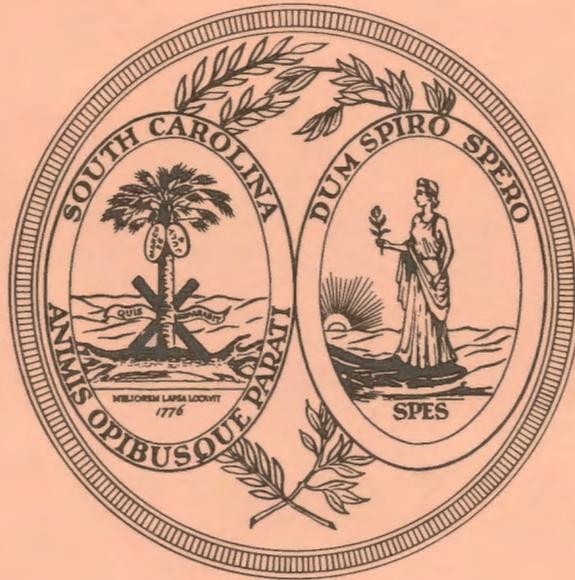


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SOUTH CAROLINA SANTEE COOPER



ANNUAL REPORT 1993

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Letter of Transmittal

April 15, 1994

To: The Governor and General Assembly

In accordance with law, we are privileged to submit to you the Annual Report of Santee Cooper, South Carolina Public Service Authority, for the calendar year 1993.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "T. Graham Edwards".

T. Graham Edwards
President and Chief Executive Officer

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Executive Report

Stating that the time had come for him to pass the baton and for the company to move ahead under new leadership, President and Chief Executive Officer Ken Ford announced his retirement October 22. He explained that recovery from his recent spinal surgery was taking longer than he had anticipated. Following the advice of his doctors that optimum recovery could best be achieved by withdrawing from the day-to-day pressures of managing the company, he decided to step down.

The board of directors named Executive Vice President T. Graham Edwards as the new President and Chief Executive Officer. Edwards was in charge of the Administration and Finance department and has been with Santee Cooper for 16 years.

Subsequently, the board approved a reorganization of executive management. Robert V. Tanner was promoted to the new position of Chief Operating Officer, to be responsible for managing day-to-day operations. Bill McCall was promoted to fill Tanner's former position as Executive Vice President of Production, and Emily Brown was named Senior Vice President of Administration and Finance, filling the position previously held by Edwards.

In 1993, we at Santee Cooper responded to economic challenges with solid accomplishments, overcame adversity through resourcefulness, and pursued new opportunities of service for our customers and the people of South Carolina. It was also a year in which we began developing a strategic plan to chart our course for the future, and it ended with the unanticipated retirement of our President and Chief Executive Officer, the selection of a new President and Chief Executive Officer, and reorganization of executive management.

In February, U.S. Senator Ernest F. Hollings announced to a shocked Lowcountry that the Charleston Naval Base and Charleston Naval Shipyard would be on a list for closure. As the region held its breath, the Defense Base Closure and Realignment Commission revealed that the worst fears were indeed true. Despite fighting the good fight, the base, shipyard, and certain other military facilities will close by 1997.

Then, one of the biggest changes of 1993 occurred in March when the flags came down, the A-10 aircraft made their final departures, and the gates were locked at Myrtle Beach Air Force Base, which became an early victim of the Defense Base Closure and Realignment Commission. The base had been served by Santee Cooper since 1957. Revenues from energy sales to the base in 1992, the last full year of operation, were \$1.8 million, approximately one-third of 1 percent of Santee Cooper's annual revenues.

In the wake of this base closure, agreement could not be reached on development of a plan for reuse of the 2,700-acre complex and facilities left behind. In response to a request from Governor Carroll A. Campbell Jr., Santee Cooper served as the state's agent in negotiating a land swap between the Air Force and the South Carolina Forestry Commission. As a result, two parcels of land on the former base property were made available for major economic development projects.

Foremost among these projects was the announcement in May by AVX Corporation of a \$12 million expansion with construction of a 60,000-square-foot research and development center on a portion of the former base complex. AVX is the world's largest manufacturer of ceramic capacitors, and the expansion will eventually bring up to 1,000 new jobs to the Grand Strand.

Also in February, Alumax of South Carolina, Santee Cooper's largest industrial customer, announced a 20 percent cutback in production. World aluminum prices had tumbled, following the "dumping" of aluminum on the world market by cash-starved new republics in the former Soviet Union.

Alumax, a primary aluminum smelter, represents about 15 percent of Santee Cooper's electrical load. The cutback, permitted under their contract, did not entail job layoffs. It did,

however, mean an income loss of over one-half million dollars a month to Santee Cooper. The good news is that Alumax is projected to increase production during 1994.

Even with military cutbacks, an industrial slowdown and a hesitant economic recovery, Santee Cooper recorded increases in kilowatthour sales, revenues, and reinvested earnings. Seasonable weather along with belt-tightening by employees and savings from advance bond refundings made 1993 a good year.

On the legislative front, there were several threats that would have proposed privatizing Santee Cooper. None was successful. Santee Cooper was excluded from the state's reorganization plan. It was recommended and approved by the legislature that Santee Cooper remain an independent, quasi-state agency.

These many challenges being successfully met and the new opportunities seized, Santee Cooper will continue to be a major player in the parade of progress that is uniquely South Carolina's role in the Sunbelt's New South.

To fulfill this role, we have begun to build for the next generation.

Santee Cooper is well-positioned to build for the next generation because of our aggressive and timely decision to increase electric generating capacity, a skilled and dedicated work force, a strong management team, and a commitment to serve in the best interests of our customers, bondholders, and the people of South Carolina.

We have been responsive in and responsible for meeting the ever increasing demand for electric service by our retail customers and the 15 electric cooperatives that receive Santee Cooper power. Energy usage has increased 38 percent and area population has grown 30 percent since 1985.

In May, a new load study presented to management and the board of directors projected continued growth for Santee Cooper. The 20-year growth in energy sales is projected to be about 4.1 billion kilowatthours or about 28.5 percent. This translates into an average annual compound growth rate of 1.33 percent.

As we move toward the need for increased capacity to generate electricity, the board of directors' wisdom in 1990 to build Cross 1 becomes more apparent with each passing day. The nearly one-half billion dollar investment is the single biggest financial decision Santee Cooper has ever made.

Cross 1 is being built at a cost of \$818 per installed kilowatt, considerably below today's national average of \$1,200 per kilowatt. Cost savings are being realized on a prepurchased steam generator, favorable interest rates and a buyer's market for materials and labor.

To pay for this investment, the board of directors in December approved a three-step rate increase effective April 1, 1994, 1995 and 1996. The overall increases among all customer classes is 9.8 percent. Phasing in the increases lessens the impact on customers, particularly those on limited or fixed incomes.

It is important to note that Santee Cooper's last rate increase was nearly nine years ago. It must be remembered that even with all the increases in place, Santee Cooper is projected to remain the overall least-cost provider of electric power of any generating utility in South Carolina and among the lowest in the Southeast.

A new time-of-use rate will be offered for residential customers willing to adjust their energy consumption patterns, concentrating power use in off-peak hours. The off-peak rate is projected to save customers approximately 25 percent on their electric bills. In addition, a pilot real-time power rate will be offered to industrial customers, providing them the opportunity to view prices for electricity from hour to hour and adjust their operations and power consumption for greatest savings.

Energy

In 1993, energy sales totalled 14.4 billion kilowatthours of electricity, an increase of 397 million KWH over last year. Peak demand for 1993 reached 2,655 megawatts, compared to 2,620 in 1992. Due to weather conditions, heating and cooling degree days for the year increased 13 percent from 1992.

In terms of energy consumption, Santee Cooper experienced increases of 4.5 percent by residential customers, 3.5 percent by commercial customers, 10.6 percent by Central Electric Power Cooperative, and an increase of 4.0 percent by the municipalities of Bamberg and Georgetown. Public street lighting and other sales decreased .3 percent. Industrial sales decreased by 6.3 percent. Growth in the number of customers was steady. A total of 2,242 residential and 112 commercial customers was added, which represents increases of 2.8 and 0.7 percent respectively.

Operations

Construction on Unit 1 of the Cross Generating Station, a 540-megawatt coal-fired companion to Unit 2, neared 75 percent completion by year's end. It is scheduled for testing in November 1994 with commercial operation set for May 1995. Total projected cost for the unit is \$484 million.

Construction of the Santee Cooper Regional Water System began in February 1993 and is on schedule, with a September 1994 completion date. At that time, four Lowcountry water entities will begin receiving water taken, treated and transported from Lake Moultrie. The \$36 million system will have the capability to provide up to 24 million gallons of potable water a day to a continually developing region.

The system will serve 30,000 customers who receive water from the Berkeley County Water and Sanitation Authority, Moncks Corner Public Works Commission, Summerville Commissioners of Public Works and the City of Goose Creek. The 23 miles of transmission lines have been installed and a one-million gallon water tank in Berkeley County near Carnes Crossroads has been completed. Water holds the key to unlocking sustainable growth for the Lowcountry.

The Santee Cooper Board of Directors approved the Santee Cooper Water Project's first operating budget, which totaled \$1.3 million.

Economic Development

Statewide, South Carolina industries announced plans for industrial construction or expansion representing \$2.5 billion in new investment. This is projected to bring 12,582 jobs to the state. This was the fifth best year for capital investment in South Carolina's history.

Business and industrial growth in Santee Cooper's service territory increased. Economic growth remained steady in the areas served by Santee Cooper and Central Electric Power Cooperative Inc. for which it generates power. During the past year, 20 firms announced significant new facilities and expansions within the 35-county electric cooperative service area. Those announcements represent future capital investments in excess of \$261 million and more than 1,400 new job opportunities.

In Santee Cooper's direct service territory of Berkeley, Georgetown, and Horry counties, industrial and commercial projects announced or under construction in 1993 will result in over \$500 million in capital investment with approximately 5,350 new jobs.

Growth continues to be the economic palette from which Santee Cooper can paint a favorable financial picture.

Finance

Successful financial management helped maintain Santee Cooper's competitive edge in 1993. Total savings in long-term financing of more than \$105.0 million were realized over

the life of \$932.6 million of outstanding bonds which were advance refunded. Average annual savings over the life of the new bonds will be approximately \$3.2 million.

Total revenues were \$589.5 million, up 7.8 percent from 1992, and electric operating expenses increased 8.4 percent to \$445.1 million. Reinvested earnings were \$37.6 million, up 26.5 percent from 1992.

Santee Cooper's financial stability was maintained, with revenue bond ratings of A-1 with Moody's and A+ with Standard & Poor's and Fitch Investors Services. Santee Cooper maintained a debt service coverage of 1.46 times.

Santee Cooper Mini-Bonds continued to be in high demand by our customers and citizens of South Carolina, who invested \$29.5 million in the issue. Of that total, just over \$24 million were in current interest bearing bonds and \$5.5 million were in capital appreciation bonds. This brings the total of mini-bonds sold since first offered in 1988 to \$151 million.

Environment

Our Give Oil For Energy Recovery or GOFER program is essentially complete. At year's end, there were 244 GOFER tanks statewide with 42 of the state's 46 counties having at least one 275-gallon collection tank. Nearly 360,000 gallons of used motor oil from do-it-yourselfers were collected in 1993 and 600,000 gallons have been collected since the first gallon was poured on July 30, 1990. According to the S.C. Used Oil Partnership, Santee Cooper's GOFER program collected about 70 percent of all the used motor oil collected in the state last year.

The GOFER program has won six major environmental awards. Working with electric cooperatives, county and municipal governments and even regional councils of governments, we have turned an environmental problem into usable electric power at our generating stations.

Santee Cooper is well-positioned to meet current and future state and federal environmental compliance standards. We continue making strides for meeting Phase 1 requirements of the 1990 Clean Air Act, effective Jan. 1, 1995. Much of our generation is relatively new. We are in a much more favorable position to meet long-term environmental standards compared to most other utilities in the Southeast. Cost compliance for cleaner air and other statutory environmental mandates will be relatively minimal and manageable.

Building The Next Generation

"Building The Next Generation" is the theme and this annual report. In addition to a description of progress experienced during the past year, the report features perspectives of why and how Santee Cooper is accomplishing its mission.



John S. Rainey
Chairman, Board of Directors



T. Graham Edwards
President and Chief Executive Officer

Energy Sales

At the end of 1993, Santee Cooper was serving 96,670 residential, commercial, and other retail customers located in Berkeley, Horry, and Georgetown counties. This was an increase of 2,455 or 2.6 percent over 1992. Of this increase, 2,242 were residential and 213 were commercial & others. There was no change in public street lights.

Sales to these retail customers were 2,215 gigawatthours, up 3.8 percent over the previous period.

The average annual consumption of electricity by Santee Cooper residential customers increased to 12,754 kilowatthours, 2.5 percent more than 1992.

Industrial's were 5,155 gigawatthours, down 6.3 percent over the previous year. The average cost of power to industrial customers was 3.27 cents per kilowatthour, 3.8 percent more than in 1992 and 33.7 percent lower than the national average.

Sales to Central Electric Power Cooperative Inc. to its 15 members co-ops increased 10.6 percent to 6,813 gigawatthours. Central is Santee Cooper's largest single customer. The electric cooperatives distribute power to approximately 350,000 customers in 35 counties.

Sales to the municipalities of Bamberg and Georgetown increased 4.0 percent.

Aquaculture

The Aquaculture unit spent most of 1993 constructing production and grow out ponds and refurbishing an existing metal building into a fish hatchery. A wet and dry laboratory, an environmental room, hatching tanks, aquaria, air and water systems, agro lights, and necessary plumbing and filter systems were installed. This hatchery facility will be used to produce genetically modified (sterile) triploid grass carp used for biological control of the noxious aquatic plant Hydrilla in the Santee Cooper Lakes.

