

History of Valuation Study



Background

In October, 2003 Credit Suisse/First Boston (First Boston) prepared a report, "Utility IPO Considerations" (later referenced to as an "overview analysis" - See November 4, 2004 draft agreement). This October, 2003 report (attached) restated First Boston's understanding that "the State of South Carolina is seeking to monetize its investment in Santee Cooper." Monetization alternatives identified were either an IPO (Initial Public Offering) or trade sale. Within the report, First Boston provided "For Discussion Purposes Only" estimates of an implied equity value ranging between \$1.3 and \$1.7 billion dollars. Regulatory dynamics identified include:

"How much will rates need to be increased?"

While the report included the Santee Cooper logo on each page, it is not clear that the company had any participation in gathering information for the report or even "officially" received a copy. The copy given by Santee Cooper to this subcommittee's staff apparently came to the company "indirectly."

Without specifically referencing the First Boston report, Santee Cooper management, with the assistance of "independent experts," reviewed and commented upon the difficulty of achieving an attractive valuation for the company (presumably through an IPO or trade sale) because of:

- 1) the additional costs a private company would incur in managing essentially the same utility business;
- 2) the need to raise customer rates by at least 30% if the state wished to clear \$1.3 billion (First Boston's floor for implied equity value); and
- 3) the significant transactional costs associated with the conversion of the public power company to private (presumably IOU) status.

It is unclear as to the method or scope of circulation of this November 3, 2003 responsive analysis (attached).

On September 20, 2004, e-mails were directed from Marshall Evans, Governor's Office, to Morgan Stanley, Lazard Freres & Co., M. P. Morgan and Credit Suisse/First Boston. E-mail from Evans included a "request for proposals" for advisory services on the potential privatization of Santee Cooper (see attached). Specifics included that the successful applicant would work with the Governor's Office to refine proposals, set a deadline of noon, September 24, 2004, and scheduled in-person presentations for the period between September 27 and October 22, 2004. Responses were received and the vetting process completed. (Within an e-mail to Lonnie Carter on November 4, 2004, Keith Munson identified Board members Green, Coen and himself as those members "vett[ing] the advisors who were interested in this project.") There is no record of Board action denominating this group to act on behalf of the Board. In this time period [Fall

2004], these three members constituted a quorum of the Executive-Corporate Planning Committee. When they met, notice under FOIA was not given.

It appears that the proposal for Credit Suisse/First Boston's services was discussed with the Board at its October 28, 2004 meeting [See Munson e-mail of November 4, 2004]. No records were made of the discussions or Board decisions to authorize payment [\$100,000 fee, up to \$50,000 in expenses] by Santee Cooper or to set controls on Board/employee interface with First Boston. It appears that a subject of discussion may have been the need for the study to be independent and "not subject to the oft cited criticism that it achieved a pre-determined result suggested by the company." (See Munson e-mail of November 4, 2004).

The agreement was edited and versions exchanged until Lonnie Carter, as President and CEO, executed it on November 19, 2004. Within the agreement, Santee Cooper agreed to fund but not direct the analysis. Payment of First Boston's invoice of \$100,000 was authorized by Lonnie Carter on December 14, 2004. (See attached).

A due diligence process (between First Boston and Santee Cooper staff) began in November, 2004. (See request, preliminary response, and other responses attached). The company's Executive Management Team and First Boston representatives met to discuss the study on Monday, December 20, 2004. (See attached e-mail correspondence). No Board member appears to have been "copied" on this correspondence. Additional data was supplied on various dates between December 20, 2004 and a follow-up meeting on Monday, February 7, 2005. Again, no Board member appears to have been copied on this correspondence. Additional data was forwarded after the February 7-8, 2005 meeting between First Boston and Santee Cooper staff. On February 15, 2005, Suzanne Ritter, Santee Cooper Executive Vice President for Corporate Planning and Bulk Power, requested some indication as to when a draft report would be available for staff comment prior to release. Laetitia Dowl, First Boston, agreed to coordinate. (See e-mail exchange of February 15, 2005). On February 24, 2005, Suzanne Ritter forwarded the un-audited 2004 Cash Flow Statement indicating that she "believe(d) that [it was] the last piece of information [Santee Cooper was] getting for you." (See e-mail attached). As with all staff correspondence to First Boston and reply correspondence since formalization of the agreement [November 19, 2004], no Board member was copied.

On March 22, 2005, Suzanne Ritter inquired as to the status of the study and the planned opportunity for staff review and comment. (See e-mail of March 22, 2005). Subcommittee staff has confirmed that First Boston did not reply to this inquiry nor related telephone inquiries.

At its April 22, 2005 meeting, the Board was advised by Keith Munson that the valuation report was ready and a presentation could be given by First Boston to the Board on May 5, 2005.

On May 5, 2005, First Boston presented its report. Within the Executive Summary, the report was deemed to be a "comprehensive financial analyses regarding Santee Cooper . . . using various valuation and other methodologies and [was to] provide a view as to possible strategies to enhance the company's value under its existing structure or any viable alternatives." (emphasis supplied).

The report was covered by a legend (requested by company executives) indicating that the report was not reviewed or verified by Santee Cooper. Within the bound report was a six (6) page "History and Analysis of Santee Cooper" prepared by Keith Munson. Munson was recognized as Chairman of the Company's Legal Affairs Committee and an attorney with Womble Carlyle Sandridge and Rice. Within its disclaimer, the company noted that the foreword did not represent the opinion of Santee Cooper, its Board, or Management.

Munson's foreword, while offering a brief history of Santee Cooper, also concluded:

- 1) that the evolution of Santee Cooper's current mission, sale of "marginally cheaper electricity to residents along the coast, electricity wholesalers and existing industry . . . , may not have been the result of a deliberative public policy process."
- 2) that a deliberative public policy discussion should occur on the appropriate utilization of the State's equity in Santee Cooper.
- 3) that the amount of Santee Cooper's annual payments to the State may no longer support the S.C. Supreme Court's holding in Clark v. Santee Cooper (1934) (upholding such payments in lieu of taxes) and
- 4) that the single largest customer of Santee Cooper (Central Electric Cooperative, and its distribution cooperatives) excessively marked-up the price of power sold.

Within its Executive Summary, First Boston did not attribute any Board member as a source of data or information impacting its financial analysis. ("analyses . . . based on confidential financial and other information provided by the management of Santee Cooper . . ." emphasis supplied).

Subcommittee staff inquired of First Boston as to: (1) who was the client (for purposes of contact/control) in this matter and (2) any Board member communications with First Boston after the agreement was formalized (November 19, 2004) but prior to release (May 5, 2005). To date, first Boston has chosen not to respond to several telephone requests and written requests (by both staff and executives of Santee Cooper). (See correspondence attached).

