

Letter from the President and CEO

As we begin a new year, it's natural to look back at the one that just ended. As I do so, I ask if we provided low-cost, reliable and environmentally protective power and water. Further, did we add value to the state of South Carolina?



The answer is yes, to both questions.

Santee Cooper held the line on costs in 2010, and our board of directors approved a 2011 budget that represents no rate adjustment.

In October, we sold \$231 million in refunding bonds, saving customers \$19 million in net present value over the life of the bonds. In December the board approved a sale of \$360 million in Build America bonds with an all-in true interest rate of 4.237 percent — an excellent deal for a 40-year bond structure. These bond sales help us prepare for our share of construction of two new nuclear power units, scheduled to come online in 2016 and 2019. All three rating agencies reaffirmed what is considered a strong long-term rating of Santee Cooper. Both the October and December issues received an AA- rating from Standard & Poor, an Aa2 from Moody's and an AA from Fitch.

Reduce The Use, our comprehensive, rebate-driven energy efficiency program, celebrated its first anniversary in September with customer savings of more than 49 million kilowatt-hours.

Santee Cooper continues to explore renewable generation that is practical and affordable. We added, or are in the process of adding, 12 MWs of renewable energy at landfill generating stations in Georgetown, Lee, Richland and Berkeley counties. We built a 20-kW solar array at Technical College of the Lowcountry and installed a 2-kW demonstration wind turbine in North Myrtle Beach. And we successfully marketed Green Power to events around the state, including November's Carolina-Clemson football game. Sales of Green Power are fully reinvested in new renewable energy projects.

This brings me to a final point: Santee Cooper is building a 311-kW solar power station in Myrtle Beach. The Grand Strand Solar Station will be the state's largest by a considerable margin, and nearly 40 percent of its \$1.3 million cost is paid for by our customers' optional purchase of Green Power. A South Carolina Energy Office grant provided another \$475,000. The Grand Strand Solar Station is possible because of these partnerships and additional funding sources.

With the efforts of our dedicated workforce, Santee Cooper saw remarkable accomplishments in 2010 in spite of a very challenging economy and business climate. We remain committed to doing all we can to improve the quality of life for our customers and all South Carolinians in 2011.



