

## Letter from the President and CEO

As you read this, Santee Cooper is finishing construction of our Berkeley County Green Power Generating Station, the sixth such station we have built that generates renewable energy from landfill methane gas.



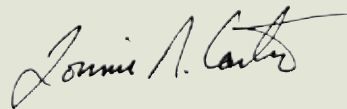
Santee Cooper was the first utility in South Carolina to generate and market Green Power for our customers. At the turn of the century, we were pursuing a rather novel concept — one that literally turns trash into treasure.

We opened our first Green Power generating station in September 2001, at the Horry County Landfill. Its 3 megawatts are enough electricity to power 1,500 homes. Rather than rest on our early accomplishments, we have steadily built the program at a pace that works for our communities and, most importantly, our customers.

When we bring our Berkeley station online later this year, it will bring our total landfill generation to 25 MWs, enough to power 12,500 homes or nearly one in 10 of the residential customers we serve. The best news is that we are marketing this nationally certified, renewable Green Power to residents throughout South Carolina, who can purchase Green Power or, if they are customers of other utilities, Green Power Tags. All that money is fully reinvested in new renewable energy projects in South Carolina.

At \$3 per block of 100 kWhs, the cost to purchase renewable Green Power is minimal. Our point is to offer customers the voluntary opportunity to support the development of renewable energy. A very small percent of customers are participating, and there is a lesson in that as we move forward.

While the landfill generation we are producing is a little more expensive than traditional generation, it is the most affordable renewable resource available in South Carolina. As we continue to grow this program and look increasingly at different renewable options, we will remain ever mindful that the benefits of any type of renewable generation must be balanced with the cost and reliability issues. As a voluntary purchase, Green Power is popular among a very, very small percent of our customer base. We will continue to balance their support against the need of other customers for electricity that they can afford.



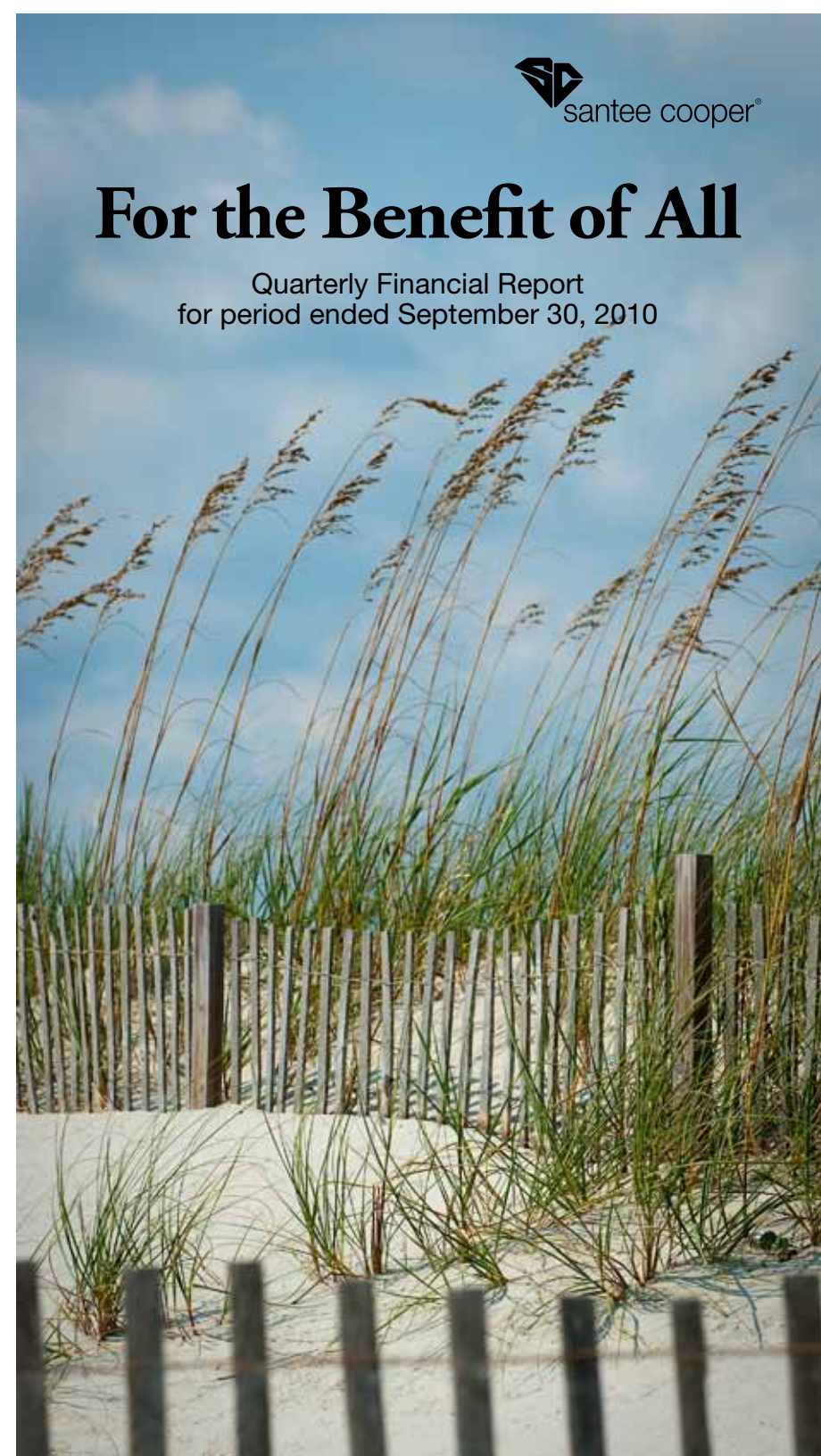
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# For the Benefit of All

