditions and a 3 percent expansion in the number of customers. Sales to industrial customers remained generally flat, but were influenced by the third largest industrial customer discontinuing operations in the fourth quarter of 2003. Wholesale sales decreased 1 percent, primarily due to lower sales to Central Electric Cooperative, Inc. and other utilities.

Operating expenses for 2003 increased $34.3 million or 4 percent. Purchased power expense increased $7.8 million or 13 percent but was partially offset by a $4.4 million drop in fuel expense. On January 24, 2003, Santee Cooper set a new historical peak of 5,373 MW. To ensure our customers did not lose power during this cold spell, additional power was purchased at the going market price. Remaining generation expenses to operate and maintain the units were $10.9 million higher than the previous year due to pulverizer repairs at the Winyah Generating Station, a turbine outage at the Cross Generating Station and the normal 18-month refueling outage for the V.C. Summer Nuclear Station, of which the Authority owns one-third. The completion in 2003 of adding Selective Catalytic Reduction Systems (SCRs) to two units at Cross Generating Station increased operating expenses due to the additional cost for ammonia. Also, included in the generation costs is an estimate for a legal settlement which is still pending final approval with the Environmental Protection Agency (EPA) and South Carolina Department of Health and Environmental Control (DHEC). Santee Cooper continues to burn synfuel, a processed coal that is cheaper and results in savings to our customers. In 2003, this provided an estimated savings to our customers of approximately $16 million which was reflected in the fuel expense reported. Costs for customer accounting were $7.5 million higher due to recovery of a $4.0 million bad debt in 2002 which generated a credit balance in this category in 2002 combined with recognition of a pending legal settlement. Administrative and general expense was up $6.9 million or 11 percent due to increases in insurance, the V.C. Summer Nuclear Station, and employee related expenses. The remaining variance of approximately $6 million is attributable to higher depreciation expense resulting from an increase in the depreciable asset base.

Operating income declined $19.8 million or 8 percent as a result of these differences.

Interest charges for 2003 were less by $5.7 million (4 percent) compared to last year due to the net effect of refunding a portion of the 1993 C and 1995 A bonds by the 2003 A Refunding issue along with lower interest rates on commercial paper.

Costs to be recovered from future revenue was $14.5 million or 49 percent less than last year. This was due to the combination of higher depreciation, lower debt principal and the impact of the 2003 A Refunding Bond issue.

Other income dropped $13.5 million or 58 percent. Interest income declined $5.0 million (27 percent) due to fewer funds available for investment. Miscellaneous income increased $0.7 million (171 percent), primarily due to transactions with The Energy Authority and increased gains on the sale of lots. The fair value of investments dropped $9.3 million due to differences in market conditions affecting the portfolio.

The change in net assets was reduced $13.3 million compared to the same period last year due to these differences.

Capital Improvement Program

Rainey Generating Station units 3, 4 and 5 went commercial on January 1, 2004. The Authority's capital improvement program for years 2004 through 2006 consists of expenditures for construction of (i) Cross Generating Station Units 3 and 4 and (ii) general improvements to the Authority's System. These general improvements include the power supply facilities, extensions of and improvements to transmission and distribution facilities, environmental compliance, and other improvements to general facilities.

The total cost of the capital improvement program in years 2004 through 2006 is estimated to be approximately $1.4 billion. This amount is expected to be applied as follows: (i) $846 million for Cross Units 3 and 4, (ii) $142 million for environmental compliance expenditures, and (iii) $ 373 million for general improvements to the System. The cost of the capital improvement program will be provided from revenues of the Authority, additional Revenue Obligations, Commercial Paper Notes and other short-term obligations, as determined by the Authority.

The only bond market activity in 2003 for the Authority was the partial refunding of outstanding bonds as noted below to take advantage of lower interest rates.

Bond Market Transactions during 2003:

Par Amount	Type	Date Closed	Purpose	Comments
$ 335,030,000	Revenue Obligations: 2003A Refunding	06/03/2003	Refund the following: 1993 Refunding Series C (partial) 1995 Refunding Series A (partial)	Gross savings of $42.6 million over the life of the bonds

Debt Service Coverage

At December 31, debt service coverage (not including commercial paper) was 1.86 compared to 1.79 for the prior year. Interest rates on bonds and commercial paper were lower in 2003 due to favorable market conditions and financing strategies.

Bond ratings assigned by the various agencies are as follows:

	Priority Bonds	Revenue Bonds	Revenue Obligations	Commercial Paper
Fitch Ratings	AAA	AA	AA	F1+
Moody's Investors Service, Inc	Aa2	Aa2	Aa2	P-1
Standard & Poor's Rating Services	AAA	AA-	AA-	A1+

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REPORT OF INDEPENDENT AUDITORS

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

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, 2003 and 2002, and the related combined statements of revenues, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Public Service Authority as of December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States.

The management's discussion and analysis included in the annual report is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

As discussed in Note 1, Letter N to the combined financial statements, effective January 1, 2003, the Authority adopted Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations."

Deloitte & Touche LLP

Atlanta, Georgia
March 5, 2004.

Combined Balance Sheets

South Carolina Public Service Authority
As of December 31, 2003 and 2002

ASSETS

	2003	2002
	(Thousands)	
Current assets		
Unrestricted cash and cash equivalents	$ 27,916	$ 97,617
Unrestricted investments	147,747	132,068
Restricted cash and cash equivalents	187,557	58,968
Restricted investments	12,993	25,994
Receivables, net of allowance for doubtful accounts of $673 and $679 at December 31, 2003 and 2002, respectively	117,885	119,606
Materials inventory	44,483	39,920
Fuel inventory		
Fossil fuels	38,967	92,385
Nuclear fuel-net	22,173	18,098
Interest receivable	2,902	4,009
Prepaid expenses and other current assets	6,838	3,471
Total current assets	609,461	592,136
Noncurrent assets		
Unrestricted cash and cash equivalents	14	70
Unrestricted investments	49,752	48,627
Restricted cash and cash equivalents	40,060	89,198
Restricted investments	247,060	361,921
Capital assets		
Utility plant	4,003,977	3,957,071
Long lived assets - asset retirement cost, less depreciation of $38,810	72,077	—
Accumulated depreciation	(1,666,952)	(1,570,365)
Total utility plant-net	2,409,102	2,386,706
Construction work in progress	513,169	221,783
Other physical property-net	2,144	2,173
Investment in associated company	9,096	21,136
Regulatory asset – asset retirement obligation – net	96,058	—
Deferred debits and other noncurrent assets		
Unamortized debt expenses	25,045	25,127
Costs to be recovered from future revenue	201,502	216,914
Other	30,356	26,294
Total noncurrent assets	3,623,358	3,399,949
Total assets	$ 4,232,819	$ 3,992,085

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

LIABILITIES

	2003	2002
	(Thousands)	
Current liabilities		
Current portion of long-term debt	$ 74,031	$ 84,502
Accrued interest on long-term debt	65,862	60,823
Commercial paper-net	345,050	303,177
Accounts payable	109,477	89,201
Other current liabilities	32,478	22,815
Total current liabilities	626,898	560,518
Noncurrent liabilities		
Construction fund liabilities	11,105	7,092
Accrued nuclear decommissioning costs	—	101,060
Asset retirement obligation liability	276,296	—
Total long-term debt (net of current portion)	2,368,654	2,459,791
Unamortized refunding and other costs	(208,110)	(234,567)
Long-term debt-net	2,160,544	2,225,224
Other deferred credits and noncurrent liabilities	35,496	34,073
Total noncurrent liabilities	2,483,441	2,367,449
Total liabilities	3,110,339	2,927,967

COMMITMENTS AND CONTINGENCIES (Notes 7, 8 and 9)

NET ASSETS

	2003	2002
Invested in capital assets, net of related debt	548,452	253,984
Restricted for debt service	109,208	76,396
Restricted for capital projects	202,111	275,423
Restricted for other	52,550	71,353
Unrestricted	210,159	386,962
Total net assets	1,122,480	1,064,118
Total liabilities and net assets	$ 4,232,819	$ 3,992,085