On May 11, 2005, Keith Munson provided an account of his involvement in the study through (1) preparation of the foreword as an "informal connection" between First Boston and Santee Cooper and (2) as his being the occasional coordinator of the transfer of information between First Boston and Santee Cooper. Within this account, Keith Munson noted that it was his intention to give First Boston background information so as to give their report some historical context, especially in light of S. 573. Apparently, and in Mr. Munson's view, by default, he provided guidance as to "when to release the report, format, etc." He believed that First Boston considered him to "be the client representative on these matters." In response to staff's request for assistance in obtaining First Boston's records as to Board member contacts and correspondence, Keith Munson did "not believe that [he could] effectively intercede."

Issues

- 1) Did the Board and its committees comply with FOIA in:
 - a) the development of the RFP and vetting of proposals,
 - b) the development of the relationship between First Boston and the company,
 - c) the delineation [or absence thereof] of chain of communication between First Boston and the company,
 - d) the authorization of the company payment for the study, and
 - e) the development of Board policy or background information to be included in the study.
- 2) Did Board or its leadership construct adequate protections to insure the independence of the study?
- 3) What authority did Keith Munson possess and/or exercise in his interactions with First Boston?
- 4) What is the appropriate role for Board members to play in providing legal advice or analysis (as opposed to employed counsel)?
- 5) What is the "practical fallout" of the study/foreword on Santee Cooper, its reputation, and its relationship with investors and customers?



 Santee Cooper,

SANTEE COOPER



UTILITY IPO CONSIDERATIONS
CONFIDENTIAL | OCTOBER 2003
PRELIMINARY | SUBJECT TO FURTHER REVIEW AND EVALUATION
FOR DISCUSSION PURPOSES ONLY

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CSFB Team Overview



SENIOR MANAGEMENT		
Bayo Oguntelal Executive Board Global Head of Investment Banking	Rodney Miller Managing Director Co-Head of Global Energy	David Danuzio Managing Director Co-Head Global Energy M&A
GLOBAL ENERGY Mary Beth Mandamus Vice President	Bryan Kintzoy Associate	David McDermott Associate
		Larry Handan Managing Director



EQUITY CAPITAL MARKETS
Michael Filazo
Managing Director

DEBT CAPITAL MARKETS
Mike Davis
Director

SYNDICATED FINANCE
Jim Finch
Managing Director

Situation Overview



- ▶ CSFB understands that the State of South Carolina is seeking to monetize its investment in Santee Cooper. Proceeds from this monetization will be used to support numerous economic development projects and education initiatives.

Monetization Alternatives


- ▶ IPO
- ▶ Trade sale

Key Considerations

- ▶ Regulatory - rate increases, allowed ROE
- ▶ Capital structure - leverage, debt ratings
- ▶ Long term strategy - growth opportunities, equity story
- ▶ Social - management / employees

The following materials provide an overview of various characteristics of investor owned utilities and analyzes the IPO potential of Santee Cooper.

Characteristics of Investor Owned Utilities

 Santee Cooper.

Regulated ROE

- ▶ Customers' rates – function of the cost to serve and an allowed return on shareholders' equity
- ▶ Typical ROE – approximately 10-13%, depending on the environment
 - Recent rate case for SCE&G provided for a 12.45% allowed ROE
- ▶ PUHCA requirement – 30% equity capitalization
- ▶ Strong investment grade rating – 50-60% debt / total capitalization
 - Approximately 80% of US utilities support an investment grade rating, of which 45% fall into the 'BBB' category

Capital Structure

Dividend Yield / Payout

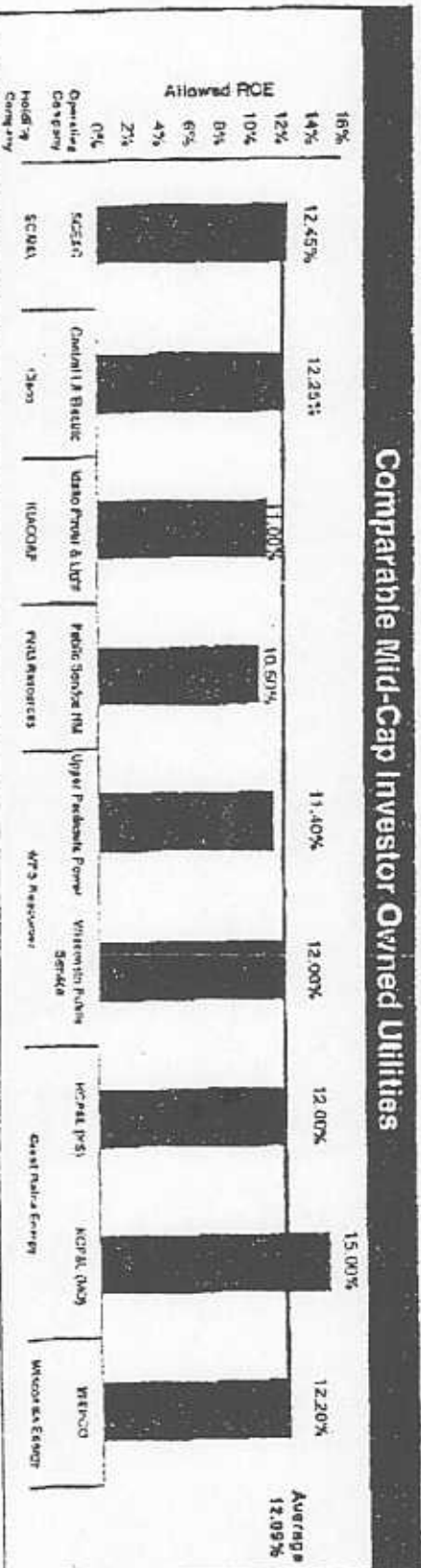
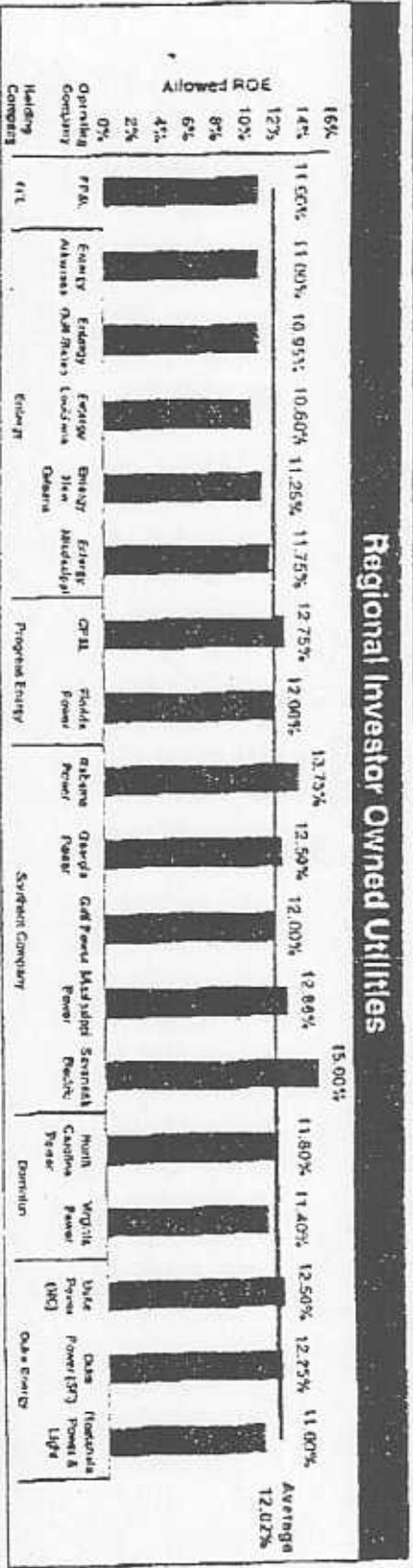
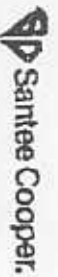
- ▶ Consistent dividend payments
- ▶ Targeted dividend yield of 4-5% and payout ratio of 55-60%
 - Ten year average for US utilities:
 - Dividend yield 5.1%
 - Dividend payout ratio 76.6%

