

# Letter from the President and CEO

Diversity in our generating fleet is important, and renewable energy is one place we're working to increase our commitment. So, too, is nuclear power — the only base load source of electricity that is emissions-free. Santee Cooper remains on target for adding new nuclear power to our generation mix as early as 2016.

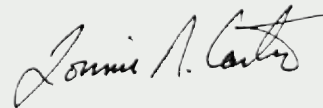


The earthquake and tsunami that gave rise to Japan's ongoing nuclear crisis have prompted numerous discussions as America continues working to add nuclear capacity after three decades of stagnancy in that energy sector. The Nuclear Regulatory Commission is actively incorporating lessons from the Japanese disaster into its ongoing reviews of existing nuclear power plants and of those on the drawing board. That added oversight is welcome and appropriate, and it should renew confidence in our nation's strong safety record in nuclear power plant operations.

Meanwhile, Santee Cooper and our nuclear partner, SCE&G, continue to fulfill obligations toward licensing two new reactors at our existing V.C. Summer Nuclear Station near Columbia, which are scheduled to come online in 2016 and 2019. We are gratified by the support the president, Congress and regulators continue to voice for new nuclear construction.

In March, Santee Cooper signed a letter of intent with Orlando Utilities Commission to explore a possible sale of up to 10 percent of the new units' capacity, and those negotiations continue. We are also looking at other potential sales that would help us bring these important new generating units online now, at the best possible price, without unduly burdening our customers with the cost of power that they don't fully need yet.

Generating fleet diversity is important in the electricity business. So, too, is flexibility. Santee Cooper is pursuing diversity with flexibility to ensure we always act in our customers' best interests. Emissions-free, safe and long-term low-cost nuclear power will be key as we continue to work to bring South Carolina affordable, reliable and environmentally responsible power.



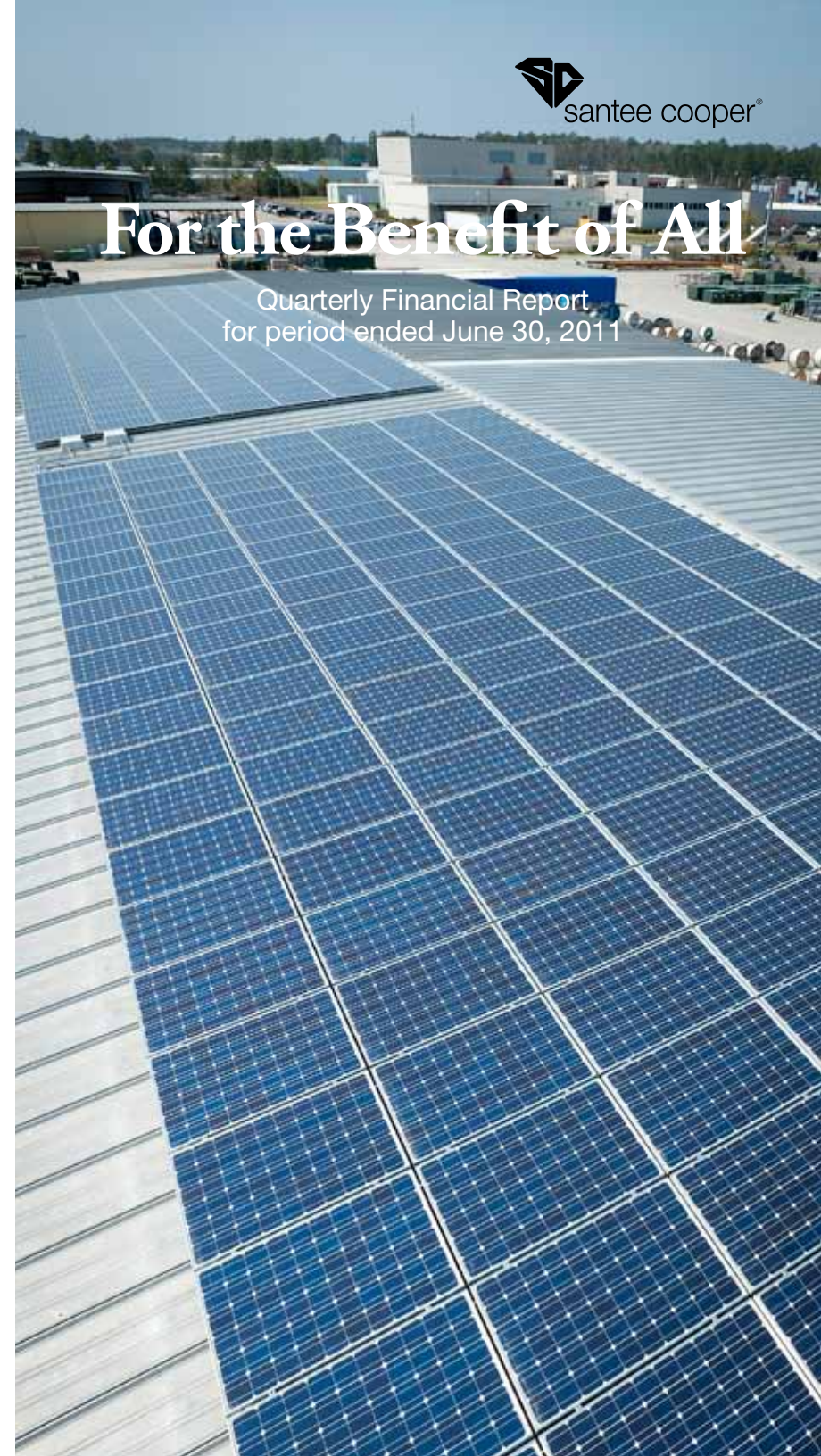
santee cooper®  
Post Office Box 2946101  
Moncks Corner, S.C. 29461-2901  
www.santeecooper.com  
(843) 761-8000