Combined Statements of Revenues, Expenses and Changes in Net Assets

South Carolina Public Service Authority
Years Ended December 31, 2003 and 2002

	2003	2002
	(Thousands)	
Operating revenues		
Sale of electricity	$ 1,033,275	$ 1,018,871
Sale of water	4,400	4,471
Other operating revenue	10,259	9,993
Total operating revenues	1,047,934	1,033,335
Operating expenses		
Electric operating expense		
Production	59,269	51,833
Fuel	372,109	376,557
Purchased and interchanged power	67,928	60,170
Transmission	12,897	13,804
Distribution	8,259	7,197
Customer accounts	8,944	1,803
Sales	2,545	2,128
Administrative and general	64,732	58,966
Electric maintenance expense	76,900	72,353
Water operating expense	1,192	1,157
Water maintenance expense	501	435
Total operating and maintenance expenses	675,276	646,403
Depreciation and amortization	139,631	134,046
Sums in lieu of taxes	2,904	2,975
Total operating expenses	817,811	783,424
Operating income	$ 230,123	$ 249,911

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

	2003	2002
	(Thousands)	
Nonoperating revenues (expenses)		
Interest and investment revenue	$ 13,517	$ 18,500
Net (decrease) increase in the fair value of investments	(4,975)	4,305
Interest expense on long-term debt	(130,831)	(136,040)
Other interest expense	(24,685)	(25,187)
Costs to be recovered from future revenue	(15,411)	(29,935)
Other-net	1,110	411
Total nonoperating revenues (expenses)	(161,275)	(167,946)
Income before transfers	68,848	81,965
Transfers out	(10,486)	(10,315)
Change in net assets	58,362	71,650
Total net assets-beginning	1,064,118	992,468
Total net assets-ending	$ 1,122,480	$ 1,064,118

Combined Statements of Cash Flows

South Carolina Public Service Authority
Years Ended December 31, 2003 and 2002

	2003	2002
	(Thousands)	
Cash flows from operating activities		
Receipts from customers	$ 1,049,661	$ 1,011,177
Payments to non-fuel suppliers	(34,216)	(117,330)
Payments for fuel	(367,053)	(372,636)
Purchased power	(68,003)	(57,606)
Payments to employees	(109,462)	(104,389)
Other receipts (payments)–net	(11,623)	19,338
Net cash provided by operating activities	459,304	378,554
Cash flows from non-capital related financing activities		
Distribution to the state of South Carolina	(10,486)	(10,315)
Net cash used in non-capital related financing activities	(10,486)	(10,315)
Cash flows from capital-related financing activities		
Proceeds from sale of bonds	335,030	921,710
Net commercial paper issuance (repayments)	41,946	(5,759)
Repayment and refunding of bonds	(433,875)	(659,685)
Interest paid on borrowings	(121,720)	(133,308)
Construction and betterments of utility plant	(385,125)	(235,948)
Debt premium (issuance costs)	6,710	13,563
Other–net	(2,760)	(2,082)
Net cash used in capital-related financing activities	(559,794)	(101,509)
Cash flows from investing activities		
Net decrease (increase) in investments	106,082	(244,745)
Interest on investments	14,588	17,653
Net cash provided by (used for) investing activities	120,670	(227,092)
Net increase (decrease) in cash and cash equivalents	9,694	39,638
Cash and cash equivalents–beginning	245,853	206,215
Cash and cash equivalents–ending	$ 255,547	$ 245,853

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

	2003	2002
	(Thousands)	
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 230,123	$ 249,911
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	149,866	143,770
Impact of transactions involving associated company	(22,996)	(29,259)
Distributions from associated company	32,172	26,587
Advance to associated company	(797)	(1,177)
Other income	145	155
Changes in assets and liabilities		
Accounts receivable, net	1,721	(26,184)
Inventories	49,064	(23,123)
Prepaid expenses	(3,367)	(1,712)
Other deferred debits	(4,209)	10,091
Deferred coal contract buy-out costs	3,800	7,600
Accounts payable	20,276	15,091
Other current liabilities	2,031	(1,796)
Other noncurrent liabilities	1,475	8,600
Net cash provided by operating activities	$ 459,304	$ 378,554

	2003	2002
Composition of cash and cash equivalents		
Current		
Unrestricted cash and cash equivalents	$ 27,916	$ 97,617
Restricted cash and cash equivalents	187,557	58,968
Noncurrent		
Unrestricted cash and cash equivalents	14	70
Restricted cash and cash equivalents	40,060	89,198
Cash and cash equivalents at the end of the year	$ 255,547	$ 245,853

Notes to Financial Statements

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 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 commercial paper in addition to bonds and internally generated funds. As authorized by State law, the board of directors sets rates charged to customers to pay debt service and operating expenses and to provide funds required under bond covenants.

B - System of Accounts – The accounting records of the Authority are maintained 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 Regional Water System after elimination of intercompany 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 system. The Authority also complies with policies and practices prescribed by its Board of Directors and to practices common in both industries. As the Board of Directors is authorized to set rates, the Authority has historically followed FASB Statement No. 71, which 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 – Certain amounts in the prior year's financial statements have been reclassified to conform to current year presentation.

D - Cash and Cash Equivalents – For purposes of the statement of cash flows, the Authority considers highly liquid investments with original maturities of less than three months and cash on deposit with financial institutions as cash and cash equivalents. In 2001, the Authority adopted GASB Statement No. 34, which requires cash and cash equivalents to be shown as either restricted or unrestricted. "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. Funds identified as current are those available for use within the next 12 months. Noncurrent are those funds expected to be used in some period beyond 12 months from the balance sheet date.

E - Inventory – Material inventory and fuel inventory are carried at historical costs. At the time of issuance or consumption, an expense is recorded at the weighted average cost. Fuel inventory costs for retail customers are billed utilizing a fuel adjustment clause based on the weighted average costs for the previous three-month period.

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 2003 or 2002. 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 appropriate adjustments for cost of removal and salvage. The Authority periodically has depreciation studies performed by independent parties to assist management and the Board in establishing appropriate composite depreciation rates. Annual depreciation provisions, expressed as a percentage of average depreciable utility plant in service, were approximately 3.6 percent for the periods ended December 31, 2003 and 2002. Amortization of capitalized leases is also included in depreciation expense.

H - Investment in Associated Company - The Authority is a member of The Energy Authority (TEA) along with City Utilities of Springfield (Missouri), Gainesville Regional Utilities (Florida), JEA (Florida), the Municipal Electric Authority of Georgia, and Nebraska Public Power District.

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. TEA also assists members with natural gas 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	2003	2002
	(Thousands)	
Opening balance	$ 21,136	$ 10,972
Reduction to power costs and increases in electric revenues	34,377	28,720
Mark-to-market gains (losses) on open gas positions – net	(4,975)	8,094
Funding and closing of gas trading account – net	(15,611)	(3,565)
Profit (Loss) from closed gas positions	8,106	4,632
Distributions from TEA	(32,172)	(26,632)
Other (Includes Equity Losses)	(1,765)	(1,085)
Ending balance	$ 9,096	$ 21,136

In accordance with FASB 71, the unrealized gains or losses are deferred at December 31, 2003, as regulatory assets or liabilities and will be recognized and recovered through rates as the hedged power delivery occurs and is recorded to fuel expense.

During 2003, the TEA gas trading account was closed and $15.6 million in funds was transferred to the Authority. A gas trading account was then opened in the Authority's name to carry out natural gas hedging transactions. At December 31, 2003, the Authority had a payable to TEA of $9.8 million for power and gas purchases. In addition, at December 31, 2003, the Authority had a receivable due from TEA of approximately $591,000 for power sales and sales of excess gas capacity.

The Authority's exposure relating to TEA is limited to the Authority's capital investments in TEA, any accounts receivable from TEA and trade guarantees provided to TEA by the Authority. These guarantees are within the scope of FASB Financial Interpretation No. 45 (FIN 45). However, there are no recourse provisions that would allow the Authority to recover amounts paid under the guarantees, and there are no assets held as collateral that the Authority could liquidate to recover any amounts paid. 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 of directors and at December 31, 2003 the trade guarantees are an amount not to exceed approximately $68.7 million.

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 - Deferred Coal Contract Buy-Out Costs – During 1995, the Authority exercised a buy-out option on an existing coal contract in order to take advantage of lower coal costs. The cost of the buy-out, which was approximately $53.0 million was recorded in deferred debits and included as a component of fuel costs over the remaining life of the former contract. The balance in this account was fully amortized as of December 31, 2003.

K - 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 that have not been billed are accrued. Accrued revenue for retail customers totaled $8.9 million in 2003 and $6.7 million in 2002.

Fuel costs are reflected in operating expenses as fuel is consumed.

