

## Letter from the President and CEO

It's no secret 2013 was an historic year in many ways for Santee Cooper, with a sharp focus on customers, economic development, and the environment. At the top of the list, we significantly strengthened our partnership with Central Electric Power Cooperative in May with the signing of a multi-billion dollar, cost-saving extension to our agreement for Central to purchase power from Santee Cooper.



The extension, which will go through 2058, will benefit all cooperative consumers, other wholesale customers, and direct-serve residential, commercial and industrial customers of Santee Cooper. In addition to the savings, the agreement creates a collaborative approach to planning for Santee Cooper and Central, Santee Cooper's largest customer.

As one immediate benefit, the new amendment allowed Santee Cooper to complete a \$1.8 billion bond issue, the largest in state history. Issuing new debt and restructuring a portion of our existing debt at attractive rates over a longer period will save our customers about \$75 million annually in debt costs.

Santee Cooper also signed new agreements with our two municipal customers: the city of Georgetown, and the city of Bamberg Board of Public Works. We have enjoyed long, fruitful relationships with both cities, and I am pleased to have the opportunity to continue serving the good people who live and work there.

Along with SCE&G, we're continuing to build new, clean nuclear generation at V.C. Summer Nuclear Generating Station. Nuclear power is virtually emissions free and will diversify our generation mix, enhance our operating flexibility, and allow us to maintain our ability to offer low-cost, reliable power for the long term.

In economic development, our board approved \$20.7 million in loans in 2013 to local economic development officials and localities. These loans are to help build roads, industrial buildings and other infrastructure that will bring good, high-paying jobs to South Carolina.

Rounding out the year, we announced just before Thanksgiving plans to provide an important resource to South Carolina concrete and cement product manufacturers: the ash currently in our ponds at Grainger, Jefferies and Winyah generating stations. That ash is a byproduct of burning coal for power generation. It is a compelling story about how technological innovation, the laws of supply and demand, and our relationship with customers and neighbors together produced a new, cost effective ash solution with far-reaching economic benefits.



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# For the Benefit of All

Quarterly Financial Report  
for period ended December 31, 2013

## Executive Summary

### Fourth Quarter 2013 Compared to 2012

The financial results for the fourth quarter of 2013 showed an increase of \$26 million compared to the same period last year.

Operating Revenue decreased \$17 million when compared to the same period in 2012 primarily due to lower fuel rate revenues and Central Cost of Service adjustments. This quarter, kWh sales were level with last year, with minor shifts among the customer classes.

Operating Expense for the fourth quarter of 2013 was down \$38 million due to a combination of factors. Fuel & purchased power were lower due to the 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 also netted a small decrease.

Other Income was flat compared with the fourth quarter of last year while the Fair Value of Investments was reduced by \$600 thousand.

Interest Charges were lower by \$2 million compared to last year due to the impact of the 2012 and 2013 bond activity.

The \$3 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 fourth quarter showed an increase when compared to the same period last year as a result of these factors.

*The audited 2013 financial report will be available in March 2014 at [www.santeecooper.com](http://www.santeecooper.com)*

### Key Statistical Highlights

	<u>This Year</u>	<u>Last Year</u>
	<u>Current Quarter</u>	
Total MWh Sales	6,202,704	6,205,879
Number of Degree Days	952	1,011
	<u>For Month Ended December 2013</u>	
Distribution Reliability % (YTD)	99.9964	99.9970
Number of Retail Customers	168,813	166,809

## Quarterly Statement of Reinvested Earnings

Millions of Dollars (Unaudited)

