# 2011 ANNUAL REPORT

## TOMORROW IS TODAY

# TABLE OF CONTENTS

# CHAIRMAN AND CEO LETTER

For a couple of years, Santee Cooper has forecast an era of uncertainty and challenge for the energy industry, and 2011 has proven us right. That turbulent tomorrow is here. The year brought historic doubt about the economy, regulatory challenges and more. The good news is, we began preparing for these challenges some time ago, and we are as ready as we can be.

Financially, Santee Cooper remains on solid footing and continues to maintain strong credit ratings. Refunding bond sales in 2011 generated solid demand and allowed us to restructure more than $440.7 million in debt, saving $33.2 million over the life of the bonds we refunded. We continue to stress savings and cost controls that benefit our customers, and have cut or deferred $1.8 billion from our capital budget from 2010 through 2012. Our debt-to-equity ratio in 2011 was 73/27.

Even with our cost controls, Santee Cooper is not sacrificing reliability of power to our customers: Our reliability results were excellent, with 99.99 percent reliability for distribution, 99.99 percent for transmission and 89.63 percent for generation availability.

Our retail customer growth remains sluggish as the state continues to suffer lingering effects of the Great Recession. We ended the year with 164,647 residential and commercial customers, up less than 1 percent from 2010. Energy sales decreased 2 percent.

Electric utilities must plan for the long term, of course, and we are preparing for when the economy picks up steam. As 2011 ended, the Nuclear Regulatory Commission was in final review of our application with SCE&G for a license to build and operate two new nuclear units at V.C. Summer Nuclear Station. The first of those new units is scheduled to come online in about five years. Expanding our nuclear generation is a critical part of Santee Cooper's need to diversify our generating portfolio to better manage fuel costs and meet new and expected emissions regulations, and it will also guarantee our continued ability to deliver low-cost and reliable electricity for all of South Carolina's tomorrows.

We completed a substantial upgrade to our transmission system in Georgetown and Horry Counties, installing double-circuit 115-kV lines and double-circuit 12-kV lines along the right of way beside U.S. Highway 17 from Pawleys Island to Garden City Beach. The upgrades increase reliability for our customers and increase the system's capacity there, so that we can continue to serve that growing population base.

Santee Cooper made strategic organizational moves to better align ourselves for upcoming challenges. Key among these are new officer-level positions focused on the V.C. Summer expansion, fuel acquisition and supply, and customer service.

Regulatory issues took center stage in 2011. The Environmental Protection Agency approved a final Cross State Air Pollution Rule earlier last year, and it has been stayed pending a challenge in federal court. EPA also approved its Mercury Air Toxic Standards (MATS) in December. We are still analyzing this lengthy and complex rule to determine what we must do to comply. Santee Cooper has an excellent environmental record and has led South Carolina in voluntarily installing environment control technology on most of our generation. That technology captures 93 percent of emissions targeted by the MATS rule, or just shy of the MATS target of 95 percent. MATS will require significant overhauls, potentially costing hundreds of millions of dollars, for negligible improvements.

As a continued demonstration of our environmental stewardship, Santee Cooper continued to grow our energy-efficiency program, Reduce The Use. In 2011, we announced new business rebates for customized improvements for commercial customers. Business Custom rebates let Santee Cooper work one-on-one with commercial customers and identify energy-saving solutions tailored to their specific needs.

On the renewable energy front, Santee Cooper celebrated a key milestone in 2011: the 10th birthday of our Green Power program, the first and still only program of its kind in the state. During those 10 years, Santee Cooper generated approximately 580,000 megawatt-hours of Green Power and sold 163,559 MWhs of that to customers. Santee Cooper increased our Green Power generation by bringing online the Berkeley Green Power Generating Station and the Grand Strand Solar Station. We also dedicated our 20th Green Power Solar School, this one at Myrtle Beach Middle School.

Santee Cooper strives to provide exceptional customer service, and we added features in 2011 that allow customers even more flexibility in doing business with us. We launched a mobile website in January, making it easy for customers to access important information via smart phones and other portable devices. In September, we added the Storm Center, which lets customers see near real-time information about outages on our system and repair efforts, and also lets them report outages via smart phones or other Internet connections. And as 2011 closed, we wrapped up a successful pilot of “live chat” instant message technology, which lets customers converse with our customer service representatives via a link on our website. Live chat is now fully operational and has proven a popular customer service addition.

It is crucial that Santee Cooper be ready for whatever tomorrow brings. We also want to prepare our customers. Energy Matters is a new feature at www.santeecooper.com with up-to-date information about regulatory activity, our new nuclear power project, and other timely issues. We are encouraging our customers to get plugged in by visiting this page.

Santee Cooper is prepared today for a successful tomorrow, for our customers, our employees and our state.

**O.L. Thompson III**
Chairman
Board of Directors

**Lonnie N. Carter**
President and Chief Executive Officer

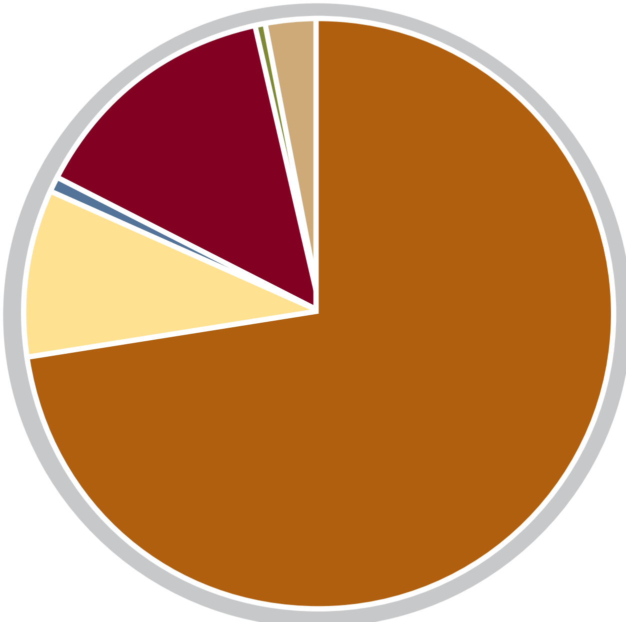
# CORPORATE STATISTICS

**System Data 2011**

| | |
|---|---|
| Transmission system line miles: | 4,990 |
| Miles of distribution lines: | 2,757 |
| Number of transmission stations in operation on system: | 103 |
| Number of distribution substations: | 51 |
| Number of CEPCI Delivery Points (DPs): (this total includes DPs for the 5 Upstate cooperatives served through Duke Energy system) | 498 |

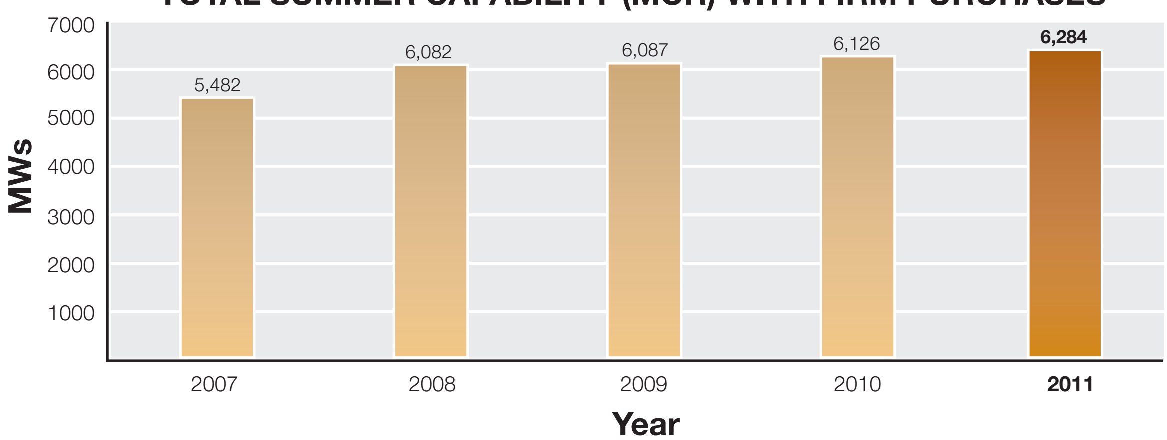
| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| **FINANCIAL (Thousands):** | | | | | |
| Total Revenues & Income | **$1,923,828** | $1,895,194 | $1,702,513 | $1,603,653 | $1,494,467 |
| Total Expenses & Interest Charges | **$1,778,892** | $1,753,711 | $1,616,943 | $1,484,446 | $1,391,844 |
| Other | **$5,987** | ($26,468) | $3,883 | ($22,048) | ($1,478) |
| Reinvested Earnings | **$150,923** | $115,015 | $89,453 | $97,159 | $101,145 |
| **OTHER FINANCIAL (Excluding Commercial Paper):** | | | | | |
| Debt Service Coverage | **1.61** | 1.58 | 1.45 | 1.67 | 1.75 |
| Debt / Equity Ratio | **73/27** | 74/26 | 73/27 | 72/28 | 69/31 |
| **STATISTICAL:** | | | | | |
| Number of Customers (at Year-End) | | | | | |
| Retail Customers | **164,647** | 163,601 | 162,981 | 162,657 | 161,317 |
| Military and Large Industrial | **29** | 30 | 30 | 31 | 31 |
| Wholesale | **4** | 4 | 4 | 4 | 4 |
| | ------------- | ------------- | ------------- | ------------- | ------------- |
| Total Customers | **164,680** | 163,635 | 163,015 | 162,692 | 161,352 |
| Generation (GWh): | | | | | |
| Coal | **20,048** | 21,889 | 20,869 | 21,189 | 22,811 |
| Nuclear | **2,469** | 2,828 | 2,282 | 2,385 | 2,826 |
| Hydro | **274** | 450 | 449 | 212 | 337 |
| Natural Gas | **3,819** | 2,906 | 2,173 | 1,188 | 1,097 |
| Oil | **(2)** | 12 | 20 | 5 | 17 |
| Landfill Gas | **115** | 108 | 91 | 77 | 64 |
| | ------------- | ------------- | ------------- | ------------- | ------------- |
| Total Generation | **26,723** | 28,193 | 25,884 | 25,056 | 27,152 |
| Purchases, Net Interchanges, etc. (GWh) | **1,546** | 940 | 790 | 2,463 | 880 |
| Wheeling, Interdepartmental, and Losses | **(717)** | (951) | (861) | (832) | (811) |
| | ------------- | ------------- | ------------- | ------------- | ------------- |
| Total Energy Sales (GWh) | **27,552** | 28,182 | 25,813 | 26,687 | 27,221 |
| Summer Maximum Continuous Rating (MCR) Generating Capability (MW) | **5,665** | 5,662 | 5,661 | 5,656 | 5,056 |
| Territorial Peak Demand (MW) | **5,676** | 5,743 | 5,590 | 5,650 | 5,563 |

## 2011 GENERATION BY FUEL MIX

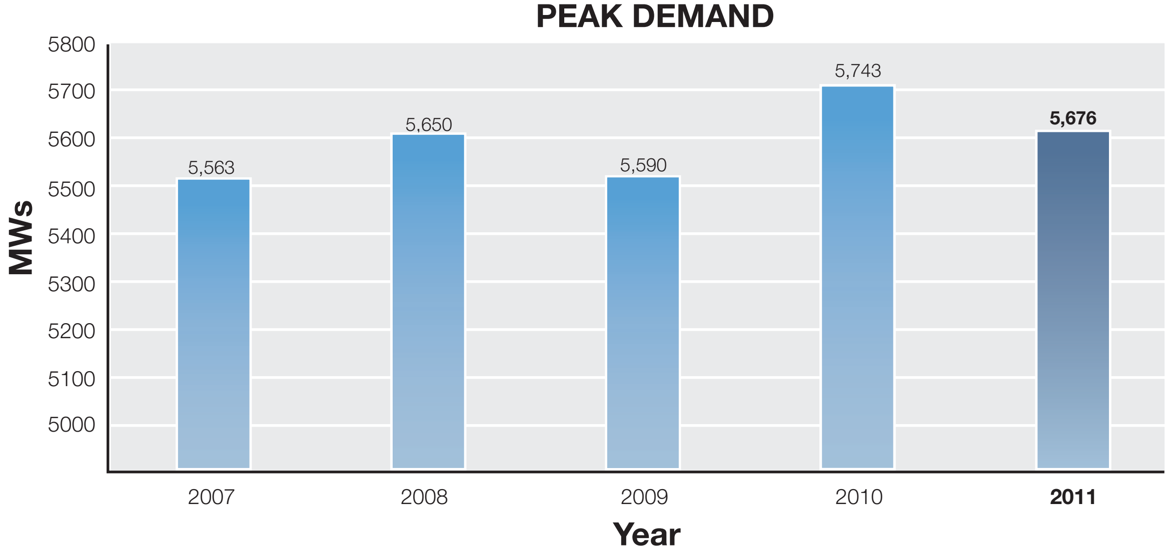


| | Source | | GWh |
|---|---|---|---|
| | Coal | 72.76% | 20,048 |
| | Nuclear | 8.96% | 2,469 |
| | Oil | -0.01% | (2) |
| | Hydro | 0.99% | 274 |
| | Natural Gas | 13.86% | 3,819 |
| | Other Renewables | 0.42% | 115 |
| | Purchases (net) | 3.02% | 829 |
| | | | |
| | Total Sales | 100.00% | 27,552 |

## TOTAL SUMMER CAPABILITY (MCR) WITH FIRM PURCHASES




## PEAK DEMAND



# AUDIT COMMITTEE CHAIRMAN'S LETTER

The Audit Committee of the Board of Directors is comprised of independent directors Cecil E. Viverette, Chairman, William A. Finn, and W. Leighton Lord III.

The committee receives regular reports from members of management and Internal Audit regarding their activities and responsibilities.

The Audit Committee oversees Santee Cooper's financial reporting, internal controls and audit process on behalf of the board of directors.

Periodic financial statements and reports pertaining to operations and representations were received from management and the internal auditors. 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 accountants. The committee discussed the company's financial statements and the adequacy of its system of internal controls. The committee met with the independent public accountants and with the General Auditor to discuss the results of the audit, the evaluation of Santee Cooper's internal controls, and the overall quality of Santee Cooper's financial reporting.

Cecil E Viverette

**Cecil E. Viverette**
Chairman
2011 Audit Committee

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## OVERVIEW OF FINANCIAL STATEMENTS

As management of South Carolina Pubic Service Authority (the Authority), we offer this narrative overview and analysis of the financial activities of the Authority for the years ended December 31, 2011, 2010 and 2009. We encourage you to read this information in conjunction with additional information furnished in the Authority's audited financial statements that follow this narrative.

### Combined Balance Sheets

Assets and liabilities of proprietary funds are presented to distinguish between current and long-term assets and liabilities.

### Combined Statements of Revenues, Expenses and Changes in Net Assets

This statement provides the operating results of the Authority broken into the various categories of operating revenues and expenses, non-operating revenues and expenses, as well as revenues from capital contributions.

### Combined Statements of Cash Flows

Sources and uses of cash are classified using the direct method resulting from operating, non-capital financing, capital and related financing or investing activities.

### Notes to the Financial Statements

The notes are used to explain some of the information in the financial statements and provide more detailed data.

## FINANCIAL CONDITION OVERVIEW

The Authority's Combined Balance Sheets as of December 31, 2011, 2010 and 2009 are summarized as follows:

| | **2011** | 2010 | 2009 |
|---|---|---|---|
| | | (Thousands) | |
| | | | |
| **ASSETS** | | | |
| Plant - net | **$ 5,092,749** | $ 4,873,428 | $ 4,817,143 |
| Current assets | **1,733,008** | 1,555,883 | 1,304,374 |
| Other noncurrent assets | **838,531** | 990,822 | 895,931 |
| Deferred debits | **587,757** | 541,944 | 511,409 |
| **Total assets** | **$ 8,252,045** | $ 7,962,077 | $ 7,528,857 |
| | | | |
| **LIABILITIES & NET ASSETS** | | | |
| Long-term debt - net | **$ 4,991,743** | $ 4,755,108 | $ 4,472,566 |
| Current liabilities | **902,419** | 981,495 | 940,785 |
| Other noncurrent liabilities | **468,152** | 468,010 | 454,543 |
| Net assets | **1,889,731** | 1,757,464 | 1,660,963 |
| **Total liabilities and net assets** | **$ 8,252,045** | $ 7,962,077 | $ 7,528,857 |

## 2011 Compared to 2010

ASSETS

- Net plant increased by $219.3 million. Additions minus retirements to utility plant and other physical property were $109.9 million in 2011. The capital additions at several generating facilities, along with transmission construction accounted for a majority of the increase. Accumulated depreciation increased by $183.1 million. Construction work in progress showed a net increase of approximately $292.5 million, which resulted primarily from additions of $241.0 million related to V.C. Summer Units 2 and 3. The majority of the remaining net capital additions of $51.5 was related to transmission plant.

- Current assets increased $177.1 million due primarily to increases in Unrestricted and Restricted investments, Receivables, Materials and Fuel inventories, and Prepaid expenses and other current assets. These were partially offset by a reduction in Unrestricted and Restricted cash and cash equivalents.

- Other noncurrent assets decreased $152.3 million primarily due to a decrease in Restricted cash and cash equivalents, Investment in associated companies, and Regulatory assets-asset retirement obligation. Increases in Unrestricted cash and cash equivalents, Unrestricted and Restricted investments, and Other debits and other noncurrent assets partially offset the decreases.

- Deferred debits increased $45.8 million due mainly to increases in Costs to be recovered from future revenue regulatory asset and Other deferred debits reduced by decreases in Unamortized debt expense.

LIABILITIES

- Long-term debt increased $236.6 million due to the net effect of the impact of 2011 bond issues and principal payments.

