

Answers To Questions About The South Carolina Public Service Authority (Santee Cooper) Revenue Obligations 2013 Series M1

1. Who is Santee Cooper?

Santee Cooper is South Carolina's state-owned electric and water utility system. It was established in 1934 as the South Carolina Public Service Authority by an act (Act. No. 887) of the General Assembly.

2. Why does Santee Cooper need additional capital?

The proceeds of the bond sale will be deposited into Santee Cooper's accounts to be used with other funds available for such purposes to fund Santee Cooper's ongoing capital improvements and the purchase of capital equipment.

3. Who can purchase the Mini-Bonds?

Residents of South Carolina, customers of Santee Cooper, members of electric cooperatives in South Carolina and electric customers of the Bamberg Board of Public Works and the City of Georgetown, South Carolina.

4. Why are the Mini-Bonds being offered directly by Santee Cooper?

Solely for the convenience of investors.

5. How do I purchase the Mini-Bonds?

Once the interest rates are set, the 2013 Series M1 Mini-Bonds will be available for purchase. The interest rates for the 2013 Series M1 Mini-Bonds will be available on April 1, 2013. On that date, the interest rates, Order Forms, and a Substitute "Request for Taxpayer Identification Number and Certification" (W-9 form) will be available on our website, www.scm minibonds.com. If you wish to receive your Order Forms and Substitute W-9 forms by mail, you can call our toll free number 1-877-246-3338.

We must receive your Order Form, Substitute W-9 form and payment in the Moncks Corner office no later than 5:00 pm April 30, 2013 for the 2013 Series M1 Mini-Bond sale. The date of postmark on your order form is not controlling. The bonds can be purchased online or with either a cashier's check, money order, or personal check, made payable to Santee Cooper.

The Substitute W-9 form must be provided with your order. Federal law requires that the Paying Agent, The Bank of New York Mellon, withhold 28% of interest and principal payments unless the Paying Agent has received a correctly completed W-9 form.

6. How may I register ownership of the Mini-Bonds?

Please refer to the reverse side of the Order Form for a few basic rules regarding the registration of Mini-Bonds. Order Forms will be available on the first day of the sale.

7. Will I receive a bond?

No, the Paying Agent, The Bank of New York Mellon, will serve as custodian for your bond. A bond confirmation will be mailed within 45 days of the sale date described in paragraph 19 below. Your bond confirmation will not be required to be surrendered to the Paying Agent for early redemption, maturity or transfer.

8. In the event of the death of the owner or joint owner, loss of bond, or a change of address, whom should I contact concerning reissue or disposition of the Mini-Bond?

Please contact our Investor Relations Department at:

*Investor Relations
Santee Cooper
PO Box 61030
Moncks Corner, SC 29461-6103
1-877-246-3338 (toll-free)*

9. What if I want my money back sooner than the maturity date?

Beginning January 1, 2014, an investor can "put" or sell his 2013 Series M1 Current Interest Bearing Mini-Bond to Santee Cooper upon written notice, at a purchase price of face value, plus accrued interest to the purchase date, less an administrative fee of \$15.00 per \$500 principal amount (3% of face value). The redemption dates will be on the 1st of each month until maturity or earlier call. The written notice, with signature Medallion guaranteed by the bondholder(s), must be mailed to Santee Cooper and must be received a minimum of 30 days prior to the redemption date.

Beginning January 1, 2014, an investor can "put" or sell his 2013 Series M1 Capital Appreciation Mini-Bond to Santee Cooper upon written notice, at a purchase price of the accreted value, less an administrative fee of \$6.00 per \$200 (3% of face value). The redemption dates will be on the 1st of each month until maturity or earlier call. The written notice, with signature Medallion guaranteed by the bondholder(s), must be mailed to Santee Cooper and must be received a minimum of 30 days prior to the redemption date.

Santee Cooper's obligation to redeem the 2013 Series M1 Mini-Bonds at the election of the bondholder in any calendar year is limited to 5% of the total original issue amount of the 2013 Series M1 Mini-Bonds. Redemptions will also be limited on a monthly basis to one-twelfth of the 5% annual maximum. The remaining balance will rollover to the next month until the end of the calendar year. Redemptions will be processed in the order of receipt of redemption requests. Historically, Santee Cooper has had less than 1% redeemed in any one calendar year.

10. Can Santee Cooper redeem the bonds before maturity?

Santee Cooper has an option to redeem the 2013 Series M1 Mini-Bonds beginning January 1, 2014, upon the terms and conditions as described in the Preliminary Official Statement. Santee Cooper must give 30 days written notice before redeeming.