Two 10-acre grow out ponds, six half-acre fingerling production ponds, and five quarter-acre fry production ponds were built to raise the fish to an eight- to 12-inch stocking size.

For control of filamentous algae, 20,000 Tilapia fish were stocked in the Winyah Station cooling reservoir. Tilapia were spawned at the Georgetown hatchery facility for stocking next year in the Winyah cooling reservoir.

Building Services

A 3,000-square-foot service and shop building was constructed to house maintenance and repair operations by Building Services personnel.

A manpower/space study was completed for the Moncks Corner corporate facilities. The study was developed to forecast growth, space, and strategies for dealing with the future development of the corporate facilities over the next 10 years.

Corporate Communications

Corporate Communications developed a quarterly video magazine to inform employees of company progress, changes, and challenges. Produced by Santee Cooper's in-house video unit, the production focuses on employees and is used to address major issues affecting Santee Cooper.

Video and audio-visual production were also expanded in support of other areas at Santee Cooper and in community outreach efforts related to the United Way, Berkeley County Water and Sanitation Authority, Berkeley County School District, Junior Achievement, Berkeley County Kids Who Care About Our Environment, business education partnerships, and Berkeley County Chamber of Commerce.

The Santee Cooper Environmental Essay Contest for South Carolina's seventh-graders was conducted for the third year. The 1993 theme was "Trees—Our Valuable Resource." Almost 3,000 students submitted entries in the contest with a first and second place winner selected from each congressional district and one statewide winner.

A new corporate procedure was also introduced to provide company-wide coordination and tracking of all advertising and public relations efforts.

Santee Cooper's 1992 Annual Report, corporate identity ads, and photography for publications received first place recognition in competitions sponsored by the Advertising Federation of Charleston and the Carolinas Association of Business Communicators. The 1992 Annual Report was also judged second place in the competition sponsored by the American Public Power Association, and earned a Silver Wing Certificate of Merit from the S.C. Chapter of the Public Relations Society of America.

Other major accomplishments include the implementation of photographic editing and enhancement software and photo imaging hardware to improve publication quality.

Customer Services

Construction began on a 14,000-square-foot customer service retail facility in Myrtle Beach. Completion of the facility is expected by April 1994. The former retail office site was sold in August 1993.

A business analysis of the customer information system was completed in 1993. The

analysis provided recommendations to enhance the efficiency of current customer service operations. These enhancements include introducing new rates, redesigning the retail computer displays, and adding other related customer service programs. Results of the analysis include the development of appropriate system infrastructures to access critical information regarding customer accounts.

A customer satisfaction survey was completed in conjunction with the Corporate Goals Program, and it shows Santee Cooper continues to receive excellent ratings from its customers.

Though satisfaction with Santee Cooper was already high, as shown in the previous year's survey, the high ratings continued even in the face of the 1994 rate increase announcement.

Two electric vehicles added to Santee Cooper's fleet are being used by Customer Services in the Berkeley and Horry-Georgetown districts. The use of these vehicles and electric golf carts increases Santee Cooper's experience with this rapidly developing technology.

Design Engineering

Design was completed on 17 major transmission lines, four major substation projects, and numerous related Communications and Supervisory Control and Data Acquisition (SCADA) design projects. These projects were necessary to meet increased customer demand on Santee Cooper's system.

Survey completed a major portion of the surveying and plat preparation for the lands included in the proposed land swap between the S.C. Forestry Commission near Shaw Air Force Base and the U.S. Air Force at the now closed Myrtle Beach Air Force Base.

Drafting has prepared numerous drawings and plans for the acquisition of the Myrtle Beach Air Force Base's distribution system and other existing facilities.

Maps and Records completed the Digital Transmission Corridor Mapping Project, which will be used as a base for the development of the Transmission Electrical Facilities Information System.

Maps and Records also assisted with the evaluations of hardware devices that will be critical components within the Corporate Internetwork Design and Implementation Project.

Distribution

Santee Cooper provided distribution and retail service to 96,670 customers in Berkeley, Horry, and Georgetown counties, compared to last year's total of 94,215, for an increase of 2.6 percent. Energy sales for retail customers were 2,215,479 megawatthours, with revenues of \$123,085,000 for the year. Retail energy sales increased 3.8 percent, and retail revenues were up 5.2 percent.

Berkeley District – The Berkeley District provided new service to 159 residential and 15 commercial customers in the Moncks Corner, St. Stephen, and Bonneau Beach areas, including underground service to the new Moncks Corner Town Hall and Fire Department. The district reliability factor, a measurement of available power service, exceeded the targeted amount of having service to customers 99.988 percent of the time per year, with an average interruption time of not more than 11 minutes per outage, per customer. Major projects completed during the year included:

- Finishing the post-Hurricane Hugo rebuild of the distribution feeders in the St. Stephen and Bonneau Beach areas;
- Completing the expansion of the St. Stephen 34-12 KV Substation and adding two new breakers and a station circuit switcher for improved reliability and flexibility;
- Beginning construction on the low-profile 115-12 KV Eastside Substation that will

- replace the older existing 34-12 KV facility on Jenkins Street in Moncks Corner;
- Installing 10 SCADA controlled distribution capacitor banks to reduce line losses;
- Installing underground primary distribution circuits in the expansion of First St. Johns, Sterling Oaks, and Stony Landing subdivisions in Moncks Corner, as well as providing new underground service to Woodland Park in St. Stephen;
- Extending and designing facilities for the new Santee Cooper Regional Water System;
- Adopting directional pruning techniques, prolonging the tree trimming cycle to three years.

As the post-Hurricane Hugo facility improvements have been completed in the St. Stephen and Bonneau Beach areas, efforts are being concentrated in the Moncks Corner area. In 1993, overhead service to subdivisions, such as Land-O-Pines, and sections of the main feeders have been reconstructed in conjunction with completion of the fuse coordination project and the two-year distribution system improvement plan.

A new retail office is in the planning stages for the Berkeley District.

Horry-Georgetown Division – A vegetation management program for distribution was implemented in 1993, establishing an integrated and systematic approach for clearing and maintaining the distribution right-of-way. The new program uses directional pruning techniques to direct future limb growth away from conductors and supports healthier tree growth. The overall result of this program has been a reduction of tree-related service interruptions.

Also introduced in 1993 was the Trade-a-Tree program which provides replacement trees for those customers who allow removal of trees from under the lines.

The Horry-Georgetown Division provided new service to 1,396 single-family and multifamily homes and 258 commercial customers. Projects completed during the year included:

- Installing 278,847 feet of overhead primary for new construction and rebuilds of existing lines;
- Installing 156,919 feet of underground primary for new construction and replacement of existing lines;
- Installing new services or additions to existing services to Alabama Theater at Barefoot Landing, Myrtle Beach Convention Center, AVX Industries, Conbraco, Lowe's at Seaboard Commons, Champus Business Center, Waccamaw Riverfront Project in Conway, Horry County Industrial Park, Debordieu Plantation, Wild Wing Plantation, Hidden Woods commercial complex, Outback Steak House, Denny's, Bojangles, Spring House Restaurant, Myrtle Beach Pavilion, and Waccamaw Pottery;
- Installing new steel towers and replacing and upgrading overhead primary at the Intracoastal Waterway near Waccamaw Pottery;
- Relocating existing overhead primary along Oak Street in Myrtle Beach for road improvements;
- Replacing and upgrading facilities in Windjammer Village in Garden City, Inlet Harbor, Debordieu Plantation, Inlet Pointe in Garden City Beach, Brookgreen Gardens, and George Bishop Boulevard at Waccamaw Pottery;
- Installing metering facilities at Myrtle Beach Air Force Base for redevelopment;
- Replacing overhead facilities with underground service at Lakewood Campground.

Distribution Planning began the transfer of software and data from the MicroVAX II computer system to the IBM RS6000 computer system installed in 1992. The answering portion of the Santee Cooper trouble call software was successfully installed resulting in faster response to customers during power outages. A distribution system contingency study was completed to ensure sufficient distribution line and substation capacities are available to serve all customers in the event of the failure of a substation power transformer. The 1994-95 Distribution System Improvement Plan was initiated.

Total electrical peak for the summer load in the Horry-Georgetown Division increased by six megawatts over 1992, from 533 MW to 539 MW. This was remarkable considering the closure of the Myrtle Beach Air Force Base and the loss of its 9.8 MW load. Had the base not closed, the total increase in the load would have been 16 MW. To meet future load growth, a new distribution substation, Forestbrook, was energized. Also, two new distribution breakers at Little River and Racepath substations were energized to serve the distribution load more efficiently. Bucksport 34-12 KV Substation was retired from service in the Conway area.

Several major transmission projects were completed to improve the reliability and availability of power to the Grand Strand. The three existing 150 MVA power transformers at Perry Road 230-115 KV Substation were replaced with two 250 MVA transformers with load-tap-changing capability, which will provide increased capacity and better voltage control. The Red Bluff to Nixon's Crossroads 115 KV Line was energized, providing additional support to the North Myrtle Beach area.

The distribution SCADA System controls and monitors 43 distribution and 12 transmission substations within the Horry-Georgetown Division and Berkeley District. The weather monitoring system for storm and hurricane tracking was improved with the addition of a direct satellite connection and enhanced display and graphic capabilities.

Economic Development

Santee Cooper's commitment to economic development continued to provide significant capital investment and job creation both in areas served directly by Santee Cooper and throughout 35 counties served by the 15 electric cooperatives which receive power from Santee Cooper.

The industrial and commercial projects announced or under construction in 1993 in Santee Cooper's direct service area in Berkeley, Georgetown, and Horry counties will result in capital investment of over \$500 million and will create approximately 5,350 new jobs upon completion.

New industrial plant locations and expansions in Santee Cooper's direct service area accounted for over 1,350 new jobs and approximately \$50 million in capital investment in 1993. The largest of the new facilities is the construction of a Claims Processing Center by Blue Cross and Blue Shield in Horry County, with 550 new jobs and an \$8 million investment. Major plant expansions already begun in Horry County by AVX and Conbraco Industries will provide 550 new jobs and over \$31 million in expanded plant facilities.

The Grand Strand area continues to attract significant commercial development with two major announcements during 1993. The first is the proposed 1,000-acre theme park and resort complex to be developed by Timberland Properties Inc. on a portion of the now closed Myrtle Beach Air Force Base. The overall project is a \$300 million capital investment and will create approximately 3,000 jobs when completed. The proposed project, larger than Disney World's Magic Kingdom, includes two hotels, a 27-hole golf course with a golf instructional school, and villa accommodations.

Also announced is the development of a 200-acre tract by WCI Investments of Myrtle Beach. Total capital investment is estimated at \$150 million and creates 1,000 new jobs. Phase One will include a \$7.5 million Gatlin Brothers Theater seating 2,000 people and a Magic on Ice Theater that will seat 1,000 at a cost of \$4 million. Phase One of the development will be located on the Intracoastal Waterway adjacent to Outlet Park at Waccamaw. When completed, it will include four hotels, a dozen theme restaurants, and over 200,000 square feet of retail shops.

Santee Cooper continues to support the economic development of the rural areas in the state through the Santee Cooper Economic Development Investment Fund (SCEDIF).

Since the program's inception in 1988, 127 projects have been funded totaling over \$4.35 million. The SCEDIF program is administered through the Palmetto Economic Development Corporation, a non-profit organization jointly funded by Santee Cooper and Central Electric Power Cooperative Inc. In many instances, these member cooperatives have provided matching funds which proved to be instrumental in either the expansion of an existing industry or the location of new facilities in their respective service areas. Since 1988, the combined efforts of these member cooperatives have resulted in the creation of 7,017 new jobs and added in excess of \$1.3 billion in capital investment in the rural areas of South Carolina.

Employee Relations

The Employee Handbook was updated with new information on company policies and programs and the Americans with Disabilities and Family and Medical Leave acts.

All full-time employees received personal benefit statements which detailed their health, dental, leave, and retirement plans. Employee premiums for the primary health insurance program remained the same for the third consecutive year. Mandatory utilization review of health insurance claims continued.

The company actively recruited qualified applicants at high schools, colleges, and military job fairs throughout the year. Area colleges visited included Trident Technical College, Clemson University, South Carolina State University, Charleston Southern University, and North Carolina A&T.

In 1993, 128 new employees were hired and 199 employees were promoted to positions of greater responsibility. At year's end, the company had a total of 1,776 regular employees.

The annual company picnic was held for employees, retirees, and their families in Myrtle Beach with over 2,600 people attending. Also held during 1993 were various employee golf, volleyball, softball, and bowling activities.

Other projects completed were the degendering of job titles and the evaluation of early retirement incentive programs.

Equal Opportunity Administration

The focus of strengthening Santee Cooper's cultural diversity in the work force and purchasing was concentrated by assembling information to enhance management awareness. These reports closely monitored systems and processes that were previously implemented. In 1993, 348 reports were completed.

An automated hiring analysis report was designed and implemented to cut the completion time to half that of manual reporting. Supervision used these reports to help increase the level of overall diversity goal achievement to its largest annual change in over seven years. A pilot diversity program course was held and will be customized before training employees.

The efforts of the Equal Opportunity Procurement Program began to achieve state-wide recognition. Request for speakers about this program from regional and state-wide organizations increased during the year. Membership and attendance in these organizations also increased to better facilitate minority and women-owned business participation.

Flood Control

As a result of heavy rainfall which began in October 1992 and continued through the first week of April 1993, two spilling operations were conducted for a total of 100 days. The first operation, which lasted 29 days, began on Jan. 8 and continued through Feb. 5. During this operation, a total of 1,370,999 acre-feet was spilled, with a maximum daily average discharge of 55,292 cubic feet per second (cfs), which occurred on January 13. The volume of water which flowed into the lake system, measured at Camden and Columbia, was

2,576,862 acre-feet during this period, with a peak daily average inflow of 78,957 cfs, which occurred on Jan. 23.