 Printed on recycled paper.



# For the Benefit of All

Quarterly Financial Report  
for period ended June 30, 2011





## Executive Summary

### Second Quarter 2011 Compared to 2010

The financial results for the second quarter of 2011 showed an increase of \$22 million compared to the same period last year, with both higher revenue and operating expense reported.

The second quarter saw total MWh sales rise 4%, with increases across all customer classes. Santee Cooper also saw a 5% rise in demand (kW) sales this year.

Operating Expense for the second quarter of 2011 was up compared to the second quarter of last year mainly because of the rise in MWh sales along with increased purchased power from the addition of renewable energy sources. Generation non-fuel expense also climbed which was attributable to higher maintenance cost related to station outages.

Other Income increased nearly \$800,000 when compared to the second quarter of last year due to the interest subsidy accrual for the Build America Bonds (BABs) issued in December 2010. There was a \$600,000 rise in the Fair Value of Investments.

Interest Charges were down over \$14 million compared to last year with interest on long term debt associated with future nuclear construction being the biggest contributor. The portion of V.C. Summer Units 2 & 3 construction interest transferred to a deferred debit account equates to the ownership percentage expected to be sold.

There was a nearly \$5 million change in Costs to be Recovered from Future Revenue expense. The variance was due in part to updated debt schedules and to 2010 being the final year of amortization for the 1990 change in CTBR methodology.

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

### Key Statistical Highlights

	<i>This Year</i>	<i>Last Year</i>
	<i>Current Quarter</i>	
Total MWh Sales	6,742,805	6,488,102
Number of Degree Days	2,307	2,615
	<i>For Month Ended June, 2011</i>	
Distribution Reliability % (YTD)	99.9962	99.9955
Number of Retail Customers	164,618	163,802

## Quarterly Statement of Reinvested Earnings

Millions of Dollars (Unaudited)

	<i>Current Quarter</i>		<i>12 Months to Date</i>	
	<i>April 1 - June 30</i>		<i>July 1 - June 30</i>	
	<i>This Year</i>	<i>Last Year</i>	<i>This Year</i>	<i>Last Year</i>
Operating Revenue	\$472.1	\$422.7	\$1,932.5	\$1,775.8
O&M Expense	359.1	311.6	1,376.9	1,241.2
Depreciation & Sums in Lieu of Taxes	47.3	47.1	188.6	187.3
Operating Expense	406.4	358.7	1,565.5	1,428.5
Operating Income	\$65.7	\$64.0	\$367.0	\$347.3
<i>Add:</i>				
Other Income	3.0	2.2	8.3	6.9
Net Increase (Decrease) in Fair Value of Investments	(0.1)	(0.7)	(3.2)	(6.7)
<i>Subtract:</i>				
Interest Charges	46.6	60.9	235.2	243.0
Costs To Be Recovered From Future Revenue	2.1	6.7	19.4	10.9
Reinvested Earnings	\$19.9	(\$2.1)	\$117.5	\$93.6