Growth Rates⁽¹⁾

- ▶ Southeastern region – average customer growth of 2.0%, GWh sales growth of 2.4%
- ▶ United States – average customer growth of 1.1%, GWh sales growth of 3.6%

⁽¹⁾ Listed available data through 2001
Source: Fossilis

Regulated Return on Equity

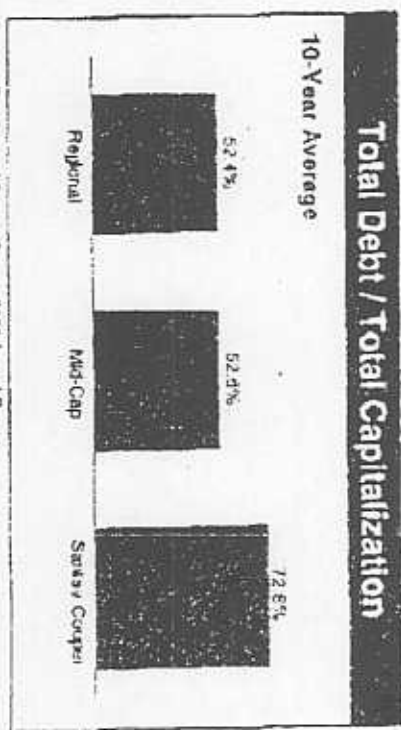
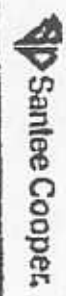


Santee Cooper should estimate an allowed ROE of approximately 12%, based on comparable companies.

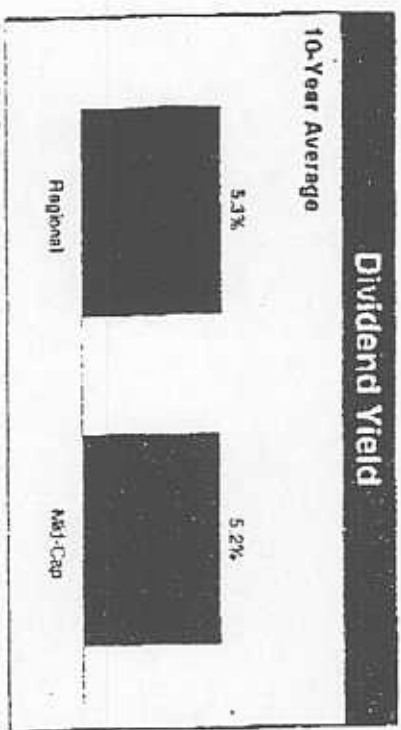
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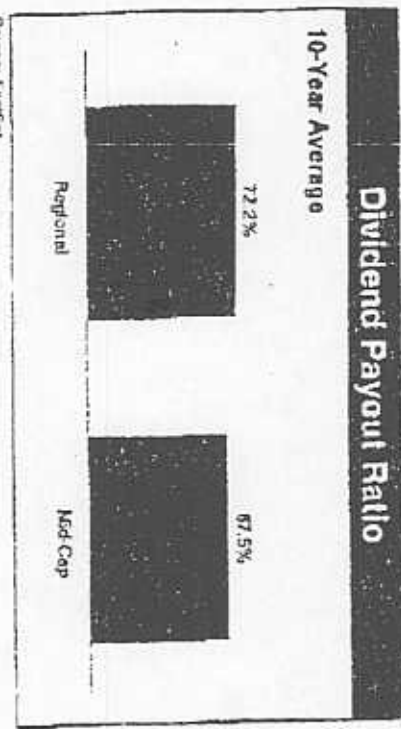
Financial Characteristics



Source: FitchI and Santee Cooper 2002 Annual Report.



Source: FitchI.