L - Payment to the State – The Authority is operated for the benefit of the people of South Carolina (the "State"). By law, any and all net earnings of the Authority not necessary for prudent operations, debt service, or other obligations or agreements made with the purchasers or holders, shall be paid semiannually to the State. Historically, the Authority has paid such amounts in July and January. The Authority recognizes the distributions (shown as "Transfers out" on the Combined Statements of Revenues, Expenses and Changes in Net Assets) as a reduction of net assets when paid. These payments totaled $10.5 million in 2003 and $10.3 million in 2002. In January 2004, the Authority made a payment to the State of $5.3 million.

In December 2003, the Authority's board of directors approved a non-recurring payment to be made to the State of South Carolina in two equal installments of $6.5 million each. The payments are due no later than July 15, 2004 and January 15, 2005, respectively. These payments are intended to provide financial support to the

State in its fiscal 2005 operating year and will be recognized as a reduction in the Authority's net assets on July 1, 2004 (the beginning of the State's 2005 fiscal year). Proceeds to fund these payments are expected to be raised by the sale of certain land assets that are not deemed critical to the ongoing operations of the Authority.

During 2004, joint legislation has been introduced for the State Senate that challenges the appropriateness of these non-recurring payments. Management cannot predict the outcome of this matter.

M - Accounting for Derivative Instruments – The Authority follows the requirements of FASB 133 "Accounting for Derivative Instruments and Hedging Activities" as amended by FASB No. 149. The majority of the Authority's derivative instruments have been determined to meet the normal purchases and normal sales exception provided by FASB 133. The Authority engages in gas hedging activity through TEA in an effort to reduce the overall cost of fuel inventories. Unrealized gains and losses related to such activity are deferred in a regulatory account and recognized in earnings as the gas is consumed in the production cycle. At December 31, 2003, the Authority recorded $3.7 million in unrealized gains from natural gas hedging transactions using mark-to-market accounting as outlined by FASB Statement No. 133. During 2003, the Authority incurred $6.7 million in realized gains associated with natural gas transactions.

N - Adoption of New Accounting Standard - Retirement of Long-Lived Assets – Statement of Financial Accounting Standards (SFAS) No.143 "Accounting for Asset Retirement Obligations" is effective for Santee Cooper's 2003 financial reporting. For legal obligations, SFAS 143 requires the recognition of an asset retirement obligation (ARO) on the balance sheet when such an obligation is incurred. The ARO is required to be recorded at fair value at each balance sheet date. When an ARO is initially recorded, a corresponding asset retirement cost (ARC) is also recorded as a debit to the balance sheet increasing the carrying value of the related asset. The ARC is amortized to earnings over the expected remaining useful life of the asset. The Authority has a one-third undivided interest in a nuclear station (the V.C. Summer Nuclear Station or "Summer") and therefore is subject to the requirements of SFAS 143 due to legal and regulatory requirements related to nuclear decommissioning. Summer was placed in service in 1983 and its current operating license expires in 2022. An application has been filed with the Nuclear Regulatory Commission (NRC) for a 20 year life extension. The Authority has determined that the decommissioning obligation for Summer is the only legal removal/retirement obligation of the Authority within the scope of SFAS 143.

Effective January 1, 2003, the Authority adopted the provisions of SFAS 143. Upon adoption of this statement, the Authority recorded an ARO of approximately $264.5 million related to the Authority's one-third share of the V.C. Summer Nuclear Station and the associated obligation to decommission the plant. Of this amount, approximately $111 million was recorded as an associated ARC and is recorded on the accompanying balance sheet, net of accumulated depreciation commencing on the in-service date of the facility, within "Capital Assets". The ARC is being depreciated over the estimated useful life of Summer including an assumption that a 20-year license extension will be approved by the NRC.

The ARO effectively replaces the "accrued decommissioning liability cost," which has been presented historically on the Authority's balance sheet and was largely a measure of funds available to service the decommissioning event. In contrast, the ARO is a fair value measure and is independent of funding considerations. Footnote 3 discusses the Authority's cash and investments and provides information on the fair value of decommissioning funds that are legally restricted for purposes of satisfying the ARO.

The Authority's board of directors has provided for recovery of decommissioning costs through rates. Accordingly, the cumulative effect of adopting SFAS 143, as well as the ongoing effects, will be recorded through regulatory accounts on the balance sheet. Upon adoption, cumulative accretion of the ARO of $153.6 million, as well as cumulative depreciation of the ARC of $37.6 million from the in-service date of Summer, were recorded as an increase to regulatory assets. The change in the ARO balance between adoption on January 1, 2003, and December 31, 2003, is due entirely to accretion during the fiscal year.

O - Issued But Not Yet Effective Pronouncements – In November 2003, the GASB issued Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries." This Statement establishes accounting and financial reporting standards for impairment of capital assets. Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred and prescribes reporting and accounting treatment for impairment losses. This Statement is effective for the Authority beginning in fiscal year 2004. The implementation of this Statement is not expected to have a material effect on the Authority's financial position or results of operations.

In March 2003, the GASB issued Statement No. 40, "Deposit and Investment Risk Disclosures—an Amendment of GASB Statement No. 3." This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this Statement must also be disclosed. This Statement is effective for the Authority beginning in fiscal year 2004. The implementation of this Statement is not expected to have a material effect on the Authority's financial position or results of operations.

The Authority will adopt FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities" (FIN 46R). The Authority believes the adoption of FIN 46R will not have a material effect on financial position 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 71, 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. The recovery of outstanding amounts recorded as costs to be recovered from future revenue will coincide with the repayment of the outstanding long-term debt of the Authority.

Note 3 – Cash and Investments Held by Trustee:

Unexpended funds from the sale of bonds, debt service funds, other special funds, and cash and investments are held and maintained by trustees, and their use is designated in accordance with applicable provisions of various trust indentures, bond resolutions, lease agreements, and the Enabling Act included in the South Carolina law. Such funds consist principally of investments in government securities. In 1998, the Authority adopted the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB 31 establishes standards of accounting and financial reporting for certain investments in securities and requires that all equity and debt securities be 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, 2003 and 2002, the Authority had investments totaling approximately $700.1 million and $804.2 million, respectively.

As of December 31, 2003, the Authority's cash and investments carried at fair market value, included nuclear decommissioning funds of $107.7 million including unrealized holding gains of $14.5 million. As of December 31, 2002, decommissioning funds totaled approximately $100.8 million including unrealized holding gains of $17.4 million. In accordance with the provisions of FASB 71, earnings, both realized and unrealized, on the decommissioning fund asset are credited to the Regulatory asset - asset retirement obligation (2003) or to Accrued nuclear decommissioning costs (2002), and not as a separate component of non-operating income in the Combined Statements of Revenues, Expenses and Changes in Net Assets.

All the Authority's investments, with the exception of decommissioning funds, are limited to a maturity of 10 years or less. For the year ended December 31, 2003, the Authority made investment purchases and sales at cost totaling approximately $30.1 billion and $30.2 billion, respectively. For the year ended December 31, 2002, the Authority made investment purchases at cost totaling approximately $39.0 billion and realized proceeds from the sale of investments totaling $38.8 billion.

GASB Statement No. 3 requires certain disclosures for an entity's deposit and investment portfolio as of the balance sheet date to provide information about credit and market risk. The following definitions of "Investments" and "Cash" are used in the table to follow.

Investments – Trust indentures and resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies, instrumentalities, and certificates of deposit. The Authority's investments consist of U.S. government securities, certificates of deposit, and repurchase agreements.

The Authority requires that securities underlying repurchase agreements have a market value of at least 102 percent of the cost of the repurchase agreement. Securities underlying repurchase agreements are delivered by broker/dealers to the Authority's trust agents. At December 31, 2003, the Authority's repurchase agreements totaled approximately $117.6 million.

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

Cash – Cash is categorized as follows: Category 1 includes bank balances entirely covered by federal depository insurance. Category 2 includes bank balances that are uncollateralized or collateralized with securities pledged to the Authority by pledging financial institutions but not held in the Authority's name.

