

## Letter from the President and CEO

The environmental challenges surrounding electrical generation are many and complex. Santee Cooper has prioritized environmental stewardship throughout our history, and I am pleased with the progress we continue to make in this area.



Santee Cooper has closed our four oldest coal-fired generating units, two in Conway and two in Moncks Corner. These units were also our smallest, and they had the fewest emission controls. The units represented about 10 percent of our generating capacity, but in fact they hadn't been run much over the past several years because we dispatch our newest, more efficient and more controlled units first.

Our expansion of the V.C. Summer Nuclear Station is in full swing, with the first of two new units scheduled to be online in late 2017 or early 2018, and the second to follow about a year later. This quarterly report details very successful third-quarter bond sales, which in part are keeping the nuclear project within budget. While construction is expensive, nuclear power features low fuel costs that will make this generation cost-effective for the long haul. For Santee Cooper, it also improves our fuel diversity, and nuclear has the additional environmental benefit of being virtually emissions-free. Once both units are online, we will be closer to a 30-30-30 split between coal, natural gas and nuclear power, with the balance coming from hydro and renewables.

Speaking of renewables, Santee Cooper has about 130 megawatts online or under contract, which includes nearly 40 MW of biomass generation from two plants built by EDF Renewable Energy in Allendale and Dorchester counties. The EDF project also creates a new revenue stream for the timber industry in South Carolina.

With the support of Central Electric Power Cooperative, Santee Cooper has also contracted with Liberty Sun Energy to build the state's largest solar farm. Liberty Sun will construct the 3-MW solar facility in Colleton County, and Santee Cooper will buy the electricity, working with state electric cooperatives to distribute it to end users. This will be the largest solar installation in the state, and it is scheduled to be online by the end of the year.

You can learn more about these initiatives and others in our 2013 Environmental Report, available later this month at [www.santeecooper.com](http://www.santeecooper.com).



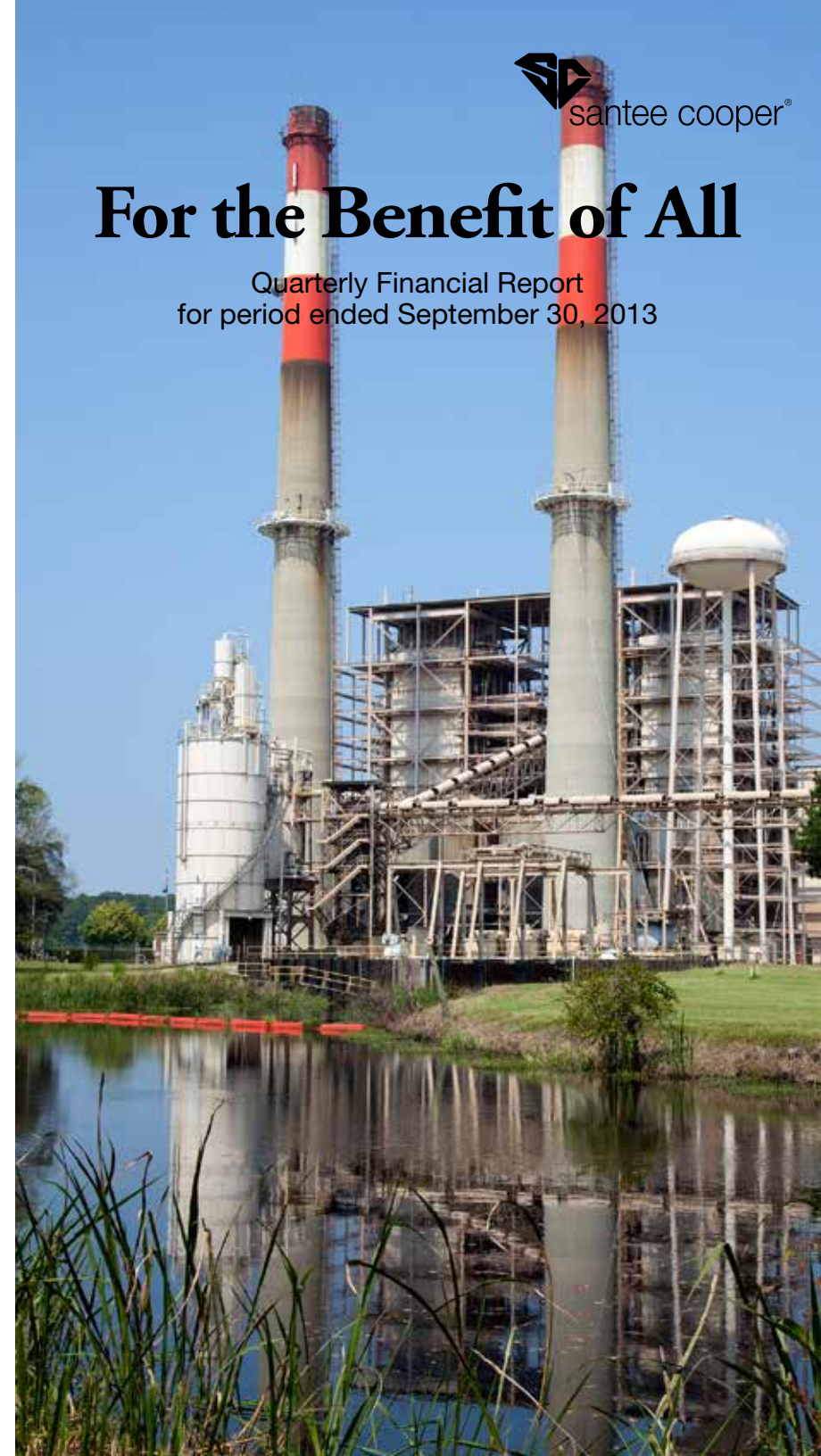
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# For the Benefit of All

