

## Letter from the President and CEO

It's springtime, and at Santee Cooper spring ushers in more than new flowers: It heralds our annual safety meeting season.



We sell electricity and water to consumers throughout South Carolina. It can be a dangerous business, especially the generation, transmission and distribution of electricity. Safety is one of our core values, and I firmly believe we cannot give it too much attention. It's that important.

Santee Cooper has a comprehensive and robust safety training program, of course, and we complement that with constant attention to the importance of working safely all the time, in many different settings and through many different communication channels. As part of that, our entire executive management team meets with each work group once a year to lend our unified voice to this critical focus, to spotlight accomplishments and to talk frankly about challenges.

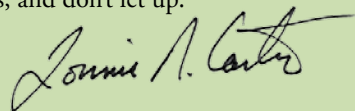
That attention is paying off. I'm proud to share some excellent results in safety last year.

In March, the American Public Power Association presented Santee Cooper with its first-place Safety Award of Excellence for safe operating practices in 2012. Santee Cooper led the category for large utilities.

Earlier this year, our generating stations held their annual goals lunch and announced that the stations had set a new record in safety, with just two recordable incidents among all the facilities — and one of those was an insect bite. That is our best year since the Occupational Safety and Health Administration began keeping records in 1974.

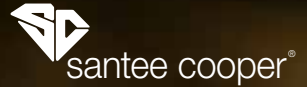
At their March meeting, members of the Santee Cooper Board of Directors passed a resolution commending all Santee Cooper employees for their attention to detail and vigilance in safe work practices, noting “the dedicated efforts, and the improved safe work practices across the board at every level of the utility, have led to a dramatic reduction in the number of safety incidents over the past few years.”

Accidents happen. We cannot be too careful, especially when our “office” is a bucket truck several stories in the air. Getting to this point has taken teamwork and an unprecedented effort to look out not just for ourselves, but for each other. And so to each employee at Santee Cooper I say thank you for your vigilance, congratulations on your success, and don't let up.



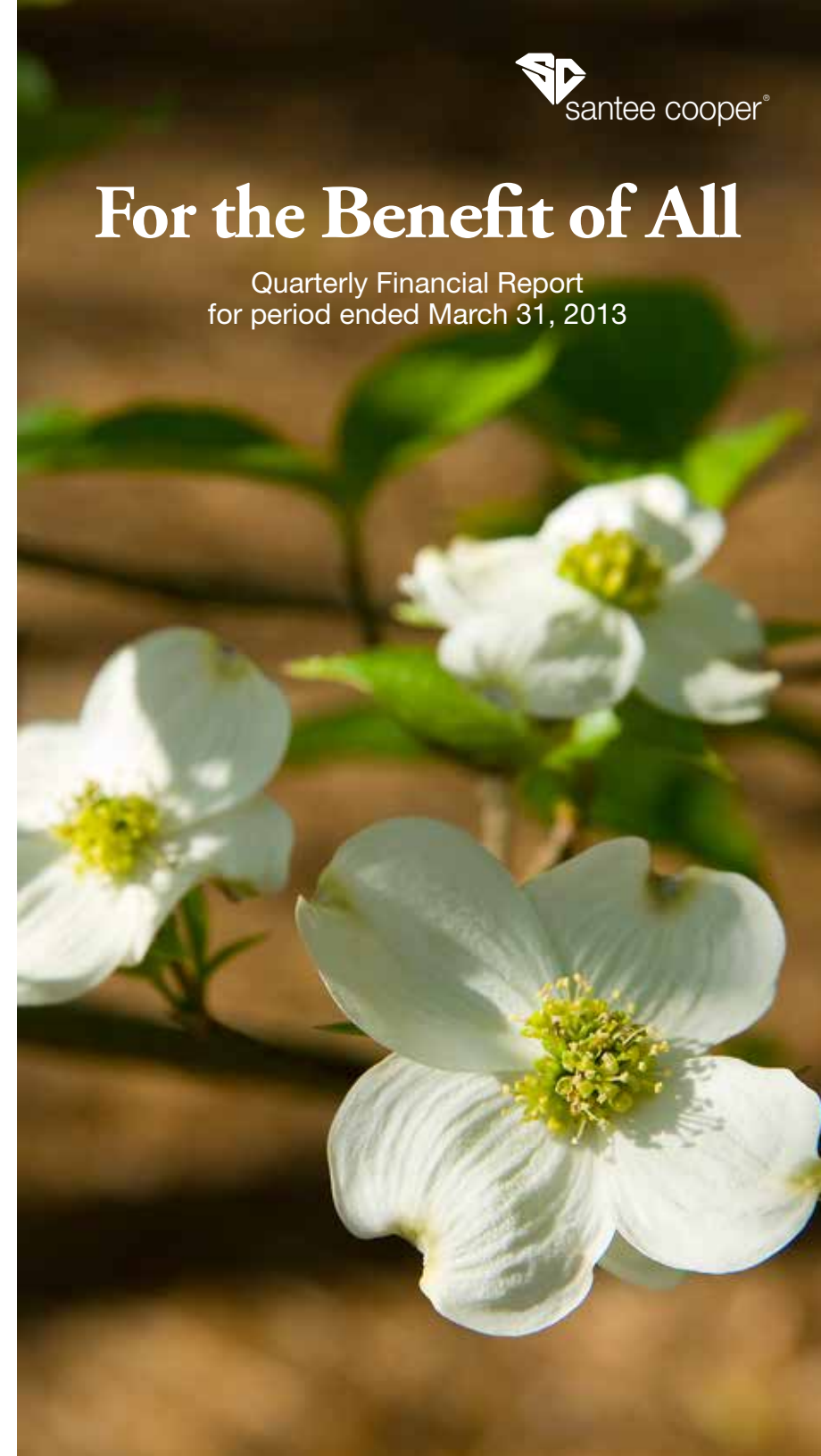
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# For the Benefit of All

