

Letter from the President and CEO

America has a new administration and congressional leadership in Washington and an economic downturn unlike any we have ever experienced in our professional lives. We are attempting to restart a dormant nuclear power industry as well. Throw all of these ingredients together, and you have a recipe for challenging times.



Santee Cooper is rising to the occasion, working to solve dilemmas confronting our responsibility to provide reliable, affordable electricity that is protective of the environment. There are many issues in front of us, from potential carbon legislation to stalled nuclear power regulations as we attempt to restart that 30-years-stagnant industry.

Meanwhile, the new administration is pushing forward on legislation requiring utilities to generate a certain percent of their electricity from renewable sources. There is nothing firm yet, but it appears that even though Santee Cooper is the industry leader in South Carolina when it comes to renewable energy generation, we will likely still fall short of any renewable energy standard adopted in Washington. It will be expensive for our customers – one bill would cost our customers an average \$48 million a year from 2012 through 2020. Still, that is a fraction of the cost of current proposals for carbon taxes or cap-and-trade systems. Under one scenario being discussed today, a carbon tax of \$20 to \$40 a ton would mean a 30 percent to 50 percent increase for our customers' bills.

Santee Cooper will comply fully with all regulatory requirements at the state and federal levels, as we always have. South Carolina has been hit hard by the current recession, and many of our customers cannot afford significant increases in their electric bills today. The unfortunate reality is that if these scenarios for renewable standards and carbon legislation come to pass, our customers – not just residential, but also jobs-providing commercial and industrial customers – will suffer. And if our commercial and industrial customers suffer, they cut jobs and we all suffer.

April 7 was the 75th anniversary of the enabling legislation that created Santee Cooper in 1934, and I dare say this is as challenging a time as any this utility has ever seen. Santee Cooper has been meeting South Carolinians' needs for those 75 years, and we are committed to our state's future. There are some serious issues to address, but we know where the road blocks are, and we are working diligently to remove them.

South Carolina is poised for a period of significant growth and prosperity, and Santee Cooper will continue serving as the leading resource for improving the quality of life for all South Carolinians.



santee cooper

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Quarterly Financial Report
for period ended March 31, 2009

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POWERING
GENERATIONS

Executive Summary

First Quarter 2009 Compared to 2008

The financial results for the first quarter of 2009 showed an increase of over \$4 million compared to the same period last year, with revenue and operating expenses higher than the same quarter of 2008.

The first quarter saw total MWh sales decrease, particularly in the industrial customer segment. Santee Cooper saw a 14 percent increase in demand (kW) sales this year.

Operating Expense for the first quarter of 2009 was up compared to the first quarter of last year as a result of a \$29 million fuel cost increase due to higher coal purchase prices. The addition of Cross 4 to the generation fleet contributed to increases in fuel expense, non-fuel operations and maintenance expense and depreciation expense. Also contributing to higher non-fuel expense was the higher cost for materials at the Winyah and Cross units. The remainder of the increase in depreciation expense was a result of additional transmission line projects.

Other Income was down when compared to the first quarter of last year, primarily resulting from lower interest rates than in 2008. There was also a \$3 million decline in the change in fair market value of investments.

There was a \$6 million reduction in Costs to be Recovered from Future Revenue expense. This was primarily due to an increase in the depreciation component caused by the addition of Cross 4.

Interest Charges increased compared to last year as a result of the 2008 bond activity.

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

Santee Cooper remains steadfast in its mission to be the state's leading resource for improving the quality of life for the people of South Carolina and successfully moving Santee Cooper into the future.

Key Statistical Highlights

	<u>This Year</u>	<u>Last Year</u>
	<u>Current Quarter</u>	
	<u>For Month Ended March 31</u>	
Total MWh Sales	6,472,670	6,881,363
Number of Degree Days	1,436	1,275
Distribution Reliability (YTD)	99.9984	99.9972
Number of Retail Customers	162,092	162,065

Quarterly Statement of Reinvested Earnings

For Period Ended March 2009

Millions of Dollars (Unaudited)