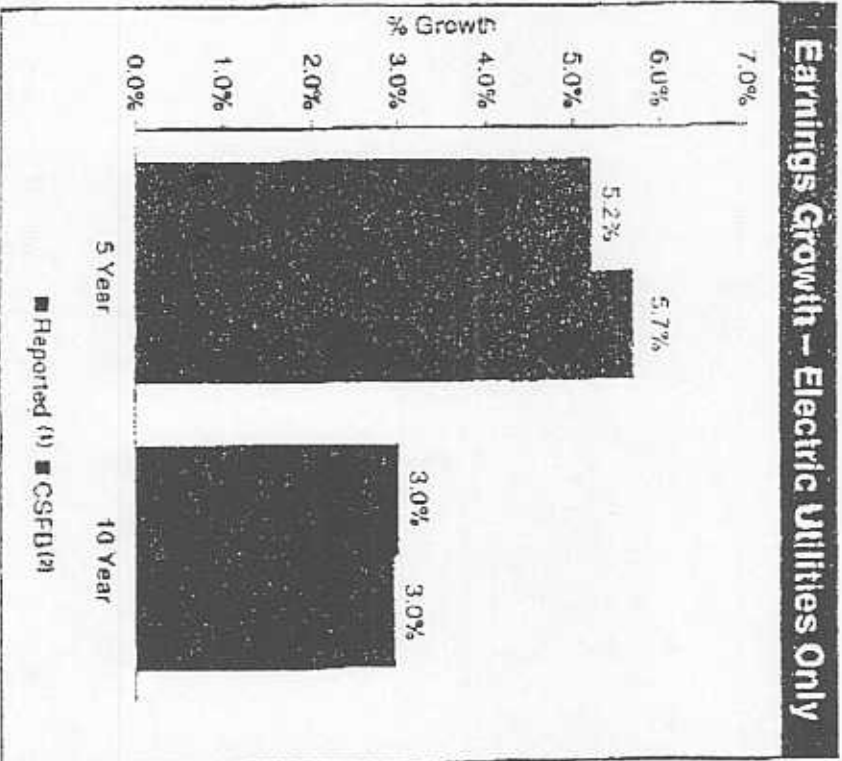
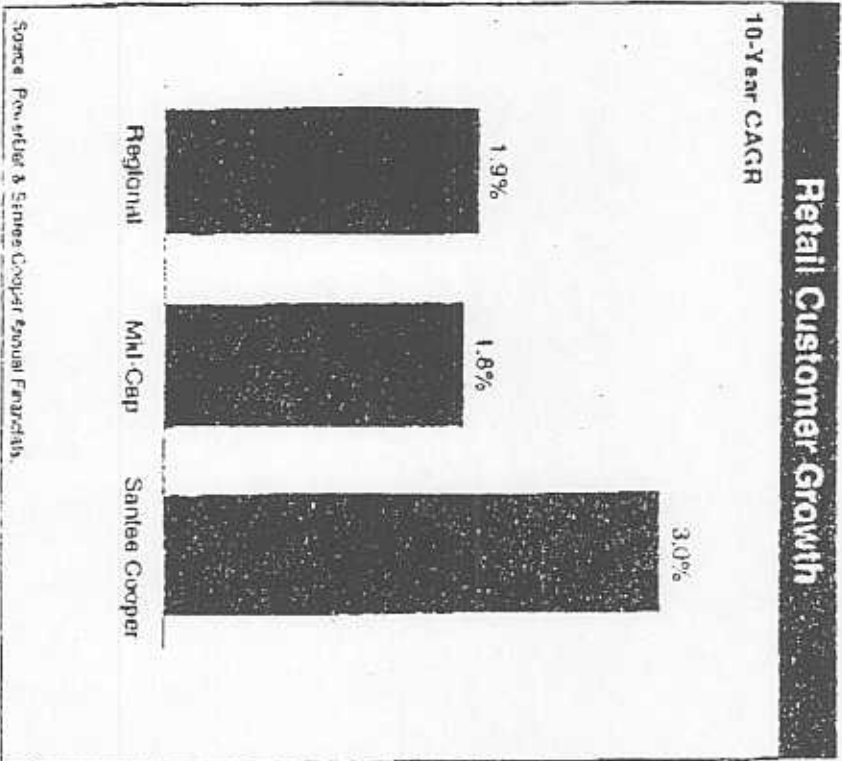


Source: FitchI.

Note: Regional/Composite Companies consists of: Dominion Resources, Duke Energy, Entergy Corp., FPL Group, Progress Energy, SCANA Corp., Southern Co. Companies like Top Companies consists of: Cleco Corp., Great Plains Energy, IADCOFF, PNM Resources, Santee Corp., Wisconsin Energy, WTS Resources.

To achieve a strong investment grade rating, Santee Cooper should plan to reduce debt.

Growth Characteristics



Source: Powerline & Santee Cooper Annual Financials

Note: Regional Companies/Companies consists of Dominion Resources, Duke Energy, Entergy Corp., FPL Group, Progress Energy, SCANA Corp., Southern Co., Commonwealth Edison, Con Edison, FirstEnergy, IUCORP, PNM Resources, SCANA Corp., Wisconsin Energy, WPS Resources

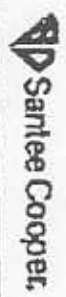
(1) Regional Companies consists of Cinergy, FirstEnergy, IUCORP, PNM Resources, SCANA Corp., Wisconsin Energy, WPS Resources

(2) CSFB represents normalized I and S of Reported data excluding earnings increases of over 100% and declines of over 85% in any given year

Santee Cooper should plan to target 3-5% earnings growth.

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Equity Market Trading Multiples: Regional Investor Owned Utilities



(All values, except per share EYE and multiples)

Ticker Symbol	SCANA Corp.	FPL Inc.	Energy Corp.	Progress Energy Inc.	Southern Co.	Dominion Resources Inc.	Duke Energy Corp.
Stock Price (as of 9/26/2003)	\$34.24	\$62.81	\$53.95	\$44.63	\$29.40	\$61.30	\$17.96
Market Value	\$3,798	\$11,534	\$12,281	\$10,809	\$21,393	\$19,800	\$16,236
Net Debt	3,440	8,781	8,445	11,260	14,730	17,115	24,493
Enterprise Value	\$7,238	\$20,315	\$20,736	\$22,069	\$36,129	\$36,915	\$40,729
EV Multiples ⁽¹⁾							
2003E EBITDA	8.5x	8.3x	7.7x	8.5x	9.4x	8.2x	7.7x
2004E EBITDA	8.3x	7.2x	7.2x	9.4x	8.1x	7.5x	7.7x
Share Price Multiples ⁽¹⁾							
2003E P/E	13.6x	12.9x	13.0x	12.3x	15.0x	12.9x	13.4x
2004E P/E	12.8x	12.3x	12.9x	11.7x	15.2x	12.1x	13.4x
MV / Book Value	1.7x	1.7x	1.4x	1.6x	2.3x	1.8x	1.0x
Dividend Yield	4.0%	3.8%	3.3%	5.0%	4.8%	4.2%	6.1%
Forward 2003E Dividend Payout	54.5%	49.1%	43.2%	61.0%	75.5%	54.4%	81.8%
L-F Mean EPS Growth	4.4%	4.7%	6.2%	4.7%	4.8%	5.7%	4.1%
Debt / Book Capitalization	60.4%	56.8%	49.0%	61.8%	61.5%	60.6%	60.9%
Debt / Market Capitalization	47.5%	43.2%	40.7%	51.0%	40.0%	46.4%	60.1%
% Unregulated	15%	35%	20%	15%	5%	40%	60%
Business Risk Position ⁽²⁾	4	4	6	5	4	4	5
Senior Unsecured Credit Ratings	A3/BBB+	A2/A-	NR/BBB	Baa2/BBB-	A3/A	Baa1/BBB+	Baa1/BBB+
Share Price 52-Week High	\$35.45	\$68.08	\$54.98	\$48.00	\$32.00	\$65.95	\$22.00
Share Price 52-Week Low	\$24.80	\$49.35	\$36.80	\$32.84	\$24.80	\$35.40	\$12.21