Quarterly Financial Report  
for period ended September 30, 2010



## Executive Summary

### Third Quarter 2010 Compared to 2009

The financial results for the third quarter of 2010 showed an increase of nearly \$26 million compared to the same period last year, with revenue and operating expenses higher than the same quarter of 2009.

The third quarter saw total MWh sales increase 12% spread across nearly all customer classes, including increases of 11% in the industrial class and 15% in retail. The new rate schedule implemented in November 2009 also contributed to increased revenue. Electric demand (kW) sales were up 7% compared to last year.

Operating Expense for the third quarter of 2010 was up compared to the third quarter of last year as a result of a \$46 million fuel cost increase due to the increased generation. The remaining expense categories were relatively flat for the quarter.

Other Income was down nearly \$1 million for the third quarter of this year along with a slight decrease in the change in fair market value of investments.

Interest Charges increased \$2 million compared to last year as a result of the 2009 bond activity.

There was a more than \$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 third quarter showed a 54% increase 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

	<b>This Year</b>	<b>Last Year</b>
	<b>Current Quarter</b>	
	<b>For Month Ended Sept. 30</b>	
Total MWh Sales	8,062,375	7,192,576
Number of Degree Days	1,352	1,172
Distribution Reliability % (YTD)	99.9976	99.9978
Number of Retail Customers	163,961	163,099

## Quarterly Statement of Reinvested Earnings

For Period Ended September 2010

Millions of Dollars (Unaudited)

	<b>Current Quarter</b>		<b>12 Months to Date</b>	
	<b>This Year</b>	<b>Last Year</b>	<b>This Year</b>	<b>Last Year</b>
Operating Revenue	\$556.3	\$473.7	\$1,858.4	\$1,691.3
O&M Expense	368.6	322.3	1,287.5	1,183.4
Depreciation & Sums in Lieu of Taxes	46.9	45.9	188.3	181.1
Operating Expense	415.5	368.2	1,475.8	1,364.5
Operating Income	\$140.8	\$105.5	\$382.6	\$326.8
<b>Add:</b>				
Other Income	1.2	1.9	6.2	7.9
Net Increase (Decrease) in Fair Value of Investments	(1.1)	(1.7)	(6.1)	0.1
<b>Subtract:</b>				
Interest Charges	61.1	59.1	245.0	227.6
Costs To Be Recovered From Future Revenue	6.5	(0.9)	18.3	3.2
Reinvested Earnings	\$73.3	\$47.5	\$119.4	\$104.0