### Balance Sheet

As of June 2011 and 2010

Millions of Dollars (Unaudited)

<i>Assets</i>	<i>This Year</i>	<i>Last Year</i>
Utility Plant - Net	\$5,011.3	\$4,942.7
Long Lived Assets - ARO - Net	(14.0)	(14.4)
Investment in Associated Co.	11.1	10.3
Restricted Funds	722.7	546.4
General Improvement Funds	4.1	15.1
Cash & Securities	220.1	207.9
Other Current Assets	1,217.7	1,019.5
Costs To Be Recovered From Future Revenue	198.7	218.1
Regulatory Asset	181.9	172.5
Other Deferred Debits	415.2	342.5
Total Assets	\$7,968.8	\$7,460.6
<i>Liabilities</i>		
Long Term Debt - Net	\$4,991.1	\$4,373.3
Short Term Debt	395.4	545.0
Other Current Liabilities	301.5	362.4
ARO Liability	339.9	325.0
Other Liabilities	128.8	141.2
Accumulated Reinvested Earnings and Capital Contributions	1,812.1	1,713.7
Total Liabilities and Capital	\$7,968.8	\$7,460.6

## NewsCurrents –

### A Roundup of Quarterly NewsMakers

#### Spring Mini-Bond Sale Generates \$26 million

Santee Cooper's spring Mini-Bond sale received 1,639 orders for \$26,161,900 in total proceeds. The sale ran April 1-29 and offered investors the opportunity to purchase municipal bonds for as little as \$200.

Specifically, the spring 2011 Mini-Bond program included:

- 2011 Spring Series Capital Appreciation Bonds: Minimum purchase is \$200, and interest is paid on the Mini-Bonds' maturity dates of Jan. 1 of 2020, 2025 or 2030.
- 2011 Spring Series Current Interest Bearing Bonds: Minimum purchase is \$500, and the interest is paid semiannually until maturity. Maturity dates are Jan. 1 of 2016, 2021, 2026 or 2031.

#### Renewable energy portfolio grows

The Santee Cooper Board of Directors approved contracts in May with W2E-Organic Power and BioEnergy Technologies for a total 3.2 megawatts of electricity generated from anaerobic digestion of renewable resources. That is enough electricity to power 1,600 homes.

W2E-Organic Power, based in Columbia, has received its state environmental permit and plans to build a 1.6-MW generating station in Columbia that will utilize biogas from food waste, grease and yard waste. W2E-Organic Power plans to transmit the electricity to Santee Cooper's transmission grid.

Sumter-based BioEnergy Technologies will utilize pre-consumer food waste, grease, food-processing waste and wastewater sludge to generate 1.6 MWs of renewable electricity at a facility planned for Berkeley County. BioEnergy Technologies will deliver the electricity to Santee Cooper through Berkeley Electric Cooperative's distribution system.

#### Grand Strand Solar Station dedicated

Santee Cooper and the South Carolina Energy Office celebrated Earth Day by dedicating the Grand Strand Solar Station, officially launching the state's largest solar power installation to date and the newest facility in Santee Cooper's renewable Green Power generating fleet.

The Grand Strand Solar Station has a rated capacity of 311 kilowatts generated by 1,325 solar panels. The panels are mounted on rooftops and an adjacent field at Santee Cooper's warehouse facilities on Mr. Joe White Avenue (10th Avenue North) in Myrtle Beach.

The station significantly increases Santee Cooper's solar generation.

The \$1.3-million project is unique because of its size, and also because of its funding. Solar power is more expensive than traditional generation, and Santee Cooper secured a \$475,000 grant administered by the South Carolina Energy Office to pay part of the cost; the grant was funded through the U.S. Department of Energy as part of 2009's American Recovery and Reinvestment Act. Santee Cooper Green Power revenues, provided by customers who voluntarily purchase Santee Cooper Green Power, provided another \$500,000, with the balance coming from the utility's capital budget.

Cover photo by Jim Huff