	Mean	Median
2003E P/E	13.4x	13.0x
2004E P/E	12.9x	12.9x
MV / Book Value	1.6x	1.7x
Dividend Yield	4.5%	4.2%
Forward 2003E Dividend Payout	60.0%	54.5%
L-F Mean EPS Growth	4.8%	4.7%
Debt / Book Capitalization	58.8%	60.5%
Debt / Market Capitalization	47.1%	46.4%
% Unregulated	25.7%	20.0%

(1) Earnings estimates based on EYD and First Call
(2) Relative business risk position for operating utility companies

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Equity Market Trading Multiples: Comparable Mid-Cap Investor Owned Utilities



(All multiples, except per share data and multiples)

Stock Price (as of 6/26/2003)	SCANA Corp.	Claco Corp.	IDACORP Inc.	PRM Resources Inc.	WPS Resources Corp.	Great Plains Energy Inc.	Wisconsin Energy Corp.
Market Value	\$34.24	\$16.23	\$25.17	\$27.63	\$41.12	\$30.03	\$29.98
EV Multiple (1)	8.6x	8.1x	NM	8.4x	8.5x	7.1x	8.3x
2003E EBITDA	8.3x	7.3x	6.9x	7.8x	6.4x	7.0x	7.8x
2004E EBITDA							
Enterprise Value	\$7,238	\$1,845	\$2,089	\$2,270	\$2,303	\$1,307	\$7,721
Share Price Multiples (2)							
2003E P/E	13.5x	12.4x	NM	14.1x	15.5x	15.2x	13.1x
2004E P/E	12.9x	13.1x	12.6x	13.2x	14.7x	14.9x	12.6x
MV / Book Value	1.7x	1.8x	1.1x	1.0x	1.7x	2.2x	1.6x
Dividend Yield	4.0%	6.6%	7.4%	3.3%	5.3%	5.5%	2.7%
Forward 2003E Dividend Payout	54.5%	68.9%	NM	46.7%	82.3%	83.6%	34.9%
L-T Mean EPS Growth	4.4%	5.0%	7.0%	4.2%	3.7%	4.2%	6.3%
Debt / Book Capitalization	60.4%	88.6%	57.5%	51.9%	54.6%	56.5%	65.1%
Debt / Market Capitalization	47.5%	58.4%	54.2%	50.7%	42.0%	37.2%	54.5%
% Unleveraged	16%	20%	5%	5%	28%	20%	25%
Business Risk Position (3)	4	5	4	6	4	6	4
Senior Unsecured Credit Ratings	A3/BBB+	Baa3/BBB-	Baa1/A-	Baa3/BBB	Aa3/A	Baa2/BBB	A2/BBB+
Share Price 52-Week High	\$35.45	\$18.30	\$27.92	\$28.97	\$44.28	\$30.84	\$30.56
Share Price 52-Week Low	\$24.80	\$8.74	\$20.60	\$17.47	\$32.04	\$17.66	\$21.20

(1) Earnings estimates based on ITCG and First Call.
(2) Reflects business risk position for operating utility companies.

Mean	Media
7.9x	8.2x
7.3x	7.3x
14.0x	13.8x
13.4x	13.1x
1.5x	1.6x
4.8%	5.3%
61.6%	61.7%
5.0%	4.4%
59.2%	57.5%
49.2%	50.7%
16.4%	20.0%

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US Integrated Electric Utility - Comparable Acquisitions Analysis



(In millions)

Date	Acquirer	Target	Equity Purchase Price	Adjusted Purchase Price	Purchase Price over LTM Earnings to Com.	Book Value	Adjusted Purchase Price as a multiple of LTM EBITD
4/28/2002	Anaren	CLCORP (AES)	\$540	\$1,382	28.2x	1.0x	1.7x
10/9/2001	Northwest Natural Gas	Portland General Electric	\$1,875	\$3,002	17.0x	2.1x	0.9x
2/28/2001	Energy East	RGS Energy Group	\$1,382	\$2,396	18.0x	1.5x	1.7x
2/12/2001	PEPCO	Cespeck	\$2,210	\$5,402	12.5x	1.9x	0.9x
1/15/2000	Public Serv. Co. of New Mexico	Western Resources Electric Utility Operations	\$1,503	\$4,442	17.2x	1.4x	2.4x
10/2/2000	Northwestern Corp	MTP Utility	\$602	\$1,090	15.6x	1.3x	1.9x
7/17/2000	AES	IPALCO	\$2,250	\$3,094	17.0x	3.1x	3.7x
2/28/2000	PowerGen	LOBE	\$3,223	\$5,056	12.1x	2.4x	2.0x
1/18/1999	Sierra Pacific Resources	Portland General Electric	\$2,020	\$3,099	18.0x	2.0x	3.0x
10/26/1998	Everstar Group	MidAmerican Energy Holdings	\$2,161	\$8,090	16.1x	2.0x	2.1x
9/16/1999	Energy East	CLP Group	\$897	\$1,509	14.4x	1.8x	1.6x
6/14/1999	Dynegy	Illnoxa	\$1,894	\$4,775	20.0x	1.5x	9.2x
5/25/1999	Investor Group	TNP Enterprises, Inc.	\$590	\$1,052	24.4x	1.9x	1.0x
3/25/1998	Northam States Power	New Century Energies	\$4,857	\$7,905	13.5x	1.8x	2.2x
12/7/1998	Scottish Power	Pacificor	\$7,688	\$12,577	24.9x	1.9x	1.7x
8/12/1998	CalEnergy	MidAmerican Energy	\$2,164	\$3,571	17.8x	1.6x	2.0x
5/11/1990	Consolidated Edison	Orange & Rockland	\$782	\$1,320	18.0x	2.1x	2.0x
4/30/1998	Sierra Pacific Resources	Nevada Power Company	\$1,320	\$2,364	18.1x	1.6x	3.0x
7/22/1998	Enron Corp	Portland General	\$2,162	\$3,316	14.8x	2.3x	3.2x

High	Average	Median	Low
30.3x	17.5x	17.0x	12.1x
3.1x	1.8x	1.0x	1.0x
3.7x	2.2x	2.2x	0.5x

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Hypothetical Revenue Requirement for 12% ROE



(\$ in millions)