The second operation, which lasted 71 days, began on Feb. 10 and continued through April 21. During this period, a total of 2,170,124 acre-feet was spilled, with a maximum daily average discharge of 50,000 cfs, which occurred on April 2. The volume of water which flowed into the lake system during this period was 5,556,619 acre-feet, with a peak daily average inflow of 97,806 cfs, which occurred on March 28.

Fuel Procurement & Transportation

During 1993, Fuel Procurement and Transportation continued efforts to minimize the cost of fuel. Two major endeavors were the renegotiation of a long-term coal contract and a long-term transportation contract.

Coal contract negotiations resulted in a more competitive price per ton, which should result in significant fuel cost savings over the balance of the contract term. Fuel Procurement resolved coal transportation issues concerning the base rate and private railcar volume discounts. The resolution reached as a result of this negotiation has helped ensure a consistent and competitive long-term coal transportation rate over the life of the contract.

The expansion of the Railcar Repair Shop at Winyah Station will allow a yearly increase of 50 percent in the quantity of privately owned railcars Santee Cooper can repair and maintain in-house. This will continue to help reduce the overall delivery cost of coal.

General Counsel

The second South Carolina Environmental Symposium, held in March 1993, provided South Carolina's business, environmental, and academic leaders a forum to discuss how industry and environment can work together.

With the theme "Common Ground: Environmental Leadership and Economic Success," the conference was cohosted by Santee Cooper, National Wildlife Federation, College of Charleston, and the University of South Carolina.

For the third year, Santee Cooper sponsored the Summer Internship Program for 10 rising college seniors. This program emphasizes environmental and educational concerns and provides valuable hands-on educational experiences for the students who spend nine weeks learning about Santee Cooper while rotating through four major areas of operation.

General Construction

Pilings used for navigation markers in the Santee Cooper lake system are typically installed by outside contractors. This year, due to newly acquired technology and equipment and an increasing need for this type of work, General Construction installed and replaced navigation markers on the lakes.

General Construction coordinated with Property Management and the S.C. Wildlife and Marine Resources Dept. to construct a new 5-mile-long, stump-free navigation channel along the northern shore of Lake Marion. This channel provides a 100-foot-wide corridor that has been cleared to a 10-foot depth of stumps and snags for safer boating travel in the lake.

The same technology used in the lake system to install the markers was applied at Winyah Station to construct foundations for relocated oil supply and waste oil recovery tanks. Pilings were installed to support the large loads associated with these structures.

General Construction provided support to Grainger Station to significantly improve the performance of dikes impounding its ash ponds. By using an innovative combination of portable barges and heavy excavation equipment, General Construction was able to transfer large quantities of water from Grainger's inactive ash pond to its present pond, reducing the water levels and the need for continuous monitoring of the idle impoundment.

General Construction was involved in a number of environmentally supportive projects this year. A new closed-loop, heavy equipment wash facility was constructed at Camp II, Lake Marion Maintenance, to prevent contaminated runoff from entering the adjacent lake system.

General Construction assisted Environmental Services in removing underground fuel storage tanks.

Site preparation for a new Material Reclamation Center at the Moncks Corner corporate facilities was completed in December.

General Construction also built a new parking facility at the Moncks Corner corporate facilities and completed the work ahead of schedule and within budget.

Site work was also completed for a new crew quarters at Aiken, which will enhance Santee Cooper's ability to respond to customers in that part of South Carolina.

The issue of seismic stability of the East Pinopolis Dam was addressed throughout the year, with completion of the Phase II Study and the commencement of Phase III Investigations. The purpose of the Phase II Study was to define, through extensive geotechnical investigations, the extent of any seismicity problems at the East Dam and the East Dam Extension.

General Construction is applying a methodical, analytical, and collaborative approach to this review while coordinating each step with the Federal Energy Regulatory Commission, which licenses the Santee Cooper Project.

Generation and Load Growth

Santee Cooper facilities, which include one-third ownership of the V.C. Summer Nuclear Station, generated 14,515,949 net megawatthours of electricity this year. This was an increase of 618,072 megawatthours, or 4 percent, over last year.

Of the total energy generated, 82.2 percent was produced using coal, 14.0 percent by nuclear, 3.5 percent by hydroelectric, and 0.3 percent by oil. The peak hourly demand for the year of 2,655 MW occurred on July 29. This was an increase of 1 percent over 1992.

Management Information Systems

In 1993, Management Information Systems (MIS) implemented a Fuels Management Information System, co-sponsored the business process re-engineering efforts for redesign of the Customer Information System, and responded to over 12,000 internal requests for assistance with computer related technical issues (i.e. computer installs, Help Desk calls, consulting requests, and programming assistance).

The Fuels Management Information System will process the myriad of functions that are required to account for the acquisition, consumption, inventory, and quality control of fossil fuels used by the company. Strengths of this system include enhanced audit trails, contract administration, and reduced turnaround time for processing quality checks on fuel and payment to vendors.

The re-engineering effort associated with customer service business processing was performed, in part, to improve computer system support. This will enhance customer service and make the new rate structures more functional. Total estimated savings associated with the computer system enhancements are approximately \$250,000 within two years.

MIS supported internal management and staff with support of computer systems and voice and data network enhancements. All buildings within the Moncks Corner corporate facilities are now connected with fiber optic cable to enhance communication speeds and response time within the computer system network. This will improve reliability and provide company employees with better response capabilities as they perform their job functions.

MIS successfully tested disaster recovery procedures twice during 1993. These proce-

dures were first developed at the time of Hurricane Hugo in 1989 and have been enhanced annually. MIS also developed disaster recovery plans for the voice network.

Working with the Corporate Information Resources Council (CIRC), MIS produced the third annual Corporate Information Resources Plan. This document identified critical corporate technology needs and allowed CIRC to prioritize and approve all major projects. This process ensures corporate computing standards are followed and low cost solutions are implemented.

Marketing

One of Santee Cooper's corporate goals is to promote the efficient use of electricity through load management and energy conservation. To help customers reduce energy costs and live more comfortably, Santee Cooper offers a number of load management and conservation programs.

The Good Cents Home Program, for example, offers discount electric rates to retail and wholesale customers who build or improve their homes to meet certain energy efficiency standards. In 1993, 2,951 customers built or purchased homes using Good Cents New Home Standards. That brings the total of homes since the program began in 1987 to 10,381. In the existing home market, 961 customers made the necessary changes in their homes to qualify for Good Cents Improved Home certification for a total of 5,740 since inception. At the end of 1993, over 16,121 retail and wholesale customers had participated in Santee Cooper's Good Cents Program.

The Good Cents Loan Program is an incentive for retail customers to improve or retrofit their homes to reduce energy costs. Spurred by low interest rates in 1993, 177 customers responded to low-interest loans during the past year to help finance various conservation measures. Since it began in 1982, the Good Cents Loan Program has loaned over \$4.4 million.

Santee Cooper's H₂O Advantage Program also continued to make marked gains in 1993. Designed to decrease peak demand for hot water, the program offers a rebate of \$150 toward the purchase of an 80-gallon or larger high-efficiency water heater and a \$5 monthly credit for up to 10 years. The program uses special timers in conjunction with a larger heated water storage capacity to maintain customer convenience while reducing system peak demand. By the end of 1993, more than 12,823 Santee Cooper retail and wholesale customers had joined the program, for a total of 30,663 installations since its introduction in 1990.

To help retail customers conserve water and reduce their power bills, Santee Cooper introduced its Water Miser Program Kit in 1993. The program offers customers a Water Miser Conservation Kit which includes an energy-efficient showerhead and several other items to help conserve energy and water. By limiting the amount of hot water they use, customers conserve water which protects a vital natural resource, holds down water and sewer costs, and adds savings to electric bills. During 1993, 734 customers participated in this program.

For commercial customers, Santee Cooper offers the Commercial Good Cents Program for new buildings. In 1993, 24 customers participated in the program. The total square footage of commercial building space constructed to Good Cents standards is 293,767 since the program's inception in 1991.

Santee Cooper's involvement as a U.S. Environmental Protection Agency Green-lights Electric Utility Ally continued to progress. A survey of Santee Cooper's facilities was completed, and a plan was developed to retrofit lighting that is both economical and more efficient.

Santee Cooper's Energy Education Program is designed to teach young people to use energy efficiently and safely. During the 1993 school year, 25 schools in Berkeley, Georgetown,

and Horry counties participated in conservation and safety programs. More than 25,000 publications were distributed and 10,000 presentments were made.

Senior vocational students were honored by Santee Cooper at luncheons in Berkeley, Georgetown, and Horry counties. Local business representatives and motivational speakers spoke and shared experiences with the students.

Santee Cooper conducted energy education seminars in July and August for approximately 70 teachers and administrators.

In the spring of 1993, a plan was developed to inform Santee Cooper customers about the April 1994 rate increase. Information on how to best communicate the proposed rate increase to the utility's customers was gathered from focus group meetings held with small customer groups throughout Santee Cooper's service area.

A plan was developed to communicate the proposed rate increase as clearly as possible and to inform customers about conservation methods they can use to reduce their power consumption and the impact of the rate increase. Included in the plan were a special report explaining the rate increase and two booklets devoted to power use tips. One was designed for residential customers, and the other was for business owners and managers. Both were filled with money-saving ideas to help customers keep their homes and businesses more comfortable and energy-efficient.

Mosquito Abatement

The Mosquito Abatement program emphasized source reduction management techniques during 1993. These techniques consist of the permanent elimination of mosquito breeding habitat on Santee Cooper property, which will provide a long-term, "environment-friendly" control.

More than 136,324 acres of project lands and waters were treated with approved chemical and biological agents to provide disease vector control and nuisance insect management. Emphasis was placed on biological control, using the mosquito fish, *Gambusia affinis*, and the bacterial spore suspension of *Bacillus thuringensis* in all feasible areas.

Testing was conducted to determine the resistance of target mosquitoes to the chemical pesticides used in the adult control operations.

More than 2,400 inspections were conducted to acquire entomological data from throughout the lakes.

Nuclear Operations

The V.C. Summer Nuclear Station, an 885-megawatt generating station jointly owned with S.C. Electric and Gas Co., was a safe, reliable, and economic contributor to Santee Cooper's energy supply in 1993.

Santee Cooper's one-third share of Summer Station's generation was slightly more than two billion kilowatt-hours of electricity, or 14 percent of the company's total generation.

For the second year in a row, Summer Station was selected by the Nuclear Regulatory Commission as one of the safest and best operated nuclear plants in the United States. Only five of the 79 nuclear plant complexes were singled out for such an honor. The Institute of Nuclear Power Operations has selected Summer Station to be evaluated in 1994 by an international panel from the World Association of Nuclear Operators (WANO). The WANO evaluation replaces the normal INPO operational evaluation. Being selected for the WANO evaluation is reserved for those plants which have demonstrated consistent superior performance in all aspects of operation. Stations undergoing a WANO evaluation will retain the INPO 1 rating for the next evaluation period. During 1993, Summer Station completed a successful 58-day refueling outage. The next refueling outage is scheduled for September 1994. The outage is scheduled to last 90 days, as the three steam generators will be replaced.

Occupational Safety and Health Management

In 1993, construction was completed on a mobile Power Line Hazards Awareness Demonstration unit designed to help educate individuals about the hazards of contact with overhead and underground power lines.

Since April, demonstrations have been presented to 23 schools, fire departments, and other community groups located in Charleston, Berkeley, Dorchester, and Horry counties. In addition, demonstrations have been made to 11 Santee Cooper groups.

With almost 2,000 individuals in attendance, the full-scale unit has proven to be an asset in promoting Santee Cooper's public and employee safety programs.

Out of 3,846,863 work hours of exposure, Santee Cooper experienced 58 recordable injuries. The incidence rate for days away from work was .31 percent, well below the national average for electric utilities. Total injury rate was 3.01, the lowest ever recorded at Santee Cooper.

Santee Cooper was awarded third place for its 1992 safety record by the American Public Power Association in March. Santee Cooper competed with other APPA utilities with two million or more work hours.

The National Safety Council presented awards to 46 units, and 42 units earned awards from the South Carolina Occupational Safety Council. The President's Safety Award for crew safety was awarded to 93 crews or sections.

Safe service awards were presented to 282 employees for working five years or more without a disabling injury. Safe driver awards were presented to 129 employees for driving five or more years without having a preventable motor vehicle accident. Six employees were cited for avoiding injury by wearing protective devices or equipment. Six units were recognized for completing the year with no recordable employee injuries, and two units were recognized for completing 20 or more years without a disabling injury. Industrial Hygiene trained 452 employees to use respirators. Collection of 353 samples was made to monitor for possible contaminants in the work place. Hazard Communication refresher training was also conducted for all Santee Cooper employees. In addition, Industrial Hygiene assisted in training 752 employees in confined space regulations.

In 1993, Occupational Health conducted annual medical surveillance examinations for 1,634 employees and 264 pre-placement applicants. Health briefings regarding hypertension and exercise were conducted for 316 employees.

In compliance with federal and state Occupational Safety and Health Administration (OSHA) regulations, information and training on the blood-borne pathogens standard was provided to 1,510 employees.

The hepatitis B vaccine was provided for 228 of those employees determined to be at potential risk.

Information on the prescription safety glasses program in regards to American National Standards Institute standards and OSHA regulations was presented at seven locations within the company.

As part of Santee Cooper's wellness program, 761 flu vaccine injections were administered. Individual health counseling was provided to 301 employees, and 737 referrals were made to other community health care providers.

Performance and Environmental Services

Wide Area Network connectivity was completed for the Winyah, Cross, and Jefferies on-line performance monitoring systems. Performance-related data are now available from the individual systems concurrently, continuously transmitted to the Moncks Corner corporate facilities, and archived on a laser optical mass storage device, and then available to

Performance Services engineers for analysis.