- Current liabilities decreased $79.1 million due to reductions in Current portion of long-term debt and Accounts payable partially offset by increases in Commercial paper and Other current liabilities.

- Other noncurrent liabilities increased $142,000 due primarily to increases in Regulatory liabilities for asset retirement obligation offset by decreases in Construction fund liabilities and Other deferred credits and noncurrent liabilities.

- Net assets increased $132.3 million due mainly to increases in Restricted for debt service, Restricted for other, and Unrestricted net assets. This was reduced by a decrease in Invested in capital assets, net of related debt.

## 2010 Compared to 2009

ASSETS

- Net plant increased by $56.3 million. Additions minus retirements to utility plant were $124.9 million in 2010. The addition of coal cars, Cross Unit 4, and distribution and transmission capital projects accounted for approximately 75 percent of the increase. Accumulated depreciation increased by $155.4 million, of which almost $80.0 million was due to the depreciation of the steam generation plant assets. The remaining increase resulted from the annual depreciation of the Authority's other system assets. Construction work in progress showed a net increase of approximately $86.8 million. This resulted primarily from additions of $353.0 million related to V.C. Summer Units 2 and 3 less a transfer of $253.0 million related to the Pee Dee Unit 1 cancellation.

• Current assets increased $251.5 million due primarily to increases in Unrestricted cash and cash equivalents, Unrestricted and Restricted investments, Receivables, Materials and Fuel inventories, and Prepaid expenses and other current assets. These were offset by a reduction in Restricted cash and cash equivalents.

• Other noncurrent assets increased $94.9 million primarily due to increases in Unrestricted and Restricted cash and cash equivalents, Unrestricted investments, and Regulatory assets. A decrease in Restricted investments reduced these increases.

• Deferred debits increased $30.5 million due mainly to increases in Other deferred debits offset by decreases in Unamortized debt expense and the Costs to be recovered from future revenue regulatory asset.

LIABILITIES

• Long-term debt increased $282.5 million due to the net effect of principal payments and impact of 2010 bond issues.

• Current liabilities increased $40.7 million due to increases in Current portion of long-term debt and Accounts payable offset by decreases in Commercial paper and Other current liabilities.

• Other noncurrent liabilities increased $13.5 million due primarily to increases in Regulatory liabilities for asset retirement obligation and Other deferred credits and liabilities offset by a decrease in Construction fund liabilities.

• Net assets increased $96.5 million due mainly to increases in Restricted for debt service and Unrestricted net assets. These were partially offset by decreases in Invested in capital assets, net of related debt and Restricted for other.

## RESULTS OF OPERATIONS

The Authority's Combined Statements of Revenues, Expense and Changes in Net Assets for years ended December 31, 2011, 2010 and 2009 are summarized as follows:

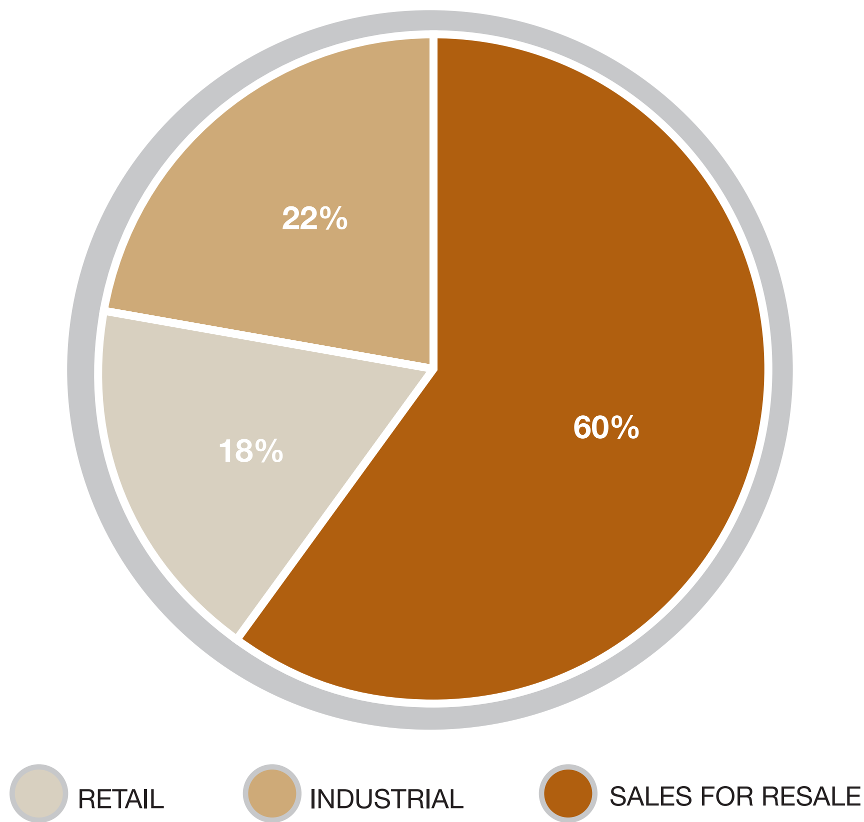
| | **2011** | 2010 | 2009 |
|---|---|---|---|
| | | (Thousands) | |
| Operating revenues | **$ 1,914,689** | $ 1,894,902 | $ 1,702,001 |
| Operating expenses | **1,556,162** | 1,509,003 | 1,382,739 |
| Operating income | **358,527** | 385,899 | 319,262 |
| Interest charges | **(222,730)** | (244,708) | (234,204) |
| Costs to be recovered from future revenue | **5,987** | (26,468) | 3,883 |
| Other income | **9,139** | 292 | 512 |
| Transfers out | **(18,656)** | (18,514) | (20,511) |
| **Change in net assets** | **$ 132,267** | $ 96,501 | $ 68,942 |
| **Ending net assets** | **$ 1,889,731** | $ 1,757,464 | $ 1,660,963 |

## 2011 Compared to 2010

OPERATING REVENUES

Operating revenues for 2011 increased $19.8 million or 1 percent over the prior year. This was due primarily to higher energy and demand revenues which were partially offset by a 2 percent reduction in kWh sales. Energy sales for 2011 totaled 27.6 million megawatts compared to approximately 28.2 million for 2010. Decreases were seen across all categories except for the industrial category.

### 2011 Revenue Sales of Electricity* by Customer Class



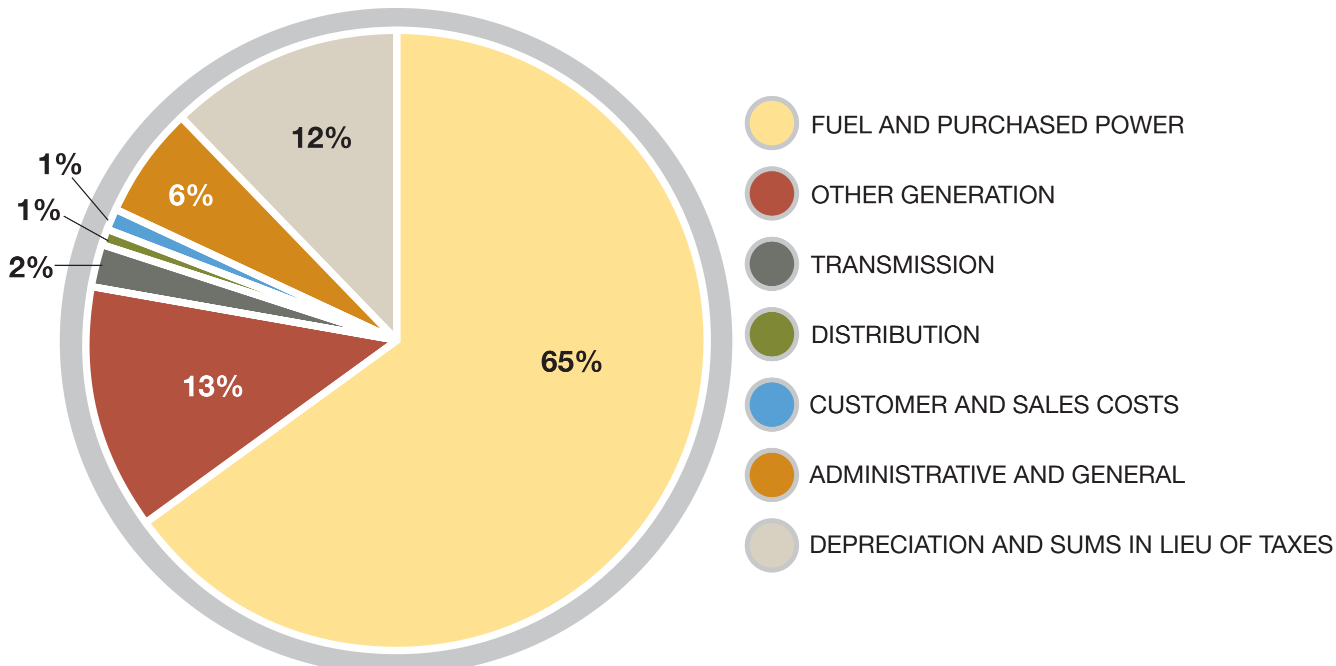

| | **2011** | 2010 | 2009 |
|---|---|---|---|
| **Revenue Sales of Electricity*** | | (Thousands) | |
| | | | |
| Retail | **$ 349,618** | $ 355,992 | $ 308,572 |
| Industrial | **415,309** | 376,247 | 346,318 |
| Sales for Resale | **1,129,444** | 1,142,582 | 1,028,192 |
| **Totals** | **$ 1,894,371** | $ 1,874,821 | $ 1,683,082 |

*Excludes interdepartmental sales of $475 for 2011, $443 for 2010, and $386 for 2009.

OPERATING EXPENSES

Operating expenses for 2011 reflected a net increase of $47.2 million or 3 percent compared to 2010. Fuel and purchased power expenses accounted for approximately 65 percent of the current year's electric operating expenses and increased approximately 4 percent over last year. The Authority manages fuel costs with a combination of long-term and short-term contracts, a fuel related risk hedging program and the blend of a variety of fuels (natural gas, oil, nuclear and coal). Compared to 2010, fuel and purchased power expense was $34.9 million higher due to increases in coal purchase prices, fuel transportation costs and station outages. Other generation operating and maintenance costs increased by approximately $14.0 million and related mainly to station outages.

**2011 Electric Operating Expenses by Category**




| | **2011** | 2010 | 2009 |
|---|---|---|---|
| **Electric Operating Expenses** | | (Thousands) | |
| | | | |
| Fuel & Purchased Power | **$ 1,003,377** | $ 968,464 | $ 865,199 |
| Other Generation | **207,737** | 193,783 | 185,617 |
| Transmission | **30,989** | 29,370 | 29,713 |
| Distribution | **14,832** | 14,527 | 14,461 |
| Customer & Sales Costs | **20,176** | 21,177 | 20,860 |
| Administrative & General | **86,327** | 88,668 | 82,724 |
| Depreciation & Sums in Lieu of Taxes | **188,802** | 189,319 | 180,701 |
| **Totals** | **$ 1,552,240** | $ 1,505,308 | $ 1,379,275 |

NET BELOW-THE-LINE ITEMS

- Interest charges for 2011 were $22.0 million or 9 percent lower than 2010 primarily resulting from the reclassification of nuclear construction interest for 2011.
- Costs to be recovered from future revenue decreased expenses by $32.5 million when compared to last year primarily due to completion of a long term amortization in 2010 and revised debt service schedules.
- Other income increased $8.8 million mainly from interest subsidy accruals on Build America Bonds (BABs) issued in December 2010.
- Transfers out represents the dollars paid by the Authority to the State of South Carolina. There was an increase of $142,000 which resulted from higher projected revenues from the prior year.

## 2010 Compared to 2009

OPERATING REVENUES

Operating revenues for 2010 increased $192.9 million or 11 percent over the prior year. This was due primarily to a 9 percent increase in kWh sales, the 2009 rate increase, and higher demand revenues. Energy sales for 2010 totaled 28.2 million megawatts compared to approximately 25.8 million for 2009. Although megawatt sales increased in all customer categories, the primary increase was in the sales for resale customer category.

OPERATING EXPENSES

Operating expenses for 2010 reflected a net increase of $126.3 million or 9 percent compared to 2009. Fuel and purchased power expenses accounted for approximately 64 percent of the current year's electric operating expenses and increased approximately 12 percent. The Authority manages fuel costs with a combination of long-term and short-term contracts, a fuel related risk hedging program and the blend of a variety of fuels (natural gas, oil, nuclear and coal). Compared to 2009, fuel and purchased power expense was $103.3 million higher due to the 9 percent increase in kWh sales, higher coal purchase prices, and additional station outages. Other generation operating and maintenance costs increased by approximately $8.2 million due primarily to station outages and environmental expense. Depreciation expense showed an increase over last year of $9.8 million due primarily to adjustments related to coal cars and paved roads.

NET BELOW-THE-LINE ITEMS

- Interest charges for 2010 were $10.5 million or 4 percent higher than 2009 resulting mainly from the 2009 and 2010 bond activity.
- Costs to be recovered from future revenue increased expenses by $30.4 million when compared to last year primarily due to the impact of a higher adjusted principal component compared to 2009.
- Other income decreased $220,000. This resulted primarily from lower interest income and the change in the fair value of investments compared to 2009.
- Transfers out represents the dollars paid by the Authority to the State of South Carolina. There was a decrease of $2.0 million below 2009 which resulted from a decrease in projected revenues from the prior year.

## CAPITAL IMPROVEMENT PROGRAM

The purpose of the capital improvement program is to continue to meet the energy and water needs of the Authority's customers with economical and reliable service. The Authority's 2011 capital improvement program budgeted for years 2012 through 2014 in the amount of $2.5 billion is expected to be expended as follows:

| | **2011** | 2010 | 2009 |
|---|---|---|---|
| | **Budget 2012-14** | Budget 2011-13 | Budget 2010-12 |
| **Capital Improvement Expenditures** | | (Thousands) | |
| | | | |
| Cross Units 3 & 4 | **$ 0** | $ 0 | $ 9,000 |
| Environmental Compliance | **71,600** | 54,000 | 53,000 |
| General Improvements to the System | **627,100** | 586,000 | 670,000 |
| Pee Dee Unit 1 | **0** | 14,000 | 21,000 |
| Future Nuclear Units | **1,844,600** | 1,654,000 | 1,376,000 |
| **Totals** | **$ 2,543,300** | $ 2,308,000 | $ 2,129,000 |

The cost of the capital improvement program will be funded from revenues of the Authority which are set aside in the Capital Improvement Fund, along with additional revenue obligations, commercial paper notes and other short-term obligations, as determined by the Authority.

The Authority's capital improvement program includes funds for two future nuclear units, general improvements to the Authority's system, and environmental compliance expenditures.

## ECONOMIC FACTORS

The Authority continues to face significant economic and operating fiscal challenges. While some of these issues are unique to the Authority, some of the major ones are affecting the utility industry on a national basis.

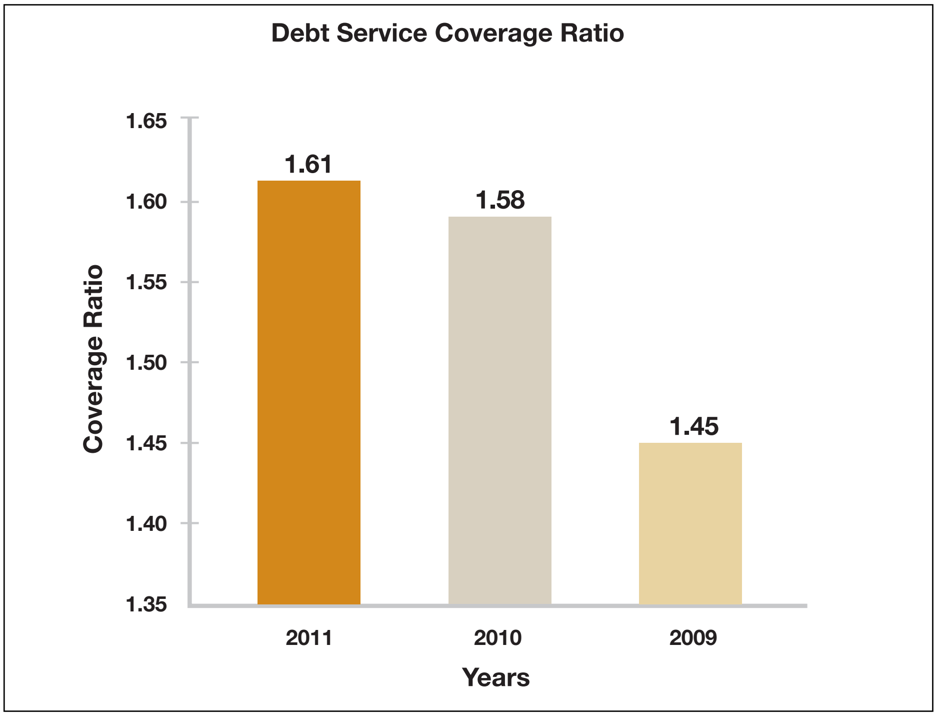
Power costs are rising primarily due to three factors beyond the Authority's immediate control. These are the cost of fuel, transportation of fuel, and environmental regulations. To combat rising fuel and transportation costs, the Authority continues to negotiate for favorable pricing with our providers and to work with our customers to keep these costs down as much as possible within the Authority's control. Environmental issues are in the spotlight on a national level and continue to add to the cost of power, impacting everyone in both the public and private sectors.

While currently in a tight credit market, the Authority is working to manage debt service costs to our customers while providing financing for our share of ownership in two new 1,100 MW nuclear generating units. Due to the national recession and changing financial markets, rating agencies are now reevaluating their criteria for analyzing and rating the public power sector.