CSFB Estimate of Rate Base	12/31/2002	EBITDA Build-up	
Utility Plant	\$3,957	Net Income	\$173
Accumulated Depreciation	(1,570)	Income Taxes @ 38%	107
Net Utility Plant	2,387	Pre-tax Income	280
Construction Work in Progress	222	Interest Expense @ 6.5%	94
Costs to be Recovered from Future Revenue	217	Implied EBIT	374
Other Deferred Debts and Noncurrent Assets	26	Depreciation & Amortization ⁽¹⁾	144
Accrued Nuclear Decommissioning Costs	(101)	Implied EBITDA	\$517
Other Deferred Credits and Noncurrent Liabilities	(34)	Actual 2003E EBITDA	400
Rate Base Before Working Capital	2,717	Implied Increase in EBITDA	\$117
Working Capital	165	Current Utility Revenue	1,033
Total Rate Base	\$2,882	Implied Rate Increase	11.4%

Assumptions		Adjustment for Actual Leverage	
Rate Base	\$2,882	Total Debt @ 12/31/02 ⁽²⁾	\$2,847
Equity Component	50%	Assumed Cost of Debt	6.5%
Debt Component	50%	Pro Forma Interest Expense	185
Allowed Equity in Rate Base	\$1,441	Allowed Interest Expense	94
Allowed Debt in Rate Base	\$1,441	Incremental Interest Expense	91
		Income Taxes @ 30.25%	35
		Adjustment to Net Income	\$56
Assumed Cost of Debt	6.5%	Adjusted Net Income	\$116
Allowed Return on Equity ⁽³⁾	12.0%	Shareholder's Book Equity	1,064
Implied Rate of Return Rate Base	9.3%	Return on Book Equity	10.9%
Statutory Income Tax Rate	38.3%	Return on Rate Base Equity	8.1%

(1) Allowed ROE represents the average ROE for comparable companies.
 (2) Estimated to be equal to that of FVE ended 12/31/02.
 (3) Total debt outstanding at 12/31/02.

Based on an approximate \$2.9Bn rate base. Santee Cooper would have to raise rates by \$17MM or 11.4% to achieve a 12% ROE. In addition, a 50%/50% allowed cap structure will yield an allowed debt component of \$1.4Bn vs. Santee Cooper's actual debt load of \$2.8Bn.

Hypothetical Valuation and Credit Statistics



Valuation Metric	Date	Normalized Multiples	Enterprise Value Reference Range
EBITDA	\$517	7.0x - 8.0x	\$3,522 - \$4,140
Net Income ⁽²⁾	116	12.0x - 13.5x	3,867 - 4,141
Rate Base	2,882	1.4x - 1.6x	4,035 - 4,611
Enterprise Value Reference Range			\$3,900 - \$4,300
Assumed Net Debt ⁽³⁾			(\$2,550)
Implied Equity Value			\$1,331 - \$1,731

Credit Ratios	Pro Forma ⁽¹⁾		S&P Financial Targets - Business Risk Position A		BBB
	No Debt Reduction	\$1.0Bn Debt Reduction	A		
FFO / Debt	16.2%	28.0%	30.5%	24.5%	17.5%
EBITDA Interest Coverage	2.8x	4.3x	4.5x	3.8x	2.7x
EBIT Interest Coverage	2.0x	3.1x	4.0x	3.3x	2.2x
Total Debt / Total Capitalization	72.8%	63.5%	43.0%	49.5%	57.0%

(1) Normalized multiples assume no discount for highly leveraged utilities.
 (2) Enterprise value derived by adding net debt of \$2,550MM as of 12/31/02.
 (3) Net debt = total debt less unrestricted cash and cash equivalents as of 12/31/02.
 (4) Pro forma credit ratios calculated using (i) Implied EBITDA and EBIT; (ii) pro forma interest expense of \$120MM; and (iii) pro forma total debt of \$1.0bn net book equity.
 (5) Pro forma credit ratios calculated using (i) Implied EBITDA and EBIT; (ii) pro forma interest expense of \$120MM; and (iii) pro forma total debt of \$1.0bn net book equity.

At an assumed pro forma interest rate of 6.5%, Santee Cooper would have to reduce net debt by approximately \$1.0Bn to achieve a strong investment grade rating.

Key Issues to Consider

AP Santee Cooper.

Regulatory Dynamics

- ▶ How much will rates need to be increased?
- ▶ What are established rate base economics for Santee Cooper?
 - Allowed ROE
 - Equity / Debt components
 - Return on Rate Base

Capital Structure

- ▶ How does Santee Cooper achieve initial debt reduction?
- ▶ What are implications on existing debt and tax-exempt status?

Equity Story

- ▶ What is the long term growth strategy for Santee Cooper?
- ▶ How does the strategic vision support a strong valuation relative to the comparables?

Management / Board of Directors

- ▶ Composition of Board and Committees
 - Independent Director requirements
- ▶ Identification of key senior executives
- ▶ Employee benefits

Chronology of Initial RFPs

- September 20, 2004** Emails from Marshall Evans to the following:
James McGinnis, Morgan Stanley
Joseph Maybank, Lazard Freres & Co.
Paul Dabbar, J. P. Morgan
Mary Beth Mandanas, Credit Suisse First Boston
Email is a request for proposal for advisory services on the potential privatization of Santee Cooper. Includes elements the proposal should address. Clarifies that the successful proposer would work with the Governor's office. Proposals are should be emailed to Evans by noon on September 24, 2004. Also will need to schedule an in-person presentation between 9/27/04 and 10/11/04.
- September 24, 2004** Email from Marshall Evans to James McGinnis at Morgan Stanley grants extension for proposal
- October 7, 2004** Email from Paul Dabbar at J.P. Morgan to Marshall Evans provides additional fee proposal for a "study only" service
- October 7, 2004** Letter from Joseph Maybank at Lazard Freres & Co. to Marshall Evans
follow up from meeting with Marshall Evans
lowers fee for study to \$250,000
- October 12, 2004** Letter from Maybank to Evans
will conduct study for free; expense reimbursement capped at \$30,000
- October 13, 2004** Email from Paul Dabbar at J.P. Morgan provides basics of proposal for privatization study

The following companies provided responses that were found on file with the Governor's office:

- Credit Suisse First Boston** - "Privatization Study Discussion" October 8, 2004 (bound report)
- Banc of America Securities** September 24, 2004 (14 page letter addressed to the Office of the Governor)
- Banc of America Securities** "State Government of South Carolina Response to RFP" October 11, 2004 (bound report)
- J.P. Morgan** - "Strategic Discussion Materials" October 6, 2004 (bound report)
- J.P. Morgan** - "Proposal to serve as advisor to the Office of the Governor in evaluating the potential privatization of Santee Cooper" September 24, 2004 (bound report)

OG

From: Marshall Evans
To: james.mcginnis@morganstanley.com
Date: 9/24/2004 2:04:50 PM
Subject: Extension

Dear Jim:

Per our telephone conversations, we would be glad to extend the deadline for your proposal until Friday, October 1, since we took so long getting back to you on a critical question you asked. Please contact me if you have any further questions, and thanks for your interest!