Thirty baseline nitrous oxide (NOx) emission tests were conducted for all nine of Santee Cooper's coal-fired units in support of the effort to establish nominal NOx emission levels as part of the Low-NOx Technology Study test program. The results of these tests will be used to determine a compliance strategy for meeting NOx emission regulatory requirements.

Pre-outage and post-outage turbine performance tests were also performed on seven units at Santee Cooper's four generating stations.

A series of cooling tower capability tests at Cross Unit 2 provided baseline data for the chemical treatment program that is being conducted to evaluate tower performance since the unit was cleaned to remove heavy silting found in October 1992.

The Performance Services Calibration Lab performed 1,519 calibrations in 1993, a 261 percent increase over 1992. Test grade pressure and temperature instruments, data acquisition equipment, and field calibration equipment were calibrated in support of performance testing. An increased number of instruments and meters were calibrated or repaired.

Particulate emissions tests were conducted to demonstrate Santee Cooper's compliance with the applicable regulations. All permits were renewed based on the results of these tests.

Several permits which determine, regulate, or restrict possible environmental impact were issued for the Santee Cooper Regional Water System, Aquaculture Center, generating stations, and substations.

Several environmental programs such as UST and Used Oil Management, were also continued or implemented this year. Spill Prevention Control and Countermeasure Plans were updated and reissued to all applicable substations to inform employees how to prevent, control, and cleanup oil spills which may occur at their facility.

Santee Cooper also initiated projects for reimbursement for excavating, removing, and disposing of leaking underground storage tanks. During the year, 16 USTs were removed.

Environmental Services managed used oil collection, implemented new site collection stations, and tracked the progress of Santee Cooper's Give Oil For Energy Recovery Program. Since its conception in 1990, nearly 600,000 gallons of GOFER used motor oil have been collected, with approximately 360,000 gallons collected in 1993. There are 244 GOFER collection sites throughout the state with at least one site in 42 of South Carolina's 46 counties.

Solid waste management at Santee Cooper is also being studied. One study was initiated to determine if ash by-products produced from burning coal could be utilized as construction fill material or as a secondary raw material for other products. Newly proposed industrial waste landfill regulations, another area of concern for Santee Cooper operations, were followed closely throughout the year.

Power Supply

Power Supply lowered system operating costs by engaging in economy sales and purchases with neighboring utilities.

System controllers purchased 152,003 megawatthours of economy energy from the interconnected utilities in 1993 to displace higher cost generation. This resulted in savings of approximately \$487,000. Also, 171,406 megawatthours of energy were sold to the interconnected utilities for a total of \$3.3 million.

Santee Cooper's transmission SCADA system was expanded in transmission substations, switching stations, and generating stations to provide system controllers greater remote control and monitoring of the power system.

New remote terminal units were installed at the Hilton Head 115 KV Switching Station, Winyah Generating Station, Sycamore 69 KV Switching Station, and Pinewood 115-69 KV

Substation. SCADA capabilities were expanded or updated at South Bethune 230-69 KV Switching Station, Flat Creek 230-69 KV Substation, Darlington 230-69 KV Substation, Perry Road 230-115 KV Substation, and St. Stephen Powerhouse.

Final plans were made for procurement of a new SCADA/EMS computer and associated software, which is scheduled for installation by the fall of 1994.

Production Engineering and Construction Management

Construction of the 540-megawatt Unit 1 at Cross Station continued with major progress being made toward meeting the scheduled initial operation date of November 1994. Construction of the unit began in the summer of 1991.

The project is under the management of Santee Cooper's Station Construction unit and Gilbert/Commonwealth, an engineering firm located in Reading, Penn. Major efforts this year were focused on supporting the construction activities. Santee Cooper and Gilbert/Commonwealth relocated all lead personnel to the job site to facilitate timely communications between the construction contractors and the project team.

Construction activity intensified throughout the year. At the start of 1993, the project was 26 percent complete, with a construction work force of approximately 300. The peak of the construction came in November 1993 with over 1,000 workers.

At the year's end, the project completion stands at 75 percent, with emphasis shifting from construction to the start-up and test activities.

As the project approaches completion, it continues to be an economic success. The budget remains unchanged and reflects an expected construction cost of \$818 per installed kilowatt. With only two contracts scheduled to be awarded in the spring of 1994, the project cost is projected to be less than the approved budget.

Construction of the Santee Cooper Regional Water System began in February.

Items completed in 1993 include approximately 23 miles of transmission pipelines, a one million gallon elevated storage tank, two 2.5 million gallon ground storage tanks, and four metering stations. All remaining facilities were on schedule at year's end. This system, when completed in September 1994, will provide up to 24 million gallons of potable water per day to the Lake Moultrie Water Agency comprised of the city of Goose Creek, Berkeley County Water and Sanitation Authority, Summerville Commissioners of Public Works, and Moncks Corner Public Works Commission.

The project is under the management of Santee Cooper's Capital Projects unit and Hobbs, Upchurch, PA., an engineering firm located in Southern Pines, N.C.

A program to study NOx emissions was initiated in 1993 in response to the U.S. EPA's pending NOx reduction legislation. The study involved performing base-line NOx testing on all coal-fired units to determine present emissions levels. The final report, due in early 1994, will include recommendations on how Santee Cooper may implement a NOx reduction program in an economically sound manner.

Ash Pond B at Winyah Station is nearing the end of its present design life. A recently completed study indicates the dikes forming this pond may be raised to provide for additional storage at approximately one-third the cost of the same amount of storage in a new pond. Final designs for the pond dike raising were completed in 1993 with implementation set for early 1994.

The flue-gas desulfurization system at Winyah Station's Unit 4 was upgraded with new stainless steel module linings, a new stainless steel reheat duct, and a new alloy reheat damper to better resist the extremely corrosive nature of the system.

An ignition fuel oil tank at Winyah Station's Unit 1 was relocated for increased fire safety at the station. This relocation included the addition of new tanks for receiving waste oil from Santee Cooper's GOFER Program and the necessary pipelines and pumps to operate the system.

Construction management was provided for the 102-space parking lot built at the Moncks Corner corporate facilities.

A computerized burner management safety system was installed on Unit 2 at Grainger Station. Identical to the Unit 1 system which was installed last year, this system continuously monitors furnace flame, pressure, and fuel flow of the steam generator and will sound alarms or shut down the unit if unsafe operating conditions occur.

Following the success of a similar project last year on Jefferies Unit 3, the obsolete pneumatic boiler controls on Unit 4 were replaced with a computerized electronic control system. This new control system operates faster and more reliably and can keep the boiler much closer within its operating parameters, providing better fuel efficiency with less wear and tear on equipment.

A plant-wide data acquisition system for Winyah units was completed with the installation of the Unit 4 equipment. This system monitors temperatures, pressures, and flow rates throughout the units, checks for alarm conditions, and displays the information to the unit operators.

Under agreement with the U.S. Army Corps of Engineers, Santee Cooper's Capital Projects unit was selected to upgrade the controls for all three generating units at the St. Stephen Powerhouse. Installation and start up is scheduled for the middle of next year.

To meet the requirements of the Clean Air Act, work began on design, procurement, and installation of continuous emissions monitoring systems for eight coal-fired units. This should be completed in 1994 with an estimated total cost of \$4 million.

Production Operations Management

Santee Cooper's power generation increased 4.4 percent over 1992. Santee Cooper finished the year with a heat rate on coal-fired units of 9,978 BTU/KWH, a decrease of 75 BTU/KWH over the previous year.

Santee Cooper maintained a high level of unit availability, with an average of 90.49 percent.

Sales of fly ash, one of the byproducts of generation, were \$147,377. Fly ash marketing efforts will continue to increase the use of this resource.

Cross Station won the Production Department's Goals Program competition by meeting nine of the 10 goals. Winyah Station won the heat rate category with a 155 BTU/KWH improvement, equating to an approximate annual savings of \$1.3 million.

Production Operations performed several major maintenance outages during 1993 to ensure continued reliability and efficiency of generating units.

Grainger Station completed an outage on Unit 1, which included the installation of a new boiler high temperature reheater. An outage was also completed on Unit 2, which included a complete rebuild and upgrade of the electrostatic precipitators to ensure continued high particulate collection efficiency.

Jefferies Station completed a boiler outage on Steam Unit 4 and a major overhaul on Hydro Unit 3. The hydro overhaul was significant because it was the first in the unit's 51-year history. This overhaul included removal of the waterwheel and repairs to the thrust bearing, wicket gates, and generator field.

Winyah Station completed major turbine and boiler outages on Units 1, 2, and 4. Units 1 and 2 HP/IP turbines were completely disassembled, inspected, and repaired to restore operating efficiency and ensure high reliability. Units 1 and 2 boilers and condensers were non-destructive tested and repaired to ensure their reliability. A new stainless steel, high-pressure feedwater heater was installed on Unit 2 to improve efficiency and reduce maintenance. A six-year turbine generator inspection and maintenance outage was completed on Unit 4. Components were inspected and repaired to maintain high reliability and

efficiency. In addition, new controls of modern design were installed on the Unit 4 sulfur dioxide scrubber.

A major inspection was completed on Myrtle Beach Combustion Turbine Unit 1, which included a complete overhaul of the turbine/compressor and application of special coatings for performance improvements.

The Central Maintenance Complex at Winyah Station provided major machine shop services to all generating stations and, most notably, supported turbine maintenance work from Jefferies Hydro Unit 3; Myrtle Beach Unit 1; and Winyah Units 1, 2, and 4.

Program For Employee Participation

Emphasizing Santee Cooper's corporate culture of employee involvement and participative management to meet its future goals and remain competitive, PEP teams in 1993 achieved an estimated net annual savings of \$1,192,291.

During the year, 1,523 employees participated on 251 teams, with a cumulative participation rate of 85 percent, exceeding the corporate goal of 75 percent participation. Teams were encouraged to focus on efficiency and effectiveness in daily work routines with continuous improvement as a theme.

The teams have placed more emphasis on selecting projects relating to corporate goals as the following projects demonstrate:

- The Tower Spotters, an employee team from Engineering and Operations, recommended the purchase of PLS-CADD software to assist in designing transmission lines. The software would improve budget estimates, reduce the number of design criteria violations, decrease material waste, and improve safety and quality. The estimated tangible savings of this project totals \$612,489.
- The SWAT Team of Mosquito Abatement completed a project that reduces the crew's travel time by 18 percent. This represents an annual savings of \$18,225 in fleet operation costs and increased production time.
- The Performance Investigators reduced performance test set-up and teardown time by 70 percent which enhanced testing safety and increased testing capabilities by 100 percent.

The fourth PEP survey was mailed to all employees with an excellent response rate of 43 percent. Results of the survey indicated employee involvement continues to strengthen communication and teamwork, and employee involvement is becoming a natural part of Santee Cooper's corporate culture.

Project Administration

Major transmission projects completed in 1993 include the 33-mile rebuild of the Ellore to St. George 69 KV Line and completion of the Sycamore 69 KV Switching Station with fold-ins of the Bamberg-Stevens and Bamberg-Varnville lines. Other major improvements were the completion of the 23-mile South Bethune to Flat Creek 230 KV line and 230 KV facilities at the Flat Creek and South Bethune stations.

The \$25 million Cross to Dalzell 230 KV line project continued toward an October 1994 in-service date to coincide with completion of Cross Unit 1. Work is progressing on the two remaining transmission line segments along with the 230 KV facilities at the Dalzell Station.

Consideration of future needs for Central Electric Power Cooperative Inc. and its member cooperatives was provided for by the completion of several projects. The Aiken-Neeses Lake 115 KV Line was rebuilt, and the facilities for service to Beaulieu of America for Aiken Electric Cooperative Inc. was completed. Also, the line from the Hemingway Substation to Santee Electric Cooperative's Hemingway Substation was upgraded to 115 KV.

In the Horry-Georgetown Division, key projects completed included the Forest Brook

115-12 KV Substation, upgrade of the Red Bluff to Nixons line to 115 KV, and the replacement of two transformers at the Perry Road 230-115 KV Substation.

Property Management

Santee Cooper's reservoirs, Lake Marion and Lake Moultrie, have a combined surface area of approximately 154,075 acres. Through its land management programs, Property Management administered 39,895 acres of land surrounding these lakes. An additional 10,535 acres associated with generating and transmission facilities located throughout South Carolina were also managed by Property Management. Approximately 4,450 parcels of property were leased for residential, commercial, public, and various miscellaneous uses. Revenues from these leases totaled \$745,000 during the year.

One hundred ninety-four access signs are maintained on major roadways in areas surrounding the lakes to guide the public to various points of access.

In cooperation with the S.C. Wildlife and Marine Resources Dept., Property Management provides maintenance and repairs on 18 public boat launching ramps and parking areas.

An anti-littering program, "Pack It In - Pack It Out," was expanded to include additional public use areas and boat launching facilities. The program encourages users of Santee Cooper lands to be responsible for proper disposal of their trash. Another program initiated by Property Management encourages local groups and clubs to accept responsibility for cleanup of trash and litter at various public boat launching facilities. Dubbed "Adopt-A-Landing," this program has demonstrated a cooperative effort between Santee Cooper and local community groups to ensure litter-free recreational facilities.

In cooperation with the S.C. Wildlife and Marine Resources Dept., Santee Cooper developed the John C. Land III Boating and Sportfishing Facility, the largest in South Carolina., Located on the Clarendon County side of Lake Marion, the facility has six launching ramps, four boarding docks, a 120-foot event pier, and a paved parking area to accommodate 170 vehicle and boat trailer units. An adjoining grass overflow parking area accommodates an additional 200 vehicles. The facility was designed to accommodate state and national professional fishing tournaments, with the first sport fishing tournament scheduled for May 1994.

An additional 2,257 acres of prime wildlife and waterfowl habitat were included in the Wildlife Management Area Program administered by the S.C. Wildlife and Marine Resources Dept. Approximately 21,000 acres are leased to the S.C. Wildlife and Marine Resources Dept. on a gratis basis for use as part of the State's Wildlife Management Area program.

