

Letter from the President and CEO

Why Santee Cooper is Suspending the Pee Dee Energy Campus Permit Process

Santee Cooper's Board of Directors recently approved a management recommendation to suspend permitting activities on the proposed Pee Dee Energy Campus in Florence County.



The facility has broad-based support because of the economic boost it would have and because of its environmentally responsible design. It has successfully received an air permit from DHEC and was nearing the final stages on the water and land permit process with the U.S. Army Corps of Engineers.

Why, then, has Santee Cooper announced the suspension of the permitting process of this model facility? The answer is, for the same reason we proposed the facility in the first place: need.

We have repeatedly said we would only build what is required to meet the needs of our customers. There have been three recent and significant changes that could diminish the need for power, which has led to the business decision of suspending the permit process.

The first reason is the prolonged recession. Our year-to-date sales are down 4 percent from last year. Unfortunately, we anticipate continued lower sales to accompany a projected slow economic recovery.

Secondly, proposed federal government regulations, specifically the cap and trade legislation that recently passed in the House, could have tremendous cost implications for Santee Cooper customers. The American Clean Energy and Security Act calls for carbon capture and sequestration technology to be placed on new power plants by 2025, and there currently exists no technology to do that. The cost of this and the carbon tax are unknown but expected to be high, and we must carefully weigh this uncertainty as we plan for the future.

Lastly, Central Electric Power Cooperative, our largest customer, intends to reduce a portion of its power supplied by Santee Cooper and acquire that power from another supplier, beginning in 2013. Reducing Central's power load requirement from Santee Cooper by approximately 1,000 megawatts obviously affects the need for the 600-megawatt Pee Dee Energy Campus.

Our customers could benefit from this suspension decision, because they may not need to bear the capital costs of constructing the facility.

The energy industry is facing unprecedented economic and legislative challenges. Throughout, we have – and will – stay focused on what is best for our customers. This includes making sure we have enough power to meet customer needs and that the cost is as low as possible. As a non-profit entity, our aim is to do what is right for our customers and the state. Our mission is to be the state's leading resource for improving the lives of all South Carolinians; that rests on our ability to constantly evaluate our plans and maintain flexibility to change now and in the future and do what is best for the system.



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Quarterly Financial Report
for period ended September 30, 2009



Executive Summary

Third Quarter 2009 Compared to 2008

The financial results for the third quarter of 2009 showed a decrease of \$8.1 million compared to the same period last year, with revenue and operating expenses higher than the same quarter of 2008.

The third quarter saw total MWh sales decrease, largely in the industrial customer and sales to other utilities segments. Santee Cooper's demand (kW) sales were slightly up over the same period last year.

Operating Expense for the third quarter of 2009 was up compared to the third quarter of last year as a result of a \$38 million fuel cost increase due to higher coal purchase prices, offset by lower purchased power expense. The addition of Cross 4 to the generation fleet contributed to increases in fuel expense, non-fuel operations and maintenance expense and depreciation expense. Also contributing to higher non-fuel expense were expenses related to scheduled outages at the Cross 2 and Winyah 2 and 3 units. In addition to Cross 4, additional transmission line projects contributed to the increase in depreciation expense.

Other Income was down \$1.1 million when compared to the third quarter of last year, primarily resulting from lower interest rates in 2009. There was also a slight decline in the change in fair market value on investments.

There was a \$6.8 million change in Costs to be Recovered from Future Revenue. This was primarily due to an increase in the depreciation component caused by the addition of Cross 4.

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

Overall, Reinvested Earnings for the third quarter showed a fifteen percent decrease when compared to the same period last year as a result of these factors.

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

Key Statistical Highlights

	This Year	Last Year
	Current Quarter	
Total MWh Sales	7,192,576	7,365,540
Number of Degree Days	1,172	1,151
	For Month Ended September 30	
Distribution Reliability (YTD)	99.9978	99.9952
Number of Retail Customers	165,405	162,950

Quarterly Statement of Reinvested Earnings

For Period Ended September 2009

Millions of Dollars (Unaudited)