To meet these issues, the Authority continues to look for new and innovative ways to lower or keep costs within a reasonable budget, while partnering with our customers to recruit and retain industry and jobs in South Carolina.

## DEBT SERVICE COVERAGE

The Authority's debt service coverage (excluding commercial paper) for years ended December 31, 2011, 2010, and 2009 is shown below:




## BOND RATINGS

Bond ratings assigned by the various agencies at December 31, 2011, 2010 and 2009 were as follows:

| Agency / Lien Level | 2011 | 2010 | 2009 |
|---|---|---|---|
| | | | |
| Fitch Ratings | | | |
| Revenue Bonds (1) | **Not Applicable** | Not Applicable | AA |
| Revenue Obligations (2) | **AA** | AA | AA |
| Commercial Paper | **F1+** | F1+ | F1+ |
| | | | |
| Moody's Investors Service, Inc. | | | |
| Revenue Bonds (1) | **Not Applicable** | Not Applicable | Aa2 |
| Revenue Obligations | **Aa3** | Aa2 | Aa2 |
| Commercial Paper | **P-1** | P-1 | P-1 |
| | | | |
| Standard & Poor's Rating Services | | | |
| Revenue Bonds (1) | **Not Applicable** | Not Applicable | AA- |
| Revenue Obligations | **AA-** | AA- | AA- |
| Commercial Paper (3) | **A-1+** | A-1+ | A-1+ |
| 2011 Taxable Series A (LIBOR Index Bonds) | **SP-1+** | Not Applicable | Not Applicable |

(1) The remaining bonds outstanding under this lien level were refunded in May 2009.
(2) The Revenue Obligations rating was updated from AA to AA- by Fitch Ratings on January 10, 2012.
(3) The Commercial Paper rating was updated from A-1+ to A-1 by Standard & Poor's Rating Services on January 6, 2012.

This page intentionally left blank

## Bond Market Transactions for Years 2011, 2010, and 2009

| | | | | |
|---|---|---|---|---|
| **Year 2011** | | | | |
| **Revenue Obligations: 2011 Series M1 - Current Interest Bearing Bonds (CIBS)** | **Par Amount:** | $ 20,624,500 | **Date Closed:** | May 13, 2011 |
| **Purpose:** To finance a portion of the Authority's ongoing capital program | | | | |
| **Comments:** Tax-exempt minibonds | | | | |
| **Revenue Obligations: 2011 Series M1 - Capital Appreciation Bonds (CABS)** | **Par Amount:** | $ 5,537,400 | **Date Closed:** | May 13, 2011 |
| **Purpose:** To finance a portion of the Authority's ongoing capital program | | | | |
| **Comments:** Tax-exempt minibonds | | | | |
| **Revenue Obligations: 2011 Series A - LIBOR Index Bonds** | **Par Amount:** | $ 336,632,000 | **Date Closed:** | June 23, 2011 |
| **Purpose:** To refund the Revenue Obligations 2010 Taxable Series A bonds, to retire certain commercial paper notes of the Authority, and to fund a portion of the Authority's ongoing capital program and miscellaneous improvements | | | | |
| **Comments:** Taxable bonds with variable interest rate set monthly based on the London Interbank Offered Rate (LIBOR) plus 38 - 70 basis points | | | | |
| **Revenue Obligations: 2011 Refunding Series B** | **Par Amount:** | $ 288,515,000 | **Date Closed:** | September 1, 2011 |
| **Purpose:** Refund a portion of the following: 2002 Refunding Series D and 2004 Series A | | | | |
| **Comments:** Gross savings of $23.8 million over the life of the bonds | | | | |
| **Revenue Obligations: 2011 Refunding Series C** | **Par Amount:** | $ 135,855,000 | **Date Closed:** | October 11, 2011 |
| **Purpose:** Refund a portion of the following: 2002 Series B and 2007 Series A | | | | |
| **Comments:** Gross savings of $9.4 million over the life of the bonds | | | | |
| **Revenue Obligations: 2011 Series M2 - Current Interest Bearing Bonds (CIBS)** | **Par Amount:** | $ 17,205,500 | **Date Closed:** | November 8, 2011 |
| **Purpose:** To finance a portion of the Authority's ongoing capital program | | | | |
| **Comments:** Tax-exempt minibonds | | | | |
| **Revenue Obligations: 2011 Series M2 - Capital Appreciation Bonds (CABS)** | **Par Amount:** | $ 4,668,000 | **Date Closed:** | November 8, 2011 |
| **Purpose:** To finance a portion of the Authority's ongoing capital program | | | | |
| **Comments:** Tax-exempt minibonds | | | | |
| Year 2010 | | | | |
| Revenue Obligations: 2010 Series M1 - Current Interest Bearing Bonds (CIBS) | Par Amount: | $ 20,584,000 | Date Closed: | May 14, 2010 |
| Purpose: To finance a portion of the Authority's capital improvements | | | | |
| Comments: Tax-exempt minibonds | | | | |
| Revenue Obligations: 2010 Series M1 - Capital Appreciation Bonds (CABS) | Par Amount: | $ 7,140,600 | Date Closed: | May 14, 2010 |
| Purpose: To finance a portion of the Authority's capital improvements | | | | |
| Comments: Tax-exempt minibonds | | | | |
| Revenue Obligations: 2010 Series A - LIBOR Index Bonds | Par Amount: | $ 234,861,000 | Date Closed: | July 8, 2010 |
| Purpose: To retire certain outstanding taxable commercial paper notes of the Authority | | | | |
| Comments: Taxable bonds with variable interest rate set monthly based on the London Interbank Offered Rate (LIBOR) plus 25 basis points | | | | |
| Revenue Obligations: 2010 Refunding Series B | Par Amount: | $ 231,060,000 | Date Closed: | November 10, 2010 |
| Purpose: Refund a portion of the following: 2001 Series A, 2002 Series B, and 2002 Refunding Series D | | | | |
| Comments: Gross savings of $22.8 million over the life of the bonds | | | | |
| Revenue Obligations: 2010 Series M2 - Current Interest Bearing Bonds (CIBS) | Par Amount: | $ 12,161,000 | Date Closed: | November 18, 2010 |
| Purpose: To finance a portion of the Authority's capital improvements | | | | |
| Comments: Tax-exempt minibonds | | | | |
| Revenue Obligations: 2010 Series M2 - Capital Appreciation Bonds (CABS) | Par Amount: | $ 4,880,200 | Date Closed: | November 18, 2010 |
| Purpose: To finance a portion of the Authority's capital improvements | | | | |
| Comments: Tax-exempt minibonds | | | | |
| Revenue Obligations: 2010 Series C - (Build America Bonds) | Par Amount: | $360,000,000 | Date Closed: | December 21, 2010 |
| Purpose: To finance a portion of the tax-exempt construction for V. C. Summer Units 2 and 3 - (The bond proceeds are taxable but will be used to pay tax-exempt expenditures) | | | | |
| Comments: Taxable bonds with an all-in true interest cost of 4.24 percent | | | | |

## Bond Market Transactions for Years 2011, 2010, and 2009 (continued)

| Year 2009 | | | | | |
|---|---|---|---|---|---|
| Revenue Obligations: 2009 Refunding Series A | | Par Amount: | $ 115,025,000 | Date Closed: | May 20, 2009 |
| Purpose: | Refund the following: 1997 Refunding Series A and 1998 Refunding Series B | | | | |
| Comments: | Gross savings of $10.8 million over the life of the bonds | | | | |
| Revenue Obligations: 2009 Series B | | Par Amount: | $ 164,130,000 | Date Closed: | May 20, 2009 |
| Purpose: | To finance a portion of the tax-exempt construction for Pee Dee Unit 1, V. C. Summer Units 2 and 3, ongoing transmission system construction / improvements and New Source Review environmental requirements | | | | |
| Comments: | Tax-exempt bonds with an all-in true interest cost of 4.83 percent | | | | |
| Revenue Obligations: 2009 Series C | | Par Amount: | $ 87,040,000 | Date Closed: | May 20, 2009 |
| Purpose: | To finance a portion of the taxable construction for Pee Dee Unit 1, V. C. Summer Units 2 and 3, and New Source Review environmental requirements | | | | |
| Comments: | Taxable bonds with an all-in true interest cost of 6.10 percent | | | | |
| Revenue Obligations: 2009 Refunding Series D | | Par Amount: | $ 39,725,000 | Date Closed: | November 5, 2009 |
| Purpose: | Refund the following: 1999 Series A | | | | |
| Comments: | Gross savings of $2.3 million over the life of the bonds | | | | |
| Revenue Obligations: 2009 Series E | | Par Amount: | $ 284,845,000 | Date Closed: | November 5, 2009 |
| Purpose: | To finance a portion of the tax-exempt construction for V. C. Summer Units 2 and 3, and extraordinary working capital expenses | | | | |
| Comments: | Tax-exempt bonds with an all-in true interest cost of 4.21 percent | | | | |
| Revenue Obligations: 2009 Series F | | Par Amount: | $ 100,000,000 | Date Closed: | November 5, 2009 |
| Purpose: | To finance a portion of the taxable construction for V. C. Summer Units 2 and 3 | | | | |
| Comments: | Taxable bonds with an all-in true interest cost of 5.82 percent | | | | |

# REPORT OF INDEPENDENT AUDITORS

**The Advisory Board and Board of Directors**
**The South Carolina Public Service Authority**
**Moncks Corner, South Carolina**

We have audited the accompanying combined balance sheets of the South Carolina Public Service Authority (a component unit of the state of South Carolina) as of December 31, 2011 and 2010, and the related combined statements of revenues, expenses and changes in net assets, and cash flows for each of the 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.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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.

As discussed in Note 1, the financial statements present only the South Carolina Public Service Authority and do not purport to, and do not, present fairly the financial position of the State of South Carolina, as of and for the years ended December 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2011 and 2010, and the changes in its net assets and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis section listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Chairman and CEO Letter, Corporate Statistics and Audit Committee Chairman's Letter as listed in the table of contents of the annual report are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on it.

**CHERRY, BEKAERT & HOLLAND, L.L.P.**

Cherry, Bekaert & Holland L.L.P.

Raleigh, North Carolina
February 24, 2012

This page intentionally left blank

## Combined Balance Sheets

South Carolina Public Service Authority

As of December 31, 2011 and 2010

| | 2011 | 2010 |
|---|---|---|
| | (Thousands) | |
| **ASSETS** | | |
| **Current assets** | | |
| Unrestricted cash and cash equivalents | $ 84,282 | $ 125,308 |
| Unrestricted investments | 168,675 | 130,921 |
| Restricted cash and cash equivalents | 137,680 | 148,119 |
| Restricted investments | 171,452 | 109,340 |
| Receivables, net of allowance for doubtful accounts of $1,380 | | |
| and $1,510 at December 31, 2011 and 2010, repectively | 208,610 | 200,978 |
| Materials inventory | 104,553 | 98,224 |
| Fuel inventory | | |
| Fossil fuels | 492,410 | 430,376 |
| Nuclear fuel - net | 83,235 | 57,456 |
| Interest receivable | 2,150 | 2,398 |
| Prepaid expenses and other current assets | 279,961 | 252,763 |
| **Total current assets** | 1,733,008 | 1,555,883 |
| **Noncurrent assets** | | |
| Unrestricted cash and cash equivalents | 10,374 | 2,057 |
| Unrestricted investments | 96,860 | 95,967 |
| Restricted cash and cash equivalents | 91,648 | 307,771 |
| Restricted investments | 391,199 | 341,009 |
| Capital assets | | |
| Utility plant | 6,724,937 | 6,614,682 |
| Long lived assets - asset retirement cost | 33,078 | 33,078 |
| Accumulated depreciation | (2,902,820) | (2,719,756) |
| Total utility plant - net | 3,855,195 | 3,928,004 |
| Construction work in progress | 1,230,771 | 938,254 |
| Other physical property - net | 6,783 | 7,170 |
| Investment in associated companies | 9,540 | 10,769 |
| Regulatory asset - asset retirement obligation | 173,984 | 179,307 |
| Other noncurrent and regulatory assets | 64,926 | 53,942 |
| Deferred debits | | |
| Unamortized debt expenses | 34,247 | 35,866 |
| Costs to be recovered from future revenue | 211,010 | 205,023 |
| Other | 342,500 | 301,055 |
| **Total noncurrent assets** | 6,519,037 | 6,406,194 |
| **Total assets** | $ 8,252,045 | $ 7,962,077 |

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

## Combined Balance Sheets (continued)

South Carolina Public Service Authority

As of December 31, 2011 and 2010

| | 2011 | 2010 |
|---|---|---|
| | (Thousands) | |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Current portion of long-term debt | **$ 158,024** | $ 369,346 |
| Accrued interest on long-term debt | **115,735** | 113,134 |
| Commercial paper | **306,566** | 159,338 |
| Accounts payable | **231,785** | 266,519 |
| Other current liabilities | **90,309** | 73,158 |
| **Total current liabilities** | **902,419** | 981,495 |
| **Noncurrent liabilities** | | |
| Construction liabilities | **6,634** | 13,061 |
| Asset retirement obligation liability | **347,476** | 332,279 |
| Total long-term debt (net of current portion) | **5,002,926** | 4,785,274 |
| Unamortized refunding and other costs | **(11,183)** | (30,166) |
| Long-term debt - net | **4,991,743** | 4,755,108 |
| Other deferred credits and noncurrent liabilities | **114,042** | 122,670 |
| **Total noncurrent liabilities** | **5,459,895** | 5,223,118 |
| **Total liabilities** | **6,362,314** | 6,204,613 |
| **NET ASSETS** | | |
| Invested in capital assets, net of related debt | **(202,568)** | (62,332) |
| Restricted for debt service | **128,338** | 126,512 |
| Restricted for other | **206,764** | 152,528 |
| Unrestricted | **1,757,197** | 1,540,756 |
| **Total net assets** | **1,889,731** | 1,757,464 |
| **Total liabilities and net assets** | **$ 8,252,045** | $ 7,962,077 |

## Combined Statements of Revenues, Expenses and Changes in Net Assets

South Carolina Public Service Authority

Years Ended December 31, 2011 and 2010

| | 2011 | 2010 |
|---|---|---|
| | (Thousands) | |
| **Operating revenues** | | |
| Sale of electricity | $ 1,894,371 | $ 1,874,821 |
| Sale of water | 6,801 | 6,274 |
| Other operating revenue | 13,517 | 13,807 |
| **Total operating revenues** | 1,914,689 | 1,894,902 |
| **Operating expenses** | | |
| Electric operating expenses | | |
| Production | 102,205 | 95,061 |
| Fuel | 920,315 | 932,553 |
| Purchased and interchanged power | 83,062 | 35,911 |
| Transmission | 23,187 | 20,995 |
| Distribution | 10,372 | 9,649 |
| Customer accounts | 15,431 | 16,181 |
| Sales | 4,745 | 4,996 |
| Administrative and general | 82,504 | 85,023 |
| Electric maintenance expense | 121,617 | 115,620 |
| Water operation expense | 2,246 | 2,104 |
| Water maintenance expense | 550 | 535 |
| **Total operation and maintenance expenses** | 1,366,234 | 1,318,628 |
| Depreciation and amortization | 185,038 | 185,694 |
| Sums in lieu of taxes | 4,890 | 4,681 |
| **Total operating expenses** | 1,556,162 | 1,509,003 |
| **Operating income** | 358,527 | 385,899 |
| **Nonoperating revenues (expenses)** | | |
| Interest and investment revenue | 6,345 | 7,896 |
| Net increase in the fair value of investments | (2,868) | (4,173) |
| Interest expense on long-term debt | (214,063) | (235,253) |
| Other interest expense | (8,667) | (9,455) |
| Costs to be recovered from future revenue | 5,987 | (26,468) |
| Other - net | 5,662 | (3,431) |
| **Total nonoperating revenues (expenses)** | (207,604) | (270,884) |
| **Income before transfers** | 150,923 | 115,015 |
| **Capital contributions & transfers** | | |
| Distribution to the State | (18,656) | (18,514) |
| **Total capital contributions & transfers** | (18,656) | (18,514) |
| **Change in net assets** | 132,267 | 96,501 |
| **Total net assets-beginning** | 1,757,464 | 1,660,963 |
| **Total net assets-ending** | $ 1,889,731 | $ 1,757,464 |

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

This page intentionally left blank

## Combined Statements of Cash Flows

South Carolina Public Service Authority

Years Ended December 31, 2011 and 2010

| | 2011 | 2010 |
|---|---|---|
| | (Thousands) | |
| **Cash flows from operating activities** | | |
| Receipts from customers | $ 1,907,187 | $ 1,846,960 |
| Payments to non-fuel suppliers | (471,788) | (371,444) |
| Payments for fuel | (912,313) | (921,981) |
| Purchased power | (79,657) | (35,986) |
| Payments to employees | (158,624) | (155,364) |
| Other receipts (payments) - net | 134,285 | (280,052) |
| **Net cash provided by operating activities** | 419,090 | 82,133 |
| | | |
| **Cash flows from non-capital related financing activities** | | |
| Distribution to the State of South Carolina | (18,656) | (18,514) |
| **Net cash used in non-capital related financing activities** | (18,656) | (18,514) |
| | | |
| **Cash flows from capital-related financing activities** | | |
| Proceeds from sale of bonds | 809,037 | 870,687 |
| Net commercial paper issuance | 147,228 | (117,336) |
| Repayment and refunding of bonds | (802,971) | (357,070) |
| Interest paid on borrowings | (246,407) | (233,395) |
| Construction and betterments of utility plant | (380,543) | (220,141) |
| Debt premium | 8,444 | 4,475 |
| Other - net | (47,269) | (37,367) |
| **Net cash used in capital-related financing activities** | (512,481) | (90,147) |
| | | |
| **Cash flows from investing activities** | | |
| Net (decrease) increase in investments | (153,817) | 88,891 |
| Interest on investments | 6,593 | 9,671 |
| **Net cash (used) provided by investing activities** | (147,224) | 98,562 |
| **Net (decrease) increase in cash and cash equivalents** | (259,271) | 72,034 |
| | | |
| **Cash and cash equivalents-beginning** | 583,255 | 511,221 |
| **Cash and cash equivalents-ending** | $ 323,984 | $ 583,255 |

