

Letter from the President and CEO

As 2010 begins, Santee Cooper is navigating purposefully through a still-difficult path of economic challenges and uncertainty. Santee Cooper is sound, financially and operationally, and we are focused on keeping that solid footing for the benefit of our customers and our state.



In the current difficult economy, Santee Cooper still served a record peak demand in what has been one of the coldest winters on the record books for South Carolina. On Jan. 11, peak demand reached 5,668 megawatts, breaking a record of 5,650 MWs set two years earlier. We are working with all of our customers on conservation and energy efficiency to help them spend less on electricity each month.

That is a big part of our goal to meet 40 percent of our energy needs by 2020 through non-greenhouse gas emitting resources, biomass fuels, conservation and energy efficiency. We are also moving forward on the other two components — increased nuclear power capacity and increased renewable generation. The Nuclear Regulatory Commission is reviewing our application with South Carolina Electric & Gas Co. to add two nuclear reactors to our V.C. Summer Nuclear Station, which would provide necessary, emissions-free generation diversity and capacity to meet future needs in this state.

We are continuing to evaluate renewable energy projects and proceeding with those that are cost-effective and meet our customers' needs. In February, we dedicated a 20-kilowatt solar array at the Technical College of the Lowcountry, a project supported by customer purchases of Santee Cooper Green Power. As this quarter ends, we are moving forward with a grant-supported project to build the largest solar array in South Carolina, a 250-kW installation in Myrtle Beach. A third of that project is supported by federal stimulus money granted to Santee Cooper by the South Carolina Energy Office. Santee Cooper will continue to pursue grant opportunities that help us research and develop renewable energy for the benefit of our customers and state.

Balance is the key now and going forward. Santee Cooper will best meet our goals by remaining operationally and fiscally sound and continuing to provide power and water that are affordable, reliable and environmentally responsible.



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For the Benefit of All

Quarterly Financial Report
for period ended March 31, 2010



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Executive Summary

First Quarter 2010 Compared to 2009

The financial results for the first quarter of 2010 showed a decrease of over \$3 million compared to the same period last year, with revenue and operating expenses higher than the same quarter of 2009.

The first quarter saw total MWh sales increase 12%, spread across nearly all customer classes. Santee Cooper saw a slight decrease in demand (kW) sales this quarter. The new rate schedule implemented in November, 2009 also contributed to increased revenue.

Operating Expense for the first quarter of 2010 was up compared to the first quarter of last year as a result of a \$28 million fuel cost increase due to the increased generation. Higher material and chemical costs at Cross and Winyah generating stations contributed to increases in non-fuel operations and maintenance expense. Administrative & General Expense was up due to accounting for other post-employment benefits (OPEB). An increase in depreciation expense was a result of catch-up depreciation on new coal cars.

Other Income was down when compared to the first quarter of 2009, primarily resulting from a loss on the sale of coal cars, offset by an increase in the change in fair market value of investments.

Interest Charges increased nearly \$5 million compared to last year as a result of the 2009 bond activity.

There was a \$7 million rise in Costs to be Recovered from Future Revenue expense. This was primarily due to the increased depreciation for coal cars.

Overall, Reinvested Earnings for the first quarter showed a five 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.

Key Statistical Highlights

	<i>This Year</i>	<i>Last Year</i>
	<i>Current Quarter</i>	
	<i>For Month Ended March 31</i>	
Total MWh Sales	7,265,495	6,472,610
Number of Degree Days	1,731	1,436
Distribution Reliability % (YTD)	99.9976	99.9996
Number of Retail Customers	165,850	162,092

Quarterly Statement of Reinvested Earnings

For Period Ended March 2010

Millions of Dollars (Unaudited)