Quarterly Financial Report  
for period ended September 30, 2013



## Executive Summary

### Third Quarter 2013 Compared to 2012

The financial results for the third quarter of 2013 showed a decrease of \$29 million compared to the same period last year.

Operating Revenue decreased \$66 million when compared to the same period in 2012 primarily due to reduced energy sales and Central Cost of Service adjustments. This quarter, kWh sales were down 5% overall with Industrial class sales being the only category showing an increase.

Operating Expense for the third quarter of 2013 was down \$28 million due to a combination of factors. Fuel & purchased power were lower due to the drop in kWh sales and a shift to more natural gas, nuclear and hydro generation. Other generation expense was less because of lower material and contract service costs. The remaining categories netted a small increase.

Other Income was down slightly in the third quarter of this year as a result of lower interest income, offset by a positive change in the Fair Value of Investments.

Interest Charges were lower by \$3 million compared to last year due to the impact of the 2012 and 2013 bond activity.

The \$5 million change in Costs to be Recovered from Future Revenue expense was also a result of the 2012 and 2013 bond activity.

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

### Key Statistical Highlights

	<b>This Year</b>	<b>Last Year</b>
	<b>Current Quarter</b>	
Total MWh Sales	7,270,476	7,660,327
Number of Degree Days	1,135	1,245
	<b>For Month Ended September</b>	
Distribution Reliability % (YTD)	99.9930	99.9968
Number of Retail Customers	168,482	166,509

## Quarterly Statement of Reinvested Earnings

Millions of Dollars (Unaudited)

	<b>Current Quarter</b>		<b>12 Months to Date</b>	
	<i>Jul 1 - Sep 30</i>		<i>Oct 1 - Sep 30</i>	
	<b>This Year</b>	<b>Last Year</b>	<b>This Year</b>	<b>Last Year</b>
Operating Revenue	\$489.9	\$555.4	\$1,833.2	\$1,848.8
O&M Expense	352.7	380.6	1,364.1	1,320.9
Depreciation & Sums in Lieu of Taxes	48.3	48.2	197.8	191.6
Operating Expense	401.0	428.8	1,561.9	1,512.5
Operating Income	\$88.9	\$126.6	\$271.3	\$336.3
<i>Add:</i>				
Other Income	2.5	2.8	9.3	12.9
Net Increase (Decrease) in Fair Value of Investments	(0.1)	(0.5)	(1.7)	(3.4)
<i>Subtract:</i>				
Interest Charges	54.0	57.1	223.2	221.9
Costs To Be Recovered From Future Revenue	(6.0)	(0.6)	(4.6)	(5.2)
Reinvested Earnings	\$43.3	\$72.4	\$60.3	\$129.1