The wood duck nesting program, in cooperation with the S.C. Waterfowl Association, has been expanded to include an additional 700 wood duck nest boxes on Santee Cooper lands and waters. A total of 1,200 boxes will be in place by 1996.

Santee Cooper's Property Management Division, in cooperation with the S.C. Wildlife and Marine Resources Dept., designed and constructed a 1.4-mile nature trail on the Santee Cooper Wildlife Management Area in Orangeburg County. The trail, located near Eutaw Springs, is open from March through August. Outdoor enthusiasts, school children, and the general public can enjoy the interrelationship between sound forest management activities and various wildlife habitats.

Approximately 104 acres were prepared for planting in conjunction with Santee Cooper's reforestation program. A relatively new machine, the Bracke Scarifier/Mounder, was used and its effectiveness evaluated in reforestation activities on Santee Cooper's woodlands. This method of reforestation causes minimal disturbance to the topsoil while eliminating competing vegetation and providing a debris-free area for planting seedlings.

Other forest management activities include the treatment of vegetation to release natural pine regeneration from competition on 527 acres. Also, the planting of 39,000 genetically improved loblolly pine seedlings, 15,000 longleaf pine seedlings, and 36,000 hardwood seedlings of six different species was accomplished on 185 acres. Some of these new trees will reclaim borrow areas and abandoned agricultural fields and provide timber and wildlife habitat for future generations.

Rates & Forecasting

In 1992, Rates & Forecasting personnel began working with Resource Management International to develop a new load forecast to plan Santee Cooper's 20-year demand and energy requirements. The load forecast is to serve as the foundation for all of Santee Cooper's long-range planning such as the Integrated Resource Plan, financial forecasts, and rate studies.

In the spring of 1993, Rates & Forecasting, in conjunction with R.W. Beck and Associates, began working on a rate study to place new rates into effect beginning April 1, 1994, 1995, and 1996.

In August, the proposed rates were presented to Santee Cooper's Board of Directors for their review. Details of the proposed rates were placed at each of Santee Cooper's retail offices for review by customers. Also, during October, public meetings were held to communicate the proposed rate increase and to receive questions and comments from customers.

In preparing the proposed rates, Santee Cooper worked closely with its large industrial customers to develop rates which would maintain their competitiveness in today's global marketplace and to improve the efficient use of Santee Cooper's generating resources. As a result, a pilot economy power rate was introduced. This rate allows customers to purchase power and energy requirements on an hour-by-hour basis, based on Santee Cooper's costs to produce the power in each hour. This real-time power purchasing system allows large customers to respond to Santee Cooper's variable cost of producing power. As costs increase and Santee Cooper begins to reach a peak condition, customers may choose to restrict their use of power. As the cost of power decreases and the generating resources are not being used to their fullest extent, customers may choose to use additional power. Santee Cooper expects this response to price to benefit all customers through a more efficient use of our total resources.

Another innovative pilot rate is the residential time-of-use rate. This rate prices energy differently to residential customers depending on whether they use power during an on-peak or an off-peak period.

Reliability

Santee Cooper is one of 30 member organizations in the Southeastern Electric Reliability Council (SERC), which includes power suppliers in the region with a generating capacity of 25 megawatts or more. The council assists member systems in their coordination of planning and operations to achieve maximum reliability of power supply.

Santee Cooper is also one of eight power systems in the Virginia-Carolinas Reliability Group (VACAR), which also includes S.C. Electric & Gas Co., Carolina Power & Light Co., Duke Power Co., Virginia Power, Yadkin, Nantahala Power and Light Co., and the Southeastern Power Administration. The member systems maintain a coordination agreement to safeguard the reliability of their service.

Santee Cooper maintains interconnections with the Southern Co. and the Southeastern Power Administration at the R.B. Russell Dam; with the Southern Co. at McIntosh; with South Carolina Electric & Gas Co. at Bushy Park, North Charleston, St. George, Mateeba,

Columbia, and the V.C. Summer Nuclear Station; with the Southeastern Power Administration, Duke Power Co., South Carolina Electric & Gas Co., and the Southern Co. at Lake Thurmond; and with Carolina Power & Light Co. at Darlington, Hemingway, Kingstree, Lugoff, and the Darlington County Plant.

To further strengthen the ability to provide reliable service to customers, formal interchange agreements were established with Cajun Electric Power Cooperative in Baton Rouge, La. and Oglethorpe Power Corp. in Tucker, Ga.

Right of Way Management

With the excellent reclearing conditions prevalent throughout the summer and fall, production during that period overcame the poor first quarter that was plagued by wet weather problems. Acreage totals for Santee Cooper crews increased 5.6 percent over 1992 with 11,428 acres recleared across the transmission system. Costs per acre decreased by 6.7 percent, and total expenditures fell slightly.

Contract reclearing in the form of mowing and helicopter application of selective herbicides combined for clearing of an additional 3,400 acres. The proportion of total acreage maintained through contracts has slowly increased (from 26.6 percent in 1989 to 30.8 percent in 1993) and should continue to grow at a modest rate.

The contract to remove the threat of damage to Santee Cooper's transmission lines from trees off the right of way met established schedules in the 175 miles that were maintained. During the year, all lines in the Western Transmission District were completed with the subsequent relocation of the clearing operations to the Central Transmission District in midyear. For the second consecutive year, no outages occurred despite the hazardous conditions of removing trees in close proximity to energized conductors. It is anticipated that by the end of 1994, all rights of way will have had danger tree maintenance performed, meeting the 12-year removal cycle established in 1983.

Erosion control measures were undertaken on several rights of way in the Northern and Western Transmission Districts. In conjunction with these operations, Right-of-Way Management, working with Clemson University, the U.S. Soil Conservation Service, the Nature Conservancy, the Audubon Society, and civic groups, experimented successfully with various seeding compositions including many wildflower plantings to enhance visually sensitive areas.

System Operations-Technical

During 1993, System Operations-Technical personnel constructed a new substation at Sycamore and were involved in 27 other projects which included constructing additional bays at several substations, the addition of capacitor banks, upgrading of transformers, and the addition of SCADA and fault recorder equipment at several other substations. One new industrial customer, Beaulieu of America, was added to the system in the Aiken area.

Other noteworthy projects included the installation of a new telephone switchboard and radio console in the Energy Control Center for expanded communication capabilities and the installation of upgraded metering packages in cooperative and industrial substations. All 258 cooperative substations were equipped with the new metering packages which allow remote data reading capabilities. Upgrading of the metering packages in industrial substations began and is scheduled to be completed in 1994.

Several environmental projects were expanded during the year. These included the reprocessing of substation equipment oil, the recovery of freon from substation air conditioners, and phase-out of the use of freon-based products in meter cleaning operations.

System Planning

System Planning continued researching ways to make significant reductions to the cost of future transmission, communications, and SCADA construction projects while maintaining the current level of system reliability. Efforts to implement long-range expansion plans for Santee Cooper's 230 KV transmission system were further refined.

Extensive studies were performed to analyze alternatives for establishing a 230 KV interconnection at Duke Power Company's Hodges Substation in Greenwood County. This project, scheduled for completion in the fall of 1994, will enable increased power transfers to be made with Duke Power Co. at a lower cost than is currently possible.

Through joint efforts of System Planning and Corporate Forecasting, Rates and Marketing, with information provided by all departments and divisions of Santee Cooper, the 1993 Integrated Resource Planning Report was developed. The report outlined the latest efforts to formulate and maintain a least-cost integrated resource plan incorporating both supply and demand-side options capable of meeting customer requirements through 2013. The planning efforts also included the development of initial strategies for achieving least-cost compliance with the Clean Air Act of 1990.

Training and Development

A total of 2,283 internal and external training programs were conducted in 1993. Subject areas included management, professional, technical, computer, and skills development. Employee attendance, including federally mandated programs, was 8,548. Listings of corporate training programs, containing 199 courses, were revised and updated in the comprehensive course catalog which was distributed throughout the company.

Courses leading to two-year, four-year or graduate college degrees were completed by 129 employees through the tuition aid program, with nine employees receiving their degrees.

Santee Cooper and the Berkeley County School District collaborated on the construction of an experimental outdoor challenge course. The ROPES course is used by students, educators, and Santee Cooper employees for hands-on training stressing team building, problem solving, and personal development. This course is the only one in Berkeley County.

Transmission Operations

Transmission Operations inspected and maintained the Santee Cooper transmission system, which covers two-thirds of South Carolina. Through ongoing preventative maintenance programs, a 99.997 reliability index was achieved for the transmission system, surpassing the 1993 corporate goal.

Major projects completed during the year included:

- Relocating transmission facilities to allow for the upgrade of S.C. Highway 278 on Hilton Head Island;
- Relocating transmission facilities on Hilton Head Island for the construction of a new shopping complex;
- Constructing 230 KV additions to the South Bethune Switching Station;
- Upgrading the line between Hemingway and Hemingway Cooperative Substation to 115 KV;
- Constructing a 115 KV bay at Aiken No. 1 Substation and a 115 KV line from Aiken No. 1 Substation to Piper Day industrial site, which will serve Beaulieu of America, a new industrial customer.

Treasury

During 1993 Santee Cooper sold two refunding bond issues totalling \$1,016,485,000. These issues had an average interest cost of 5.81 percent and 5.37 percent, respectively. These issues resulted in savings to the ratepayers over the life of the bonds of \$105,183,000, or an average annual savings of \$3,169,000.

In addition, Santee Cooper offered its sixth annual Mini-Bond issue. Mini-Bond sales totaled \$29,509,800, with \$5,454,800 in capital appreciation bonds and \$24,055,000 in current interest bearing bonds.

Water Quality Management

Santee Cooper entered into a joint agreement with the University of South Carolina and conducted cooperative research to develop a computerized ecosystem model of Lake Marion.

In 1993, this unit initiated a Zebra Mussel monitoring program in the Santee Cooper Lakes. Water Quality Management also began work with the Berkeley County Health Department to address the continuing problem of the disposal of fish remains in the lakes by commercial landings.

The in-house laboratory provides service to units throughout Santee Cooper. During the year, the laboratory conducted 20,250 analyses on 2,090 water samples.

Using federally approved herbicides, Environmental Resources personnel chemically treated 6,825 acres of noxious aquatic vegetation throughout the Santee Cooper Lakes at a cost of \$1.6 million. Aerial applications were completed on 6,415 acres, while the remaining 410 acres were treated using ground-based equipment. This was the largest amount of acreage ever treated in a single year at Santee Cooper.

Assisted by the U. S. Army Corps of Engineers, Santee Cooper personnel treated 73 acres of noxious aquatic vegetation in the stilling basin of the St. Stephen Powerhouse.

With assistance from the U.S. Army Corps of Engineers and the S.C. Water Resources Commission, Santee Cooper stocked 50,000 sterile grass carp in Lake Moultrie. To date, more than 450,000 grass carp have been stocked in the two lakes.

Report of Independent Public Accountants

To the Advisory Board and Board of Directors of the
South Carolina Public Service Authority:

We have audited the accompanying balance sheets of the South Carolina Public Service Authority (a component unit of the State of South Carolina—Note 1) as of December 31, 1993 and 1992 and the related statements of accumulated earnings reinvested in the business, reinvested earnings, and cash flows for each of the two years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the South Carolina Public Service Authority for the year ended December 31, 1991, were audited by other auditors whose report dated February 19, 1992 expressed an unqualified opinion on those statements.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Public Service Authority as of December 31, 1993 and 1992, and the results of its operations and its cash flows for the two years then ended in conformity with generally accepted accounting principles.

Arthur Andersen + Co.

Charlotte, North Carolina

February 18, 1994

Balance Sheets

South Carolina Public Service Authority
December 31, 1993 and 1992

ASSETS	1993	1992
	(Thousands)	
Utility Plant – At Cost:		
Electric plant in service	\$ 2,540,433	\$ 2,475,764
Less accumulated depreciation	814,425	746,749
Electric plant in service	1,726,008	1,729,015
Construction in Progress	450,306	267,411
Nuclear fuel – at amortized cost	14,082	19,100
Utility plant – net	2,190,396	2,015,526
Other Physical Property (Net of Accumulated Depreciation)	1,748	1,497
Cash and Investments Held by Trustee (Designated)	440,427	607,112
Current Assets:		
Cash and investments held by trustee	50,794	46,536
Bond funds – current portion	90,031	99,205
Accounts receivable – net of allowance for doubtful accounts of \$2,907,000 and \$2,522,000 in 1993 and 1992, respectively	57,339	50,288
Accrued interest receivable	3,203	3,329
Inventories, at average cost:		
Fuel (coal and oil)	26,901	46,506
Materials and supplies	32,716	30,600
Prepaid expenses	1,312	986
Total current assets	262,296	277,450
Deferred Debits and Other Assets:		
Unamortized debt expense	25,838	21,518
Unamortized loss on refunded debt	305,131	223,429
Costs to be recovered from future revenue	365,075	341,481
Other	31,754	29,645
Total deferred debits and other assets	727,798	616,073
Total	\$ 3,622,665	\$ 3,517,658

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND CAPITALIZATION	1993	1992
	(Thousands)	
Long-Term Debt:		
Electric Revenue Bonds – Priority Obligations	\$ 42,100	\$ 44,705
Electric System Expansion Revenue Bonds	1,079,455	1,516,440
Capitalized lease obligations	49,448	52,673
Revenue Bonds	1,370,910	852,950
Total long-term debt (net of current portion)	2,541,913	2,466,768
Less:		
Reacquired debt	10,550	5,345
Unamortized debt discount and premium – net	55,268	42,537
Long-term debt – net	2,476,095	2,418,886
Current Liabilities:		
Current portion of long-term debt	33,704	34,266
Accrued interest on long-term debt	68,362	80,506
Commercial paper notes	108,250	121,750
Mini-Bonds and Revenue Bonds (Series M)	154,865	123,795
Accounts payable	29,179	28,129
Other	18,794	24,490
Total current liabilities	413,154	412,936
Deferred Credits and Other Non-Current Liabilities:		
Construction fund liabilities	32,233	25,576
Nuclear decommissioning costs	27,756	24,361
Unamortized gain on reacquired debt	470	566
Other	16,835	10,797
Total deferred credits and other non-current liabilities	77,294	61,300
Commitments and Contingencies		
Capital Contributions – U.S. Government Grants	34,438	34,438
Accumulated Earnings Reinvested in the Business	621,684	590,098
Total	\$ 3,622,665	\$ 3,517,658

Statements of Accumulated Earnings Reinvested in the Business

South Carolina Public Service Authority
Years Ended December 31, 1993, 1992, and 1991

	1993	1992 (Thousands)	1991
Accumulated earnings reinvested in the business – beginning of year	\$ 590,098	\$ 566,197	\$ 530,869
Reinvested earnings for the year	37,583	29,717	40,968
Total	627,681	595,914	571,837
Distribution to the State of South Carolina	5,997	5,816	5,640
Accumulated earnings reinvested in the business – end of year	\$ 621,684	\$ 590,098	\$ 566,197

The accompanying notes are an integral part of these financial statements.