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

## Combined Statements of Cash Flows (continued)

South Carolina Public Service Authority

Years Ended December 31, 2011 and 2010

| | 2011 | 2010 |
|---|---|---|
| | (Thousands) | |
| **Reconciliation of operating income to net cash provided by operating activities** | | |
| Operating income | **$ 358,527** | $ 385,899 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation and amortization | **205,536** | 203,627 |
| Net power gains involving associated companies | **(19,934)** | (15,533) |
| Distributions from associated companies | **17,659** | 12,006 |
| Advances to associated companies | **(4)** | 26 |
| Other income and expense | **10,952** | 514 |
| Changes in assets and liabilities | | |
| Accounts receivable - net | **(7,632)** | (47,580) |
| Inventories | **(68,363)** | (87,602) |
| Prepaid expenses | **(27,198)** | (208,664) |
| Other deferred debits | **(3,815)** | (59,161) |
| Accounts payable | **(55,007)** | 96,407 |
| Other current liabilities | **17,036** | (183,727) |
| Other noncurrent liabilities | **(8,667)** | (14,079) |
| **Net cash provided by operating activities** | **$ 419,090** | $ 82,133 |
| | | |
| **Composition of cash and cash equivalents** | | |
| **Current** | | |
| Unrestricted cash and cash equivalents | **$ 84,282** | $ 125,308 |
| Restricted cash and cash equivalents | **137,680** | 148,119 |
| **Noncurrent** | | |
| Unrestricted cash and cash equivalents | **10,374** | 2,057 |
| Restricted cash and cash equivalents | **91,648** | 307,771 |
| **Cash and cash equivalents at the end of the year** | **$ 323,984** | $ 583,255 |

# NOTES

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

**A - Reporting Entity -** The South Carolina Public Service Authority (the Authority or Santee Cooper), a component unit of the State of South Carolina, was created in 1934 by the State legislature. The Santee Cooper Board of Directors (Board) is appointed by the Governor of South Carolina with the advice and consent of the Senate. The purpose of the Authority is to provide electric power and wholesale water to the people of South Carolina. Capital projects are funded by bonds, commercial paper, and internally generated funds. As authorized by State law, the Board 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 maintained on an accrual basis in accordance with accounting principles generally accepted in the United States (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting and the Financial Accounting Standards Board (FASB) that do not conflict with rules issued by the GASB. The Authority's combined financial statements include the accounts of the Lake Moultrie and Lake Marion Regional Water Systems after elimination of inter-company accounts and transactions. The accounts are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) for the electric system and the National Association of Regulatory Utility Commissioners (NARUC) for the water systems. The Authority also complies with policies and practices prescribed by its Board and practices common in both industries. As the Board is authorized to set rates, the Authority has historically followed FASB ASC 980. This standard provides for the reporting of assets and liabilities consistent with the economic effect of the rate structure. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**C - Reclassifications -** To achieve conformity and comparability, the Authority may reclassify certain amounts in prior year financial statements where applicable.

During 2011, the Authority reviewed its fund assignments, which resulted in reclassifications between Unrestricted and Restricted categories. For comparative purposes, calendar year 2010 has been restated accordingly.

**D - Cash and Cash Equivalents -** For purposes of the Combined Balance Sheets and Combined Statements of Cash Flows, the Authority considers highly liquid investments with original maturities of ninety days or less and cash on deposit with financial institutions as Restricted and Unrestricted cash and cash equivalents. "Restricted" refers to those funds limited by law, regulations or Board action as to their allowable disbursement. "Unrestricted" refers to all other funds not meeting the requirements of restricted.

**E - Inventory -** Material and fuel inventories are carried at weighted average costs. At the time of issuance or consumption, an expense is recorded at the weighted average cost.

**F - Utility Plant -** Utility plant is recorded at cost, which includes materials, labor, overhead and interest capitalized during construction. Interest is only capitalized when interest payments are funded through borrowings. There was no interest capitalized in 2011 or 2010. Other interest expense is recovered currently through rates. The costs of maintenance, 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.

**G - Depreciation -** Depreciation is computed using composite rates on a straight-line basis over the estimated useful lives of the various classes of the plant. Composite rates are applied to the net carrying basis of various classes of plant which includes appropriate adjustments for cost of removal and salvage. The Authority periodically has depreciation studies performed by independent parties to assist management in establishing appropriate composite depreciation rates.

Annual depreciation provisions, expressed as a percentage of average depreciable utility plant in service, were as follows:

| Years Ended December 31, | 2011 | 2010 |
|---|---|---|
| Annual Average Depreciation Percentages | 2.8% | 2.9% |
| Note: Depreciation expense includes amortization of property under capitalized leases. | | |

**H - Investment in Associated Companies -** The Authority is a member of The Energy Authority (TEA). Approximate ownership interests were as follows:

| Years Ended December 31, | 2011 | 2010 |
|---|---|---|
| Members | Ownership (%) | |
| City Utilities of Springfield (Missouri) | 6.9 | 6.8 |
| Cowlitz Public Utility District (Washington) | 6.9 | 6.9 |
| Gainsville Regional Utilities (Florida) | 6.7 | 7.4 |
| JEA (Florida) | 19.9 | 21.1 |
| MEAG Power (Georgia) | 19.3 | 19.4 |
| Nebraska Public Power District (Nebraska) | 19.5 | 16.2 |
| Santee Cooper (South Carolina) | 20.8 | 22.2 |
| Total | 100.0 | 100.0 |

TEA markets wholesale power and coordinates the operation of the generation assets of its members to maximize the efficient use of electrical energy resources, reduce operating costs and increase operating revenues of the members. TEA is expected to accomplish the foregoing without impacting the safety and reliability of the electric system of each member. TEA does not engage in the construction or ownership of generation or transmission assets. In addition, TEA assists members with fuel hedging activities and acts as an agent in the execution of forward transactions. The Authority accounts for its investment in TEA under the equity method of accounting.

All of TEA's revenues and costs are allocated to the members. The following table summarizes the transactions applicable to the Authority:

| Years Ended December 31, | 2011 | 2010 |
|---|---|---|
| | (Thousands) | |
| TEA Investment: | | |
| Balance as of January 1, | $ 10,587 | $ 9,519 |
| Reduction to power costs and increases in electric revenues | 16,426 | 13,074 |
| Less: Distributions from TEA | 17,659 | 12,006 |
| Balance as of December 31, | $ 9,354 | $ 10,587 |
| Due To / Due From TEA: | | |
| Payable to | $ 17,856 | $ 29,100 |
| Receivable from | $ 1,008 | $ 5,213 |

The Authority's exposure relating to TEA is limited to the Authority's capital investment, any accounts receivable and trade guarantees provided by the Authority. These guarantees are within the scope of FASB ASC 952. Upon the Authority making any payments under its electric guarantee, it has certain contribution rights with the other members in order that payments made under the TEA member guarantees would be equalized ratably, based upon each member's equity ownership interest. After such contributions have been affected, the Authority would only have recourse against TEA to recover amounts paid under the guarantee. The term of this guarantee is generally indefinite, but the Authority has the ability to terminate its guarantee obligations by providing advance notice to the beneficiaries thereof. Such termination of its guarantee obligations only applies to TEA transactions not yet entered into at the time the termination takes effect. The Authority's support of TEA's trading activities is limited based on the formula derived from the forward value of TEA's trading positions at a point in time. The formula was approved by the Authority's Board. At December 31, 2011, the trade guarantees are an amount not to exceed $82.1 million.

The Authority is also a member of Colectric Partners (Colectric). Members and ownership interests were as follows:

| Years Ended December 31, | 2011 | 2010 |
|---|---|---|
| Members | Ownership (%) | |
| Florida Municipal Power Agency (Florida) | **N/A** | N/A |
| Gainesville Regional Utilities (Florida) | **N/A** | N/A |
| JEA (Florida) | **25.0** | 25.0 |
| MEAG Power (Georgia) | **25.0** | 25.0 |
| Nebraska Public Power District (Nebraska) | **25.0** | 25.0 |
| Orlando Utilities Commission (Florida) | **N/A** | N/A |
| Santee Cooper (South Carolina) | **25.0** | 25.0 |
| **Total** | **100.0** | 100.0 |

Colectric provides public power utilities with key project and business management resources. Colectric also specializes in the development, project management, operations and maintenance of public power utilities' electric generation facilities and electric system infrastructure. The members may elect to participate in Colectric initiatives based on individual utility needs.

Currently, the Authority participates in two of Colectric's initiatives. The first involves managing the major gas turbine overhauls, thereby promoting the sharing of spare parts and technical expertise. The second initiative is a strategic sourcing initiative, intended to achieve major cost savings through volume purchasing leverage.

The Authority's exposure relating to Colectric is limited to its capital investment, any accounts receivable and any indemnifications related to agreements between Colectric and the Authority. These indemnifications are within the scope of FASB ASC 952. The Authority's initial investment in Colectric was $413,000. The balances in its member equity account at December 31, 2011 and 2010 were approximately $186,000 and $182,000, respectively. Cumulative net direct cost since 2001 has been $3.3 million. Cumulative direct savings for this same period have been $19.7 million.

**I - Bond Issuance Costs and Refunding Activity -** Unamortized debt discount, premium, and expense are amortized to income over the terms of the related debt issues. Gains or losses on refunded debt are amortized to income over the shorter of the remaining life of the refunded debt or the life of the new debt.

**J - Revenue Recognition and Fuel Costs -** Substantially all wholesale and industrial revenues are billed and recorded at the end of each month. Revenues for electricity delivered to retail customers but not billed are accrued monthly. Accrued revenue for retail customers totaled $12.5 million in 2011 and $14.3 million in 2010.

Fuel costs are reflected in operating expenses as fuel is consumed. Fuel expense for all customers is billed utilizing rates and contracts, the majority of which include fuel adjustment provisions based on either the accrual costs for the previous month or the actual weighted average costs for the previous three-month period.

**K - Payment to the State -** The Authority is operated for the benefit of the people of South Carolina (the State) and was created by Act No. 887 of the Acts of the State of South Carolina for 1934 and acts supplemental thereto and amendatory thereof (Code of Laws of South Carolina 1976, as amended – Sections 58-31-10 through 58-31-50) (the Act). Nothing in the Act prohibits the Authority from paying to the State each year up to one percent of its projected operating revenues; as such revenues would be determined on an accrual basis from the combined electric and water systems. The Authority recognizes the distributions (shown as "Capital contributions & transfers – Distribution to the State" on the Combined Statements of Revenues, Expenses and Changes in Net Assets) as a reduction to net assets when paid.

Payments made to the State totaled $18.7 million in 2011 and $18.5 million in 2010.

**L - Accounting for Derivative Instruments –** In compliance with GASB 53, the annual changes in the fair value of effective hedging derivative instruments are required to be deferred – reported as deferred inflows and deferred outflows on the balance sheet. Deferral of changes in fair value generally lasts until the transaction involving the hedged item ends.

Natural gas, a core business commodity input for the Authority, has historically been hedged in an effort to mitigate gas cost risk by reducing cost volatility and improving cost effectiveness. Unrealized gains and losses related to such activity are deferred in a regulatory account and recognized in earnings as fuel costs are incurred in the production cycle.

A summary of the Authority's derivative activity for years ended December 31, 2011 and 2010 is below:

| Cash Flow Hedges and Summary of Activity | | | |
|---|---|---|---|
| Years Ended December 31, | | **2011** | 2010 |
| | Classification (1) | (Millions) | |
| *Fair Value* | | | |
| Natural Gas | Regulatory Assets/Liabilities | **$ (54.8)** | $ (23.5) |
| Crude Oil | Regulatory Assets/Liabilities | **1.6** | 5.6 |
| Heating Oil | Regulatory Assets/Liabilities | **1.5** | 0.0 |
| *Changes in Fair Value* | | | |
| Natural Gas | Regulatory Assets/Liabilities | **$ (31.3)** | $ (3.1) |
| Crude Oil | Regulatory Assets/Liabilities | **(4.0)** | (1.1) |
| Heating Oil | Regulatory Assets/Liabilities | **1.5** | 0.0 |
| *Recognized Net Gains (Losses)* | | | |
| Natural Gas | Operating Expense-Fuel | **$ (13.7)** | $ (10.4) |
| Crude Oil | Operating Expense-Fuel | **4.2** | 4.1 |
| Heating Oil | Operating Expense-Fuel | **(1.0)** | 0.0 |
| *Realized But Not Recognized Net Gains (Losses)* | | | |
| Natural Gas | Regulatory Assets/Liabilities | **$ (3.3)** | $ (2.7) |
| Crude Oil | Regulatory Assets/Liabilities | **0.5** | 0.7 |
| Heating Oil | Regulatory Assets/Liabilities | **(3.4)** | 0.0 |
| *Notional* | | | |
| | | MBTUs | |
| Natural Gas | | **38,830** | 14,840 |
| | | Barrels (000s) | |
| Crude Oil | | **0** | 319 |
| | | Gallons (000s) | |
| Heating Oil | | **10,164** | 0 |

(1) The Authority records fair value transactions related to hedging under current and noncurrent sections of the Combined Balance Sheets.

**M - Retirement of Long-Lived Assets -** The Authority follows the guidance of FASB ASC 410 in regards to decommissioning of V.C. Summer Nuclear Station and closing of ash ponds. The requirements for both were recorded within "Capital assets" on the accompanying balance sheets.

The asset retirement obligation (ARO) is adjusted each period for any liabilities incurred or settled during the period, accretion expense and any revisions made to the estimated cash flows. The following table summarizes the Authority's transactions:

| Years Ended December 31, | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Nuclear | Ash Ponds | Total | Nuclear | Ash Ponds | Total |
| | (Millions) | | | | | |
| **Reconciliation of ARO Liability:** | | | | | | |
| Balance as of January 1, | $ 268.3 | $ 64.0 | $ 332.3 | $ 257.0 | $ 60.8 | $ 317.8 |
| Accretion expense | 11.7 | 3.4 | 15.1 | 11.3 | 3.3 | 14.6 |
| Balance as of December 31, | $ 280.0 | $ 67.4 | $ 347.4 | $ 268.3 | $ 64.1 | $ 332.4 |
| **Asset Retirement Cost (ARC):** | $ 22.7 | $ 10.4 | $ 33.1 | $ 22.7 | $ 10.4 | $ 33.1 |

## N - Review of New Accounting Standards

| Statement No. GASB 59 | Title: Financial Instruments Omnibus |
|---|---|
| **Issue Date: June 2010** | Effective After: June 15, 2010 |
| **Comments:** | Statement did not have a material effect on the Authority's financial position, overall cash flow, balances or results of operations. |

## O - Issued But Not Yet Effective Pronouncements

| | |
|---|---|
| **Statement No. GASB 60** | **Title: Accounting and Financial Reporting for Service Concession Arrangements** |
| **Issue Date: November 2010** | Effective After: December 15, 2011 |
| **Comments:** | Statement is not expected to have a material effect on the Authority's financial position, overall cash flow, balances or results of operations. |
| **Statement No. GASB 61** | **Title: The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34** |
| **Issue Date: November 2010** | Effective After: June 15, 2012 |
| **Comments:** | Statement is not expected to have a material effect on the Authority's financial position, overall cash flow, balances or results of operations. |
| **Statement No. GASB 62** | **Title: Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements** |
| **Issue Date: December 2010** | Effective After: December 15, 2011 |
| **Comments:** | Statement is not expected to have a material effect on the Authority's financial position, overall cash flow, balances or results of operations. |
| **Statement No. GASB 63** | **Title: Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position** |
| **Issue Date: June 2011** | Effective After: December 15, 2011 |
| **Comments:** | Statement is not expected to have a material effect on the Authority's financial position, overall cash flow, balances or results of operations. |
| **Statement No. GASB 64** | **Title: Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53** |
| **Issue Date: June 2011** | Effective After: June 15, 2011 |
| **Comments:** | Statement is not expected to have a material effect on the Authority's financial position, overall cash flow, balances or results of operations. |

## NOTE 2 – COSTS TO BE RECOVERED FROM FUTURE REVENUE:

The Authority's electric and water rates are established based upon debt service and operating fund requirements. Depreciation is not considered in the cost of service calculation used to design rates. In accordance with FASB ASC 980, the differences between debt principal maturities (adjusted for the effects of premiums, discounts, expenses and amortization of deferred gains and losses) and depreciation on debt financed assets are recognized as costs to be recovered from future revenue (CTBR). The recovery of outstanding amounts recorded as CTBR will coincide with the repayment of the applicable outstanding debt. The Authority's summary of CTBR activity is recapped below:

| **Years Ended December 31,** | **2011** | 2010 |
|---|---|---|
| | (Millions) | |
| **CTBR Regulatory Asset:** | | |
| Balance as of December 31 | **$ 211.0** | $ 205.0 |
| **CTBR Expense/(Reduction to Expense):** | | |
| Net Expense for Year Ended December 31 | **$ (6.0)** | $ 26.5 |

## NOTE 3 – CAPITAL ASSETS:

Capital asset activity for the years ended December 31, 2011 and 2010 was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|---|---|---|---|
| **YEAR 2011** | | | | |
| (Thousands) | | | | |
| **Utility Plant** | **$ 6,614,682** | **$ 121,791** | **$ (11,536)** | **$ 6,724,937** |
| **Long lived-assets retirement cost** | **33,078** | **0** | **0** | **33,078** |
| **Accumulated depreciation** | **(2,719,756)** | **(194,587)** | **11,523** | **(2,902,820)** |
| **Total utility plant-net** | **3,928,004** | **(72,796)** | **(13)** | **3,855,195** |
| | | | | |
| **Construction work in progress** | **938,254** | **414,407** | **(121,890)** | **1,230,771** |
| **Other physical property-net** | **7,170** | **96** | **(483)** | **6,783** |
| **Totals** | **$ 4,873,428** | **$ 341,707** | **$ (122,386)** | **$ 5,092,749** |
| | | | | |
| YEAR 2010 | | | | |
| (Thousands) | | | | |
| Utility Plant | $ 6,494,365 | $ 154,814 | $ (34,497) | $ 6,614,682 |
| Long lived-assets retirement cost | 33,078 | 0 | 0 | 33,078 |
| Accumulated depreciation | (2,564,325) | (189,928) | 34,497 | (2,719,756) |
| Total utility plant-net | 3,963,118 | (35,114) | 0 | 3,928,004 |
| | | | | |
| Construction work in progress | 851,442 | 248,522 | (161,710) | 938,254 |
| Other physical property-net | 2,583 | 4,587 | 0 | 7,170 |
| Totals | $ 4,817,143 | $ 217,995 | $ (161,710) | $ 4,873,428 |

In 2010, the Authority's Board cancelled the construction of the units planned for the Pee Dee site. As of December 31, 2011 and 2010, the related construction charges were reclassified from Construction work in progress to "Prepaid expenses and other current assets" and "Deferred debts-other" on the Combined Balance Sheets. The Authority is confident certain assets are marketable and can be sold. Currently, the Authority cannot determine how much will be recovered through the sale of assets originally purchased for those units. The Authority's Board has determined unrecovered costs associated with Pee Dee will be recovered through customer rates. In addition, the Authority plans to apply the unspent bond proceeds for Pee Dee as well as any proceeds received from the sale of certain Pee Dee assets to reduce borrowings on other capital projects.