2003

	Investments Category 1	Investments Category 2	Cash Category 1	Cash Category 2	Total Carrying Value	Total Market Value
	(Thousands)					
Current Assets						
Unrestricted Cash & Cash Equivalents	$ 15,107	$ 0	$ 866	$ 11,943	$ 27,916	$ 27,916
Unrestricted Investments	146,447	1,300	0	0	147,747	147,747
Restricted Cash & Cash Equivalents	187,554	0	3	0	187,557	187,557
Restricted Investments	12,993	0	0	0	12,993	12,993
Total Current Cash, Cash Equivalents & Investments	$ 362,101	$ 1,300	$ 869	$ 11,943	$ 376,213	$ 376,213
Noncurrent Assets						
Unrestricted Cash & Cash Equivalents	$ 0	$ 0	$ 14	$ 0	$ 14	$ 14
Unrestricted Investments	49,752	0	0	0	49,752	49,752
Restricted Cash & Cash Equivalents	39,933	0	127	0	40,060	40,060
Restricted Investments	247,060	0	0	0	247,060	247,060
Total Noncurrent Cash, Cash Equivalents & Investments	$ 336,745	$ 0	$ 141	$ 0	$ 336,886	$ 336,886
Total	$ 698,846	$ 1,300	$ 1,010	$ 11,943	$ 713,099	$ 713,099

2002

	Investments Category 1	Investments Category 2	Cash Category 1	Cash Category 2	Total Carrying Value	Total Market Value
	(Thousands)					
Current Assets						
Unrestricted Cash & Cash Equivalents	$ 88,118	$ 0	$ 863	$ 8,636	$ 97,617	$ 97,617
Unrestricted Investments	130,768	1,300	0	0	132,068	132,068
Restricted Cash & Cash Equivalents	58,966	0	2	0	58,968	58,968
Restricted Investments	25,994	0	0	0	25,994	25,994
Total Current Cash, Cash Equivalents & Investments	$303,846	$ 1,300	$ 865	$ 8,636	$ 314,647	$ 314,647
Noncurrent Assets						
Unrestricted Cash & Cash Equivalents	$ 0	$ 0	$ 0	$ 70	$ 70	$ 70
Unrestricted Investments	48,627	0	0	0	48,627	48,627
Restricted Cash & Cash Equivalents	88,772	0	426	0	89,198	89,198
Restricted Investments	361,921	0	0	0	361,921	361,921
Total Noncurrent Cash, Cash Equivalents & Investments	$ 499,320	$ 0	$ 426	$ 70	$ 499,816	$ 499,816
Total	$ 803,166	$ 1,300	$ 1,291	$ 8,706	$ 814,463	$ 814,463

Note 4 – Long-term Debt Outstanding:

The Authority's long-term debt at December 31, 2003 and 2002 consisted of the following:

	2003	2002	Interest Rate(s) (1)	Call Price (1)
	(Thousands)			
Electric Revenue Bonds - Priority Obligations:				
(mature through 2006)	**$ 12,695**	$ 16,565	4.10%	100
Capitalized Lease Obligations:				
(mature through 2014)	**21,515**	24,278	2.00-5.00	N/A
Revenue Bonds: (mature through 2032)				
1993 Refunding Series A&B	**0**	6,280	N/A	N/A
1993 Refunding Series C	**98,925**	447,340	4.50-5.00	101
1995 Refunding Series A	**77,560**	101,200	6.125-6.25	102
1995 Refunding Series B	**158,985**	162,395	5.70-6.50	102
1996 Refunding Series A	**220,595**	222,240	5.75-6.50	102
1996 Refunding Series B	**21,505**	21,505	5.50	102
1997 Refunding Series A	**206,910**	206,910	4.875-5.125	101
1998 Refunding Series A	**0**	20,680	N/A	N/A
1998 Refunding Series B	**24,540**	25,165	4.125-5.25	101
Total Revenue Bonds	**809,020**	1,213,715		
Revenue Obligations: (mature through 2037)				
1999 Tax-exempt Series A	**192,960**	198,320	4.80-5.75	101
1999 Taxable Series B	**101,315**	120,320	6.85-7.42	Non-callable
2001 Tax-exempt Improvement Series A	**46,285**	46,285	3.25-5.25	101
2001 Tax-exempt Refunding Series A	**3,100**	3,100	4.00	Non-callable
2002 Tax-exempt Refunding Series A	**108,035**	108,035	5.00-5.50	101
2002 Tax-exempt Improvement Series B	**281,140**	281,140	5.00-5.375	100
2002 Taxable Improvement Series C	**91,775**	91,775	4.46-5.51	P&I Plus Make-Whole Premium
2002 Tax-exempt Refunding Series D	**439,815**	440,760	3.00-5.25	100
2003 Tax-exempt Refunding Series A	**335,030**	0	4.75-5.00	100
Total Revenue Obligations	**1,599,455**	1,289,735		
Less: Current Portion - Long-term Debt	**74,031**	84,502		
Total Long-term Debt - (Net of current portion)	**$ 2,368,654**	$ 2,459,791		

(1) Apply only to bonds outstanding as of 12/31/2003.

Maturities of long-term debt are as follows:

	Priority Obligations	Capitalized Leases	Revenue Bonds	Revenue Obligations	Total Principal	Total Interest	Total
Year Ending December 31,				(Thousands)			
2004	$ 4,045	$ 2,761	$ 26,970	$ 40,255	$ 74,031	$ 129,257	$ 203,288
2005	4,230	2,771	18,120	54,475	79,596	123,842	203,438
2006	4,420	2,672	11,065	59,440	77,597	119,873	197,470
2007	0	2,737	750	70,240	73,727	115,806	189,533
2008	0	2,561	8,585	71,810	82,956	111,790	194,746
2009-2013	0	7,730	100,690	312,440	420,860	495,944	916,804
2014-2018	0	283	173,115	351,760	525,158	361,320	886,478
2019-2023	0	0	337,445	275,030	612,475	201,864	814,339
2024-2028	0	0	81,570	75,840	157,410	105,463	262,873
2029-2033	0	0	50,710	143,450	194,160	62,066	256,226
2034-2037	0	0	0	144,715	144,715	15,393	160,108
Total	$ 12,695	$ 21,515	$ 809,020	$ 1,599,455	$ 2,442,685	$ 1,842,618	$ 4,285,303

Refunded and defeased bonds outstanding, original loss on refunding and the unamortized loss at December 31, 2003 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	$ ---	$ 2,763	$ 1,363
1993 C Refunding	$ 167,660 of the 1977 Refunding Series			
	$ 1,565 of the 1979 Series A			
	$ 900 of the 1985 Refunding Series			
	$ 2,390 of the 1985 Refunding Series A			
	$ 6,365 of the 1986 Refunding Series A			
	$ 14,905 of the 1988 Refunding Series A			
	$ 100,110 of the 1991 Refunding & Improvement Series B			
	$ 279,905 of the 1991 Series D	---	72,311	9,214
1995 A Refunding	$ 138,505 of the 1988 Refunding Series A	---	20,024	8,864
1995 B Refunding	$ 175,330 of the 1987 Refunding Series A	---	40,758	21,379
1996 A Refunding	$ 257,795 of the 1986 Refunding Series C	---	92,596	52,753
1996 B Refunding	$ 5,925 of the 1986 Refunding Series A			
	$ 5,830 of the 1986 Refunding Series C			
	$ 62,325 of the 1986 Refunding Series D			
	$ 6,940 of the 1987 Refunding Series A			
	$ 4,155 of the 1988 Refunding Series A	---	4,831	2,117
Cash Defeasance	$ 14,080 of the 1992 Refunding Series A			
	$ 14,955 of the 1996 Refunding Series A	12,345	4,779	1,536
1997 A Refunding	$ 100,000 of the 1978 Series			
	$ 68,325 of the 1991 Refunding & Improvement Series B			
	$ 37,495 of the 1991 Series D	---	16,990	12,591
Commercial Paper	$ 76,050 of the 1973 Series			
	$ 105,605 of the 1977 Series			
	$ 81,420 of the 1978 Series	---	2,099	1,143
1998 B Refunding	$ 25,000 of the 1992 B Series	---	1,970	1,363
2001 A Refunding	$ 10,000 of the 1991 Refunding & Improvement Series B	---	286	119
2002 A Refunding	$ 113,380 of the 1992 Refunding Series A	---	23,378	19,503
2002 D Refunding	$ 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	---	73,613	65,513
2003 A Refunding	$ 336,385 of the 1993 Refunding Series C			
	$ 15,750 of the 1995 Refunding Series A	---	57,064	55,392
Total		$ 12,345	$ 413,462	$ 252,850

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 is approximately $2.9 billion and $3.0 billion at December 31, 2003 and 2002, respectively.