Statements of Reinvested Earnings

South Carolina Public Service Authority
 Years Ended December 31, 1993, 1992, and 1991

	1993	1992	1991
		(Thousands)	
Operating Revenues:			
Sale of electricity	\$ 584,030	\$ 541,725	\$ 557,736
Other operating revenues	5,453	5,153	4,842
Total operating revenues	589,483	546,878	562,578
Operating Expenses:			
Operation expense:			
Production	237,685	217,223	232,219
Purchased and interchanged power – net	12,863	10,425	9,220
Transmission	4,068	3,197	3,028
Distribution	3,594	3,810	3,698
Customer accounts	3,571	3,919	3,639
Sales	1,618	1,295	1,266
Administrative and general	48,087	39,784	41,037
Maintenance expense	51,626	52,365	50,213
Total operation and maintenance expense	363,112	332,018	344,320
Depreciation and amortization	78,329	75,025	70,846
Sums in lieu of taxes	3,643	3,643	3,364
Total operating expenses	445,084	410,686	418,530
Operating Income	144,399	136,192	144,048
Other Income:			
Interest income	17,493	21,980	29,302
Other – net	1,850	642	52
Total other income	19,343	22,622	29,354
Interest Charges:			
Interest on long-term debt	122,557	129,894	133,619
Other	27,197	23,356	23,279
Total interest charges	149,754	153,250	156,898
Costs to be recovered from future revenue	23,595	24,153	24,464
Reinvested Earnings	\$ 37,583	\$ 29,717	\$ 40,968

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

South Carolina Public Service Authority
Years Ended December 31, 1993, 1992, and 1991

	1993	1992	1991
		(Thousands)	
Cash Flows From Operating Activities:			
Operating Income	\$ 144,399	\$ 136,192	\$ 144,048
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	86,913	85,602	79,180
Other Income	1,850	33	52
Changes in assets and liabilities:			
Accounts receivable, net	(7,051)	(4,692)	6,850
Inventories	17,489	(11,437)	(644)
Prepaid expenses	(326)	70	19
Other deferred debits	(2,659)	(4,380)	(7,202)
Accounts payable	1,050	(1,253)	(4,508)
Other current liabilities	(6,612)	6,174	3,302
Other non-current liabilities	16,090	33,244	(839)
Net cash provided by operating activities	251,143	239,553	220,258
Cash Flows From Investing Activities:			
Net Decrease (Increase) in investments	106,127	(215,041)	(144,161)
Interest on investments	29,379	39,769	22,544
Net cash provided by (used in) investing activities	135,506	(175,272)	(121,617)
Cash Flows From Noncapital-Related Financing Activities:			
Distribution to the State of South Carolina	(5,997)	(5,815)	(5,640)
Cash Flows From Capital-Related Financing Activities:			
Proceeds from sale of bonds	978,435	544,843	398,808
(Repayments) Proceeds net from sale of commercial paper	(13,500)	(2,250)	4,000
Repayment and refunding of bonds	(969,868)	(228,003)	(99,184)
Interest paid on borrowings	(183,548)	(167,613)	(141,703)
Construction and betterments of utility plant	(240,513)	(235,279)	(145,622)
Bond issuance costs	(15,021)	(7,699)	(4,604)
Other	(3,148)	(3,052)	(2,961)
Net cash (used in) provided by capital-related financing activities	(447,163)	(99,053)	8,734
Net (Decrease) Increase in Cash and Cash Equivalents	(66,511)	(40,587)	101,735
Cash and Cash Equivalents at the Beginning of the Year	188,496	229,083	127,348
Cash and Cash Equivalents at the End of the Year	\$ 121,985	\$ 188,496	\$ 229,083

	1993	1992	1991
	(Thousands)		
Reconciliation of Cash and Cash Equivalents:			
Cash and investments held by trustee (designated)	\$ 440,427	\$ 607,112	\$ 430,419
Cash and investments held by trustee	50,794	46,536	50,023
Bond funds – current portion	90,031	99,205	95,444
Less investments, not considered cash and cash equivalents	459,267	564,357	346,803
Cash and cash equivalents at the end of the year	\$ 121,985	\$ 188,496	\$ 229,083

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

Note 1

Summary of Significant Accounting Policies:

A - *Reporting Entity* - The South Carolina Public Service Authority (the "Authority"), a component unit of the State of South Carolina, was created in 1934 by the State Legislature. The Board of Directors is appointed by the Governor of South Carolina. The purpose of the Authority is to provide electric power to the people of South Carolina. Capital projects are funded by bonds issued by the Authority and internally generated funds. The Board of Directors sets rates charged to customers to pay debt service and operating expenses and to provide funds required under bond covenants.

B - *System of Accounts* - The accounting records of the Authority are in accordance with generally accepted accounting principles applicable to governmental entities (Note 12) and are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC).
C - *Utility Plant* - Utility plant is recorded at cost, which includes materials, labor, overhead, and interest capitalized during construction. The costs of repairs and minor replacements are charged to appropriate operation and maintenance expense accounts. The costs of renewals and betterments are capitalized. The original cost of utility plant retired and the cost of removal less salvage are charged to accumulated depreciation.

D - *Depreciation* - Depreciation is computed on a straight-line basis over the estimated useful lives of the various classes of the plant. Annual depreciation provisions, expressed as a percentage of average depreciable utility plant in service, were approximately 3.3% for each of the three years in the period ended December 31, 1993. Amortization of capitalized leases is also included in depreciation expense.

E - *Revenue Recognition and Fuel Costs* - Substantially all wholesale and industrial revenues are billed and recorded at the end of each month. Prior to 1992, revenues from retail customers were recognized as billed on a monthly cycle basis. Beginning in 1992 any revenues for electricity delivered to retail customers which has not been billed is being accrued. Fuel costs are reflected in operating expenses as fuel is consumed.

F - *Bond Issuance Costs* - Unamortized debt discount, premium and expense are amortized to income over the terms of the related debt issues. Unamortized gains or losses on refunded debt are generally deferred and amortized to income over the terms of the refunding debt issues.

G - *Cash and Cash Equivalents* - For purposes of the statements of cash flows, the Authority considers highly liquid investments with original maturities of less than three months and cash on deposit with financial institutions as cash and cash equivalents.

H - *State Distribution* - The distribution to the State of South Carolina is determined utilizing a formula required under the 1949 Indenture which is based essentially on operating cash flows and mandatory reserve requirements. Such calculation

varies substantially from reinvested earnings for the year principally due to costs to be recovered from future revenue and working capital requirements.

I - *Reclassifications* - Certain prior year amounts have been reclassified to conform to the current year presentation.

Note 2

Regional Water System:

In 1992, the Authority's Board of Directors authorized the construction of a regional water system. The Authority executed a contract with the Lake Moultrie Water Agency, a joint municipal water system consisting of the following members: City of Summerville Commission of Public Works, Town of Moncks Corner Commission of Public Works, City of Goose Creek and the County of Berkeley. The Lake Moultrie Water Agency will purchase all of the capacity of the water system and sell such capacity to the four members. The water system is estimated to commence initial operation in September 1994 and begin commercial operation in January 1995. The estimated construction costs for the water system are approximately \$36,000,000. The construction costs incurred as of December 31, 1993 totalled approximately \$26,989,000.

Note 3

Costs to be Recovered from Future Revenue:

The Authority's electric rates are established based upon debt service and operating fund requirements. Straight-line depreciation is not considered in the cost of service calculation used to design rates. The differences between debt principal maturities (adjusted for the effects of premiums, discounts and amortizations of deferred gains and losses) and straight-line depreciation are recognized as costs to be recovered from future revenue. The recovery of outstanding amounts associated with costs to be recovered from future revenue will coincide with the retirement of the outstanding long-term debt of the Authority.

Note 4

Cash and Investments Held by Trustee (Designated):

Unexpended funds from the sale of bonds, debt service funds, other special funds, and cash and investments are held and maintained by trustees and their use designated in accordance with applicable provisions of various trust indentures, bond resolutions, lease agreements, and the Enabling Act included in the South Carolina law. Such funds consist principally of investments in government securities carried at amortized cost.

Cash - Cash is categorized as follows: Category 1 includes bank balances entirely covered by federal depository insurance. Category 2 includes bank balances that are uncollateralized or collateralized with securities held by pledging financial institutions but not in the Authority's name.

Investments - Trust indentures and resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies, instrumentalities, and certificates of deposit. The Authority's investments consist of U.S. Government securities, certificates of deposit, and repurchase agreements. The Authority requires that securities underlying repurchase agreements have a market value of at least 102 percent of the cost of the repurchase agreement. Securities underlying repurchase agreements are delivered by broker/dealers to the Authority's trust agents. At

December 31, 1993, the Authority's repurchase agreements totalled \$80,477,000.

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by trust agents in the Authority's name. Category 2 includes uninsured certificates of deposit which are collateralized with securities held by the pledging financial institution but not in the Authority's name.

1993						
	Investments		Cash		Total	
	Category 1	Category 2	Category 1	Category 2	Carrying Value	Market Value
(Thousands)						
Cash and Investments						
Held by Trustee (Designated)						
General Improvement Funds	\$ 57,568	\$ 1,650	\$ 55	\$ 205	\$ 59,478	\$ 59,292
Debt Service Reserve Funds	162,729	0	0	55	162,784	172,038
Other Special Funds	157,066	0	0	28	157,094	157,151
Funded Interest	61,067	0	0	4	61,071	61,908
Total Cash and Investments						
Held by Trustee (Designated)	\$ 438,430	\$ 1,650	\$ 55	\$ 292	\$ 440,427	\$ 450,389
Cash and Investments						
Held by Trustee (Undesignated)						
Revenue Fund	\$ 44,764	\$ 0	\$ 0	\$ (2,098)	\$ 42,666	\$ 42,643
Special Reserve Fund	7,616	0	100	412	8,128	8,143
Total Cash and Investments						
Held by Trustee (Undesignated)	\$ 52,380	\$ 0	\$ 100	\$ (1,686)	\$ 50,794	\$ 50,786
Bond Funds - Current Portion						
Interest	\$ 24,120	\$ 0	\$ 0	\$ 36,686	\$ 60,806	\$ 60,806
Bond Principal	16,245	0	0	0	16,245	16,247
Funded Interest	12,542	0	0	0	12,542	12,542
Lease	438	0	0	0	438	438
Total Bond Funds - Current Portion	\$ 53,345	\$ 0	\$ 0	\$ 36,686	\$ 90,031	\$ 90,033

1992

	Investments		Cash		Total	
	Category	Category	Category	Category	Carrying	Market
	1	2	1	2	Value	Value
(Thousands)						
Cash and Investments						
Held by Trustee (Designated)						
General Improvement Funds	\$ 75,558	\$ 1,400	\$ 51	\$ (582)	\$ 76,427	\$ 76,519
Debt Service Reserve Funds	162,850	0	0	235	163,085	170,917
Other Special Funds	269,519	0	0	77	269,596	268,376
Funded Interest	98,004	0	0	0	98,004	99,251
Total Cash and Investments						
Held by Trustee (Designated)	\$ 605,931	\$ 1,400	\$ 51	\$ (270)	\$ 607,112	\$ 615,063
Cash and Investments						
Held by Trustee (Undesignated)						
Revenue Fund	\$ 42,680	\$ 0	\$ 0	\$ (1,260)	\$ 41,420	\$ 41,424
Special Reserve Fund	4,742	0	100	274	5,116	5,145
Total Cash and Investments						
Held by Trustee (Undesignated)	\$ 47,422	\$ 0	\$ 100	\$ (986)	\$ 46,536	\$ 46,569
Bond Funds - Current Portion						
Interest	\$ 14,870	\$ 0	\$ 0	\$ 51,119	\$ 65,989	\$ 65,989
Bond Principal	15,554	0	0	6	15,560	15,654
Funded Interest	17,217	0	0	0	17,217	17,217
Lease	439	0	0	0	439	439
Total Bond Funds - Current Portion						
	\$ 48,080	\$ 0	\$ 0	\$ 51,125	\$ 99,205	\$ 99,299

Note 5*Long-Term Debt Outstanding:*

The Authority's long-term debt at December 31, 1993 and 1992 consisted of the following:

	December 31,	
	1993	1992
	(Thousands)	
Electric Revenue Bonds - Priority Obligations: (mature through 2006)		
Interest rate 4.10%	\$ 44,705	\$ 47,245
Electric System Expansion Revenue Bonds: (mature through 2022)		
Interest rates vary from 5.20% - 8.75%	1,099,525	1,539,535
Capitalized lease obligations: (mature through 2015)		
Interest rates vary from 2.00% - 5.00%	52,672	55,819
Revenue Bonds: (mature through 2032)		
Interest rates vary from 2.70% - 7.00%	1,378,715	858,435
Total Long-Term Debt	2,575,617	2,501,034
Current Portion - Long-Term Debt	33,704	34,266
Total Long-Term Debt - Net	\$ 2,541,913	\$ 2,466,768

Maturities of long-term debt through 1998 are as follows:

	Priority Obligations	Expansion Bonds	Capitalized Leases	Revenue Bonds	Total
Year Ending December 31,	(Thousands)				
1994	\$ 2,605	\$ 20,070	\$ 3,224	\$ 7,805	\$ 33,704
1995	2,720	21,405	3,318	27,170	54,613
1996	2,845	23,165	3,418	10,670	40,098
1997	2,975	19,160	3,527	18,380	44,042
1998	3,105	19,980	3,609	15,800	42,494
Total	\$ 14,250	\$ 103,780	\$ 17,096	\$ 79,825	\$ 214,951

The fair value of the Authority's debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Authority for debt with the same remaining maturities. Based on the borrowing rates currently available to the Authority for tax-exempt bonds and other debt with similar terms and average maturities, the fair value of debt is approximately \$2.85 billion and \$2.8 billion at December 31, 1993 and 1992, respectively.