## NOTE 4 – CASH AND INVESTMENTS HELD BY TRUSTEE:

Cash and investments as of December 31, 2011 and 2010 are classified in the accompanying financial statements as follows:

| Combined Balance Sheets | | |
|---|---|---|
| **Years Ended December 31,** | **2011** | 2010 |
| | (Thousands) | |
| **Current assets** | | |
| Unrestricted cash and cash equivalents | **$ 84,282** | $ 125,308 |
| Unrestricted investments | **168,675** | 130,921 |
| Restricted cash and cash equivalents | **137,680** | 148,119 |
| Restricted investments | **171,452** | 109,340 |
| | | |
| **Noncurrent assets** | | |
| Unrestricted cash and cash equivalents | **10,374** | 2,057 |
| Unrestricted investments | **96,860** | 95,967 |
| Restricted cash and cash equivalents | **91,648** | 307,771 |
| Restricted investments | **391,199** | 341,009 |
| **Total cash and investments** | **$ 1,152,170** | $ 1,260,492 |
| | | |
| Cash and investments as of December 31 consist of the following: | | |
| Cash/Deposits | **$ 121,102** | $ 42,599 |
| Investments | **1,031,068** | 1,217,893 |
| **Total cash and investments** | **$ 1,152,170** | $ 1,260,492 |

Unexpended funds from the sale of bonds, debt service funds, other special funds cash and investments are held and maintained by custodians and trustees. Their use is designated in accordance with applicable provisions of various bond resolutions, lease agreements, and the Enabling Act included in the South Carolina Code of Laws (the Enabling Act).

The Authority's investments are authorized by the Enabling Act, the Authority's investment policy and the Revenue Obligation Resolution. Authorized investment types include Federal Agency Securities, State of South Carolina General Obligation Bonds, and U.S. Treasury Obligations, all of which are limited to a ten year maximum maturity in all portfolios, except the Decommissioning Funds. Certificate of Deposits and Repurchase Agreements are also authorized with a maximum maturity of one year.

All equity and debt securities are recorded at their fair value with gains and losses in fair value reflected as a component of non-operating income in the Combined Statements of Revenues, Expenses and Changes in Net Assets.

Following is a summary of the Authority's investment activity:

| Years Ended December 31, | 2011 | 2010 |
| --- | --- | --- |
| **Total Portfolio** | (Billions) | |
| Total Investments | **$ 1.0** | $ 1.2 |
| Purchases | **37.9** | 43.2 |
| Sales | **38.1** | 43.2 |
| **Nuclear Decommissioning Portfolios (1)** | (Millions) | |
| Total Investments | **$ 186.7** | $ 166.2 |
| Purchases | **772.4** | 1,000.0 |
| Sales | **771.2** | 1,000.0 |
| Unrealized Holding Gains | **27.4** | 15.3 |
| (1) Realized and unrealized earnings are credited to the "Regulatory asset-Asset retirement obligation". | | |
| **Repurchase Agreements (2)** | (Millions) | |
| Balance at December 31 | **$ 142.6** | $ 410.1 |
| (2) Securities underlying repurchase agreements must have a market value of at least 102 percent of the cost of the repurchase agreement and are delivered by broker/dealers to the Authority's custodial agents. | | |

Common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk are as follows:

| Risk Type | Exposure |
|---|---|
| **Credit Risk -** Risk that an issuer of an investment will not fulfill its obligation to the holder of the investments. Measured by the assignment of rating by a nationally recognized statistical rating organization. | As of December 31, 2011 and 2010, all of the agency securities held by the Authority were rated AAA by Fitch Ratings, Aaa by Moody's Investors Service, Inc, and AA+ by Standard & Poor's Rating Services. |
| **Custodial Credit Risk-Investments -** Risk that, in the event of the failure of the counterparty to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. | As of December 31, 2011 and 2010, all of the Authority's investment securities were held by the Trustee or Agent of the Authority and therefore there was no custodial risk for investment securities. |
| **Custodial Credit Risk-Deposits -** Risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. | At December 31, 2011 and 2010, the Authority had exposure to custodial credit risk for deposits as follows: (see table below) |

**Depository Account Type**

| | Bank Balance | |
|---|---|---|
| **Years Ended December 31,** | **2011** | 2010 |
| | (Thousands) | |
| Uninsured and collateral held by Bank's agent not in Authority's name | **$ 500** | $ 750 |

| Risk Type | Exposure |
|---|---|
| **Concentration of Credit Risk -** The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer. | Investments in any one issuer (other than U. S. Treasury securities) that represent five percent or more of total Authority investments at December 31, 2011 and 2010 were as follows: (see table below) |

| **Security Type / Issuer** | **Fair Value** | |
|---|---|---|
| | **2011** | 2010 |
| Federal Agency Fixed Income Securities | (Thousands) | |
| Federal Home Loan Bank | **$ 368,948** | $ 327,931 |
| Federal National Mortgage Association | **178,207** | 225,204 |
| Federal Farm Credit Bank | **118,138** | 75,336 |
| Federal Home Loan Mortgage Corp | **133,009** | 112,610 |

| Risk Type | Exposure |
|---|---|
| **Interest Rate Risk -** Risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. | The Authority manages its exposure to interest rate risk by investing in securities that mature as necessary to provide the cash flow and liquidity needed for operations. The following table shows the distribution of the Authority's investments by maturity at December 31, 2011 and 2010: (see table below) |

| | **2011** | | 2010 | |
|---|---|---|---|---|
| **Investment Type:** | **Fair Value (Thousands)** | **Weighted Average Maturity (Years)** | Fair Value (Thousands) | Weighted Average Maturity (Years) |
| Certificates of Deposits | **$ 1,450** | **0.24** | $ 1,800 | 0.24 |
| Federal Agency Discount Notes | **232,184** | **0.09** | 269,127 | 0.11 |
| Federal Agency Securities | **589,492** | **2.75** | 491,916 | 3.86 |
| Repurchase Agreements | **142,579** | **0.01** | 410,068 | 0.01 |
| U.S. Treasury Notes and Strips | **65,363** | **6.03** | 44,982 | 6.18 |
| Total | **$ 1,031,068** | | $ 1,217,893 | |
| Portfolio Weighted Average Maturity | | **1.80** | | 1.78 |

The Authority holds zero coupon bonds which are highly sensitive to interest rate fluctuations in both the Nuclear Decommissioning Trust and Nuclear Decommissioning Fund. Together these accounts hold $66.9 million par in U.S. Treasury Strips ranging in maturity from February 15, 2012 to May 15, 2039. They also hold $56.9 million par in government agency zero coupon securities (i.e. Resolution Corp, FNMA, FICO and REFCORP Securities) in the two portfolios ranging in maturity from November 15, 2014 to April 15, 2030. Zero coupon bonds or U.S. Treasury Strips are subject to wider swings in their market value than coupon bonds. These portfolios are structured to hold these securities to maturity or early redemption. The Authority has a buy and hold strategy for these portfolios. Based on the Authority's current decommissioning assumptions, it is anticipated that no funds will be needed any earlier than 2043. The Authority has no other investments that are highly sensitive to interest rate fluctuations.

| Risk Type | Exposure |
|---|---|
| **Foreign Currency Risk -** Risk exists when there is a possibility that changes in exchange rates could adversely affect investment or deposit fair market value. | The Authority is not authorized to invest in foreign currency and therefore has no exposure. |

This page intentionally left blank

## NOTE 5 – LONG-TERM DEBT OUTSTANDING:

The Authority's long-term debt at December 31, 2011 and 2010 consisted of the following:

| | 2011 | 2010 | Interest Rate(s) (1) | Call Price (1) |
|---|---|---|---|---|
| | (Thousands) | | (%) | (%) |
| **Capitalized Lease Obligations: (mature through 2014)** | **$ 2,469** | $3,914 | 5.00 | N/A |
| **Revenue Obligations: (mature through 2050)** | | | | |
| 1999 Taxable Series B | **4,745** | 43,135 | 7.32-7.42 | Non-callable |
| 2001 Improvement Series A | **2,565** | 2,565 | 5.00 | Non-callable |
| 2002 Refunding Series A | **61,505** | 71,615 | 5.125-5.50 | 101 |
| 2002 Tax-exempt Series B | **7,175** | 141,890 | 5.375 | 100 |
| 2002 Refunding Series D | **200,635** | 215,425 | 5.00-5.25 | 100 |
| 2003 Refunding Series A | **335,030** | 335,030 | 4.75-5.00 | 100 |
| 2004 Tax-exempt Series A | **94,575** | 386,905 | 4.375-5.00 | 100 |
| 2004 Taxable Series B | **12,220** | 14,970 | 4.17-4.52 | P&I Plus Make-Whole Premium |
| 2004 Series M - CIBS | **19,049** | 19,140 | 4.25-4.90 | 100 |
| 2004 Series M - CABS | **10,400** | 10,090 | 4.375-5.00 | Accreted Value |
| 2005 Refunding Series A | **125,295** | 125,295 | 5.25-5.50 | 100 |
| 2005 Refunding Series B | **240,995** | 251,250 | 5.00 | 100 |
| 2005 Refunding Series C | **78,150** | 78,150 | 4.125-4.75 | 100 |
| 2005 Series M - CIBS | **10,664** | 10,681 | 3.65-4.35 | 100 |
| 2005 Series M - CABS | **5,547** | 5,341 | 4.00-4.35 | Accreted Value |
| 2006 Tax-exempt Series A | **446,540** | 449,705 | 3.50-5.00 | 100 |
| 2006 Taxable Series B | **83,250** | 96,250 | 4.95-5.05 | P&I Plus Make-Whole Premium |
| 2006 Series M - CIBS | **7,074** | 7,113 | 3.75-4.20 | 100 |
| 2006 Series M - CABS | **3,135** | 3,022 | 4.00-4.20 | Accreted Value |
| 2006 Refunding Series C | **114,755** | 114,755 | 4.00-5.00 | 100 |
| 2007 Series A | **311,350** | 324,535 | 4.00-5.00 | 100 |
| 2007 Refunding Series B | **97,970** | 97,970 | 4.00-5.00 | Non-callable |
| 2008 Tax-exempt Series A | **396,985** | 401,985 | 5.00-5.75 | 100 |
| 2008 Taxable Series B | **260,000** | 260,000 | 6.808-8.368 | P&I Plus Make-Whole Premium |
| 2008 Series M - CIBS | **18,710** | 18,732 | 3.00-4.80 | 100 |
| 2008 Series M - CABS | **6,273** | 6,112 | 3.80-4.80 | Accreted Value |
| 2009 Tax-exempt Refunding Series A | **101,750** | 112,410 | 2.00-5.00 | 100 |
| 2009 Tax-exempt Series B | **163,220** | 164,130 | 4.00-5.25 | 100 |
| 2009 Taxable Series C | **87,040** | 87,040 | 3.72-6.224 | P&I Plus Make-Whole Premium |
| 2009 Tax-exempt Refunding Series D | **21,375** | 39,725 | 3.00-5.00 | Non-callable |
| 2009 Tax-exempt Series E | **284,845** | 284,845 | 3.00-5.00 | 100 |
| 2009 Taxable Series F | **100,000** | 100,000 | 5.74 | P&I Plus Make-Whole Premium |

| The Authority's long-term debt at December 31, 2011 and 2010 consisted of the following (continued): | | | | |
|---|---|---|---|---|
| | **2011** | 2010 | Interest Rate(s) (1) | Call Price (2) |
| | (Thousands) | | (%) | (%) |
| 2010 Series M1 - CIBS | **20,569** | 20,584 | 1.35-4.30 | 100 |
| 2010 Series M1 - CABS | **7,589** | 7,322 | 3.50-4.30 | Accreted Value |
| 2010 Taxable Series A (LIBOR Index Bonds) | **0** | 234,861 | N/A | N/A |
| 2010 Refunding Series B | **231,060** | 231,060 | 3.00-5.00 | 100 |
| 2010 Series M2 - CIBS | **12,153** | 12,161 | 1.60-3.875 | 100 |
| 2010 Series M2 - CABS | **5,066** | 4,907 | 2.875-3.875 | Accreted Value |
| 2010 Series C (Build America Bonds) (3) | **360,000** | 360,000 | 6.454 | P&I Plus Make-Whole Premium |
| 2011 Series M1 - CIBS | **20,625** | 0 | 2.00-4.80 | 100 |
| 2011 Series M1 - CABS | **5,694** | 0 | 3.50-4.80 | Accreted Value |
| 2011 Taxable Series A (LIBOR Index Bonds) | **336,632** | 0 | 1 Month LIBOR plus 0.38-0.70 | 100 |
| 2011 Refunding Series B | **288,515** | 0 | 4.00-5.00 | Non-callable |
| 2011 Refunding Series C | **135,855** | 0 | 4.375-5.00 | 100 |
| 2011 Series M2 - CIBS | **17,205** | 0 | 1.40-4.20 | 100 |
| 2011 Series M2 - CABS | **4,696** | 0 | 2.70-4.20 | Accreted Value |
| **Total Revenue Obligations** | **5,158,481** | 5,150,706 | | |
| **Less: Current Portion - Long-term Debt** | **158,024** | 369,346 | | |
| **Total Long-term Debt - (Net of current portion)** | **$ 5,002,926** | $4,785,274 | | |

(1) Interest rates apply only to bonds remaining outstanding as of December 31, 2011.
(2) Call Price may only apply to certain maturities outstanding at December 31, 2011.
(3) These bonds were issued as "Build America Bonds" under the American Recovery and Reinvestment Act of 2009 and are eligible to receive an interest subsidy payment from the United States Department of Treasury in an amount equal to 35% of interest payable on the bonds.

| Long-term debt (LTD) activity for the years ended December 31, 2011 and 2010 was as follows: | Gross LTD Beginning Balances | Increases | Decreases | Gross LTD Ending Balances | Current Portion LTD | Net LTD Ending Balances |
|---|---|---|---|---|---|---|
| | | | **YEAR 2011** | | | |
| | | | (Thousands) | | | |
| **Capitalized Lease Obligations** | **$ 3,914** | **$ 0** | **$ (1,445)** | **$ 2,469** | **$ 1,243** | **$ 1,226** |
| **Revenue Obligations** | **5,150,706** | **810,745** | **(802,970)** | **5,158,481** | **156,781** | **5,001,700** |
| **Totals** | **$ 5,154,620** | **$ 810,745** | **$ (804,415)** | **$ 5,160,950** | **$ 158,024** | **$ 5,002,926** |
| | | | YEAR 2010 | | | |
| | | | (Thousands) | | | |
| Capitalized Lease Obligations | $ 5,599 | $ 0 | $ (1,685) | $ 3,914 | $ 1,444 | $ 2,470 |
| Revenue Obligations | 4,635,833 | 871,944 | (357,071) | 5,150,706 | 367,902 | 4,782,804 |
| Totals | $ 4,641,432 | $ 871,944 | $ (358,756) | $ 5,154,620 | $ 369,346 | $ 4,785,274 |

