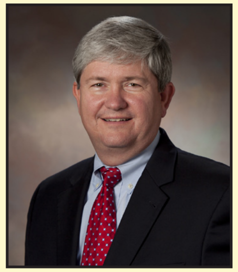
Letter from the President and CEO



Certainly 2012 was a year for the record books and one that benefitted our customers in several ways: Santee Cooper began building new, clean nuclear generation; we began the retirement of older, inefficient generation; and we took several steps forward in our continuing role as a trailblazer for economic development in South Carolina.

The Nuclear Regulatory Commission awarded our nuclear partner, SCANA Corp., combined construction and operating licenses in March, which cleared the way for construction of two units that we co-own. Nuclear power is virtually emissions free and a cornerstone to Santee Cooper's plans to diversify our generating fuel sources, enhance our operating flexibility, and maintain our ability to offer low-cost, reliable power for the long term. These units are scheduled to come online in 2017 and 2018.

In October our board authorized retirements of four coal-fired generating units and two oil-fired units, at Grainger and Jefferies generating stations. As our oldest stations we have only used them for peaking situations in recent years, and it would be cost-prohibitive to upgrade them to comply with environmental regulations coming into effect in the next couple of years. Retiring these units is in our customers' best interests.

Looking at economic development, we joined with the state's electric cooperatives and announced a new, lower electric rate designed to attract significant capital investment and jobs across the state — something that benefits us all. Santee Cooper also created a loan pool for local governments and nonprofit economic-development organizations that can be used for land acquisition, infrastructure improvements, or buildings.

As we begin 2013, Santee Cooper continues to work towards innovative solutions that help us serve as the leading resource for improving the quality of life of all South Carolinians.

Lonnie N. Carter

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Executive Summary

Fourth Quarter 2012
Compared to 2011

The financial results for the fourth quarter of 2012 showed a decrease of $25 million compared to the same period last year.

Operating Revenue increased $38 million when compared to the same period in 2011 primarily due to an increase in energy and fuel adjustment revenue. Degree days were 18% higher than last year and energy sales (MWh) were up 3% overall, with increases in Retail and Wholesale partially reduced by a decrease in Industrial sales.

Operating Expense for the fourth quarter of 2012 was up $59 million due to a combination of factors. Fuel & purchased power grew by $28.0 million resulting from greater energy sales and higher purchases required by a reloading outage at Summer Nuclear. Generation non-fuel was higher by $22 million due to the scheduled Winyah maintenance outage, a $6 million estimated accrual for material & supplies inventory write-off associated with plant closures, and a variance caused by a one-time credit for an insurance reimbursement from Rainey repairs recorded in December 2011. Sales promotion increased due to a contract obligation payment. Higher administrative and general expense was attributable to materials & supplies, contract services, and insurance costs.

Other Income decreased slightly when compared to the fourth quarter of last year and Fair Value of Investments increased $400 thousand compared with 2011 with the improved market conditions.

Interest Charges were up by $9 million compared to last year due to the impact of the 2012 bond issues.

The $4 million change in Costs to be Recovered from Future Revenue expense was a result of the 2011 and 2012 bond activity and the impact of the plant closures.

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

Key Statistical Highlights

	This Year	Last Year
	Current Quarter	
Total MWh Sales	6,205,879	6,045,805
Number of Degree Days	1,011	858
	For Month Ended December	
Distribution Reliability % (YTD)	99.9970	99.9980
Number of Retail Customers	166,809	164,647

Quarterly Statement of Reinvested Earnings

Millions of Dollars (Preliminary & Unaudited)