On May 23, 2003, the Authority's board of directors authorized the sale of approximately $335.0 million Revenue Obligations, 2003 Refunding Series A (2003 A Bonds). This refunding reduced the Authority's total debt service over the life of its bonds by approximately $42.6 million, resulting in an economic gain of approximately $17.7 million. The debt was issued at an all in true interest rate of 4.48 percent. Yields ranged from 3.41 percent in 2015 to 4.55 percent on the 2032 maturity.

All Authority debt is secured by a lien upon and pledge of the Authority's revenues. The Authority's bond indentures provide for certain restrictions, the most significant of which are:

1. The Authority covenants to establish rates sufficient to pay all debt service, required lease payments, capital improvement fund requirements, and all costs of operation and maintenance of the Authority's electric system and all necessary repairs, replacements, and renewals thereof.
2. The Authority is restricted from issuing additional parity bonds unless certain conditions are met.

   As of December 31, 2003, the Authority is in compliance with all debt covenants.

Note 5 – Commercial Paper:

The board of directors has authorized the issuance of commercial paper not to exceed $500 million. The paper is issued for valid corporate purposes with a term not to exceed 270 days. For the years ended December 31, 2003 and 2002, the information related to commercial paper was as follows:

	2003	2002
Effective interest rate (at December 31)	1.03%	1.23%
Average annual amount outstanding ($000)	$ 324,215	$ 314,819
Average maturity	48 days	41 days
Average annual effective interest rate	1.03%	1.46%

At December 31, 2003 the Authority had a Revolving Credit Agreement with Dexia Crédit Local and BNP Paribas for $400 million. This agreement is used to support the Authority's issuance of commercial paper. There were no borrowings under the agreement during 2003 or 2002.

Commercial Paper outstanding at December 31, was as follows:

	2003	2002
	(Thousands)	
Commercial Paper-Gross	$ 345,171	$ 303,225
Less: Unamortized Discount on Taxable Commercial Paper	121	48
Commercial Paper-Net	$ 345,050	$ 303,177

Note 6 – Summer Nuclear Station:

The Authority and South Carolina Electric and Gas (SCE&G) are parties to a joint ownership agreement providing that the Authority and SCE&G shall own the Summer Nuclear Station with undivided interests of 33 1/3 percent and 66 2/3 percent, respectively. SCE&G is solely responsible for the design, construction, budgeting, management, operation, maintenance, and decommissioning of the Summer Nuclear Station, and the Authority is obligated to pay its ownership share of all costs relating thereto. The Authority receives 33 1/3 percent of the net electricity generated. At December 31, 2003 and 2002, the plant accounts before depreciation included approximately $487.0 million and $488.0 million, respectively, representing the Authority's investment, including capitalized interest, in the Summer Nuclear Station. For the years ended December 31, 2003 and 2002, the Authority's operation and maintenance expenses included $54.1 million and $49.9 million, respectively, for the Summer Nuclear Station.

Nuclear fuel costs are being amortized based on energy expended, which includes a component for estimated disposal costs of spent nuclear fuel which represents the unit-of-production method. 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 2000 and the NRC's imposed minimum requirement. Based on these estimates, the

Authority's one-third share of the estimated decommissioning costs of the Summer Nuclear Station equals approximately $143.4 million in 1999 dollars. Each month, the Authority debits to FERC account 532 - Maintenance of Nuclear Plant, an amount equal to the deposits made to the internal and external trust funds. These costs are being recovered through the Authority's rates. The Authority credits FERC account 254 - Regulatory Liability. This account was created with the implementation of SFAS 143 and replaces account 242 - Accrued Nuclear Decommissioning. See Note 1, item N for a discussion of accounting pronouncement SFAS 143. Based on current decommissioning cost estimates developed by SCE&G, these funds, which totaled approximately $107.7 million (adjusted to market) at December 31, 2003, 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.

The Energy Policy Act of 1992 gave the Department of Energy (DOE) the authority to assess utilities for the decommissioning of its facilities used for the enrichment of uranium included in nuclear fuel costs. In order to decommission these facilities, the DOE estimates that it would need to charge utilities a total of $150 million, indexed for inflation, annually for 15 years based on enrichment services used by utilities in past periods. Based on an estimate from SCE&G covering the 15 years, the Authority's remaining one-third share of the liability at December 31, 2003 totals $765,000. Such amount has been deferred and will be recovered through rates as paid. These costs are included on the accompanying balance sheets in "Deferred debits and other noncurrent assets-Other" and "Other deferred credits and noncurrent liabilities."

Note 7 – Leases:

The Authority has capital lease contracts with Central Electric Power Cooperative, Inc. (Central), covering a steam electric generating plant, transmission facilities, and various other facilities. The remaining lease terms range from 1 to 11 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, 2003 were as follows:

Year ending December 31:	Amount (Thousands)
2004	$ 3,708
2005	3,603
2006	3,388
2007	3,335
2008	3,038
2009-2013	8,648
2014	290
Total minimum lease payments	26,010
Less amounts representing interest	4,495
Balance at December 31, 2003	$ 21,515

Property under capital leases and related accumulated amortization included in utility plant at December 31, 2003, totaled approximately $90.9 million and $75.5 million, respectively and at December 31, 2002, totaled $93.0 million and $75.1 million, respectively.

Operating lease payments totaled approximately $6.1 million and $6.0 million during the years ended December 31, 2003, and 2002, respectively. Included in these operating leases are periodic expenses related to the leased coal cars, which are reflected in fuel inventory. The terms of the current coal car leases vary from one month to three years, with the three year lease expiring in 2005. The approximate lease amount for the coal cars to be paid in each of the calendar years 2004 and 2005 is $4.6 million.

Note 8 – Contracts with Electric Power Cooperatives:

Power supply and transmission services are provided to Central in accordance with a power system coordination and integration agreement (the "Coordination Agreement"). In addition, the Authority is the sole supplier of Central's energy needs excluding energy Central receives from the Southeastern Power Administration (SEPA).

Saluda River Electric Cooperative Inc. ("Saluda") began receiving power from the Authority on January 1, 2001. On November 22, 2002, the Authority, Central and Saluda entered into several agreements relating to the applicable terms and conditions of service under their respective agreements. The agreements received approval by the Rural Utilities Services, a subdivision of the U.S. Department of Agriculture, on April 21, 2003. The agreements, among other things, provide for the Authority to serve Saluda's load above its Catawba and SEPA resources through Central under the Coordination Agreement.

Central, under the terms of the contract with the Authority, has the right to audit costs billed to them under the cost of service contract. Differences as a result of this process are accrued if they are probable and estimable under FASB 5. To the extent that differences arise due to this process, prospective adjustments are made to cost of service that is reflected in operating revenues in the accompanying Combined Statements of Revenues, Expenses and Changes in Net Assets. Such adjustments in 2003 were not material to the Authority's overall operating revenue.

Note 9 – Commitments and Contingencies:

Budget - The Authority's capital budget provides for expenditures of approximately $553.8 million during the year ending December 31, 2004, and $806.6 million during the two years thereafter. These expenditures include $31.6 million associated with new generating units being constructed to begin operations in 2004; $809.4 million for future generating facilities; and $141.5 million for environmental compliance expenditures. The total cost, including the financing costs, of the new generating units to begin operations in 2004 is estimated to be $120 million. Capital expenditures will be financed by internally generated funds and a combination of taxable and tax-exempt debt.

Purchase Commitments - The Authority has contracted for long-term coal purchases under contracts with estimated outstanding minimum obligations after December 31, 2003. Certain of the Authority's coal suppliers are operating under Chapter 11 of the Bankruptcy Code which has led to uncertainty regarding their willingness to perform under the existing contract pricing. The disclosure of minimum obligations below 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:	Amount (Thousands)
2004	$ 156,380
2005	146,845
2006	142,374
2007	90,358
2008	7,950
2009-2012	32,700
Total	$ 576,607

The Authority's outstanding minimum obligations under an existing long-term purchased power contract as of December 31, 2003, were approximately $80.6 million with a remaining term of 31 years.

CSX Transportation Inc. (CSX) provides substantially all rail transportation service for the Authority's coal-fired generating units. On December 31, 2002, the contract between the Authority and CSX expired. The parties reached agreement on the primary issues for a new contract in September 2002 and a new agreement was signed with an effective date of January 1, 2003. This new contract will continue to apply a price per ton of coal moved, with the new minimum being set at four million tons per year.

The Authority has commitments for nuclear fuel enrichment and fabrication contracts which are contingent upon the operating requirements of the nuclear unit. As of December 31, 2003, these commitments total approximately $54.2 million over the next eight years.