**Maturities and projected interest payments of long-term debt are as follows:**

| | **PRINCIPAL** | | | **INTEREST** | | | |
|---|---|---|---|---|---|---|---|
| | Capitalized Lease Obligations | Revenue Obligations | Total Principal | Capitalized Lease Obligations | Revenue Obligations (2) | Total Interest (2) | TOTAL |
| Year Ending December 31, | | | | (Thousands) | | | |
| 2012 (1) | $ 1,243 | $ 148,259 | $ 149,502 | $ 100 | $ 250,266 | $ 250,366 | $ 399,868 |
| 2013 (1) | 982 | 324,681 | 325,663 | 41 | 242,291 | 242,332 | 567,995 |
| 2014 (1) | 244 | 587,277 | 587,521 | 7 | 222,443 | 222,450 | 809,971 |
| 2015 | 0 | 227,420 | 227,420 | 0 | 202,908 | 202,908 | 430,328 |
| 2016 | 0 | 254,794 | 254,794 | 0 | 194,083 | 194,083 | 448,877 |
| 2017-2021 | 0 | 1,149,992 | 1,149,992 | 0 | 796,480 | 796,480 | 1,946,472 |
| 2022-2026 | 0 | 595,463 | 595,463 | 0 | 575,347 | 575,347 | 1,170,810 |
| 2027-2031 | 0 | 643,705 | 643,705 | 0 | 432,383 | 432,383 | 1,076,088 |
| 2032-2036 | 0 | 574,090 | 574,090 | 0 | 270,416 | 270,416 | 844,506 |
| 2037-2041 | 0 | 289,680 | 289,680 | 0 | 140,544 | 140,544 | 430,224 |
| 2042-2046 | 0 | 123,120 | 123,120 | 0 | 122,059 | 122,059 | 245,179 |
| 2047-2050 | 0 | 240,000 | 240,000 | 0 | 17,425 | 17,425 | 257,425 |
| Total | $ 2,469 | $ 5,158,481 | $ 5,160,950 | $ 148 | $ 3,466,645 | $ 3,466,793 | $ 8,627,743 |

(1) Years 2012 - 2014 interest includes projected interest for 2011 Taxable Series A (LIBOR Index Bonds).
(2) Does not reflect impact of subsidy interest payments on 2010 Series C (Build America Bonds).

| Refunded and defeased bonds outstanding, original loss on refunding, and the unamortized loss at December 31, 2011 are as follows: | | | | |
|---|---|---|---|---|
| Refunding Issue | Refunded Bonds | Refunded and Defeased Bonds Outstanding | Original Loss | Unamortized Loss |
| | | (Thousands) | | |
| Cash Defeasance | $ 20,000 of the 1982 Series A | $ 0 | $ 2,763 | $ 774 |
| Commercial Paper | $ 76,050 of the 1973 Series | | | |
| | 105,605 of the 1977 Series | | | |
| | 81,420 of the 1978 Series | 0 | 2,099 | 197 |
| 2002 Refunding Series A | $ 113,380 of the 1992 Refunding Series A | 0 | 23,378 | 4,801 |
| 2002 Refunding Series D | $ 293,250 of the 1993 Refunding Series A | | | |
| | 25,900 of the 1993 Refunding Series B-1 | | | |
| | 25,900 of the 1993 Refunding Series B-2 | | | |
| | 132,095 of the 1993 Refunding Series C | 0 | 73,613 | 13,207 |
| 2003 Refunding Series A | $ 336,385 of the 1993 Refunding Series C | | | |
| | 15,750 of the 1995 Refunding Series A | 0 | 57,064 | 32,240 |
| 2005 Refunding Series A | $ 74,970 of the 1995 Refunding Series A | | | |
| | 37,740 of the 1995 Refunding Series B | | | |
| | 20,080 of the 1996 Refunding Series A | 0 | 23,864 | 12,225 |
| 2005 Refunding Series B | $ 2,590 of the 1995 Refunding Series A | | | |
| | 100,320 of the 1995 Refunding Series B | | | |
| | 192,305 of the 1996 Refunding Series A | | | |
| | 21,505 of the 1996 Refunding Series B | 0 | 73,749 | 39,372 |
| 2005 Refunding Series C | $ 86,335 of the 1993 Refunding Series C | 0 | 12,125 | 7,719 |
| 2006 Refunding Series C | $ 105,005 of the 1999 Series A | | | |
| | 10,000 of the 2002 Series B | 10,000 | 7,054 | 947 |
| 2007 Refunding Series B | $ 105,370 of the 1997 Refunding Series A | 0 | 8,832 | 4,374 |
| 2009 Refunding Series A | $ 99,515 of the 1997 Refunding Series A | | | |
| | 20,125 of the 1998 Refunding Series B | 0 | 8,707 | 7,155 |
| 2010 Refunding Series B | $ 30,430 of the 2001 Series A | | | |
| | 118,600 of the 2002 Series B | | | |
| | 84,780 of the 2002 Refunding Series D | 233,810 | 22,954 | 19,602 |
| 2011 Taxable Series A | $ 234,861 of the 2010 Taxable Series A | 0 | 107 | 88 |
| 2011 Refunding Series B | $ 8,990 of the 2002 Refunding Series D | | | |
| | 291,825 of the 2004 Series A | 300,815 | 23,287 | 22,268 |
| 2011 Refunding Series C | $ 134,715 of the 2002 Series B | | | |
| | 5,160 of the 2011 Series A | 139,875 | 4,362 | 4,322 |
| Total | | $ 684,500 | $ 343,958 | $ 169,291 |

The fair value of the Authority's debt is estimated based on 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 debt with similar terms and average maturities, the fair value of debt was $5.7 billion and $5.5 billion at December 31, 2011 and 2010, respectively.

Bond market transactions for the year ended December 31, 2011 were as follows:

| | | |
|---|---|---|
| **Revenue Obligations, 2011 Series M1** | **Par Amount: $26,161,900** | **Date Authorized: May 1, 2011** |
| **Summary:** - Issued Current Interest Bearing Bonds in $500 denominations and Capital Appreciation Bonds in $200 denominations | | |
| - Issued directly by the Authority to residents of the State, customers of the Authority, members of electric cooperatives organized under the laws of the State, and electric customers of the City of Bamberg and City of Georgetown | | |
| - Interest rates range from 2.00 percent in 2016 to 4.80 percent in 2031 | | |
| **Revenue Obligations, 2011 Refunding Series B** | **Par Amount: $288,515,000** | **Date Authorized: Aug 19, 2011** |
| **Summary:** - Reduced the Authority's total debt service over the life of its bonds by approximately $23.8 million | | |
| - Resulted in an economic gain of approximately $22.6 million | | |
| - Issued Sep 1, 2011 at an aggregate all-in true interest cost of 2.27 percent | | |
| - Maturities are between Dec 1, 2013 and Dec 1, 2021 | | |
| **Revenue Obligations, 2011 Series C** | **Par Amount: $135,855,000** | **Date Authorized: Sep 14, 2011** |
| **Summary:** - Reduced the Authority's total debt service over the life of its bonds by approximately $9.4 million | | |
| - Resulted in an economic gain of approximately $7.7 million | | |
| - Issued Oct 11, 2011 at an aggregate all-in true interest cost of 4.63 percent | | |
| - Maturities are between Dec 1, 2033 and Dec 1, 2036 | | |
| **Revenue Obligations, 2011 Series M2** | **Par Amount: $21,873,500** | **Date Authorized: Nov 1, 2011** |
| **Summary:** - Issued Current Interest Bearing Bonds in $500 denominations and Capital Appreciation Bonds in $200 denominations | | |
| - Issued directly by the Authority to residents of the State, customers of the Authority, members of electric cooperatives organized under the laws of the State, and electric customers of the City of Bamberg and City of Georgetown | | |
| - Interest rates range from 1.40 percent in 2016 to 4.20 percent in 2031 | | |

As of December 31, 2011 and 2010, the Authority was in compliance with all debt covenants. 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 and water systems and all necessary repairs, replacements and renewals thereof; and

(2) the Authority is restricted from issuing additional parity bonds unless certain conditions are met.

All Authority debt (Electric and Water Systems) issued pursuant to the Revenue Obligation Resolution is payable solely from and secured by a lien upon and pledge of the applicable Electric and Water Revenues of the Authority. Revenue Obligations are senior to:

(1) payment of expenses for operating and maintaining the System; and

(2) payments for debt service on Capitalized Leases and payments made into the Capital Improvement Fund.

| Bonds Outstanding Summary As of December 31, 2011 | |
|---|---|
| Outstanding Revenue Obligations | $5.2 Billion |
| Estimated Remaining Interest Payments | $3.5 Billion |
| Years of Issuance (Inclusive) | Between 1999 and 2011 |
| Year for Maturities (Inclusive) | Between 2012 and 2050 |
| Note: Proceeds from these bonds were/will be used to fund a portion of the Authority's ongoing capital program or retire or refund certain outstanding debt of the Authority. | |

## NOTE 6 – VARIABLE RATE DEBT:

The Board has authorized the issuance of variable rate debt not to exceed 20 percent of the aggregate Authority debt outstanding (including commercial paper notes) as of the last day of the most recent fiscal year for which audited financial statements of the Authority are available. The lien and pledge of Revenues securing variable rate debt issued as Revenue Obligations is senior to that securing commercial paper notes.

On June 10, 2011, the Authority's Board authorized the sale of approximately $336.6 million Revenue Obligations, 2011 Series A (LIBOR Index Bonds) (2011A Bonds). The 2011A Bonds were issued June 23, 2011 and will bear interest from their delivery date and will be payable on the first business day of each month. The 2011A Bonds will mature on December 3, 2012, July 1, 2013, and June 2, 2014. The interest rate is variable and is set monthly based on the London Interbank Offered Rate (LIBOR) plus 38 basis points, 50 basis points, and 70 basis points, respectively.

Commercial paper is issued for valid corporate purposes with a term not to exceed 270 days. The information related to commercial paper was as follows:

| Years Ended December 31, | **2011** | 2010 |
|---|---|---|
| Commercial Paper Notes Outstanding (000's) | **$ 306,566** | $ 159,338 |
| Effective interest rate (at December 31) | **0.19%** | 0.30% |
| Average annual amount outstanding (000's) | **$ 250,982** | $ 251,916 |
| Average maturity | **62 Days** | 69 Days |
| Average annual effective interest rate | **0.24%** | 0.36% |

At December 31, 2011, the Authority had Revolving Credit Agreements with Wells Fargo Bank, N.A., J. P. Morgan Chase Bank, N.A., and United States Bank, N.A. totaling $500.0 million. At December 31, 2010, the Authority had Revolving Credit Agreements with Wells Fargo Bank, N.A. and J.P. Morgan Chase Bank, N.A. totaling $375.0 million. These agreements are used to support the Authority's issuance of commercial paper. There were no borrowings under the agreements during 2011 or 2010.

## 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 Unit 1 at the Summer Nuclear Station with undivided interests of 33 1/3 percent and 66 2/3 percent, respectively. SCE&G is solely responsible for the design, construction, budgeting, management, operation, maintenance and decommissioning of Unit 1 and the Authority is obligated to pay its ownership share of all costs relating thereto. The Authority receives 33 1/3 percent of the net electricity generated. In 2004, the NRC granted a twenty-year extension to the operating license for Unit 1, extending it to August 6, 2042.

| Authority's Share of V. C. Summer Station - Unit 1 | | |
|---|---|---|
| Years Ended December 31, | **2011** | 2010 |
| | (Millions) | |
| Plant Balances Before Depreciation | **$ 529.3** | $ 529.4 |
| Accumulated Depreciation | **314.7** | 306.8 |
| Share of Operation & Maintenance Expense | **76.1** | 71.9 |

Nuclear fuel costs are being amortized based on energy expended using the unit-of-production method. Costs include a component for estimated disposal expense of spent nuclear fuel. This amortization is included in fuel expense and recovered through the Authority's rates.

In 2002, SCE&G commenced a re-racking project of the on-site spent fuel pool. The new pool storage capability will permit full core off-load through 2017. SCE&G has signed contracts with HOLTEC International, SHAW Group, and Westinghouse Electric Company, Inc. (Westinghouse) to build a licensed Independent Spent Fuel Storage Installation (ISFSI) to commence receiving fuel in 2015.

The Nuclear Regulatory Commission (NRC) requires 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 2006 and the NRC's imposed minimum requirement. Based on these estimates, the Authority's one-third share of the estimated decommissioning costs of Unit 1 equals $178.9 million in 2006 dollars. As deposits are made, the Authority debits FERC account 532 - Maintenance of Nuclear Plant, an amount equal to the deposits made to the internal and external trust funds. These costs are recovered through the Authority's rates. Based on current decommissioning cost estimates, these funds, which totaled approximately $186.7 million (adjusted to market) at December 31, 2011, along with future deposits into both the external and internal decommissioning accounts and investment earnings, are expected to provide sufficient funds for the Authority's one-third share of the total decommissioning costs.

The Authority and SCE&G plan to construct and operate two additional nuclear generating units (Summer 2 and Summer 3) at V.C. Summer Nuclear Station and submitted an application for a combined Construction and Operating License (COL) for the two new units to the NRC in March 2008. On May 22, 2008, the Authority's Board authorized the Authority to execute a Limited Agency Agreement appointing SCE&G to act as the Authority's agent in connection with the performance of an Engineering, Procurement, and Construction (EPC) Agreement. On May 23, 2008, SCE&G, acting for itself and as agent for the Authority, entered into an EPC Agreement with Westinghouse and Stone & Webster, Inc. for the engineering, procurement, and construction of two 1100 MW nuclear generating units.

On October 20, 2011, the Authority and SCE&G entered into a Design and Construction Agreement. Among other things, the Design and Construction Agreement allows either or both parties to withdraw from the project under certain circumstances. Also on October 20, 2011, the Authority and SCE&G entered into an Operating and Decommissioning Agreement with respect to the two units. Both the Design and Construction Agreement and the Operating and Decommissioning Agreement define the conditions under which the Authority or SCE&G may convey an undivided ownership interest in the new units to a third party. Together the Design and Construction Agreement and the Operating and Decommissioning Agreement provide for a 45 percent ownership interest by the Authority in each of the two new units and replace the Amended and Restated Bridge Agreement which had governed the relationship between the Authority and SCE&G. The Authority's Board has authorized the Authority to expend up to $1.9 billion through 2012 to fund the Authority's share of the EPC Agreement and associated Owner's Costs of the project.

As part of its Capital Improvement Program, the Authority has evaluated its level of participation in the new units and due to developments since initiation of the project, the Authority is taking actions necessary to reduce its 45 percent ownership interest. Beginning in 2011, the Authority deferred the portion of interest expense representing the amount related to the assumed ownership reduction.

The Authority expects to receive the COL in early 2012 and anticipates that the nuclear units will each take almost five years from the date of the COL to construct and will go into service on a staggered basis.

## NOTE 8 – LEASES:

The Authority has remaining capital lease contracts with Central Electric Power Cooperative, Inc. (Central), covering transmission and various other facilities. The remaining lease terms range from one to three years. Quarterly lease payments are based on a sum equal to the interest on and principal of Central's indebtedness to the Rural Utilities Service 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, 2011 are as follows:

| Year Ending December 31, | (Thousands) |
|---|---|
| 2012 | $ 1,343 |
| 2013 | 1,023 |
| 2014 | 251 |
| Total minimum lease payments | 2,617 |
| Less amounts representing interest | 148 |
| Principal payments | $ 2,469 |

Information related to property under capital leases and operating lease payments follows:

| Years Ended December 31, | 2011 | 2010 |
|---|---|---|
| | (Millions) | |
| **Property Under Capital Leases:** | | |
| Property Balances | $ **20.5** | $ 27.5 |
| Accumulated Depreciation | **17.7** | 25.8 |
| | | |
| **Operating Lease Payments (1)** | **4.5** | 4.9 |
| | | |
| (1) Includes periodic leased coal car expenses which are initially reflected in fuel inventory and subsequently reported in fuel expense based on tons burned. | | |
| **Expiration Terms of Current Coal Car Leases:** | July 2012 | |
| | February 2014 | |
| **Maximum Amounts for Coal Car Leases:** | Year 2012 | $ 1.3 Million |
| | Year 2013 | $ 445,200 |
| | Year 2014 | $ 74,200 |
| **Hydro Electric Generating Facility Lease:**<br>- Automatically extended for five-year periods<br>- May be terminated by either party by giving a two-year notice<br>- Obligation is $600,000 per year plus operating expenses | | |

## NOTE 9 – CONTRACTS WITH ELECTRIC POWER COOPERATIVES:

Central is a generation and transmission cooperative that provides wholesale electric service to each of the 20 distribution cooperatives which are members of Central. Power supply and transmission services are provided to Central in accordance with a power system coordination and integration agreement (the Coordination Agreement). Under this agreement, the Authority is the sole supplier of energy needs for Central, excluding energy Central receives from the Southeastern Power Administration (SEPA), small amounts provided by Broad River Electric Cooperative's ownership interest in a small run of the river hydroelectric plant and small amounts purchased from others.

Central, under the terms of the Coordination Agreement, has the right to audit costs billed to them through the cost of service. Any differences found as a result of this process are accrued if they are probable and estimable. To the extent that differences arise, prospective adjustments are made to the cost of service and are reflected in operating revenues in the accompanying Combined Statements of Revenues, Expenses and Changes in Net Assets. Such adjustments in 2011 and 2010 were not material to the Authority's overall operating revenue.

In September 2009, the Authority and Central entered into an agreement which, among other things, would permit Central to purchase the electric power and energy requirements necessary to serve five of its member cooperatives located in the upper part of the State that were formerly members of Saluda: Blue Ridge Electric Cooperative, Inc., Broad River Electric Cooperative, Inc., Laurens Electric Cooperative, Inc., Little River Electric Cooperative, Inc. and York Electric Cooperative, Inc. (the Upstate Load) from a supplier other than the Authority. Central has obtained all of the necessary regulatory approvals to transition the Upstate Load to a new supplier. The Upstate Load will transition to the new supplier over a seven-year period beginning in 2013, and by 2019 will amount to approximately 1,000 MW. The agreement provides that neither party will exercise any right to terminate the Central Agreement effective on or before December 31, 2030 and that the parties agree to negotiate in good faith terms and conditions by which the rights of the Authority and Central to terminate the Central Agreement will be deferred beyond 2030.

