

Letter from the President and CEO

Power costs are rising due to three factors beyond Santee Cooper's control. They are the cost of fuel, transportation of fuel and environmental regulations, and they are affecting all utilities across the country. We've worked with our customers in the past to find innovative solutions to these increasing cost pressures, and we resolve to keep doing so.



We continue to think differently and creatively to temper these costs for our customers knowing full well the impact they have on job creation and retention, economic development opportunities, and our customers' budgets. We're proud that, despite these increasing cost pressures, our rates remain among the lowest in the Southeast and well below the national average.

The cost of fuel is the largest driver of the cost of electricity, and it is beyond our control except to the extent we're able to negotiate favorable pricing. We continue to hammer on that and, in fact, have dramatically altered our structure, philosophy and policies surrounding fuel purchasing to that end.

An increasingly high percentage of the cost of electricity is driven by government regulations. EPA regulations enacted prior to 2011 already have cost our customers \$1 billion in environmental equipment, with an additional \$165 million in annual operating costs.

We're working to counter these cost increases with innovative approaches to reduce power costs, such as energy-efficiency programs for retail customers that could help us delay building new generation. Looking ahead, we are implementing discounted economic development rates for industrial customers who expand, bringing new jobs and investment dollars to our state.

This strategy continues what we have been doing for years; by providing reliable and quality products and services, we've been able to effectively serve our growing state for the past 77 years. We aim to be the most innovative and creative utility in the world, which leads to improved economic development and attractive power rates that effectively market South Carolina to the globe.

With the global economy dynamically changing, we accept the challenge that, more than ever, we need to effectively partner with all of our customers. Innovation and creative thinking have long been hallmarks of Santee Cooper's success, and by working together we can and will successfully discover the solutions to recruiting and retaining industry and jobs for South Carolina.



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For the Benefit of All

Quarterly Financial Report
for period ended December 31, 2011

Executive Summary

Fourth Quarter 2011 Compared to 2010

The financial results for the fourth quarter of 2011 showed an increase of \$26 million compared to the same period last year.

Electric revenue decreased \$18 million as opposed to the same period in 2010, mostly due to milder weather reflected in degree days. Energy sales (MWh) shifted between customer classes with a 5% net decrease overall.

Operating Expense for the fourth quarter of 2011 was down compared to the fourth quarter of last year primarily due to generation related expenses. These included lower fuel cost associated with reductions in both sales and maintenance costs, offset by increased purchased power from the addition of renewable energy sources.

Other Income increased nearly \$2 million when compared to the fourth quarter of last year due to the interest subsidy accrual for the Build America Bonds (BABs) issued in December 2010. The Fair Value of Investments recognized on the books was steady compared with 2010.

Interest Charges were less by \$7 million compared to last year with interest on long term debt associated with future nuclear construction being the biggest contributor. The portion of V.C. Summer units 2 and 3 construction interest transferred to a deferred debit account equates to the ownership percentage expected to be sold.

There was a \$13 million change in Costs to be Recovered from Future Revenue expense. The variance was due to updated debt schedules.

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

Key Statistical Highlights

	<i>This Year</i>	<i>Last Year</i>
	<i>Current Quarter</i>	
Total MWh Sales	6,045,805	6,365,985
Number of Degree Days	858	1,285
	<i>For Month Ended December</i>	
Distribution Reliability % (YTD)	99.9980	99.9984
Number of Retail Customers	164,647	163,601

Quarterly Statement of Reinvested Earnings

Millions of Dollars (Unaudited)

	<i>Current Quarter</i>		<i>12 Months to Date</i>	
	<i>Oct 1 - Dec 31</i>		<i>Jan 1 - Dec 31</i>	
	<i>This Year</i>	<i>Last Year</i>	<i>This Year</i>	<i>Last Year</i>
Operating Revenue	\$407.3	\$425.2	\$1,914.7	\$1,894.9
O&M Expense	306.8	329.5	1,366.7	1,318.7
Depreciation & Sums in Lieu of Taxes	47.4	46.9	189.9	190.4
Operating Expense	354.2	376.4	1,556.6	1,509.1
Operating Income	\$53.1	\$48.8	\$358.1	\$385.8
<i>Add:</i>				
Other Income	2.8	1.1	12.0	4.7
Net Increase (Decrease) in Fair Value of Investments	(1.0)	(1.1)	(2.9)	(4.2)
<i>Subtract:</i>				
Interest Charges	55.3	62.1	222.7	244.8
Costs To Be Recovered From Future Revenue	(6.7)	6.6	(6.0)	26.5
Reinvested Earnings	\$6.3	(\$19.9)	\$150.5	\$115.0