The Authority has amended the Rainey Generating Station Long-Term Service Agreement (LTSA) with General Electric International, Inc. in the approximate amount of $93.1 million. The agreement provides a service director, 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. In exchange for reduced pricing and added features, the contract term was extended to 2025, but can be terminated for convenience in 2008. The previous agreement was in the approximate amount of $76.0 million and was effective through 2009. The Authority's board of directors has approved recovery of the LTSA on a straight-line basis over the term of the agreement.

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 have not exceeded commercial insurance coverage in any of the past three years. Policies are subject to deductibles ranging from $5,000 to $1 million, with the exception of Rainey Generating Station, which carries an approximate $1.7 million deductible and named storm losses which carry deductibles from $1 million up to $15 million. Also a $1.4 million general liability self-insured layer exists between the Authority's primary and excess liability policies. During 2003, 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 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 2003 or 2002. 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, 2003, the amount of the self-insured liabilities for auto, dental, worker's compensation and environmental remediation was approximately $2.2 million. The liability is the Authority's best estimate based on available information. Changes in the reported liability are as follows:

	2003	2002
	(Thousands)	
Unpaid claims and claim expenses at beginning of year	$ 1,566	$ 1,426
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	2,167	1,574
Payments for current and prior years	1,505	1,434
Total unpaid claims and claim expenses at end of year	$ 2,228	$ 1,566

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 Office); not applicable for worker's compensation injuries, and
2) Claims of covered employees for basic long-term disability and group life insurance benefits (Retirement System).

Employees elect health coverage through either a health maintenance organization or through the state's self-insured plan. All other coverages listed above are 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 $10.9 billion by the Price-Anderson Indemnification Act. This $10.9 billion would be covered by nuclear liability insurance of about $300 million per site, with potential retrospective assessments of up to $100.6 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed $10 million per incident, per year). Based on its one-third interest in Summer Nuclear Station, the Authority could be responsible for the maximum assessment of $33.5 million, not to exceed approximately $3.3 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 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 10 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 $3.1 million for the primary policy and $3.4 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 $1.4 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, 2003.

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

Congress has promulgated comprehensive amendments to the Clean Air Act, including the addition of a new federal program relating to acid precipitation. The Authority has evaluated the potential impact of this legislation, including new limits on the allowable rates of emission of sulfur dioxide and nitrogen oxides.

Management has been in negotiations with the Environmental Protection Agency (EPA) and South Carolina Department of Health and Environmental Control (DHEC) related to certain environmental issues associated with its current and future coal-fired units. Management, EPA and DHEC have reached an agreement in principle regarding the matters. The terms of the settlement, as agreed to, will require future capital expenditures related to the installation of pollution control equipment and certain other expenditures. The settlement is subject to approval by the U. S. District Court. If approved, management believes that the settlement will not have a material effect on the Authority's financial condition and results of operations.

The EPA has finalized regulations related to ozone transport for 22 eastern states including South Carolina. These regulations (known as the "SIP call") require significant NOx emission reductions from the power industry. As a result, the Authority believes that its cost of compliance, including capital costs, could approach approximately $280 million by 2005 and annual operating costs associated with such compliance could approach $10 million.

Safe Drinking Water Act - The Safe Drinking Water Act (SDWA) was reauthorized during 1996. The Authority continues to stay abreast of proposed regulatory changes as they are developed.

Clean Water Act - The Congress is due to consider reauthorization of the Clean Water Act (CWA). The complex act could generate regulatory changes that could impact the power generation sector. The Authority will be monitoring for CWA regulatory issues impacting electrical utilities.

Open Access Transmission Tariff - In 1997, FERC adopted an order approving the Authority's transmission rates, ancillary charges, and non-rate terms and conditions.

The Authority is participating in the VACAR Open Access Same-Time Information System (OASIS) via the Internet and has implemented and filed with FERC procedures for implementation of non-discriminatory standards of conduct.

Regional Transmission Organizations (RTOs) - On September 24, 2001, the Authority, along with six other municipal and electric cooperative transmission owners and Southern Company, executed an agreement to set in motion a process to investigate the development of an RTO for the Southeastern United States (SeTrans Development Process). Subsequently, Entergy, CLECO Power and Sam Rayburn G&T joined the process as signatories to this agreement.

On February 14, 2003, the Authority provided written notice to the other SeTrans sponsors of its withdrawal from the SeTrans Development Process. The decision of the Authority to withdraw from the Process was based on the results of a study prepared for the Southeastern Association of Regulatory Utility Commissions (SEARUC) and released in November, 2002, which found, among other things, that no net benefits would accrue to the Authority's system from RTO membership. The SEARUC study also found that no net benefits, but significant net costs would be experienced by the State of South Carolina by the establishment of an RTO in the region.

On December 2, 2003, the remaining SeTrans sponsors announced that they had "decided unanimously to suspend the SeTrans effort." In their announcement, the remaining SeTrans sponsors cited as their reason for suspending the SeTrans Development Process their determination that "it is highly unlikely that consensus support and acceptance for the SeTrans RTO will be forthcoming from all applicable state and federal agencies."

An earlier effort by three investor owned utilities to form an RTO in the Carolinas to be known as GridSouth was suspended in June, 2002. Presently there are no active RTO development activities in the southeastern United States. Whether a new RTO development effort will arise in the southeastern United States is unknown at this time. Any potential impact on the Authority of such a new effort is likewise unknown.

Competition - The electric industry has become, and is expected to be, increasingly competitive due to regulatory changes and market developments. As utilities move from a regulated environment where rates are based on cost of service to a deregulated environment where rates are based on market forces, there may be costs that cannot be recovered by charging the market rate. Some deregulation measures proposed to date allow for recovery of some portion of these costs but ultimate regulatory treatment of such costs cannot be predicted.

The Authority has developed and is implementing a long-term strategic plan to position the Authority to compete effectively in the changing competitive environment. Consistent with the plan, the Authority is implementing initiatives to achieve more financial flexibility, reduce operating, maintenance and capital costs, increase revenue, retain customers, and strengthen employee performance and accountability.

While the Authority is taking these and other actions to prepare for a deregulated market, the Authority cannot predict what effects increased competition will have on the operations and financial condition of the Authority.

Legal Matters – The Authority is a party in various 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 and Authority counsel, the ultimate disposition of these matters will not have material adverse effect on the financial position or results of operations of the Authority, except as described below.

Certain plaintiffs have filed suit against the Authority seeking monetary damages arising out of a change in the Authority's "Good Cents" rate. The plaintiffs represent a class of certain "Good Cents" customers of the Authority. Prior to the scheduled trial date, management and the plaintiff's class representative have settled the case in principle. The settlement is subject to approval by the South Carolina Circuit court. Management believes that the ultimate resolution of this matter will not have a material effect on the Authority's financial position or results of operations.

In a separate case, 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' Cooper River Rediversion Project was completed in 1985. A jury trial held in 1997 in the U. S. District Court, Charleston, South Carolina returned a verdict against the Authority on certain causes of action. The District Court has not set a separate trial on the damages phase of the case. No estimate relative to potential loss to the Authority can be made at this time.

Note 10 – Retirement Plan:

Substantially all Authority regular employees must participate in one of the components of the South Carolina Retirement System (System), 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 System for each of the years ended December 31, 2003 and 2002 was approximately $88.2 million and $86.2 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 55 with 25 years of service. The System 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 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 make System contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. Each participant is entitled to be paid for up to 45 days of accumulated unused annual vacation leave upon retirement and again at the end of the program period for any annual vacation leave earned during the program period.

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.

Employees are required by state statute to contribute 6 percent of salary to the System. The Authority is required by the same statute to contribute 7.55 percent of total payroll for retirement and an additional 0.15 percent for group life. The contribution requirement for the years ended December 31, 2003 and 2002 was approximately $7.3 million and $7.1 million, respectively, from the Authority and $5.3 million and $5.2 million, respectively from employees. The Authority made 100 percent of the required contributions for each of the years ended December 31, 2003 and 2002.

The System 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 System retirement plan which is a defined benefit plan. The contribution amounts are the same, (6 percent employee cost and 7.55 percent employer cost) however, 5 percent of the employer amount is directed to the vendor chosen by the employee and the remaining 2.55 percent is to the Retirement System. As of December 31, 2003, nine of the Authority's employees were participants 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 FASB 87 pension requirements for the nuclear station personnel. The established pension plan generates earnings which are shared proportionately and used to reduce the allocated funding. As of December 31, 2003 and 2002, the Authority had over-funded its share of the plan FASB 87 requirements due to these earnings in the amount of $9.3 million and $9.1 million, respectively. This receivable will be applied to future years as additional expenditures are required to meet the Authority's funding obligation. The pre-funded amounts are in "Deferred debits and other noncurrent assets - other" on the balance sheet.