## NOTE 10 - COMMITMENTS AND CONTINGENCIES:

**Budget –** The Authority's three-year capital budget is as follows:

| Years Ending December 31, | 2012 | 2013 | 2014 |
|---|---|---|---|
| | | (Millions) | |
| Future Nuclear Units (1) | $ 705.5 | $ 744.8 | $ 394.3 |
| Environmental Compliance | 7.7 | 21.6 | 42.2 |
| General Improvements | 219.3 | 202.5 | 205.4 |
| Total Capital Budget (2) | $ 932.5 | $ 968.9 | $ 641.9 |

(1) Total estimated project costs including transmission is $2,433.5 million assuming a reduced ownership share.

(2) Will be financed by internally generated funds, taxable and tax-exempt debt.

**Purchase Commitments -** The Authority has contracted for long-term coal purchases beyond December 31, 2011, which include estimated outstanding minimum obligations. The disclosure of minimum obligations below (including market re-opener contracts) is based on the Authority's contract rates and represents management's best estimate of future expenditures under long-term arrangements.

| Year Ending December 31, | With Re-openers (All Tons) (1) | Without Re-openers (Fixed Tons) (2) |
|---|---|---|
| | (Thousands) | |
| 2012 | $ 467,332 | $ 467,332 |
| 2013 | 516,110 | 478,360 |
| 2014 | 328,944 | 238,640 |
| 2015 | 299,621 | 244,440 |
| 2016 | 105,080 | 105,080 |
| 2017 - 2025 | 209,380 | 209,380 |
| Total | $ 1,926,467 | $ 1,743,232 |

(1) Includes tons which the Authority can elect not to take.

(2) Includes tons which the Authority must receive.

The Authority has the following outstanding obligations under existing long-term purchased power contracts as of December 31, 2011:

| Contracts with Minimum Fixed Payment Obligations | | | |
|---|---|---|---|
| Number of Contracts | Delivery Beginning | Remaining Term | Obligations (Millions) |
| | | | |
| 1 | 1985 | 23 Years | $ 59.9 |
| 1 | 2011 | 3 Years | 29.1 |
| **Contracts with Power Receipt and Payment Obligations (1) (2)** | | | |
| Number of Contracts | Delivery Beginning | Remaining Term | Obligations (Millions) |
| | | | |
| 1 | 2010 | 14 Years | $ 271.5 |
| 1 | 2012 | 20 Years | 19.4 |
| 1 | 2012 | 20 Years | 20.8 |
| 1 | 2013 | 20 Years | 621.3 |
| 1 | 2013 | 20 Years | 266.0 |
| 3 | 2013 | 30 Years | 788.4 |
| | | | |

(1) Payment required upon receipt of power. Assumes no change in indices or escalation.

(2) In January 2012, an additional contract was approved for a term of 29 years beginning in 2013 with an obligation amount totaling $461.1 million.

The Authority entered into agreements effective October 1, 2008 whereby New Horizon Electric Cooperative, Inc. assigned its interests, rights, and obligations in contracts with Duke Energy Corporation and SCE&G for network integration transmission service to the Authority. The agreements are for network transmission service for the Upstate Load as defined in NOTE 9 – CONTRACTS WITH ELECTRIC POWER COOPERATIVES. A payment schedule for these agreements shows that $10.6 million will be due in 2012, with remaining annual payments totaling $69.4 million through the end of the contract term in 2023. However, a majority of the Upstate Load will transition to a new supplier as stated in the last paragraph of NOTE 9 and the Authority's obligation for transmission service for this load will decrease in approximately the same proportion. At the end of the transition period, the Authority shall no longer be responsible for purchasing transmission service for the load served by the new supplier.

CSX Transportation, Inc. (CSX) provides substantially all rail transportation service for the Authority's coal-fired generating units. The Authority also interchanges with some short line railroads via CSX for the movement of coal. In 2011, a new agreement was signed with CSX with an effective date of January 1, 2011. This contract will continue to apply a price per ton of coal moved, along with a mileage based fuel surcharge.

The Authority has commitments for nuclear fuel, nuclear fuel conversion, enrichment and fabrication contracts for Summer Units 1, 2, and 3. As of December 31, 2011, these contracts total approximately $750.0 million over the next 23 years. The enrichment component of these commitments from 2012 through 2013 totaling $19.1 million is contingent upon the operating requirements of the nuclear units.

In 2009, the Authority amended the Rainey Generating Station Long-Term Parts and Long-Term Service Contract with General Electric International, Inc. (GEII). In lieu of exercising its option to terminate the Contract for convenience and to pursue non-OEM parts and services, the Authority negotiated an amendment with reduced pricing for maintenance and fixed escalation. The contract provides a contract performance manager (CPM), initial spare parts, parts and services for specified planned maintenance outages, remote monitoring and diagnostics of the turbine generators, and combustion tuning for the gas turbines.

The amended contract value is approximately $103.5 million, including escalation. The contract term extends through the second major inspection for Rainey 1 (expected to be completed in 2024) and through the second hot gas path inspection for Rainey 2A (expected to be completed in 2014) and for Rainey 2B (expected to be completed in 2017). The contract can be terminated for convenience at the end of 2015. The Authority's Board has approved recovery of contract expenditures on a straight-line basis over the term of the contract.

Effective November 1, 2000, the Authority contracted with Transcontinental Gas Pipeline Corporation (TRANSCO) to supply gas transportation needs for its Rainey Generating Station. This is a firm transportation contract covering a maximum of 80,000 decatherms per day for 15 years.

**Risk Management -** The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. The Authority purchases commercial insurance to cover these risks, subject to coverage limits and various exclusions. Settled claims resulting from these risks did not exceed commercial insurance coverage in 2011. Policies are subject to deductibles ranging from $250 to $1.0 million, with the exception of named storm losses which carry deductibles from $1.0 million up to $5.0 million. Also a $1.4 million general liability self-insured layer exists between the Authority's primary and excess liability policies. During 2011, there were minimal payments made for general liability claims.

The Authority is self-insured for auto, dental, worker's compensation, and environmental incidents that do not arise out of an insured event. The Authority purchases commercial insurance, subject to coverage limits and various exclusions, to cover automotive exposure in excess of $2.0 million per incident. Risk exposure for the dental plan is limited by plan provisions. Estimated exposure for worker's compensation is based on an annual actuarial study using loss and exposure information valued as of June 30, 2011. There have been no third-party claims for environmental damages for 2011 or 2010.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The amount of the self-insurance liabilities for auto, dental, worker's compensation, and environmental remediation is based on the best estimate available. Changes in the reported liability were as follows:

| Year Ended December 31, | **2011** | 2010 |
|---|---|---|
| | (Thousands) | |
| Unpaid claims and claim expense at beginning of year | **$ 2,263** | $ 1,753 |
| Incurred claims and claim adjustment expenses: | | |
| Add: Provision for insured events of the current year | **1,985** | 3,548 |
| Less: Payments for current and prior years | **2,636** | 3,038 |
| Total unpaid claims and claim expenses at end of year | **$ 1,612** | $ 2,263 |

The Authority pays insurance premiums to certain other State agencies to cover risks that may occur in normal operations. The insurers promise to pay to, or on behalf of, the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. Several State funds accumulate assets, and the State itself assumes all risks for the following:

(1) claims of covered employees for health benefits (Employee Insurance Program); not applicable for worker's compensation injuries; and

(2) claims of covered employees for basic long-term disability and group life insurance benefits (Employee Insurance Program and Retirement System).

Employees elect health coverage through the State's self-insured plans. All other coverage listed above is through the applicable State self-insured plan except that additional group life and long-term disability premiums are remitted to commercial carriers. The Authority assumes the risk for claims of employees for unemployment compensation benefits and pays claims through the State's self-insured plan.

**Nuclear Insurance -** The maximum liability for public claims arising from any nuclear incident has been established at $12.5 billion by the Price-Anderson Indemnification Act. This $12.5 billion would be covered by nuclear liability insurance of $300.0 million per site, with potential retrospective assessments of up to $117.5 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed $17.5 million per incident, per year). Based on its one-third interest in Summer Nuclear Station, the Authority could be responsible for the maximum assessment of $39.2 million, not to exceed approximately $5.8 million per incident, per year. This amount is subject to further increases to reflect the effect 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 Nuclear Electric Insurance Limited (NEIL), $500.0 million primary and $1.5 billion excess property and decontamination insurance to cover the costs of cleanup of the facility in the event of an accident. SCE&G and the Authority also maintain accidental outage insurance to cover replacement power costs (within policy limits) associated with an insured property loss. In addition to the premiums paid on these three policies, SCE&G and the Authority could also be assessed a retrospective premium, not to exceed ten times the annual premium of each policy, in the event of property damage to any nuclear generating facility covered by NEIL. Based on current annual premiums and the Authority's one-third interest, the Authority's maximum retrospective premium would be approximately $2.8 million for the primary policy, $4.2 million for the excess policy, and $1.4 million for the accidental outage policy.

SCE&G and the Authority maintain builder's risk insurance and marine cargo insurance for the Summer Units 2 & 3 construction. The builder's risk policy provides coverage of $2.75 billion, with deductibles ranging from $250,000 to $5.0 million. This policy also carries a potential retrospective premium of approximately $42.0 million. Based on the Authority's current 45 percent ownership interest, the Authority's maximum retrospective premium would be approximately $18.9 million. The marine cargo policy provides coverage of $300.0 million, with deductibles ranging from $25,000 to $75,000.

The Authority is self-insured for any retrospective premium assessments, claims in excess of stated coverage, or cost increases due to the purchase of replacement power associated with an uninsured event. Management does not expect any retrospective assessments, claims in excess of stated coverage, or cost increases for any periods through December 31, 2011.

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

In addition to the existing Clean Air Act (CAA) Federal Acid Rain Program, the EPA has promulgated and is implementing the Clean Air Interstate Rule (CAIR) for SO2 and NOx emissions.

In place of the vacated federal Clean Air Mercury Rule (CAMR), South Carolina utilities and DHEC finalized a Memorandum of Agreement (MOA) in which the Authority committed to install and certify mercury Continuous Emissions Monitoring Systems (CEMS) at a set of agreed-upon coal-fired units, and collaborate with the South Carolina utilities and DHEC to provide support for a state-wide assessment evaluating the mercury deposition resulting from coal-fired power plants in South Carolina. In 2009, the mercury CEMS were installed at the specified Authority units and utilities began initial reporting. There are no cap and trade or emissions limitations requirements per the MOA.

The CAIR replacement rule, the Cross State Air Pollution Rule (CSAPR), was finalized by EPA and scheduled to take effect January 1, 2012; however it was stayed by the U.S. Court of Appeals for the District of Columbia on December 30, 2011. Utilities are operating under CAIR in the interim.

The Authority has been operating under a settlement agreement, called the Consent Decree, which became effective June 24, 2004. The settlement with EPA and DHEC was related to certain environmental issues associated with coal-fired units. It involved the payment of a civil penalty, an agreement to perform certain environmentally beneficial projects, and capital costs to achieve emissions reductions over the period ending 2013. The capital costs continue to be offset from a reduced need to purchase emission credits.

Currently there are both legislative and regulatory efforts to reduce greenhouse gas emissions. The Authority continues to review proposed greenhouse gas regulations to assess potential impacts to its operations. In 2010, EPA finalized the Prevention of Significant Deterioration (PSD) Tailoring Rule for regulating greenhouse gases through the PSD permitting process under the existing CAA. EPA issued Best Available Control Technology (BACT) Guidance in 2010 for use under the rule effective July 1, 2011. The Authority will continue to monitor both regulatory and legislative efforts to reduce greenhouse gas emissions to assess potential impacts to its operations.

Through the maximum achievable control technology (MACT) regulatory process, the EPA has proposed the Utility MACT regulations to reduce the emissions of mercury and other hazardous air pollutants (HAPs) from coal and oil-fired electric utility steam boilers. As a part of EPA rule development, the Authority participated in the EPA's mandatory Information Collection Request (ICR) for mercury and other HAPs for its coal-fired and oil-fired units. The ICR required facility and fuel information as well as stack testing at Cross, Winyah and Jefferies generating stations. The proposed MACT rule was released in March 2011 with a public notice comment period. The Authority submitted comments to the proposed rule. The final MACT was pre-released by EPA December 16, 2011 as the Mercury and Air Toxics Rule (MATS); however it has not yet been published in the Federal Register. The Authority is evaluating the potential impacts of compliance with MATS, as pre-released, to its coal and oil-fired generating units.

**Safe Drinking Water Act -** The Authority continues to monitor regulatory issues impacting drinking water systems at the Authority's regional water systems, generating stations, substations, and other auxiliary facilities. DHEC has regulatory authority of potable water systems in South Carolina under The State Primary Drinking Water Regulation, R.61-58; the Authority endeavors to manage its potable water systems in compliance with R.61-58.

**Clean Water Act -** The Clean Water Act (CWA) prohibits the discharge of pollutants, including heat, from point sources into waters of the United States, except as authorized in the National Pollutant Discharge Elimination System (NPDES) permit program. DHEC has been delegated NPDES permitting authority by the EPA and administers the NPDES permit program for the State.

Wastewater discharges from the generating stations and the regional water plants are governed by NPDES permits issued by DHEC. Further, the storm-water from the generating stations must be managed in accordance with the State's NPDES Industrial General Permit for storm-water discharges. The Authority constantly strives to operate in compliance with these permits.

The CWA, under Section 316(b), also requires that cooling water intake structures reflect the best technology available for minimizing adverse environmental impacts, such as the impingement of fish and shellfish on the intake structures and the entrainment of eggs and larvae through cooling water systems. The EPA has proposed regulations for certain intake structures, including those at many electric generating facilities. Since the regulations have not yet been finalized their full impact is not known at this time. However, if the regulations are promulgated in their present form, significant intake changes may be required, particularly at the older facilities.

The EPA also has regulations under the CWA relating to Spill Prevention Control and Counter-measures (SPCC). These regulations require that applicable facilities, which include generating stations, substations, and auxiliary facilities, maintain SPCC plans to meet certain standards. The Authority continually works to be in compliance with these regulations.

**Hazardous Substances and Wastes -** Section 311 of the CWA imposes substantial penalties for spills of Federal EPA-listed hazardous substances into water and for failure to report such spills. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) provides for the reporting requirements to cover the release of hazardous substances into the environment. Additionally, the EPA regulations under the Toxic Substances Control Act (TSCA) impose stringent requirements for labeling, handling, storing and disposing of polychlorinated biphenyls (PCBs) and associated equipment.

Under the CERCLA and Superfund Amendments and Reauthorization Act (SARA), the Authority could be held responsible for damages and remedial action at hazardous waste disposal facilities utilized by it, if such facilities become part of a Superfund effort. Moreover, under SARA, the Authority must comply with a program of emergency planning and a "Community Right-To-Know" program designed to inform the public about more routine chemical hazards present at the facilities. Both programs have stringent enforcement provisions. The Authority endeavors to comply with the applicable provisions of TSCA, CERCLA and SARA, but it is not possible to determine if some liability may be imposed in the future for past waste disposal or compliance with new regulatory requirements.

In addition to handling hazardous substances, the Authority generates solid waste associated with the combustion of coal, the vast majority of which is fly ash, bottom ash, gypsum and scrubber sludge. These wastes are presently exempt from hazardous wastes regulation under the Resource Conservation and Recovery Act (RCRA). However, EPA has recently proposed regulations that, if enacted, would add significant cost to the handling of these materials and possibly eliminate or greatly reduce their reuse and recycling.

**Pollution Remediation Obligations –** The Authority follows GASB 49 which addresses standards for pollution (including contamination) remediation obligations for activities such as site assessments and cleanups. GASB 49 does not include standards for pollution remediation obligations that are addressed elsewhere. Examples of obligations addressed in other standards include pollution prevention and control obligations for remediation activities required upon the retirement of an asset, such as ash pond closure and post-closure care and nuclear power plant decommissioning.

The Authority had recorded $180,000 and $181,000 for pollution remediation liabilities for the years ended December 31, 2011 and 2010, respectively. The method used to estimate the liabilities consists of weighting a range of possible estimated job cost amounts and calculating a weighted average cost. The weights and estimated costs are developed using professional engineering judgment acquired through years of estimating and completing many pollution remediation projects. The Authority foresees no cost recoveries at this time which would reduce the recorded estimated liabilities.

**Homeland Security -** The Department of Homeland Security (DHS) was established by the Homeland Security Act of 2002, a portion of which relates to anti-terrorism standards at facilities which store or process chemicals. The Authority has been proactive in conducting security assessments at its facilities and will continue to strive to comply with these evolving regulations.

**Legal Matters -** An action was instituted in the U.S. District Court, Charleston, South Carolina, by a number of landowners located along the Santee River primarily in Williamsburg and Georgetown Counties, South Carolina. The plaintiffs contend, through various causes of action, that the Authority is liable to them for damage to their real estate as a result of flooding that has occurred since the Corps of Engineers' (Corps) Cooper River Re-diversion Project was completed in 1985. A jury trial held in 1997 resulted in a verdict against the Authority on certain causes of action. The Authority entered into a settlement agreement with the plaintiffs and has paid approximately $221.6 million, including interest, to the plaintiffs. On March 30, 2011 and August 8, 2011, the District Court entered orders requiring the Authority to pay approximately $10.4 million in costs and attorney fees to the plaintiffs. The Authority has paid for these costs and attorney fees and the District Court entered its Final Order and Judgment on August 23, 2011. The Authority submitted a claim seeking indemnification from the Corps on August 30, 2011. The U. S. Army Contract Board of Appeals previously determined that the contract between the Corps and the Authority requires that the Corps indemnify the Authority for certain claims arising out of the construction and operation of the project. No estimate of the amount or timing of recovery from the Corps can be made at this time.