The Authority refunds and defeases debt primarily as a means of reducing debt service, thereby postponing or reducing future

rate adjustments.

In 1993, the Authority issued \$385,125,000 in 1993 Refunding Series A&B Bonds and \$631,360,000 in 1993 Refunding Series C Bonds. These refundings reduced the Authority's total debt service over the life of its bonds by approximately \$66,501,000, resulting in an economic gain over the life of the bonds of approximately \$30,249,000 after adjusting for funds used from the refunding of other than the 1993 Refunding Series A&B Bond proceeds and the 1993 Refunding Series C Bond proceeds.

Amounts outstanding, original loss on refunding, and the unamortized loss at December 31, 1993 are as follow:

Refunding Issue	Refunded Bonds	Refunded Amount Outstanding	Original Loss	Unamortized Loss
			(Thousands)	
1982 Refunding	\$ 100,000 of the 1981 Series C and \$ 127,000 of the 1982 Series A	—	62,588	350
1985 Refunding	\$ 150,000 of the 1982 Series B	—	30,570	1,901
Cash Defeasance	\$ 20,000 of the 1982 Series A	—	2,763	2,100
1986 A&B Refunding	\$ 42,725 of the 1980 Series A \$ 42,000 of the 1981 Series A \$ 61,000 of the 1981 Series B \$ 4,420 of the 1981 Series C \$ 7,820 of the 1982 Series A \$ 9,010 of the 1982 Series B	—	43,736	5,595
1986 C&D Refunding	\$280,275 of the 1982 Refunding Series	—	97,109	83,474
1987 A Refunding	\$160,510 of the 1985 Refunding Series	160,510	48,038	38,397
1988 A Refunding	\$ 18,220 of the 1980 Series A \$ 18,315 of the 1981 Series A \$ 9,110 of the 1982 Refunding Series \$ 5,000 of the 1985 Refunding Series \$120,890 of the 1985 A Refunding Series	125,890	28,644	19,623
1991 A,B&C Refunding & Improvement Series	\$ 4,855 of the 1980 Series A \$ 8,075 of the 1981 Series A \$ 13,500 of the 1985 Series \$ 32,500 of the 1985 A Refunding Series	32,500	4,856	2,585
Commercial Paper	\$ 27,000 of the 1985 Subordinate Series	2,579	495	83
1992 A Refunding	\$ 3,370 of the 1985 Refunding Series \$ 5,405 of the 1985 A Refunding Series \$ 100,010 of the 1986 Refunding Series A \$ 22,555 of the 1988 Refunding Series A \$ 15,370 of the 1991 Refunding Series B \$ 12,085 of the 1991 Series D	158,795	42,188	39,842
1993 A&B Refunding	\$ 86,180 of the 1974 Series \$ 93,360 of the 1979 Series A \$ 4,980 of the 1985 A Refunding Series \$ 14,935 of the 1986 Refunding Series A \$ 23,675 of the 1986 Refunding Series B \$135,705 of the 1991 Refunding & Improvement Series B and C	179,295	38,870	38,870
1993 C Refunding	\$167,660 of the 1977 Refunding Series \$ 1,565 of the 1979 Series A \$ 900 of the 1985 Refunding Series \$ 2,390 of the 1985 A Refunding Series \$ 6,365 of the 1986 Refunding Series A \$ 14,905 of the 1988 Refunding Series A \$100,110 of the 1991 Refunding & Improvement Series B and C \$279,905 of the 1991 Series D	406,140	72,311	72,311
Total		\$1,065,709	\$ 472,168	\$ 305,131

The Authority's bond indentures provide for certain restrictions, the most significant of which are:

1. The Authority covenants to establish rates sufficient to pay all debt service, required lease payments, capital improvement fund requirements and all costs of operation and maintenance of the Authority's electric system and all necessary repairs, replacements, and renewals thereof.

2. The Authority is restricted from issuing additional parity bonds unless certain conditions are met.

As of December 31, 1993, the Authority is in compliance with all debt covenants.

Note 6

Commercial Paper and Mini-Bonds:

The Board of Directors has authorized the issuance of commercial paper not to exceed \$150,000,000. The paper is issued for valid corporate purposes with a term not to exceed 270 days. For the years ended December 31, 1993, 1992, and 1991, the information related to commercial paper was as follows:

	1993	1992	1991
Effective interest rate (at December 31)	2.52%	2.69%	4.20%
Average annual amount outstanding	\$117,700,000	\$115,410,000	\$123,880,000
Average annual maturity	52 days	62 days	44 days

Commercial Paper and Mini-Bonds outstanding at December 31, are:

	1993	1992
	(Thousands)	
Commercial Paper	\$ 108,250	\$ 121,750
Mini-Bonds:		
1988 Series, bearing interest at 7.75% and due 2003	\$ 16,622	\$ 16,641
1989 Series, bearing interest at 7.00% and due 2004	18,615	18,299
Total Mini-Bonds	\$ 35,237	\$ 34,940
Revenue Bonds (Series M):		
1990 Series bearing interest at 7.30% and due 2005, and 2006	\$ 22,185	\$ 21,842
1991 Series bearing interest at 6.875% and due 2007, and 2008	28,030	27,671
1992 Series bearing interest at 6.25% and due 2007, 2008, and 2009	39,816	39,342
1993 Series bearing interest at 5.35% and due 2010, 2011, and 2012	29,597	—
Total Revenue Bonds (Series M)	\$ 119,628	\$ 88,855
Total Mini-Bonds and Revenue Bonds (Series M)	\$ 154,865	\$ 123,795
Total Commercial Paper, Mini-Bonds, and Revenue Bonds (Series M)	\$ 263,115	\$ 245,545

	1993	1992	1991
Average annual effective interest rate	2.40%	2.96%	4.48%

At December 31, 1993 the Authority had a Revolving Credit Agreement with NationsBank for \$150,000,000. This agreement is used to support the Authority's issuance of commercial paper. There were no borrowings under the agreement during 1993 or 1992.

In 1988 and 1989 the Authority issued bonds (Mini-Bonds) in small denominations which are due on demand by the registered owner under a Mini-Bond Resolution. In 1990 the Revenue Bond Resolution was adopted and all senior debt including the existing 1988 and 1989 Mini-Bonds were frozen except for Refunding purposes. Under the Revenue Bond Resolution, small denomination bonds due on demand (Series M Bonds) were issued. The pledge of revenues securing Revenue Bonds is junior and subordinate to the pledge of revenues securing the Priority Obligations, Electric System Expansion Revenue Bonds, and the 1988 and 1989 Mini-Bonds and capital lease obligation, but is superior to the lien and pledge of revenues securing the Commercial Paper payments to the Contingency Fund, Capital Improvement Fund, Special Reserve Fund and the payments to the State.

At December 31, 1993, the Authority had two Revolving Credit Agreements with NationsBank for \$40,000,000. These agreements are used to provide liquidity for the put feature on all outstanding Mini-Bonds. There were no borrowings under these agreements in 1993 or 1992.

Note 7*Summer Nuclear Station:*

The Authority and South Carolina Electric and Gas (SCE&G) are parties to a joint ownership agreement providing that the Authority and SCE&G shall own the Summer Nuclear Station with undivided interests of 33 $\frac{1}{3}$ % and 66 $\frac{2}{3}$ %, respectively. SCE&G is solely responsible for the design, construction, budgeting, management, operation, maintenance, and decommissioning of the Summer Nuclear Station, and the Authority is obligated to pay its ownership share of all costs relating thereto. The Authority receives 33 $\frac{1}{3}$ % of the net electricity generated. At December 31, 1993 and 1992, the plant accounts included approximately \$438,514,000 and \$436,409,000, respectively, representing the Authority's investment, including capitalized interest, in the Summer Nuclear Station. For each of the three years ended December 31, 1993, 1992 and 1991, the Authority's operation and maintenance expenses included \$38,772,000, \$41,431,000 and \$30,880,000, respectively, for the Summer Nuclear Station.

Nuclear fuel costs are being amortized based on energy expended which includes a component for estimated disposal costs of spent nuclear fuel. This amortization is included in fuel expense and is recovered through the Authority's rates.

SCE&G has an on-site spent fuel storage capability until at least 2008 and expects to be able to expand its storage capacity to accommodate the spent fuel output for the life of the plant through rod consolidation, dry cask storage or other technology as it becomes available. In addition, there is sufficient on-site storage capacity over the life of Summer Nuclear Station to permit storage of the entire reactor core in event that complete unloading should become desirable or necessary for any reason.

The Nuclear Regulatory Commission (NRC) has published final regulations on decommissioning of nuclear facilities that require a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable NRC regulations, the Authority established an external trust fund and began making deposits into this fund in September 1990. In addition to providing for the minimum requirements imposed by the NRC, the Authority makes deposits into an internal fund in the amount necessary to fund the difference between a site-specific decommissioning study completed in 1991 and the NRC's imposed minimum requirement. Santee Cooper's one-third share of the estimated decommissioning costs of the Summer Nuclear Station equals approximately \$76,266,000 in 1990 dollars. The Authority accrues for its share of the estimated decommissioning costs over the remaining life of the facility. These costs are being recovered through the Authority's rates.

Based on current decommissioning cost estimates developed by SCE&G, these funds, which totalled approximately \$25,073,000 at December 31, 1993, along with future deposits into both the external and internal decommissioning accounts and investment earnings, are estimated to provide sufficient funds for the Authority's one-third share of the total decommissioning costs.

SCE&G has determined that the Summer Nuclear Station

steam generators must be replaced due to stress corrosion cracking. SCE&G estimates replacement of the steam generators will cost approximately \$156 million of which, the Authority's share will be approximately \$52 million, exclusive of the Authority's indirect costs. Replacement of the generators is scheduled for 1994. SCE&G has filed suit against the manufacturer of the generators seeking damages for the replacement of the generators. In January 1994, SCE&G and the Authority reached a settlement agreement with the manufacturer of the steam generators resolving the dispute involving the steam generators. Terms of the settlement will remain confidential and there will be no material adverse impact on the Authority. An order dismissing this suit was entered by the judge on January 12, 1994.

The supplier under the original uranium supply contract breached the contract in 1975 due to uranium market conditions. SCE&G initiated action seeking specific performance of the contract provisions, and a final settlement was reached and approved by all parties in April 1980. By terms of the settlement, the Authority has received approximately \$10,243,000 in cash as partial settlement of the lawsuit. Additionally, the agreement provides for delivery of uranium, long-term deliveries of equipment and services (including conversion and fuel fabrication) at a discount. The cash and discounts received (and related interest earned) which approximated \$16,572,000, were recorded as deferred credits. During prior refueling outages deferred credits and related interest were used to offset additional fuel costs associated with replacement energy during the Summer Nuclear Station refueling outages. The remainder of the deferred credits was used during the scheduled refueling outage in 1993.

The Energy Policy Act of 1992 gave the Department of Energy (DOE) the authority to assess utilities for the decommissioning of its facilities used for the enrichment of uranium included in nuclear fuel costs. In order to decommission these facilities the DOE estimates that it would need to charge utilities a total of \$150,000,000 annually for fifteen (15) years based on enrichment services to date. Based on an estimate from SCE&G covering the fifteen years, the Authority's one-third share of the liability totalled \$2,483,000. Such amount has been deferred and will be recovered through rates as paid. These costs are included on the balance sheet in deferred credits and other noncurrent liabilities.

The maximum liability for public claims arising from any nuclear incident has been established at \$9.4 billion by the Price-Anderson Indemnification Act. This \$9.4 billion would be covered by nuclear liability insurance of about \$200 million per site, with potential retrospective assessments of up to \$79.275 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed \$10 million per incident, per year). Based on its one-third interest in Summer Nuclear Station, the Authority would be responsible for the maximum assessment of \$26.425 million, not to exceed approximately \$3.3 million per incident, per year. This amount is subject to further increases to reflect the increase of (i) inflation, (ii) the licensing for operation of additional nuclear reactors and (iii) any increase in the amount of commercial liability insurance required to be maintained by the NRC.

Additionally, SCE&G and the Authority maintain with American Nuclear Insurers (ANI) and Nuclear Electric Insurance Limited (NEIL) \$500 million primary and \$1.4 billion excess property and decontamination insurance to cover the costs of cleanup of the facility in the event of an accident. In addition to the premiums paid on the excess policy, SCE&G and the Authority could also be assessed a retroactive premium, not to exceed 7.5 times the annual premium, in the event of property damage to any nuclear generating facility covered by NEIL. Based on the current annual premium and the Authority's one-third interest, the Authority's maximum retroactive premium would be \$4.1 million.

The Authority is self-insured for any retroactive premium assessments, claims in excess of stated coverage, or cost increases due to the purchase of replacement power.