The Authority also provides compensation benefits to certain employees designated by management and the board of directors under Supplemental Executive Retirement Plans (SERP). The plans are administered by the Authority as a single employer defined benefit pension plan. Benefits are established and may be amended by the Authority's board of directors and include compensation for a specified number of years and life insurance benefits. The cost of these benefits is actuarially determined annually and is paid by the Authority on a pay-as-you-go basis. The cost for 2003 and 2002 was approximately $1.9 million and $1.5 million, respectively. The accrued liability at December 31, 2003 and 2002, was approximately $7.3 million and $6.3 million, respectively.

Note 11 – Other Postretirement Benefits:

The South Carolina Retirement System provides certain health, dental, and life insurance benefits for retired employees of the Authority. Substantially all of the Authority's employees may become eligible for these benefits if they retire at any age with 28 years of service or at age 60 with at least 20 years of service. Currently, approximately 444 retirees meet these requirements. The cost of the health, dental and life insurance benefits are recognized as expense as the premiums are paid. For each of the years ended December 31, 2003 and 2002, these costs totaled approximately $1.8 million. 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 benefits costs for the station's employees. The costs for 2003 and 2002 were approximately $6.8 million and $6.2 million, respectively.

During their first 10 years of service, full-time employees can earn up to 15 days vacation leave per year. After 10 years of service, employees earn an additional day of vacation leave for each year of service over 10 until they reach the maximum of 25 days per year. Employees earn annually a half day per month plus three additional days at year-end for sick leave.

Employees may carry forward up to 45 days of vacation leave and 180 days of sick leave from one calendar year to the next. Upon termination, the Authority pays employees for accumulated vacation leave at the pay rate then in effect. In addition, the Authority pays employees upon retirement 20 percent of their accumulated sick leave at the pay rate then in effect.

Note 12 – Credit Risk and Major Customers:

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

Sales to two major customers for the years ended December 31, 2003 and 2002 were as follows:

	2003	2002
	(Thousands)	
Central (including Saluda)	$ 511,000	$ 514,000
Alumax of South Carolina	$ 107,000	$ 101,000

No other customer accounted for more than 10 percent of the Authority's sales for either of the years ended December 31, 2003 or 2002.

[BOARD OF DIRECTORS]

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Guerry E. Green
First Vice Chairman

Patrick T. Allen
Second Vice Chairman

Paul G. Campell Jr.

Richard H. Coen

T. Graham Edwards, Chairman
Moncks Corner, S.C.
Appointed: April 17, 2003

Guerry E. Green, First Vice Chairman
Represents Georgetown County
Pawleys Island, S.C.
Appointed: May 15, 2003

Patrick T. Allen, Second Vice Chairman
Represents electric cooperatives
of South Carolina
Columbia, S.C.
Appointed: Sept. 6, 2000

Paul G. Campbell Jr.
Represents Berkeley County
Goose Creek, S.C.
Appointed: Aug. 8, 2003

Richard H. Coen
Represents 1st Congressional District
Mt. Pleasant, S.C.
Appointed: June 3, 2003

Clarence Davis | Vernie E. Dove Sr. | G. Dial DuBose | J. Calhoun Land IV | Keith D. Munson | James W. Sanders, Sr.

Clarence Davis
Represents 2nd Congressional District
Columbia, S.C.
Appointed: June 25, 2003

Vernie E. Dove Sr.
Represents Horry County
Myrtle Beach, S.C.
Appointed: May 15, 2003

G. Dial DuBose
Represents 3rd Congressional District
Easley, S.C.
Appointed: May 15, 2003

J. Calhoun Land IV
Represents 6th Congressional District
Manning, S.C.
Appointed: May 19, 1999

Keith D. Munson
Represents 4th Congressional District
Greer, S.C.
Appointed: May 15, 2003

James W. Sanders Sr.
Represents 5th Congressional District
Gaffney, S.C.
Appointed: July 29, 2003

SOUTH CAROLINA ADVISORY BOARD

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Governor

Richard Eckstrom
Comptroller General

Mark Hammond
Secretary of State

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Attorney General

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[MANAGEMENT]

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Executive Vice President and Chief Operating Officer ....Bill McCall
Executive Vice President and Chief Financial Officer ....Elaine G. Peterson
Executive Vice President and Chief Legal Officer...John S. West
Senior Vice Presidents:
Power Delivery...Terry L. Blackwell
Generation ....Maxie C. Chaplin
Vice Presidents:
Retail Operations...Zack W. Dusenbury
Human Resource Management ....Ronald H. Holmes
Corporate Planning and Bulk Power..Suzanne H. Ritter
Engineering and Construction Services ....Byron C. Rodgers Jr.
Fossil and Hydro Generation...R.M. Singletary
Power Delivery Planning and Power Supply ....S. Tom Abrams
Corporate Secretary and Manager, Community Relations ....W. Glen Brown Jr.
Controller ....Glenda W. Gillette
Treasurer...H. Roderick Murchison
Auditor ....Thomas L. Richardson

[1] Lonnie N. Carter replaced John H. Tiencken on Feb. 1, 2004.

[SCHEDULE OF DEFEASED BONDS OUTSTANDING]

UNAUDITED

As of December 31, 2003
(In Thousands)

Call Date	At Maturity		At Maturity	
Series	1992-A REF(2)(8)		1996-A REF(8)	
Original Maturity Jan. 1	Int. Rate	Amt	Int. Rate	Amt
2004				
2005				
2006	6.20	6,680	6 1/4	5,665
2007				
2008				
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
Totals per Series		6,680		5,665
Totals per Call Date				12,345

See Schedule of Bonds Outstanding for footnotes.

As of December 31, 2003
(in Thousands)

	PRIORITY BONDS		REVENUE BONDS									
	1967		1993 C		1995 A		1995 B		1996 A		1996 B	
Maturity Date	Series (2)		Refunding Series		Refunding Series		Refunding Series		Refunding Series		Refunding Series	
Jan 1	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt
2004	4.10	4,045 *	4 1/2	12,590			6 1/2	10,160	6 1/4	3,565		
2005	4.10	4,230 *					6 1/2	10,765	6 1/4	4,645		
2006	4.10	4,420 *					6 1/2	10,350				
2007												
2008					6 1/8	815 *	5.70	3,255	6 1/2	3,730		
2009									5 3/4	1,035 *		
2010					6 1/8	860 *	5.80	3,485	5 3/4	15,170 *		
2011					6 1/8	915 *	5.80	3,705	5 3/4	6,165 *		
2012					6 1/8	970 *	5 7/8	3,940	5 3/4	5,615 *		
2013					6 1/8	1,025 *	5 7/8	4,180	5 3/4	5,925 *		
2014					6 1/8	4,460 *	5 7/8	4,430	5 3/4	6,530 *		
2015						* (5)	5 7/8	4,705	5 3/4	7,005 *		
2016						* (5)	5 7/8	5,000 *	5 3/4	13,075 *		
2017						* (5)	5 7/8	5,320 *	5 3/4	19,650 *		
2018						* (5)	5 7/8	5,685 *	5 3/4	20,735 *		
2019					6 1/4	8,995 * (5)	5 7/8	6,085 *	5 3/4	21,875 *		
2020					6 1/4	23,100 *	5 7/8	6,515 *	5 3/4	23,155 *		
2021					6 1/4	24,915 *	5 7/8	6,970 *	5 3/4	38,535 *		
2022				* (6)	6 1/4	11,505 *	5 7/8	34,165 *	5 3/4	24,185 *	5 1/2	11,435 *
2023			5.00	28,595 * (6)			5 7/8	30,270 *			5 1/2	10,070 *
2024			5.00	28,165 * (6)								
2025			5.00	29,575 * (6)								
2026												
2027												
2028												
2029												
2030												
2031												
2032												
2033												
2034												
2035												
2036												
2037												
Add: Total Outstanding As of 12/31/03		12,695		98,925		77,560		158,985		220,595		21,505
Bonds Redeemed As of 12/31/03		38,905		63,955		46,375		18,090		40,785		61,965
Bonds Refunded As of 12/31/03		0		468,480		15,750		0		5,665 (8)		0
Net: Original Issue Amt.		51,600		631,360		139,685		177,075		267,045		83,470

*Term Bonds
(1) Rounding may cause small variances.
(2) Maturities are on July 1 instead of January 1.
(3) Included in year that payment is made.
(4) The 2010 maturity has a split coupon; $2,000,000 at 5.00% and $450,000 at 4.00%.