	Current Quarter Oct 1 - Dec 30		12 Months to Date Jan 1 - Dec 31	
	This Year	Last Year	This Year	Last Year
Operating Revenue	$445.6	$407.3	$1,887.1	$1,914.7
O&M Expense	364.2	306.3	1,378.3	1,366.2
Depreciation & Sums in Lieu of Taxes	48.5	47.4	192.7	189.9
Operating Expense	412.7	353.7	1,571.0	1,556.1
Operating Income	$32.9	$53.6	$316.1	$358.6
Add:				
Other Income	2.4	2.8	12.5	12.0
Net Increase (Decrease) in Fair Value of Investments	(0.6)	(1.0)	(3.0)	(2.9)
Subtract:				
Interest Charges	63.8	55.3	230.4	222.8
Costs To Be Recovered From Future Revenue	(10.7)	(6.7)	(9.2)	(6.0)
Reinvested Earnings	($18.4)	$6.8	$104.1	$150.9

Balance Sheet

As of December 2012 and 2011

Millions of Dollars (Preliminary & Unaudited)

Assets	This Year	Last Year
Utility Plant - Net	$5,562.7	$5,189.8
Long Lived Assets - ARO - Net	457.7	(13.8)
Investment in Associated Co.	8.1	9.5
Restricted Funds	749.5	632.7
General Improvement Funds	2.9	3.0
Cash & Securities	267.9	272.4
Other Current Assets	1,320.4	1,331.8
Costs To Be Recovered From Future Revenue	220.2	211.0
Regulatory Asset	348.3	174.0
Other Deferred Debits	478.6	441.6
Total Assets	$9,416.3	$8,252.0
Liabilities		
Long Term Debt - Net	$5,275.2	$4,991.7
Short Term Debt	772.6	580.3
Other Current Liabilities	290.4	322.1
ARO Liability	1,002.3	347.5
Other Liabilities	101.9	120.7
Accumulated Reinvested Earnings and Capital Contributions	1,973.9	1,889.7
Total Liabilities and Capital	$9,416.3	$8,252.0

Quarterly Headlines

Santee Cooper Board approves 2013 budget

The Santee Cooper Board of Directors approved a $2.9 billion budget for 2013 at its December meeting.

The 2012 budget includes $2 billion for the electric system, $7.7 million for the water systems and $933.7 million for capital expenditures.

"We are taking advantage of the lower prices of natural gas by purchasing more gas-fired electricity where it costs less for our customers," said Lonnie Carter, Santee Cooper president and CEO. "More than ever, flexibility is key for us as we navigate through rising fuel and transportation costs and increasing government regulation. We are continuing to balance options and hold the line on all the costs that we can."

Approximately 53 percent of the $2 billion electric system budget is allocated for fuel and purchased power. Budgeted costs for the fuel necessary to generate electricity and supplemental purchased power total slightly over $1 billion, with the remaining dollars allocated to all other costs necessary to operate the utility.

The $933.7 million for construction and capital equipment expenditures includes:

- $683.7 million for construction of new nuclear generating facilities
- $41.4 million for renewable generation and environmental control improvements
- $208.6 million for the transmission and distribution systems and system-wide improvements

Santee Cooper retires units at Grainger and Jefferies stations

The Santee Cooper Board of Directors authorized in October the retirement of six generating units, four at Jefferies Generating Station and two at Grainger Generating Station, and instructed the utility to proceed with closing the units. In December the utility set Dec. 31, 2012 as the permanent retirement dates for four of those units.

The decision to retire the units was in response to changing generation needs and expensive new environmental regulations that would require significant upgrades at those stations. They are Santee Cooper's oldest and smallest generating stations. The Jefferies hydroelectric units will not be affected.

The four units that were retired effective Dec. 31, 2012 are all coal-fired generating units. The two that have not been fixed with a retirement date are oil-fired. Santee Cooper is continuing a process to fully close the retired units in accordance with regulatory requirements. Affected employees are being relocated to other positions made available through attrition, so no layoffs are anticipated.

2012 Mini-Bond sales generate over $39 million

Santee Cooper Mini-Bond sales in 2012 totaled $39,325,700. Sales were held in April and October and grossed $21,137,800 and $18,187,900 respectively.

The maximum combined purchase for both offerings was $50,000 per individual.

Santee Cooper will offer another Mini-Bond sale in April 2013.

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Cover photo by Jim Huff