## Balance Sheet

As of September 2013 and 2012

Millions of Dollars (Unaudited)

<b>Assets</b>	<b>This Year</b>	<b>Last Year</b>
Utility Plant - Net	\$5,840.6	\$5,406.5
Long Lived Assets - ARO - Net	429.9	(13.6)
Investment in Associated Co.	7.1	9.2
Restricted Funds	888.1	813.0
General Improvement Funds	4.4	4.4
Cash & Securities	298.5	331.9
Other Current Assets	1,172.8	1,252.2
Costs To Be Recovered From Future Revenue	214.0	209.5
Regulatory Asset	399.9	177.9
Other Deferred Debits	524.8	462.1
Total Assets	\$9,780.1	\$8,653.1
<b>Liabilities</b>		
Long Term Debt - Net	\$5,863.9	\$5,293.3
Short Term Debt	325.3	287.4
Other Current Liabilities	433.3	622.3
ARO Liability	1,018.8	359.3
Other Liabilities	105.9	98.4
Accumulated Reinvested Earnings and Capital Contributions	2,032.9	1,992.4
Total Liabilities and Capital	\$9,780.1	\$8,653.1

## Quarterly Headlines

### Santee Cooper completes sale of \$1.8 billion in bonds

The Santee Cooper Board of Directors approved the sale of \$1,341,385,000 in revenue obligation bonds during a special board meeting held Aug. 8.

The 2013 Series ABC included \$252,655,000 in tax-exempt Series A, \$388,730,000 in tax-exempt Refunding Series B, \$250,000,000 in taxable Series C and \$450,000,000 in taxable Series D bonds (LIBOR Index Bonds). The term "tax-exempt" means exempt from federal and South Carolina income taxes for South Carolina residents under current law.

The all-in true interest rate for Series A and B is 5.32 percent and the bonds mature from 2033 through 2043. The all-in true interest rate for Taxable Series C is 5.83 percent. Series D constituted \$450,000,000 in taxable floating rate notes tied to the London Inter-Bank Offered Rates. The notes mature in 2015 and 2016.

The Santee Cooper board reconvened at a special board meeting on Sept. 26 to approve the sale of an additional \$506,765,000 in revenue obligation bonds.

The 2013 Series E includes \$252,600,000 in tax-exempt bonds with a maturity of Dec. 1, 2048 and \$254,165,000 in tax-exempt bonds maturing Dec. 1, 2053. The all-in true interest rate for Series E is 5.34 percent.

The issues drew ratings of AA- from Fitch Ratings and Standard & Poor's, and an A1 from Moody's Investment Service. Lead banks on the ABCD transaction were Goldman Sachs & Co., Barclays and Morgan Stanley, and other banks involved were BofA Merrill Lynch, Citigroup, J.P. Morgan and Wells Fargo Securities. BofA Merrill Lynch handled the Series E issue.

"Due in large measure to the execution in May 2013 of the amendment to the Coordination Agreement with Central Electric Power Cooperative, we successfully executed the largest bond issue in our history," said Jeff Armfield, Santee Cooper senior vice president and CFO. "We were able to issue new debt and restructure a portion of our existing debt at attractive rates over a longer period, resulting in savings for all Santee Cooper customers."

Santee Cooper set two goals with its 2013 bond issues: refinancing existing debt out over a longer time frame to better match the life of its assets, and financing capital projects, primarily Santee Cooper's share of construction costs for two new nuclear power units at V.C. Summer Nuclear Station.

Cover photo by Jim Huff