Quarterly Financial Report  
for period ended March 31, 2013



## Executive Summary

### First Quarter 2013 Compared to 2012

The financial results for the first quarter of 2013 showed an increase of \$5 million compared to the same period last year.

Operating Revenue increased \$18 million when compared to the same period in 2012 primarily due to increased energy sales and higher demand revenues. Degree days were 39% higher than last year and kWh sales were up 3% overall, with increases in Retail and Wholesale partially reduced by a decrease in Industrial sales.

Operating Expense for the first quarter of 2013 was up \$15 million due to a combination of factors. Fuel & purchased power rose by \$10 million due to the higher kWh sales. Transmission increased in labor and transmission service charges. Depreciation expense showed an increase of \$3 million. The other categories netted a small increase.

Other Income and Fair Value of Investments both decreased slightly when compared to the first quarter of last year.

Interest Charges were lower by \$400,000 compared to last year due to the impact of the 2012 bond issues.

The \$1 million change in Costs to be Recovered from Future Revenue expense was a result of the 2012 bond activity.

Overall, Reinvested Earnings for the first 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	6,651,902	6,446,060
Number of Degree Days	1,419	1,021
	<i>For Month Ended March</i>	
Distribution Reliability % (YTD)	99.9977	99.9991
Number of Retail Customers	167,001	165,216

## Quarterly Statement of Reinvested Earnings

Millions of Dollars (Unaudited)

	<i>Current Quarter</i>		<i>12 Months to Date</i>	
	<i>Jan 1 - Mar 31</i>		<i>Apr 1 - Mar 31</i>	
	<i>This Year</i>	<i>Last Year</i>	<i>This Year</i>	<i>Last Year</i>
Operating Revenue	\$466.8	\$448.7	\$1,905.2	\$1,884.3
O&M Expense	318.4	306.8	1,390.4	1,352.1
Depreciation & Sums in Lieu of Taxes	50.9	47.8	195.8	190.2
Operating Expense	369.3	354.6	1,586.2	1,542.3
Operating Income	\$97.5	\$94.1	\$319.0	\$342.0
<i>Add:</i>				
Other Income	2.1	2.4	12.2	11.4
Net Increase (Decrease) in Fair Value of Investments	(0.5)	(0.4)	(3.1)	(2.4)
<i>Subtract:</i>				
Interest Charges	52.9	53.3	230.0	211.2
Costs To Be Recovered From Future Revenue	6.0	7.1	(10.3)	(3.1)
Reinvested Earnings	\$40.2	\$35.7	\$108.4	\$142.9