	Current Quarter		12 Months to Date	
	This Year	Last Year	This Year	Last Year
Operating Revenue	\$473.7	\$456.7	\$1,705.8	\$1,586.6
O&M Expense	322.3	309.4	1,217.7	1,136.5
Depreciation & Sums in Lieu of Taxes	45.9	40.4	176.7	175.9
Operating Expense	368.2	349.8	1,394.4	1,312.4
Operating Income	105.5	106.9	311.4	274.2
<i>Add:</i>				
Other Income	1.9	3.0	9.1	17.3
Net Increase (Decrease) in Fair Value of Investments	(1.7)	(0.1)	1.7	5.9
Costs To Be Recovered From Future Revenue	0.9	(5.9)	(9.7)	(12.3)
<i>Subtract:</i>				
Interest Charges	59.1	48.3	219.9	197.4
Reinvested Earnings	\$ 47.5	\$ 55.6	\$ 92.6	\$ 87.7

Balance Sheet

As of September 2009 and 2008

Millions of Dollars (Unaudited)

Assets	This Year	Last Year
Utility Plant - Net	\$4,782.1	\$4,471.4
Long Lived Assets - ARO - Net	(14.6)	(15.0)
Investment in Associated Co.	9.4	7.9
Restricted Funds	524.7	210.4
General Improvement Funds	3.7	19.4
Cash & Securities	183.8	304.4
Other Current Assets	728.3	514.2
Costs To Be Recovered From Future Revenue	229.9	233.1
Regulatory Asset	171.5	169.3
Other Deferred Debits	61.5	57.8
Total Assets	\$6,680.3	\$5,972.9
Liabilities		
Long Term Debt - Net	\$4,066.2	\$3,247.8
Short Term Debt	284.8	511.8
Other Current Liabilities	261.5	229.5
ARO Liability	314.3	300.6
Other Liabilities	77.0	90.4
Accumulated Reinvested Earnings and Capital Contributions	1,676.5	1,592.8
Total Liabilities and Capital	\$6,680.3	\$5,972.9

NewsCurrents –

A Roundup of Quarterly NewsMakers

Santee Cooper Board approves first phase of rate adjustment

The Santee Cooper Board of Directors approved Aug. 24 an overall average 3.4 percent rate increase beginning Nov. 1, 2009 to offset rising costs of operating and maintaining the utility's generation, transmission and distribution facilities.

The 2009 rate adjustment is Santee Cooper's first base rate increase since 1996. The new rates feature consolidation of similar rate categories and introduce a seasonal rate that is one cent per kWh higher in the summer months, when it costs more to generate power. Santee Cooper has also launched an aggressive set of energy efficiency initiatives that can help customers save energy and offset the impact of higher rates.

Since last increasing base rates in 1996, Santee Cooper has nearly doubled its generating capacity and invested more than \$3 billion in new generation, transmission and distribution – all to serve a customer base that has grown by nearly 60 percent. "The 2009 rate increase will provide necessary revenues for Santee Cooper to meet the increasing costs to generate and distribute electricity," said Santee Cooper Chairman of the Board **O.L. Thompson**. "We have carefully reviewed management's proposal and the many thoughtful comments we received from our customers and other members of the public. I know that we are in some extremely difficult economic times, and Santee Cooper has delayed this rate increase as long as possible."

Energy Efficiency Program aims to save 209 million kilowatt-hours

Continuing its progress towards a 2020 goal to generate 40 percent of its energy by non-greenhouse gas emitting resources, biomass fuels, conservation and energy efficiency, Santee Cooper has launched a new energy efficiency program that aims to save 209 million kilowatt-hours a year by 2020. **Reduce the Use South Carolina** launched with a refrigerator rebate and recycling program in mid-September.



All told, Reduce the Use includes 42 initiatives designed to get customers to rethink the way they use energy, to reduce the amount they use, to replace old appliances with more efficient models and ensure that new and existing homes are as energy-efficient as possible.

Santee Cooper expands renewable power generation in Lee County

Santee Cooper had doubled the generating capacity of renewable Green Power at its Lee County Generating Station through the installation of a 5 megawatt turbine generator. The \$8 million project increases total capacity at the Lee County Generating Station to 10 MWs, making it Santee Cooper's largest renewable Green Power Station.

The expanded Lee County Generating Station brings Santee Cooper's renewable generating capacity statewide to 21 MWs.

Santee Cooper opened the Lee County Generating Station in 2005 with three 1.8-MW engines, which are fueled by methane gas that is naturally produced by decaying garbage at the adjacent Lee County Landfill.

The state-owned utility also operates the 3-MW Horry County Landfill Generating Station, as well as a 5-MW biogas station at the Richland County Landfill and a 3-MW station at the Anderson Regional Landfill.

Cover photo by Jim Huff