## Balance Sheet

As of September 2010 and 2009

Millions of Dollars (Unaudited)

<b>Assets</b>	<b>This Year</b>	<b>Last Year</b>
Utility Plant - Net	\$4,998.3	\$4,782.1
Long Lived Assets - ARO - Net	(14.3)	(14.6)
Investment in Associated Co.	10.4	9.4
Restricted Funds	497.2	524.7
General Improvement Funds	21.2	3.7
Cash & Securities	303.7	183.8
Other Current Assets	930.2	728.3
Costs To Be Recovered From Future Revenue	211.6	229.9
Regulatory Asset	171.0	171.5
Other Deferred Debits	345.7	61.5
<b>Total Assets</b>	<b>\$7,475.0</b>	<b>\$6,680.3</b>
<b>Liabilities</b>		
Long Term Debt - Net	\$4,374.2	\$4,066.2
Short Term Debt	546.3	284.8
Other Current Liabilities	300.5	261.5
ARO Liability	328.6	314.3
Other Liabilities	148.1	77.0
Accumulated Reinvested Earnings and Capital Contributions	1,777.3	1,676.5
<b>Total Liabilities and Capital</b>	<b>\$7,475.0</b>	<b>\$6,680.3</b>

## NewsCurrents – A Roundup of Quarterly NewsMakers

### Board approves major biomass project

The Santee Cooper Board of Directors in September approved purchase power agreements with two firms for 95 megawatts of biomass energy.

The board approved contracting with Domtar Paper Co. LLC for 50 MWs of renewable biomass-fueled energy at the Bennettsville, S.C., pulp and paper mill. The board also approved contracts with Southeast Renewable Energy (SRE) for 45 MWs of biomass-fueled energy to be produced at three 15-MW plants around the state.

The proposed agreement with Domtar is for 15 years and is contingent upon Domtar board approval. Once effective, Santee Cooper could start purchasing the biomass power immediately. Domtar has installed a generator as part of its existing process to utilize steam from wood waste, steam that is also used in making paper. Santee Cooper would purchase the electricity produced from the generator.

The SRE plants are scheduled for construction in Dorchester and Kershaw counties, with the third location still to be determined. The plants are expected to be online in 2012 or 2013. The projects would provide about 60 new jobs, 20 per plant, and support others in the logging, trucking and related industries. The SRE contract is for 30 years.

Biomass generation is the most cost-effective renewable resource in South Carolina. Santee Cooper already produces 22 MWs of renewable generation from landfill methane gas, a type of biomass, which the utility markets to customers as Santee Cooper Green Power.

### Santee Cooper celebrates anniversary of Reduce the Use

Santee Cooper in September celebrated the one-year anniversary of launching Reduce the Use South Carolina, a 10-year campaign aimed at reducing the use of electricity and improving energy efficiency among its direct-serve residential and commercial customers through rebates and programs.

Through the program's first year, Santee Cooper customers have saved 49.4 million kilowatt hours of electricity, enough to power 3,700 households per year.

### Flash mob marks distribution of 1 millionth CFL bulb

Dozens of dancers surprised vacationers with a spontaneous outburst of the Electric Slide on July 30 at the Beach Colony Resort in Myrtle Beach, performance choreographed by Santee Cooper to celebrate its major milestone of surpassing 1 million free compact fluorescent light (CFL) bulbs distributed to its commercial and residential customers.

Flash mobs have become an Internet sensation and typically involve a large group of people who assemble suddenly in a public place to perform an unusual act for a brief time and then disperse. Footage of the Santee Cooper flash mob is available at [www.youtube.com/santeecoopergreen](http://www.youtube.com/santeecoopergreen).

The event drew widespread coverage in traditional media outlets as well.

Cover photo by Jim Huff