Sincerely,
Marshall Evans
803-734-5227

From: <paul.dabbar@jpmorgan.com>
To: <mevans@gov.sc.gov>
Date: 10/13/2004 3:36:56 PM
Subject: JPM New proposal

Marshall:

Thank you for your continued interest in our abilities to potentially conduct the study for the Board of Santee Cooper. This evaluation, along with other work, is what we do for a living, and we are very excited about the opportunity.

As you requested, we have reviewed your request for an advisory/study engagement proposal not linked to any follow on potential work. We are coming back with a very aggressive proposal that we think you will find financially attractive:

1. We propose a flat fee for the study of \$100,000. This fee would be creditable against any follow on advisory work for the Company/Board.
2. We propose no linkage with any potential follow on work. We would hope that if any action is taken around the company, that you would appreciate our capabilities that you would see around the delivery of our study.
3. We would cap our expenses that we would bill to \$175,000 without getting prior approval from the Company.

We hope this is an attractive proposal. We feel that combined with our market leading position across all the required disciplines, we hope that this makes us the most compelling for you to hire.

Please feel free to contact any of us with questions. We look hopefully for your positive response to this proposal.

Paul Dabbar
Vice President
Mergers & Acquisitions
JPMorgan
277 Park Ave
New York, NY 10583

(p) 212 622 2287
(m) 917 842 8316

Sent from my BlackBerry Wireless Handheld

This communication is for informational purposes only. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. Any comments or statements made herein do not necessarily reflect those of J.P.

Morgan Chase & Co., its subsidiaries and affiliates.

LAZARD

LAZARD FRÈRES & CO. LLC
30 ROCKEFELLER PLAZA
NEW YORK, NY 10020
PHONE 212-632-6000
www.lazard.com

October 7, 2004

Mr. Marshall Evans
Policy Advisor
Office of the Governor
P.O. Box 122767
Columbia, SC 29211

Dear Mr. Evans:

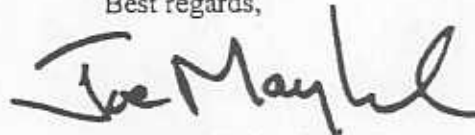
Thank you for meeting with our team yesterday. I thought we had a productive session and I would like to reiterate our strong belief that Lazard is well qualified to conduct the analysis of the options available regarding Santee Cooper. Further, we believe we are uniquely qualified to provide advice to the Office of the Governor in this complex situation without the appearance (or reality) of potential conflict either from existing relationships with Santee Cooper or potential outcome bias.

We spent some time in the meeting yesterday discussing the compensation structure contained in our written proposal. As you requested, we are prepared to modify the proposal along the lines suggested in our discussion. We now propose to conduct the analytical phase ("Study Phase") for \$250,000 and would propose a "success" based advisory fee for any subsequent activities, which would reflect market rates for banks acting in similar capacities for the various potential outcomes. As you requested, we have substantially lowered our initial fee for the Study Phase and are happy to align our interests with those of the State. We would be happy to discuss how to define "success" in this context. We expect that an appropriate incentive-based fee structure can be devised based on the criteria selected to define "success". One such measure could be based on a calculation of value received by the State under each of the various potential outcomes.

I will call you, in any event, to discuss further and to address any remaining issues or questions you or the other members of your committee have regarding Lazard's proposal.

Again, thank you for giving us the opportunity to work with the Office of the Governor in this important situation.

Best regards,



Joseph Maybank
Managing Director

PARIS LONDON NEW YORK BERLIN BOMBAY CAIRO CHICAGO FRANKFURT HAMBURG HONG KONG MADRID
MILAN MONTREAL NEW DELHI ROME SAN FRANCISCO SEOUL SINGAPORE STOCKHOLM SYDNEY TOKYO TORONTO

LAZARD

LAZARD FRÈRES & Co. LLC
30 ROCKEFELLER PLAZA
NEW YORK, NY 10020
PHONE 212-632-6000
www.lazard.com

October 12, 2004

Mr. Marshall Evans
Policy Advisor
Office of the Governor
P.O. Box 122767
Columbia, SC 29211

Dear Mr. Evans:

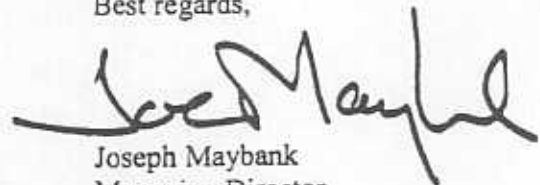
Thank you for your continued consideration of our proposal. I would like to reiterate our strong belief that Lazard is well qualified to conduct the analysis of the options available regarding Santee Cooper. Further, we believe we are uniquely qualified to provide advice to the Office of the Governor and the Board of Directors of Santee Cooper in this complex situation without the appearance (or reality) of potential conflict either from existing relationships or potential outcome bias.

In light of the cost concerns raised in each of our conversations, we are now proposing to conduct the Study Phase for no financial consideration. We would expect expense reimbursement with an initial cap of \$30,000 not to be exceeded without your prior agreement. Further, we will agree not to engage outside advisors (including legal counsel) for the purposes of the analysis without your prior written approval.

This analysis is critical to the future of Santee Cooper and the State of South Carolina. As such, it is important to Lazard and we will devote the full resources necessary to complete this assignment quickly and consistent with our highest standards. As we have discussed, the primary opportunity for Lazard to earn a return is in the Execution Phase (if any) of any potential transaction. While we have agreed not to tie our engagement as the advisor in the Study Phase to the ultimate execution role, we understand that a successful completion of the Study Phase will result in our being strongly considered for a role in any potential transaction in the Execution Phase.

Again, thank you for giving us the opportunity to work with the Board of Directors of Santee Cooper and the Office of the Governor in this important situation.

Best regards,



Joseph Maybank
Managing Director

PARIS LONDON NEW YORK BERLIN BOMBAY CAIRO CHICAGO FRANKFURT HAMBURG HONG KONG MADRID
MILAN MONTREAL NEW DELHI ROME SAN FRANCISCO SEOUL SINGAPORE STOCKHOLM SYDNEY TOKYO TORONTO

From: Marshall Evans
To: james.mcginnis@morganstanley.com
Subject: Request for Proposal

Dear Jim:

This is a request for a proposal for advisory services on the potential privatization of the South Carolina Public Service Authority, otherwise known as Santee Cooper. Specifically, we would like to commission a study to examine the feasibility of privatizing the utility. We would like this confidential study to be conducted in as timely a manner as possible.