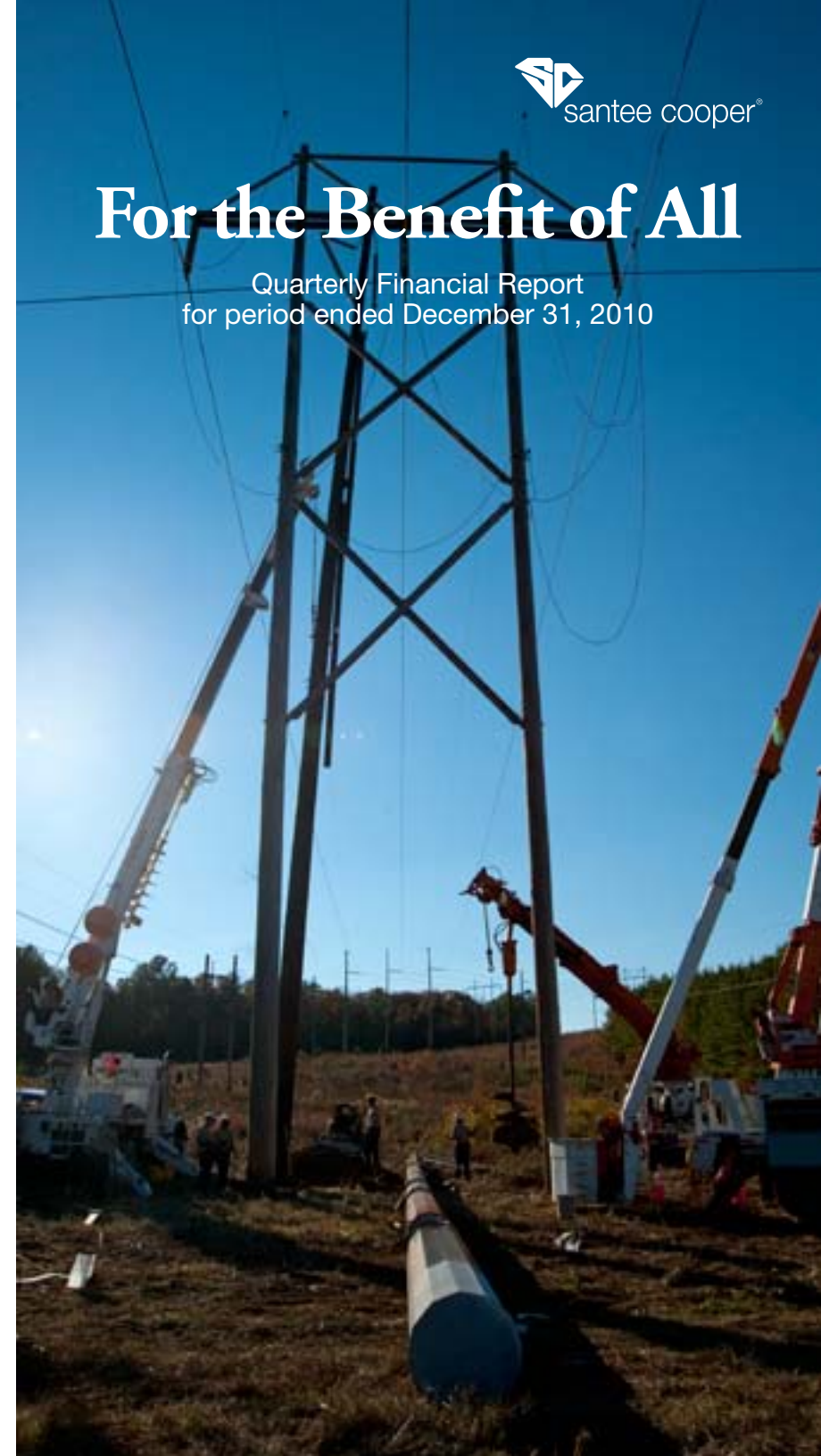
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For the Benefit of All

Quarterly Financial Report
for period ended December 31, 2010



Executive Summary

Fourth Quarter 2010 Compared to 2009

The financial results for the fourth quarter of 2010 showed a decrease of nearly \$4 million compared to the same period last year, with revenue and operating expenses higher than the same quarter of 2009.

During the fourth quarter, total MWh sales rose 6%, bolstered by increases in both the Industrial class and Sales for Resale. December's inclement weather caused degree days to be higher for the quarter. The new rate schedules implemented in November 2009 also contributed to the increased revenue. Electric demand (kW) sales were up 11% compared to last year.

Operating Expense for the fourth quarter of 2010 was up compared to the fourth quarter of last year by \$30 million, attributed primarily to fuel expense. The rise in fuel expense was a result of increased MWh sales, which accompanied the colder than normal weather and an extended outage on Cross Unit 3. The remaining expense categories were comparatively flat for the quarter.

Other Income was down \$1.5 million for the fourth quarter of this year. The change in fair market value of investments showed a \$2 million increase.

Interest Charges were nearly the same as the same quarter last year.

There was a more than \$8 million rise in Costs to be Recovered from Future Revenue expenses. This was primarily due to higher principal payments in 2010 when compared to the like quarter in 2009.

Overall, Reinvested Earnings for the fourth quarter showed a 25% decrease when compared to the same period last year as a result of these factors.

Santee Cooper continues to pursue its goal to be the low cost provider of essential services to the people of South Carolina. Santee Cooper will continue to be a leading resource for improving quality of life as we work together toward a bright future.