	<u>Current Quarter</u>		<u>12 Months to Date</u>	
	<u>This Year</u>	<u>Last Year</u>	<u>This Year</u>	<u>Last Year</u>
Operating Revenue	\$442.3	\$397.7	\$1,630.9	\$1,500.2
O&M Expense	275.1	248.2	1,148.5	1,026.3
Depreciation & Sums in Lieu of Taxes	44.8	38.9	168.7	181.7
Operating Expense	319.9	287.1	1,317.2	1,208.0
Operating Income	\$122.4	\$110.6	\$313.7	\$292.2
<i>Add:</i>				
Other Income	1.8	4.4	10.0	20.6
Net Increase (Decrease) in Fair Value of Investments	(1.7)	1.1	2.1	9.7
Costs To Be Recovered From Future Revenue	0.6	(5.2)	(16.2)	(6.2)
<i>Subtract:</i>				
Interest Charges	56.0	48.2	208.0	196.1
Reinvested Earnings	\$67.1	\$62.7	\$101.6	\$120.2

Balance Sheet

As of March 2009 and 2008

Millions of Dollars (Unaudited)

<u>Assets</u>	<u>This Year</u>	<u>Last Year</u>
Utility Plant - Net	\$4,632.0	\$4,355.6
Long Lived Assets - ARO - Net	(14.8)	(15.2)
Investment in Associated Co.	8.9	7.2
Restricted Funds	436.6	313.8
General Improvement Funds	3.6	8.2
Cash & Securities	236.9	220.5
Other Current Assets	570.2	483.6
Costs To Be Recovered From Future Revenue	228.2	244.4
Regulatory Asset	165.8	161.7
Other Deferred Debits	61.4	59.2
Total Assets	\$6,328.8	\$5,839.0
<u>Liabilities</u>		
Long Term Debt - Net	\$3,807.1	\$3,244.6
Short Term Debt	240.6	426.5
Other Current Liabilities	243.9	205.5
ARO Liability	307.3	293.9
Other Liabilities	80.4	102.7
Accumulated Reinvested Earnings and Capital Contributions	1,649.5	1,565.8
Total Liabilities and Capital	\$6,328.8	\$5,839.0

NewsCurrents – A Roundup of Quarterly NewsMakers

Right: Santee Cooper's 75th anniversary is noted in this logo.



On the cover: Workmen labor high above the Santee Spillway, the centerpiece of the Santee Dam, during the 1939 to 1942 construction of the Santee Cooper Hydroelectric and Navigation Project. (Photo from archives)



Board Approves Efficiency Programs

Marking a significant milestone in Santee Cooper's plan to generate 40 percent of its energy by 2020 through non-greenhouse gas emitting resources, biomass fuels, conservation and energy efficiency, the utility's Board of Directors in February approved programs designed to exceed the conservation and energy efficiency segment of that goal for residential and commercial customers.

Specifically, the Board approved Santee Cooper's plans to: renew its successful campaign promoting energy-efficient compact fluorescent light bulbs by expanding promotions to commercial customers and continuing offers for residential accounts; encourage residential and commercial customers to replace older, inefficient refrigerators by offering rebates for Energy Star-rated models; and help residential customers improve the energy efficiency of their existing homes or construct new energy-efficient ones.

If customer participation meets expectations, the initiatives will save more than 208 million kilowatt-hours annually when the programs are fully launched.

Santee Cooper Begins Offshore Wind Study

Officials with Santee Cooper, Coastal Carolina University and the South Carolina Energy Office announced in March the launch of weather buoys that will measure wind off the coast of Georgetown and Little River, a significant step that positions South Carolina as a leader in the rapidly developing national offshore wind energy landscape.

Six buoys and two land-based stations will measure wind speed, direction and frequency at stations up to six miles out into the ocean. The buoy deployment will be followed by Santee Cooper's installation of an offshore platform in about six months, near one of the buoy paths. The offshore wind platform is expected to gather data for at least a year.

Customers Give Santee Cooper High Marks

Santee Cooper earned high acclaim from its residential customers in a winter survey by MarketSearch. According to the survey, 99.4 percent of Santee Cooper's residential customers were satisfied with the state-owned utility in 2008. By comparison, the average for South Carolina utilities was 86.3 percent, and the national average was 83.2 percent. The survey shows 82.6 percent of Santee Cooper's residential customers were "very satisfied," compared to 45.9 percent and 44.7 percent for the state and nation, respectively.

Santee Cooper residential customers also said that the utility is doing a good job of protecting the environment, is a leader in conservation and prices its electricity fairly. In fact, Santee Cooper saw a 12 percent increase in those residential customers who were "very satisfied" with the utility's concern for the environment in 2008 versus 2007, representing the largest single-year increase since MarketSearch began conducting these surveys in 1992.