The Authority is also a party in various other claims and lawsuits that arise in the conduct of its business. Although the results of litigation cannot be predicted with certainty, in the opinion of management, the ultimate disposition of these matters will not have material adverse effect on the financial position or results of operations of the Authority.

## NOTE 11 – RETIREMENT PLAN

Substantially all Authority regular employees must participate in one of the components of the South Carolina Retirement System (SCRS), a cost sharing, multiple-employer public employee retirement system, which was established by Section 9-1-20 of the South Carolina Code of Laws.

The payroll for active employees covered by the SCRS was as follows:

| Year Ended December 31, | **2011** | 2010 | 2009 |
|---|---|---|---|
| | | (Millions) | |
| Payroll for Active Employees | **$ 124.4** | $ 121.5 | $ 122.0 |

Vested employees who retire at age 65 or with 28 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 either age 60 with vested service or age 55 with 25 years of service. The SCRS also provides death and disability benefits. Benefits are established by State statute.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allowed SCRS employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit or disability retirement benefits. Effective July 1, 2005, TERI employees began “re-contributing” to the SCRS at the prevailing rate. However, no service credit is earned under the new regulations. The group life insurance of one times annual salary was re-established for TERI participants.

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement plans be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws (as amended) prescribes requirements relating to membership, benefits and employee/employer contributions.

All employees are required by State statute to contribute to the SCRS at the prevailing rate (currently 6.50 percent). The Authority contributed 9.24 percent of the total payroll for SCRS retirement through June 30, 2011. Effective July 1, 2011, the rate increased to 9.385 percent. For 2011, the Authority also contributed an additional 0.15 percent of total payroll for group life. The contribution requirements for the prior three years were as follows:

| Years Ended December 31, | **2011** | 2010 | 2009 |
|---|---|---|---|
| | | (Millions) | |
| From the Authority | **$ 11.7** | $ 11.5 | $ 11.6 |
| From Employees | **8.1** | 7.9 | 7.9 |
| (1) The Authority made 100 percent of the required contributions for each of the three years. | | | |

The SCRS issues a standalone financial report that includes all required supplementary information. The report may be obtained by writing to: South Carolina Retirement System, P.O. Box 11960, Columbia, S.C. 29211.

Effective July 1, 2002, new employees have a choice of type of retirement plan in which to enroll. The State Optional Retirement Plan (State ORP) which is a defined contribution plan is an alternative to the SCRS retirement plan which is a defined benefit plan. The contribution amounts are the same, (6.50 percent employee cost and 9.385 percent employer cost) however, 5.0 percent of the employer amount is directed to the vendor chosen by the employee and the remaining 4.385 percent is to the Retirement System. As of December 31, 2011, the Authority had 40 employees participating in the State ORP and consequently the related payments are not material.

The Authority is the non-operating owner (one-third share) of SCE&G's V.C. Summer Nuclear Station. As such, the Authority is responsible for funding its share of pension requirements for the nuclear station personnel in accordance with FASB ASC 715. Any earnings generated from the established pension plan are shared proportionately and used to reduce the allocated funding.

As of December 31, 2011 and 2010, the Authority had over-funded its share of the plan FASB ASC 715 requirements by $5.6 million and $6.8 million, respectively. This receivable however, is offset by a regulatory liability. The balances were approximately $25.3 million and $19.9 million for the unfunded portion of pension benefits at December 31, 2011 and 2010, respectively. Additional information may be obtained by reference to the SCANA Corporation Annual Report on Form 10K as filed with the Securities Exchange Commission as of December 31, 2011.

The Authority also provides retirement benefits to certain employees designated by management and the Board under supplemental executive retirement plans (SERP). Benefits are established and may be amended by management and the Authority's Board and includes retirement benefit payments for a specified number of years and death benefits. The cost of these benefits is actuarially determined annually. Beginning in 2006, these plans were segregated into internal and external funds. The qualified benefits are funded externally with the annual cost set aside in a trust administered by a third party. The pre-2006 retiree benefits and the non-qualified benefits are funded internally with the annual cost set aside and managed by the Authority. A summary of the Authority's SERP activity is as follows:

| Year Ended December 31, | **2011** | 2010 |
|---|---|---|
| | (Millions) | |
| Total Cost | **$ 1.0** | $ 1.4 |
| Accrued Liability | **5.1** | 5.1 |

## NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB):

**Vacation / Sick Leave -** During their first 10 years of service, full-time employees can earn up to 15 days of vacation leave per year. After 11 years of service, employees earn an additional day of vacation leave for each year of service over 11 until they reach the maximum of 25 days per year. Employees earn two hours per pay period, plus twenty additional hours at year-end for sick leave.

Employees may accumulate up to 45 days of vacation leave and 180 days of sick leave. Upon termination, the Authority pays employees for unused vacation leave at the pay rate then in effect. In addition, the Authority pays employees upon retirement 20 percent of their sick leave at the pay rate then in effect.

**Plan Description -** The Authority participates in an agent multiple-employer defined benefit healthcare plan whereby the South Carolina Employee Insurance Program (EIP) provides certain health, dental and life insurance benefits for eligible retired employees of the Authority. The retirement benefits available are defined by the EIP and substantially all of the Authority's employees may become eligible for these benefits if they retire at any age with a minimum of 10 years of earned service or at age 60 with at least 20 years of service. Currently, approximately 667 retirees meet these requirements. For employees hired May 2, 2008 or thereafter, the number of years of earned service necessary to qualify for funded retiree insurance is 15 years for a one-half contribution, and 25 years for a full contribution. The EIP may be contacted at: Employee Insurance Program, Financial Services, PO Box 11661, Columbia, S.C. 29211-1661.

**Funding Policy –** Prior to 2010, the Authority used the unfunded pay-as-you-go option (or cash disbursement) method pursuant to GASB 45 to record the net OPEB obligations. During 2010, the Authority established an irrevocable trust with Synovus Trust Company and elected the funding policy method. This method of funding will result in decreasing contributions over time whereby the more retirees, the lesser the disbursements as a percentage of employee payroll.

**Annual OPEB Cost -** The Authority's annual OPEB cost, the annual required contribution of the employer (ARC), is an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The Authority's annual OPEB cost contributed for these benefits is equal to the actual disbursements during the year for health care benefits for retired employees plus annual funding amounts for the trust. The Authority's annual OPEB costs (expense) for the current and prior years were as follows:

| Year Ended December 31, | **2011** | 2010 |
|---|---|---|
| | (Thousands) | |
| Beginning Liability Balance | **$ 14,414** | $ 19,855 |
| Add: Annual OPEB Cost | **9,841** | 8,858 |
| Less: Annual OPEB Cost Contributed | **12,396** | 14,299 |
| Net OPEB Obligation | **$ 11,859** | $ 14,414 |

**Funded Status and Funding Progress -** The funded status of the plan based on the latest actuarial study dated December 31, 2010 is as follows:

| | (Thousands) |
|---|---|
| Actuarial Accrued Liability (AAL) | **$ 131,076** |
| Less: Actuarial Value of Plan Assets | **11,132** |
| Unfunded Actuarial Accrued Liability (UAAL) | **$ 119,944** |
| Funded Ratio (Actuarial Value of Plan Assets / AAL) | **8.49%** |

At December 31, 2011, the estimated value of the Plan Assets was $19.8 million creating an estimated funded ratio of 15.09 percent and an estimated unfunded liability of $111.3 million. Actuarial valuations of an ongoing plan involve estimates such as mortality rates and potential rising health costs. The Unfunded Actuarial Accrued Liabilities were amortized as a level percent of active member payroll over a period of 30 years, the maximum period allowed by GASB.

**Actuarial Methods and Assumptions –** The Projected Unit Credit, Level Percent of Payroll actuarial cost method has been used to calculate the GASB ARC for this valuation. Using the plan benefits, the present health premiums, and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as amortize a portion of the unfunded accrued liability. If experience is in accordance with the assumptions used, the ARC will increase at approximately the same rate as active member payroll, and the ARC as a percentage of payroll will remain basically level on a year to year basis. This is both an acceptable and reasonable cost method.

| Required Supplementary Information - Schedule of Funding Progress | | | | |
|---|---|---|---|---|
| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a / b) |
| | (Thousands) | | | |
| 6/30/2006 | $ 0 | $ 137,543 | $ 137,543 | 0.00% |
| 6/30/2008 | 0 | 107,113 | 107,113 | 0.00% |
| 12/31/2010 | 11,132 | 131,076 | 119,944 | 8.49% |

**V.C. Summer OPEB -** The Authority is the non-operating owner (one-third share) of SCE&G's V.C. Summer Nuclear Station. As such the Authority is responsible for funding its share of other post-employment benefit costs for the station's employees. The Authority's liability balances as of December 31, 2011 and 2010 were approximately $9.2 million and $8.9 million, respectively.

At December 31, 2011 and 2010, respectively, regulatory asset and liability balances of approximately $2.3 million and $2.0 million were recorded for the unfunded portion of other post-employment benefit costs for V.C. Summer employees. Additional information may be obtained by reference to the SCANA Corporation Annual Report on Form 10K as filed with the Securities Exchange Commission as of December 31, 2011.

## NOTE 13 - CREDIT RISK AND MAJOR CUSTOMERS:

Sales to two major customers for the years ended December 31, 2011 and 2010 were as follows:

| Customer: | **2011** | 2010 |
|---|---|---|
| | (Thousands) | |
| Central (including Saluda) | **$ 1,089,000** | $ 1,096,000 |
| Alumax of South Carolina | **189,000** | 176,000 |

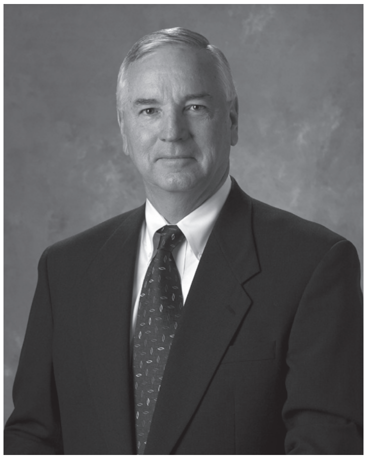
No other customer accounted for more than 10 percent of the Authority's sales for either of the years ended December 31, 2011 or 2010. The Authority maintains an allowance for uncollectible accounts based upon the expected collectability of all accounts receivable. The allowance as of December 31, 2011 and 2010 was $1.4 million and $1.5 million, respectively.

## NOTE 14 – SUBSEQUENT EVENT(S):

We have evaluated subsequent events through February 24, 2012 in conjunction with the preparation of these financial statements which is the date the financial statements were available to be issued. As of this date, the Authority had the following to report:

On February 9, 2012, the Authority issued $99.4 million of Revenue Obligations, 2012 Refunding Series A Bonds. The bond proceeds were used to refund a portion of both Revenue Obligations, 2003 Refunding Series A and 2004 Series A. This issue resulted in a gross savings of $17.3 million over the life of the bonds.

# BOARD OF DIRECTORS



## O.L. THOMPSON III
Chairman
At-Large
Mt. Pleasant, S.C.

President and CEO of O.L. Thompson Construction Co., Inc., which includes Thompson Trucking Co. Inc. and Wando Concrete.

## WILLIAM A. FINN*
2nd Vice Chairman
1st Congressional District
Charleston, S.C.

Chairman of AstenJohnsen, Inc., a specialty textile company for the printing and papermaking industries based in Charleston, S.C.

## KRISTOFER CLARK
3rd Congressional District
Easley, S.C.

Senior director of operations for The Cliffs Management Service, LLC and owner of Pristine Properties, LLC.

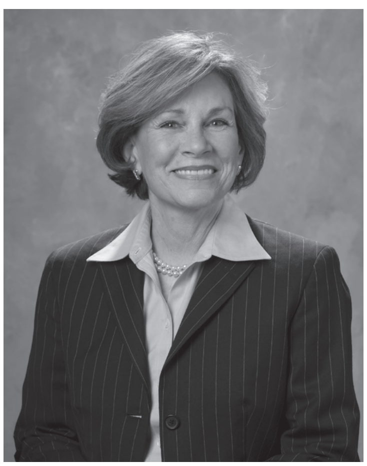
* The first vice chair position was vacant as of Dec. 31, 2011. In their January 2012 meeting, the directors elected William Finn 1st Vice Chairman.

## J. CALHOUN LAND IV
6th Congressional District
Manning, S.C.

Partner in Land, Parker and Welch, a general practice Manning law firm.

## W. LEIGHTON LORD III
2nd Congressional District
Columbia, S.C.

Partner in Nexsen Pruet law firm in Columbia.



## PEGGY H. PINNELL
Berkeley County
Moncks Corner, S.C.

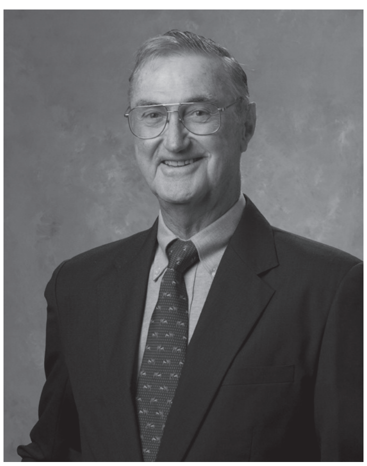
Owner of State Farm Insurance Agency, Moncks Corner.

## JAMES R. SANDERS JR.
5th Congressional District
Gaffney, S.C.

General partner of Sanders Properties, LLC, and president of Development & Construction, LLC.

## DAVID F. SINGLETON
Horry County
Myrtle Beach, S.C.

President of Singleton Properties, Inc., real estate investment and sales firm.



## DAVID A. SPRINGS
Georgetown County
Murrells Inlet, S.C.

Retired Consulting Engineer for electric cooperatives and municipal utilities with Southern Engineering Company of Georgia.

## CECIL E. VIVERETTE
At-Large
Hilton Head Island, S.C.

Retired President and CEO of Rappahannock Electric Cooperative in Virginia.

## BARRY D. WYNN*
4th Congressional District
Spartanburg, S.C.

President of Colonial Trust Company, a private trust company specializing in investment management and estate services.

*In their January 2012 meeting, the directors elected Barry Wynn 2nd Vice Chairman.

## ADVISORY BOARD

Nikki Haley
*Governor*

Mark Hammond
*Secretary of State*

Alan Wilson
*Attorney General*

Richard A. Eckstrom
*Comptroller General*

Curtis M. Loftis Jr.
*State Treasurer*

## EXECUTIVE MANAGEMENT

| | |
|---|---|
| Lonnie N. Carter | *President and Chief Executive Officer* |
| Bill McCall Jr. | *Executive Vice President and Chief Operating Officer* |
| Elaine G. Peterson | *Executive Vice President and Chief Financial Officer* |
| James E. Brogdon Jr. | *Executive Vice President and General Counsel* |
| Rennie M. Singletary III | *Executive Vice President of Corporate Services* |
| Terry L. Blackwell | *Senior Vice President, Power Delivery* |
| L. Phil Pierce | *Senior Vice President, Generation* |
| Marc R. Tye | *Senior Vice President, Customer Service* |

## MANAGEMENT

| | |
|---|---|
| S. Thomas Abrams | *Vice President, Planning and Power Supply* |
| Jeffrey D. Armfield | *Vice President, Fuels Strategy and Supply* |
| Michael C. Brown | *Vice President, Wholesale and Industrial Services* |
| Wm. Glen Brown | *Vice President, Human Resource Management* |
| Michael R. Crosby | *Vice President, Nuclear Operations and Construction* |
| Glenda W. Gillette | *Vice President and Controller* |
| Thomas L. Kierspe | *Vice President, Property and Environmental Management* |
| Richard S. Kizer | *Vice President, Government and Community Relations* |
| J. Michael Poston | *Vice President, Retail Operations* |
| Suzanne H. Ritter | *Vice President, Corporate Planning and Treasurer* |
| Laura G. Varn | *Vice President, Corporate Communications* |
| Pamela J. Williams | *Vice President, Administration and Corporate Secretary* |

## AUDITOR

Stephon Terrell Thompson

# OFFICE LOCATIONS

**Carolina Forest Town Centre**
3990 River Oaks Drive
Myrtle Beach, SC 29579
843-946-5950
843-903-1333 fax

**Conway Office**
100 Elm Street
Conway, SC 29526
843-248-5755
843-248-7315 fax

**Loris Office**
3701 Walnut Street
Loris, SC 29569
843-756-5541
843-756-7008 fax

**Moncks Corner Office**
***Santee Cooper Headquarters***
One Riverwood Drive
Moncks Corner, SC 29461
843-761-4060
843-761-4122 fax

**Myrtle Beach Office**
1703 Oak Street
Myrtle Beach, SC 29577
843-448-2411
843-626-1923 fax

**Murrells Inlet/Garden City Office**
900 Inlet Square Drive
Murrells Inlet, SC 29576
843-651-1598
843-651-7889 fax

**North Myrtle Beach Office**
1000 2nd Avenue N.
North Myrtle Beach, SC 29582
843-249-3505
843-249-6843 fax

**Pawleys Island Office**
126 Tiller Road
Pawleys Island, SC 29585
843-237-9222
843-237-8959 fax

**St. Stephen Office**
1172 Main Street
St. Stephen, SC 29479
843-567-3346
843-567-4709 fax

**For more information, please contact:**
Mollie Gore, Director of Publications
P.O. Box 2946101
Moncks Corner, SC 29461-2901
Phone: 843-761-7093
fax: 843-761-74122
mollie.gore@santeecooper.com

Santee Cooper 2011 Annual Report
created by Corporate Communications.
Photographer—Jim Huff
Designer—Tom Galmarini
Editor—Mollie Gore

santee cooper®


**1 Riverwood Drive**
**Moncks Corner, SC 29461-2901**
843-761-8000
info@santeecooper.com