(5) Because of the method used to refund the 1995 A Bond maturing January 1, 2022 Santee Cooper has the flexibility to change which year the principal savings is taken. On the 1995 A Bond due January 1, 2022 only the January 1, 2015, 2016, 2017, 2018 and a portion of the January 1, 2019 sinker was refunded. When the calculation was done these sinkers produced the most savings. However, prior to 2015 Santee Cooper can elect to apply the paid off bonds to any of the sinkers in the 2022 maturity.

[SCHEDULE OF BONDS OUTSTANDING[1]]

UNAUDITED

											REVENUE OBLIGATIONS
1997 A		1998 B		1999 A		1999 B		2001 A			
Refunding Series		Refunding Series		Tax-Exempt Series		Taxable Series		Improvement Series		Refunding Series(2)	
Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt
		4 1/8	655	5 3/8	5,670	6.85	28,955				
5.00	2,025	4 1/4	685	5.00	5,990	6.97	4,225	3 1/4	2,020		
		4.40	715	5 3/8	6,335	7.07	4,455	3.40	2,085	4.00	3,100
		4 1/2	750	4.80	6,695	7.12	4,705	4.00	2,155		
		4 1/2	785	5 1/2	7,070	7.17	4,980	4 1/2	2,240		
		4 1/2	825	5 1/2	7,480	7.22	5,270	4 1/2	2,340		
4 7/8	2,505	4.70	865	5 1/2	7,940	7.27	5,590 *		2,450 (4)		
4.90	9,780	4 3/4	905	5 1/2	18,325	7.27	38,390 *				
5.00	15,040	5 1/4	955 *	5 5/8	10,910	7.32	1,465	5.00	2,565		
5.00	15,815	5 1/4	1,010 *	5 5/8	11,540	7.37	1,580	5.00	2,690		
5.00	16,630	5.00	1,065 *	5 3/4	12,220	7.42	1,700	5.00	2,830		
5.00	12,980	5.00	1,120 *	5 3/4	12,940			5 1/4	2,965		
5.00	9,095 *	5.00	1,180 *	5 1/2	13,690			5 1/4	3,125		
5.00	9,485 *	5.00	1,245 *	5 1/2	14,470			5 1/4	3,290		
5.00	22,410 *	5.00	1,310 *	5 1/2	9,230			5 1/4	2,800		
5.00	17,755 *	5.00	1,380 *	5 1/2	9,755			5 1/4	2,945		
5.00	380 *	5.00	1,455 *	5 1/2	10,305 *			5 1/4	3,100		
5.00	400 *	5.00	1,530 *	5 1/2	10,890 *			4 3/4	3,265 *		
5.00	420 *	5.00	1,615 *	5 1/2	11,505 *			4 3/4	3,420 *		
5.00	440 *	5.00	1,700 *								
5.00	465 *	5.00	1,790 *								
5.00	485 *	5.00	1,000 *								
5.00	510 *										
5.00	6,595 *										
5.00	12,985 *										
5.00	13,635 *										
5 1/8	14,315 *										
5 1/8	15,050 *										
5 1/8	7,710 *										
	206,910		24,540		192,960		101,315		46,285		3,100
	7,645		2,275		5,360		24,005		0		5,505
	0		0		0		0		0		0
	214,555		26,815		198,320		125,320		46,285		8,605

(6) Because of the method used to refund the 1993 C Bond maturing January 1, 2025 Santee Cooper has the flexibility to change which year the principal savings is taken. On the 1993 C Bond due January 1, 2025 only one sinker was refunded. When the calculation was done the January 1, 2022 sinker produced the most savings. However, prior to 2021 Santee Cooper can elect to apply the paid off bonds to any of the sinkers in the 2025 maturity.

(7) The 2036 maturity includes the January 1, 2036 term bond; principal $10,000,000 at an interest rate of 5.50% and a sinker; principal $27,025,000 at an interest rate of 5.125%.

2002 A		2002 B		2002 C		2002 D		2003 A				
Refunding Series		Tax-Exempt Series		Taxable Series		Refunding Series		Refunding Series		**Total Principal**	**Total Revenue**	**Total Debt**
Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Maturities(3)	Interest(3)	Service(3)
						3.00	5,630			71,270	128,310	199,580
5.00	3,715			4.46	23,010	5.00	15,515			76,825	123,009	199,834
5.00	3,705			4.93	16,930	5.00	22,830			74,925	119,157	194,082
5.00	4,105			5.27	30,865	5.00	21,715			70,990	115,208	186,198
5 1/2	7,860			5.51	20,970	4.00	28,690			80,395	111,314	191,709
5 1/2	8,290	5.00	3,815			5.00	14,800			43,855	108,076	151,931
5 1/2	8,745	5.00	6,835			5.00	30,430			84,875	104,588	189,463
5 1/2	10,110					5 1/4	5,800			94,095	99,387	193,482
5 1/2	11,555	5 3/8	7,175			5 1/4	30,095			90,285	94,050	184,335
5 1/2	12,190	5 3/8	7,565			5 1/4	36,500			100,020	88,924	188,944
5 1/2	7,310	5 3/8	7,970			5 1/4	42,160			107,305	83,327	190,632
5 1/2	2,155	5 3/8	8,395			5 1/4	27,645	5.00	23,575	103,485	77,681	181,166
5 1/2	2,315	5 3/8	8,850			5.00	18,340	5.00	27,285	101,955	72,259	174,214
5 1/2	2,480	5 3/8	9,325			5.00	19,195	5.00	18,980	103,440	66,832	170,272
5 1/2	2,615	5 3/8	9,825			5.00	20,095	5.00	13,985	108,690	61,214	169,904
5 1/2	6,185	5.00	2,000			5.00	31,095	5.00	19,120	127,190	54,954	182,144
5 1/8	8,700					5.00	40,860	5.00	22,960	140,530	47,758	188,288
5 1/8	6,000					5.00	28,420	5.00	26,125	147,050	39,916	186,966
								5.00	28,380	126,630	32,351	158,981
										71,075	26,886	97,961
										30,420	24,191	54,611
										31,060	22,654	53,714
								5.00	29,920	30,430	21,117	51,547
								5.00	25,355	31,950	19,557	51,507
								4 3/4	20,565	33,550	17,945	51,495
								4 3/4	21,540	35,175	16,280	51,455
								4 3/4	22,555	36,870	14,525	51,395
		5 1/8	2,555*					4 3/4	23,630	41,235	12,610	53,845
		5 1/8	30,280*					4 3/4	11,055	49,045	10,362	59,407
		5 1/4	31,835							31,835	8,290	40,125
		5 1/8	33,505*							33,505	6,596	40,101
		5 1/8	35,220*							35,220	4,835	40,055
			37,025* (7)							37,025	2,964	39,989
		5 1/8	38,965*							38,965	998	39,963
	108,035		281,140		91,775		439,815		335,030	2,421,170	1,838,122	4,259,292
	0		0		0		945		0	315,810		
	0		0		0		0		0	489,895		
	108,035		281,140		91,775		440,760		335,030	3,226,875		

(8) Cash defeased to maturity, $6,680,000 of the 1992 A Refunding Bonds due July 1, 2006 and $5,665,000 of the 1996 A Refunding Bonds due January 1, 2006. Bonds are subject to the original call provisions as stated in each official statement. (For details on Calls see "Schedule of Defeased Bonds Outstanding.")

Conway	**Moncks Corner**	**Pawleys Island**
100 Elm Street Conway, SC 29526 (843) 248-5755	One Riverwood Drive Moncks Corner, SC 29461 (843) 761-4061	126 Tiller Road Pawleys Island, SC 29585 (843) 237-9222
Garden City/Murrells Inlet	**Myrtle Beach**	**St. Stephen**
900 Inlet Square Drive Murrells Inlet, SC 29576 (843) 651-1598	1703 Oak Street Myrtle Beach, SC 29577 (843) 448-2411	1172 Main Street St. Stephen, SC 29479 (843) 567-3346
Loris	**North Myrtle Beach**	
3701 Walnut Street Loris, SC 29569 (843) 756-5541	1000 2nd Avenue North N. Myrtle Beach, SC 29582 (843) 249-3505	

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