11. Can I purchase Mini-Bonds directly from Santee Cooper if I live outside South Carolina?

Only if you are a Santee Cooper customer, a South Carolina cooperative member or an electric customer of the Bamberg

Board of Public Works or the City of Georgetown, South Carolina. Customers in Nebraska, North Dakota and Ohio must be a resident of South Carolina and provide a South Carolina address to which all information and correspondence regarding the 2013 Series M1 Mini-Bonds, including order forms and delivery of the bond confirmation, will be sent.

12. Will interest on Santee Cooper Mini-Bonds be tax-exempt?

Under current law, interest on Mini-Bonds is excludable from gross income for federal and South Carolina income tax purposes. Even though interest on the Mini-Bonds is currently excludable from gross income for federal and South Carolina income tax purposes, receipt of interest may otherwise affect a bondholder's income tax liability. See the next two questions for more information and consult your tax advisor.

13. Is interest on Mini-Bonds subject to an alternative minimum tax under federal tax law?

Interest on Mini-Bonds held by individuals is not currently subject to any federal alternative minimum tax under federal law. Corporate owners of Mini-Bonds should consult their tax advisors regarding the federal alternative minimum tax.

14. Will the interest on Mini-Bonds be included when calculating the taxability of Social Security?

Yes. Interest on Mini-Bonds is currently includable when calculating the federal taxability of Social Security payments.

15. Suppose I move. Will the interest payments still be tax-exempt?

Having an out-of-state address does not affect the tax-exempt nature of the interest on Mini-Bonds for either federal or South Carolina income tax purposes. However, interest paid on Mini-Bonds may be subject to state income tax in the state in which the bondholder resides.

16. May I buy both Current Interest Bearing Bonds and Capital Appreciation Bonds, and what is the order limit for these Mini-Bonds?

Yes, but the total price of your combined order of 2013 Series M1 Current Interest Bearing Bonds and 2013 Series M1 Capital Appreciation Bonds may not exceed \$50,000. The purchase price is used in totaling orders.

The order limit per person per bond sale is \$50,000. For example: (a) a husband can purchase \$50,000 and a wife can purchase \$50,000, or (b) the husband and wife can purchase \$100,000; in effect, two persons are involved in the purchase. Individual maturities may be limited and orders will be filled in the order of arrival.

NO CHANGE IN YOUR ORDER CAN BE ACCEPTED AFTER THE LAST DAY OF THE SALE. After this date, Capital Appreciation Bonds cannot be exchanged for Current Interest Bearing Bonds or vice versa.

CURRENT INTEREST BEARING BONDS

17. What is a Current Interest Bearing Bond?

A Current Interest Bearing Bond is a bond on which interest is paid each six months until maturity.

18. How much do the Current Interest Bearing Bonds cost?

The 2013 Series M1 Current Interest Bearing Bonds may be purchased in multiples of \$500, with a maximum purchase of \$50,000 per individual per sale.

19. When is the interest paid?

You will receive a check from the Paying Agent twice a year by mail or you can have your interest directly deposited into your bank account, whichever you prefer. Checks are payable on January 1 and July 1. The first payment for the 2013 Series M1 Mini-Bond sale will be on January 1, 2014 (240 days interest) and its interest will start accruing on the sale date, which is May 1, 2013.

20. What is the maturity date on the Current Interest Bearing Bonds?

The \$500 2013 Series M1 Current Interest Bearing Mini-Bonds are offered with four different maturity dates: January 1, 2018, January 1, 2023, January 1, 2028 or January 1, 2033.

CAPITAL APPRECIATION BONDS

21. What is a Capital Appreciation Bond?

A Capital Appreciation Bond is a bond on which the investor receives no interest payments between the time it is purchased and its redemption or maturity date. Instead, the interest compounds semiannually and is payable at maturity or earlier redemption of the bond. The benefit to the investor is that the Capital Appreciation Bond may be purchased at a price substantially less than the final maturity value.

22. How much do the Capital Appreciation Bonds cost?

The 2013 Series M1 Capital Appreciation Bonds may be purchased in multiples of \$200, with a maximum purchase of \$50,000 per individual per sale. The bonds will begin accruing interest on the sale date, which is May 1, 2013.

23. What is the maturity date on the Capital Appreciation Bonds?

The \$200 2013 Series M1 Capital Appreciation Mini-Bonds are offered with three different maturity dates: January 1, 2022, January 1, 2027 or January 1, 2032.

24. Why do investors buy Capital Appreciation Bonds?

In effect, they provide for reinvestment of your money at a guaranteed rate between the date of sale and the payment of the bond. Some investors view Capital Appreciation Bonds as a means of developing a "nest egg" or savings for some specific future purpose. Since interest on the Capital Appreciation Bond prior to its maturity or early redemption is compounded but not distributed, the investor doesn't have to worry about reinvesting, or possibly spending, that income.