	<u>Current Quarter</u>		<u>12 Months to Date</u>	
	<u>Oct 1 - Dec 31</u>		<u>Jan 1 - Dec 30</u>	
	<u>This Year</u>	<u>Last Year</u>	<u>This Year</u>	<u>Last Year</u>
Operating Revenue	\$429.5	\$446.3	\$1,817.1	\$1,887.8
O&M Expense	322.1	364.3	1,322.0	1,378.9
Depreciation & Sums in Lieu of Taxes	53.0	48.5	202.3	192.7
Operating Expense	375.1	412.8	1,524.3	1,571.6
Operating Income	\$54.4	\$33.5	\$292.8	\$316.2
<i>Add:</i>				
Other Income	2.4	2.4	9.3	12.5
Net Increase (Decrease) in Fair Value of Investments	(1.2)	(0.6)	(2.3)	(3.0)
<i>Subtract:</i>				
Interest Charges	61.4	63.8	220.8	230.4
Costs To Be Recovered From Future Revenue	(13.6)	(10.7)	(7.5)	(9.2)
Reinvested Earnings	\$7.8	\$(17.8)	\$86.5	\$104.5

### Balance Sheet

As of December 2013 and 2012

Millions of Dollars (Unaudited)

<u>Assets</u>	<u>This Year</u>	<u>Last Year</u>
Utility Plant - Net	\$6,155.5	\$5,574.7
Long Lived Assets - ARO - Net	420.6	457.7
Investment in Associated Co.	6.8	8.1
Restricted Funds	1,264.9	749.5
General Improvement Funds	2.9	2.9
Cash & Securities	294.4	268.0
Other Current Assets	1,196.5	1,321.1
Costs To Be Recovered From Future Revenue	227.6	220.2
Regulatory Asset	417.8	348.3
Other Deferred Debits	452.3	477.7
Total Assets	\$10,439.3	\$9,428.2
<u>Liabilities</u>		
Long Term Debt - Net	\$6,336.5	\$5,275.2
Short Term Debt	372.1	329.3
Other Current Liabilities	561.2	745.7
ARO Liability	1,024.3	1,002.3
Other Liabilities	104.5	101.1
Accumulated Reinvested Earnings and Capital Contributions	2,040.7	1,974.6
Total Liabilities and Capital	\$10,439.3	\$9,428.2

## Quarterly Headlines

### Biomass project dedicated

EDF Renewable Energy and Santee Cooper dedicated the Pinelands Biomass project on Nov. 21. The project consists of two 17.8-megawatt generating facilities in Allendale and Dorchester counties. The two projects interconnect to Santee Cooper's transmission system with the generated renewable energy contracted to the utility under 30-year power purchase agreements.

The woody biomass facilities, with a consistent wood demand, will bring significant economic benefits to both counties by contracting with the existing trucking and wood supply industries. Additionally, the two facilities have created more than 250 construction jobs and 38 full-time positions.

### Coal ash to be recycled

Santee Cooper announced plans in November to use all of the ash in ponds at its Grainger, Jefferies and Winyah generating stations for beneficial reuse.

Santee Cooper has recycled fly ash, bottom ash and gypsum since the 1970s. Prior to the recent recession, Santee Cooper was using about 90 percent of those materials for beneficial purposes, including the production of cement and concrete blocks. The announcement coincides with plans by The SEFA Group to expand its operations at the Winyah station. Through the advancement of a new recycling process, SEFA will be able to process Santee Cooper's wet and dry coal-ash. The new facility will be able to handle up to 400,000 tons annually.

The plan calls for emptying the ash ponds at the three stations over the next 10 to 15 years. Santee Cooper will provide excavation, loading and transportation of the ash to the facilities where it will be used.

### Economic development loans approved

Santee Cooper's Board of Directors has approved a total of \$4.2 million in loans to support projects in York and Colleton counties, which brings Santee Cooper's investment in new projects to \$24.8 million since 2012.

The loan program was designed to help local economic development agencies close deals and land new jobs in South Carolina. In 2013, loans were also approved for the town of Blythewood, city of Union, Pee Dee Commerce Park, Cool Springs Business Park, and others.

*About the cover: Construction of the 3-MW Colleton Solar Farm in Walterboro was completed in December 2013, representing a joint venture between Santee Cooper, Central Electric Cooperative and South Carolina's electric cooperatives, and the InterTech Group. The state's largest solar farm presents Santee Cooper and the Cooperatives an opportunity to learn more about renewable-energy production and integration. (Photo by Jim Huff.)*