	<i>Current Quarter</i>		<i>12 Months to Date</i>	
	<i>This Year</i>	<i>Last Year</i>	<i>This Year</i>	<i>Last Year</i>
Operating Revenue	\$490.7	\$442.3	\$1,750.4	\$1,630.8
O&M Expense	309.0	275.1	1,234.9	1,148.5
Depreciation & Sums in Lieu of Taxes	49.5	44.8	186.5	168.7
Operating Expense	358.5	319.9	1,421.4	1,317.2
Operating Income	\$132.2	\$122.4	\$ 329.0	\$ 313.6
<i>Add:</i>				
Other Income	0.2	1.8	7.0	10.0
Net Increase (Decrease) in Fair Value of Investments	(1.3)	(1.7)	(7.7)	2.1
<i>Subtract:</i>				
Interest Charges	60.7	56.0	238.9	208.0
Costs To Be Recovered From Future Revenue	6.7	(0.6)	3.4	16.2
Reinvested Earnings	\$ 63.7	\$ 67.1	\$ 86.0	\$ 101.5

Balance Sheet

As of March 2010 and 2009

Millions of Dollars (Unaudited)

<i>Assets</i>	<i>This Year</i>	<i>Last Year</i>
Utility Plant - Net	\$4,873.3	\$4,632.0
Long Lived Assets - ARO - Net	(\$14.5)	(\$14.8)
Investment in Associated Co.	9.5	8.9
Restricted Funds	589.7	436.6
General Improvement Funds	9.1	3.6
Cash & Securities	235.3	236.9
Other Current Assets	801.2	570.2
Costs To Be Recovered From Future Revenue	224.8	228.2
Regulatory Asset	176.1	165.8
Other Deferred Debits	347.8	61.4
Total Assets	\$7,252.9	\$6,328.8
<i>Liabilities</i>		
Long Term Debt - Net	\$4,346.3	\$3,807.1
Short Term Debt	431.4	240.6
Other Current Liabilities	296.1	243.9
ARO Liability	321.4	307.3
Other Liabilities	141.9	80.4
Accumulated Reinvested Earnings and Capital Contributions	1,715.8	1,649.5
Total Liabilities and Capital	\$7,252.9	\$6,328.8

NewsCurrents –

A Roundup of Quarterly NewsMakers

Mini-Bond Program Revamped

The Santee Cooper Board of Directors approved two 2010 sales of Mini-Bonds and a longer sale period for each during its January board meeting — changes made in accordance with requests from current bondholders.

The 2010 Mini-Bond sale proceeds will be used to fund capital improvements to Santee Cooper's transmission system, and they allow much of the interest income to remain in the state because mini-bonds are sold to Santee Cooper customers and other South Carolina residents.

“The Mini-Bond Program is an easy way for all South Carolinians to invest in their state-owned utility, at increments as low as \$200,” said Lonnie Carter, president and CEO.

Santee Cooper Mini-Bonds are municipal bonds and the interest income is exempt from federal and South Carolina state tax under current law. The utility offers two types, and the maximum per-individual purchase is \$50,000:

- current interest bearing bonds, which pay interest semi-annually and are sold in \$500 denominations
- capital appreciation bonds, which pay interest at maturity and are sold in \$200 denominations

Mini-bonds were sold in April, and a second offering will be held in October. For more information, visit www.scmibonds.com.

Customers Satisfied

Santee Cooper customers have again given the utility top marks in customer satisfaction, highlighted by an overall 99.3 percent satisfaction rate among residential customers for 2009.

“Residential customers continue to be pleased with Santee Cooper, and Santee Cooper consistently outperforms utilities in South Carolina and across the nation,” said Frank Brown, president of MarketSearch.

Santee Cooper received exemplary marks in reliability of service and quality of power; minimizing and restoring outages; efficient operation; and reputation.

Some 89 percent of customers are satisfied that Santee Cooper is keeping rates as low as possible. In regards to the increasingly important issue of energy conservation and environmental consideration, the utility remains a strong steward in the minds of its consumers: 98 percent of customers are satisfied with Santee Cooper's concern for the environment; and 96 percent commended Santee Cooper's efforts to help them conserve energy.

Solar generation growing

In what was the largest solar installation in the Lowcountry to date, Santee Cooper, Palmetto Electric Cooperative and the Technical College of the Lowcountry dedicated a 20-kilowatt array at TCL's New River Campus in February.

The project was funded completely through revenues generated by sales of Santee Cooper Green Power, and the 9 solar canopies will generate electricity tied into Palmetto Electric Cooperative's distribution system.

Cover photo by Jim Huff