Balance Sheet

As of December 2011 and 2010

Millions of Dollars (Unaudited)

<i>Assets</i>	<i>This Year</i>	<i>Last Year</i>
Utility Plant - Net	\$5,182.4	\$4,945.1
Long Lived Assets - ARO - Net	(13.8)	(14.2)
Investment in Associated Co.	9.5	10.8
Restricted Funds	632.7	783.8
General Improvement Funds	3.0	3.0
Cash & Securities	272.4	234.0
Other Current Assets	1,331.8	1,224.4
Costs To Be Recovered From Future Revenue	211.0	205.0
Regulatory Asset	174.0	179.3
Other Deferred Debits	441.6	390.9
Total Assets	\$8,244.6	\$7,962.1
<i>Liabilities</i>		
Long Term Debt - Net	\$4,991.7	\$4,755.1
Short Term Debt	464.6	528.7
Other Current Liabilities	430.4	452.8
ARO Liability	347.5	332.3
Other Liabilities	120.7	135.7
Accumulated Reinvested Earnings and Capital Contributions	1,889.7	1,757.5
Total Liabilities and Capital	\$8,244.6	\$7,962.1

Quarterly Headlines

Santee Cooper Board approves 2012 budget

The Santee Cooper Board of Directors approved a \$2.9 billion budget for 2012 at its December meeting. The board also approved the 2013 and 2014 budgets for planning purposes.

The 2012 budget includes \$2 billion for the electric system, \$6.7 million for the water systems and \$932.5 million for capital expenditures.

“Through careful planning and lean budgeting, Santee Cooper continues to do all we can to reduce or hold steady those costs that we can control,” said Lonnie Carter, Santee Cooper president and CEO.

More than half of the \$2 billion electric system budget is allocated for fuel and purchased power. The fuel necessary to generate electricity and supplemental purchased power totals \$1 billion, with the remaining dollars allocated to all other costs necessary to operate the utility.

Fall 2011 Mini-Bond sale generates \$21.8 million

Santee Cooper concluded its fall 2011 Mini-Bond offering with sales of \$21,873,500.

The sale was held in October and included:

- 2011 Fall Series Capital Appreciation Bonds: Minimum purchase is \$200 and interest is paid on the Mini-Bonds' maturity date: Jan. 1, 2020; Jan. 1, 2025; or Jan. 1, 2030.
- 2011 Fall Series Current Interest Bearing Bonds: Minimum purchase is \$500; interest is paid semiannually.

Organizational changes announced

Santee Cooper announced a number of organizational changes in late 2011 that will facilitate preparations for upcoming nuclear construction and increased strategic planning, especially surrounding fuel acquisition — the utility's largest expense.

On the operations side, Michael Crosby was promoted to vice president of nuclear operations and construction. This new officer level position will lead Santee Cooper's efforts on the construction of V.C. Summer Nuclear Station units 2 and 3.

On the finance side, Jeff Armfield became vice president of fuels strategy and supply. This new position will lead the strategy, procurement and management efforts of all of Santee Cooper's fuel sources. Armfield previously served as treasurer.

Suzanne Ritter has been named treasurer, in addition to her current role as vice president of corporate planning.

In generation, Dickie Thorndyke was named manager of Cross Generating Station, Santee Cooper's largest generating facility. Thorndyke previously was manager of Rainey Generating Station in Anderson County. He replaced Levon Strickland, who retired from Cross in December. Keith Smith was promoted from superintendent of maintenance to plant manager at Rainey.

Sam Bennett joined Santee Cooper as manager of economic development. Bennett will represent Santee Cooper in his work with statewide economic development professionals, including regional and local economic development organizations and the South Carolina Power Team — a partnership between Santee Cooper and the state's electric cooperatives.

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