Note 8

Leases:

The Authority has capital lease contracts with Central Electric Power Cooperative, Inc. (Central), covering a steam electric generating plant, transmission facilities, and various other facilities. The lease terms range from three to twenty-three years. Quarterly lease payments are based on a sum equal to the interest on and principal of Central's indebtedness to the Rural Electrification Administration for funds borrowed to construct the above-mentioned facilities. The Authority has options to purchase the leased properties at any time during the period of the lease agreements for sums equal to Central's indebtedness remaining outstanding on the properties at the time the options are exercised or to return the properties at the termination of the lease. The Authority plans to exercise each and every option to acquire ownership of such facilities prior to expiration of the leases.

Future minimum lease payments on Central leases, at December 31, 1993 were:

Years ending December 31:	Amount (Thousands)
1994	\$ 5,240
1995	5,233
1996	5,229
1997	5,229
1998	5,198
Thereafter	46,405
Total minimum lease payments	72,534
Less, amounts representing interest	19,862
Balance at December 31, 1993	\$ 52,672

Property under capitalized leases and related accumulated amortization included in utility plant at December 31, 1993 totalled \$100,207,000 and \$56,672,000, respectively, and at December 31, 1992 totalled \$100,995,000 and \$54,491,000, respectively.

Operating lease payments during the years ended December

31, 1993, 1992, and 1991, totalled \$753,000, \$1,021,000, and \$1,431,000, respectively.

Note 9

Contract with Central Electric Power Cooperative, Inc.:

Power supply and transmission services are provided to Central in accordance with a power system coordination and integration agreement. In addition, the Authority will be the sole supplier of Central's energy needs excluding energy Central receives from the Southeastern Power Administration and SCE&G.

Note 10

Commitments and Contingencies:

Budget - The Authority's capital budget provides for expenditures of approximately \$224,545,000 during the year ending December 31, 1994, and \$320,256,000 during the two years thereafter. These projects will be financed by internally generated funds and additional borrowings.

Future Generation - The Authority's Board of Directors approved the construction of a second 540-megawatt coal-fueled electric generating unit at the Cross Plant with power generation to begin no later than May 1995.

The estimated cost of construction is expected to total approximately \$484.0 million which includes \$441.5 million for the generating unit, \$25.9 million for related transmission facilities, \$9.3 million for coal cars and \$7.3 million for the initial coal stockpile.

Purchase Commitments - The Authority has contracted for long-term coal purchases under contracts with outstanding minimum obligations at December 31, 1993 as follows:

Years ending December 31:	Amount (Thousands)
1994	\$ 103,162
1995	103,162
1996	103,162
1997	103,162
1998	83,516
Thereafter	360,351
Total	\$ 856,515

The Authority's outstanding minimum obligations under existing purchased power contracts as of December 31, 1993 were approximately \$130.7 million. The terms of the contracts range from 1 to 42 years.

The Authority has commitments of approximately \$130.1 million for its one-third share under the joint ownership agreement with SCE&G for the purchase, conversion, enrichment and fabrication of uranium.

Clean Air Act - The Authority endeavors to ensure that its facilities comply with applicable environmental regulations and standards.

Congress has promulgated comprehensive amendments to the Clean Air Act, including the addition of a new federal

program relating to acid precipitation. The Authority has evaluated the potential impact of this legislation, including new limits on the allowable rates of emission of sulfur dioxide and nitrogen oxide. While the legislation contains a number of new restrictions, the most significant new requirements, relating to acid precipitation, would not begin to impact the Authority until the year 2000.

Under the Clean Air Act, among other things, specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fueled generating units will be required in two phases. In general, Phase I compliance must be implemented by January 1, 1995 and Phase II compliance by January 1, 2000. Specific regulations, rules and procedures for implementing the Clean Air Act are currently being promulgated by the EPA. The Authority currently projects it can meet Clean Air Act compliance with its existing units but may need to environmentally dispatch the order of operation. The Authority estimates that approximately \$28 million through the year 2000 may be necessary for continuous emissions monitoring equipment and the installation of low nitrous oxide burner technology.

Energy Policy Act of 1992 - The Energy Policy Act of 1992 (Energy Act) promotes energy efficiency, alternative fuel use, and increased competition for electric utilities and will have a significant impact on the utility industry. Under the Energy Act, Independent Power Producers (IPPs) are allowed access to a utility's transmission lines to sell their electricity to other utilities, thus enhancing their incentive to build generation plants for the utility's large industrial and commercial customers. At this time, the Authority is not able to determine what impact open transmission access will have on the financial results of the Authority.

Note 11

Retirement Plan:

Substantially all Authority full-time employees must participate in the South Carolina Retirement System ("System"), a cost-sharing, multiple-employer public employee retirement system. The payroll for employees covered by the System for each of the years ended December 31, 1993, 1992 and 1991, was \$65,727,000, \$61,558,000, and \$57,125,000, respectively.

Vested employees who retire at age 65 or with 30 years of service at any age are entitled to a retirement benefit, payable monthly for life. The annual benefit amount is equal to 1.82 percent of their average final compensation times years of service. Benefits fully vest on reaching five years of service. Reduced retirement benefits are payable as early as age 55. The System also provides death and disability benefits. Benefits are established by state statute.

Employees are required by State statute to contribute 6 percent of salary. The Authority is required by the same statute to contribute 7.55 percent of total payroll. The contribution requirement for each of the years ended December 31, 1993, 1992 and 1991, was \$5,063,000, \$4,742,000 and \$4,449,000 from the Authority and \$3,944,000, \$3,689,000 and \$3,431,000 from employees.

An actuarial valuation is performed for the System annually. According to the South Carolina Retirement Systems, June 30,

1993, financial statements the pension benefit obligation for retired and active members was approximately \$12.6 billion. The amortized cost of assets of the System was approximately \$9.3 billion. The unfunded pension obligation was approximately \$3.2 billion. The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure, which is an actuarial present value of credited projected benefits, is intended to help users assess the System funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The System does not make separate measurements of assets and benefits payable for individual employers. The Authority's contribution represented approximately one and a half percent of the total contribution to the System.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 1993 Comprehensive Annual Financial Report.

The Authority also provides deferred compensation benefits to certain employees who are eligible to retire with ten years of service and have reached the age of 50. The cost of these benefits are accrued on an actuarially determined basis. As of December 31, 1993, there were 37 active participants and 22 retirees. The actuarial accrued liability at December 31, 1993, 1992 and 1991, was approximately \$3,255,000, \$2,956,000 and \$2,676,000, respectively.

Note 12

Other Post-Retirement Benefits:

The Authority provides certain health, dental and life insurance benefits for retired employees. Substantially all of the Authority's employees may become eligible for these benefits if they retire at any age with 30 years of service or at age 60 with at least 20 years of service. Currently, approximately 242 retirees meet these requirements. The cost of the health, dental and life insurance benefits are recognized as expense as the premiums are paid. For the years ended December 31, 1993, 1992 and 1991, these costs totalled \$515,000, \$371,000 and \$329,000, respectively.

During their first ten years of service, full-time permanent employees can earn up to 15 days vacation leave per year. After ten years of service, employees earn an additional day vacation leave for each year of service over ten until they reach the maximum of 25 days per year. Employees earn annually a half day per month plus three additional days at year end for sick leave.

Employees may carry forward up to 45 days of vacation leave and 180 days of sick leave from one calendar year to the next. Upon termination, the Authority pays employees for accumulated vacation leave at the pay rate then in effect. In addition, the Authority pays employees upon retirement 20 percent of their accumulated sick leave at the pay rate then in effect. These costs are carried as a deferred debit and a liability on the balance sheet and will be recovered through rates as they are paid.

Note 13*Credit Risk and Major Customers:*

Concentrations of credit risk with respect to the receivables are limited due to the large number of customers in the Authority's customer base and their dispersion across different industries. The Authority maintains an allowance for uncollectible accounts losses based upon the expected collectibility of all accounts receivable.

Sales to two major customers for the years ended December 31, were:

	1993	1992	1991
(Thousands)			
Central Electric Power			
Cooperative, Inc.	\$ 277,000	\$ 236,000	\$ 242,000
Alumax of South			
Carolina, Inc.	\$ 72,000	\$ 82,000	\$ 88,000

During calendar years 1988 through 1990, Alumax received rate relief of \$4.4 million which was subject to repayment if the monthly price of aluminum was \$.72 per pound or more as stated in 1986 dollars. Alumax is not eligible for any additional rate relief. On December 31, 1993, Alumax's obligation to repay such rate relief ended.

In February, 1993, Alumax announced a 20 percent reduction in production at their plant served by the Authority. The reinvested earnings impact on the Authority for 1993 is estimated to be \$5.6 million.

Audit Committee Chairman's Letter

The Finance-Audit Committee of the Board of Directors is composed of four independent directors: Leon S. Goodall, chairman; B.L. Hendricks; D. Gene Rickenbaker; and Johnnie (Joe) Young. The Committee meets monthly with members of management and Internal Audit to review and discuss their activities and responsibilities.

The Finance-Audit Committee oversees Santee Cooper's financial reporting and internal auditing processes on behalf of the Board of Directors. Monthly briefings on the financial statements and periodic reports from management and the internal auditors pertaining to operations and representations were received. In fulfilling its responsibilities, the Committee also reviewed the overall scope and specific plans for the respective audits by the internal auditors and the independent public accountant. The Committee discussed the Company's financial statements and the adequacy of its internal controls.

The Committee met with the independent public accountant and with the General Auditor, without management present, to discuss the results of the examination, the evaluation of Santee Cooper's internal controls, and the overall quality of Santee Cooper's financial reporting.

A handwritten signature in cursive script that reads "Leon S. Goodall". The signature is written in black ink and is positioned above the printed name and title.

Leon S. Goodall, Chairman

Finance-Audit Committee

Ken Ford Steps Down as President

Stating that the time had come for him to pass the baton and for the company to move ahead to new challenges, President and Chief Executive Officer Ken Ford announced his retirement Oct. 22. "I felt that passing of the baton would be best done when Santee Cooper is in its strongest position," he told employees.

He explained that recovery from his recent spinal surgery was taking longer and was more taxing than he had anticipated. Following the advise of his doctors that optimum recovery could best be achieved by withdrawing from the day-to-day pressures of managing a major corporation, he stated, "If I can't give the full 100 percent to the company, it's best to step aside and allow someone capable of doing so to take the reins."

With a sense of great optimism, Ford said that Santee Cooper was the strongest it had ever been financially and faced some of the greatest challenges and greatest opportunities for serving its customers and the people of South Carolina. "I know Santee Cooper is in very good hands with the strong leadership of the board, its chairman and the new management team."

Ford said he projects a bright future for Santee Cooper, resulting from a strong and interactive management-employee relationship. "I think the development, through a team concept, of the goals program and the strategic plan has had a solidifying impact on senior management, and those programs will have the same influence throughout the entire organization."

Examining his career at Santee Cooper that began in 1978 as its chief financial officer, Ford recalled how Santee Cooper "came of age," evolving from a relatively small utility with 1,312 megawatts of generation and less than 45,000 customers to a major South Carolina energy and economic resource that by the end of 1994 will be operating with over 3,200 megawatts of generation and serving more than 100,000 customers.

"We should all be very proud because when you look at the total picture by counting electric co-op customers, Santee Cooper power is today used by one of every three South Carolinians, and with our new regional water system, we are probably in the position we were 50 years ago with electricity."

Santee Cooper's new President and Chief Executive Officer T. Graham Edwards commends Ford for his dedication and leadership.

"Ken Ford contributed tremendously to this organization and the people we serve. He came in at a time in 1989 when circumstances were somewhat rocky for Santee Cooper with lots of changes and challenges facing us. We had to rebound from a devastating hurricane that flattened our transmission system; we were facing challenges from the legislature and legal battles involving fuel contracts and other matters; and we were preparing for the economic impact of military downsizing affecting our service area. It seemed like everything was just going on at one time, and Ken provided the stable force needed for this organization. He was probably one of the few people who could step in and provide the leadership and stability that were needed."

Ford said that his greatest pride at Santee Cooper came from what its employees have shown in sticking together during some difficult times over the past five years.

"Whether it was Hurricane Hugo, the coal contract situation or threat of privatization, the employees and their families have always stood shoulder to shoulder in addressing these challenges."

Ford concluded by repeating what he told employees following Santee Cooper's successful recovery from Hurricane Hugo. "No person was too big and no job was too small to meet the challenges we faced, and I'll never forget that. I feel that same spirit of commitment has applied throughout the organization during my term as president and CEO."

Board of Directors

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Chairman

Robert D. Bennett
First Vice Chairman
Represents the
Electric Cooperatives

Leon S. Goodall
Second Vice Chairman,
Represents 2nd Congressional
District

W. Melvin Brown
Represents 1st Congressional
District

Ralph H. Ellis
Represents Horry County

J. Mac Walters
Represents 4th Congressional
District

B.L. Hendricks
Represents 3rd Congressional
District

John D. Trout
Represents Berkeley County

D. Gene Rickenbaker
Represents 5th Congressional
District

Henry B. Rickenbaker
Represents 6th Congressional
District

J. Joseph Young
Represents Georgetown County

Changes to the Board of Directors

In 1993, three changes occurred on the Santee Cooper Board of Directors.

John D. Trout, who represents Berkeley County, replaced Eugene F. Oliver.

J. Mac Walters, who represents the 4th Congressional District, replaced A. Clint Gossett.

W. Melvin Brown, who represents the 1st Congressional District, replaced Harold Robertson.

Advisory Board

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Governor

James M. Miles
Secretary of State

T. Travis Medlock
Attorney General

Earle E. Morris
Comptroller General

Grady L. Patterson Jr.
State Treasurer

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*President and
Chief Executive Officer*

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Bill McCall Jr.
*Executive Vice President,
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Robert E. Rainear
*Executive Vice President,
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John H. Tiencken Jr.
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L.F. "Butch" Volf
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Elaine G. Peterson
Controller

H. Roderick Murchison
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