Key Statistical Highlights

	<i>This Year</i>	<i>Last Year</i>
	<i>Current Quarter</i>	
	<i>For Month Ended Dec. 31</i>	
Total MWh Sales	6,365,985	6,025,978
Number of Degree Days	1,285	959
Distribution Reliability % (YTD)	99.9984	99.9946
Number of Retail Customers	163,601	162,981

Quarterly Statement of Reinvested Earnings

For Period Ended December 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	\$425.0	\$388.7	\$1,894.7	\$1,702.0
O&M Expense	328.3	298.3	1,317.5	1,201.0
Depreciation & Sums in Lieu of Taxes	46.9	44.8	190.4	181.8
Operating Expense	375.2	343.1	1,507.9	1,382.8
Operating Income	\$49.8	\$45.6	\$386.8	\$319.2
<i>Add:</i>				
Other Income	1.1	2.6	4.7	8.6
Net Increase (Decrease) in Fair Value of Investments	(1.1)	(3.0)	(4.2)	(8.1)
<i>Subtract:</i>				
Interest Charges	62.6	62.3	245.3	234.2
Costs To Be Recovered From Future Revenue	6.6	(1.6)	26.5	(3.9)
Reinvested Earnings	(\$19.4)	(\$15.5)	\$115.5	\$89.4

Balance Sheet

As of December 2010 and 2009

Millions of Dollars (Unaudited)

<i>Assets</i>	<i>This Year</i>	<i>Last Year</i>
Utility Plant - Net	\$4,938.3	\$4,871.5
Long Lived Assets - ARO - Net	(14.2)	(14.6)
Investment in Associated Co.	10.8	9.7
Restricted Funds	783.8	840.5
General Improvement Funds	3.0	3.7
Cash & Securities	234.0	203.4
Other Current Assets	1,231.0	876.7
Costs To Be Recovered From Future Revenue	205.0	231.5
Regulatory Asset	179.3	176.5
Other Deferred Debits	392.4	330.0
Total Assets	\$7,963.4	\$7,528.9
<i>Liabilities</i>		
Long Term Debt - Net	\$4,755.6	\$4,472.6
Short Term Debt	528.7	404.8
Other Current Liabilities	451.7	536.0
ARO Liability	332.3	317.8
Other Liabilities	137.1	136.7
Accumulated Reinvested Earnings and Capital Contributions	1,758.0	1,661.0
Total Liabilities and Capital	\$7,963.4	\$7,528.9

NewsCurrents – A Roundup of Quarterly NewsMakers

Santee Cooper board approves \$2.5 billion 2011 budget

The Santee Cooper Board of Directors approved a \$2.5 billion budget for 2011 in December. The board also approved the 2012 and 2013 budgets for planning purposes.

The 2011 budget includes \$1.97 billion for the electric system, \$6.5 million for the water systems and \$516.4 million for capital expenditures.

“Last year, we significantly cut our budget by more than \$130 million. This year’s budget continues that cost-cutting commitment and contains additional cuts,” said Lonnie Carter, Santee Cooper president and CEO. “I am pleased to say our budget efforts mean we are able to avoid a rate adjustment for our customers in 2011.”

More than half of the \$1.97 billion operating and maintenance budget is allocated for fuel and purchased power. The fuel necessary to generate electricity and supplemental purchase power totals \$1.05 billion, with the remaining dollars allocated to all other operating and maintenance costs necessary to operate the utility.

Long-term power agreement approved

Santee Cooper and Piedmont Municipal Power Agency (PMPA) announced Dec. 13 the approval of a long-term power agreement in which Santee Cooper will sell approximately 200 megawatts of power to PMPA beginning in 2014 and more as PMPA’s customer demand grows. The contract begins Jan. 1, 2014.

PMPA provides electricity to 10 municipal utilities in South Carolina, serving the cities of Abbeville, Clinton, Easley, Gaffney, Greer, Laurens, Newberry, Rock Hill, Union and Westminster.

Biomass deals in works

The Santee Cooper Board of Directors approved in October purchase power agreements with two firms for 95 MWs of biomass, a major development in the utility’s nine-year-old renewable energy program.

The board approved contracting with Domtar Paper Co. LLC for 50 MWs of renewable biomass-fueled energy that Domtar already was producing at its Bennettsville, S.C., pulp and paper mill, and that generation is already in Santee Cooper’s mix. The board also approved contracts with Southeast Renewable Energy for 45 MWs of biomass-fueled energy to be produced at three 15-MW plants around the state, in Dorchester, Kershaw and a third county to be named. The projects would provide about 60 new jobs, 20 per plant, and support others in the logging, trucking and related industries.

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.

Cover photo by Jim Huff