### Balance Sheet

As of March 2013 and 2012

Millions of Dollars (Unaudited)

<i>Assets</i>	<i>This Year</i>	<i>Last Year</i>
Utility Plant - Net	\$5,583.8	\$5,249.7
Long Lived Assets - ARO - Net	448.4	(13.7)
Investment in Associated Co.	6.6	9.9
Restricted Funds	639.9	502.7
General Improvement Funds	3.4	3.5
Cash & Securities	289.5	262.2
Other Current Assets	1,158.3	1,227.7
Costs To Be Recovered From Future Revenue	214.1	203.9
Regulatory Asset	363.8	180.1
Other Deferred Debits	489.0	455.3
Total Assets	\$9,196.8	\$8,081.3
<i>Liabilities</i>		
Long Term Debt - Net	\$4,889.3	\$4,814.7
Short Term Debt	330.3	353.0
Other Current Liabilities	861.1	519.4
ARO Liability	1,007.8	351.3
Other Liabilities	103.3	127.0
Accumulated Reinvested Earnings and Capital Contributions	2,005.0	1,915.9
Total Liabilities and Capital	\$9,196.8	\$8,081.3

## Quarterly Headlines

### Santee Cooper names new officers

The Santee Cooper Board of Directors has authorized promotions for a number of employees to officer-level positions.

Jeff Armfield has been named senior vice president and chief financial officer. He will replace Elaine Peterson, who retires on June 30. Armfield has over 29 years of financial experience with Santee Cooper and will oversee fuels strategy and supply, information technology, treasury, corporate planning, and the controller's office.

Jane Hood will replace Armfield as vice president of fuels strategy and supply.

Ben Fleming has been promoted to senior vice president of power delivery, effective July 1. Fleming replaces Terry Blackwell and will oversee planning and power supply, design engineering, transmission technical and transmission operations.

Laura Varn has been promoted to vice president of human resources management, effective July 1. She replaces Glen Brown and will oversee safety and health, training and development, employee relations, diversity, and the Wampee Conference Center.

Elizabeth "Babs" Warner has been promoted to vice president, legal services and corporate secretary. She will oversee legal services, land rights acquisitions, and the office of the corporate secretary.

### Santee Cooper honored for safety, customer satisfaction

Santee Cooper was recently awarded the American Public Power Association's Safety Award of Excellence for safe operating practices in 2012. Santee Cooper placed first among large utilities with 1,000,000 to 3,999,999 worker-hours of annual work exposure.

With only two recordable accidents, Santee Cooper's generating stations saw their best year since the Occupational Safety and Health Administration began keeping records in 1974. Three generating stations reported zero accidents for the year.

Meanwhile, results from Santee Cooper's annual residential customer satisfaction survey show Santee Cooper again exceeds national and state satisfaction measures while continuing to excel in areas like reliability, customer service, value, and environmental responsibility.

According to MarketSearch, 98.7 percent of residential customers were satisfied with Santee Cooper; the national average is 92.1 percent, and the state average is 90.0 percent.

### Santee Cooper files proposed ash pond closure plan with DHEC

Santee Cooper has filed a plan with the South Carolina Department of Health and Environmental Control to close its two ash ponds at Grainger Generating Station. The proposal calls for using proven technology to construct a vault that caps the ponds and reduces their footprint by 50 percent.

As presented to DHEC, the vault plan would establish a barrier wall surrounding Ash Pond 1, and the contents of Ash Pond 2 would then be excavated and added to Ash Pond 1. It would take an estimated three years to complete the project.

Cover photo by Jim Huff