Your proposal should address:

- 1) Your proposed approach to the study. The study should provide:
 - a. A thorough valuation of Santee Cooper if it were sold in a private Merger or Acquisition or in an IPO.
 - b. A study of the impact of such a sale on Santee Cooper's contracts with major customers and on electrical rates for end users.
 - c. Any possible approaches to mitigate or manage impacts of a sale on end users of electricity.
 - d. A proposed approach to managing the privatization process through final sale.
 - e. Any creative approaches or ideas you might generate that could maximize value for the citizens of South Carolina.
- 2) Your proposed compensation for the study, and, separately, for any further advisory work in this matter that might be requested by the Board of Directors.
- 3) Your proposed timeline for the study.
- 4) The qualifications of your firm and your individual team members in privatization of electrical utilities or in other sales of electrical utilities.
- 5) Any prior or ongoing experience your firm has had with Santee Cooper.

We should clarify that the successful proposer (or proposers, if a joint advisory team is selected) would work with the Office of the Governor in this matter.

Please submit your proposals electronically to the attention of Marshall Evans in the Office of the Governor, Columbia, South Carolina no later than 12:00 noon Eastern Daylight Time, Friday, September 24, 2004. Proposals should be sent to the following email address: mevans@gov.sc.gov.

Please treat this matter as strictly confidential.

In addition to your written proposal, we ask that you schedule an in-person presentation of your proposal to members of the Governor's staff in Columbia, SC between Monday, September 27, 2004 and Monday, October 11, 2004. These meetings can be scheduled by contacting Marshall Evans at (803) 734-5227.

If you require any further information for preparing your proposal, please direct your requests to Marshall Evans via the email or telephone contacts above.

Thank you for your interest in this matter. We look forward to hearing from you.

From: Marshall Evans
To: joseph.maybank@lazard.com
Subject: Request for Proposal

Dear Joe:

This is a request for a proposal for advisory services on the potential privatization of the South Carolina Public Service Authority, otherwise known as Santee Cooper. Specifically, we would like to commission a study to examine the feasibility of privatizing the utility. We would like this confidential study to be conducted in as timely a manner as possible.

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If you require any further information for preparing your proposal, please direct your requests to Marshall Evans via the email or telephone contacts above.

Thank you for your interest in this matter. We look forward to hearing from you.

From: Marshall Evans
To: paul.dabbar@jpmorgan.com
Date: 9/20/2004 5:54:01 PM
Subject: Request for Proposal

Dear Paul:

This is a request for a proposal for advisory services on the potential privatization of the South Carolina Public Service Authority, otherwise known as Santee Cooper. Specifically, we would like to commission a study to examine the feasibility of privatizing the utility. We would like this confidential study to be conducted in as timely a manner as possible.

Your proposal should address:

- 1) Your proposed approach to the study. The study should provide:
 - a. A thorough valuation of Santee Cooper if it were sold in a private Merger or Acquisition or in an IPO.
 - b. A study of the impact of such a sale on Santee Cooper's contracts with major customers and on electrical rates for end users.
 - c. Any possible approaches to mitigate or manage impacts of a sale on end users of electricity.
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 - e. Any creative approaches or ideas you might generate that could maximize value for the citizens of South Carolina.
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- 3) Your proposed timeline for the study.
- 4) The qualifications of your firm and your individual team members in privatization of electrical utilities or in other sales of electrical utilities.
- 5) Any prior or ongoing experience your firm has had with Santee Cooper.

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Please submit your proposals electronically to the attention of Marshall Evans in the Office of the Governor, Columbia, South Carolina no later than 12:00 noon Eastern Daylight Time, Friday, September 24, 2004. Proposals should be sent to the following email address: mevans@gov.sc.gov.

Please treat this matter as strictly confidential.

In addition to your written proposal, we ask that you schedule an in-person presentation of your proposal to members of the Governor's staff in Columbia, SC between Monday, September 27, 2004 and Monday, October 11, 2004. These meetings can be scheduled by contacting Marshall Evans at (803) 734-5227.

If you require any further information for preparing your proposal, please direct your requests to Marshall Evans via the email or telephone contacts above.

Thank you for your interest in this matter. We look forward to hearing from you.

From: Marshall Evans
To: marybeth.mandanas@csfb.com
Subject: Request for Proposal

Dear Mary Beth:

This is a request for a proposal for advisory services on the potential privatization of the South Carolina Public Service Authority, otherwise known as Santee Cooper. Specifically, we would like to commission a study to examine the feasibility of privatizing the utility. We would like this confidential study to be conducted in as timely a manner as possible.

Your proposal should address:

- 1) Your proposed approach to the study. The study should provide:
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 - b. A study of the impact of such a sale on Santee Cooper's contracts with major customers and on electrical rates for end users.
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 - e. Any creative approaches or ideas you might generate that could maximize value for the citizens of South Carolina.
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Please submit your proposals electronically to the attention of Marshall Evans in the Office of the Governor, Columbia, South Carolina no later than 12:00 noon Eastern Daylight Time, Friday, September 24, 2004. Proposals should be sent to the following email address: mevans@gov.sc.gov.

Please treat this matter as strictly confidential.

In addition to your written proposal, we ask that you schedule an in-person presentation of your proposal to members of the Governor's staff in Columbia, SC between Monday, September 27, 2004 and Monday, October 11, 2004. These meetings can be scheduled by contacting Marshall Evans at (803) 734-5227.

If you require any further information for preparing your proposal, please direct your requests to Marshall Evans via the email or telephone contacts above.

Thank you for your interest in this matter. We look forward to hearing from you.

From: <paul.dabbar@jpmorgan.com>
To: "Marshall Evans" <mevans@gov.sc.gov>
Date: 10/7/2004 8:45:59 AM
Subject: JPM Additional Request for Proposal

Marshall:

Thank you for your time yesterday. We appreciated the time you spent with us yesterday, and we hope we provided some ideas for you to think about.

Also, we hope we made a compelling case for you to engage JPMorgan for your study. We are by far the best firm that can deliver the integrated products of Public Finance, power industry Corporate Finance, M&A and Equities.

We also have a dominant position reviewing strategic options for governments' business interests, as well as executing on decided paths.

We have discussed your request for providing an additional fee proposal for a "study only" service for you, with no linkage with potential follow on execution. We are happy to respond with this additional fee proposal for that requested potential engagement structure:

1. a fee of \$1 million for the study and follow on support as a result of the study
2. 90% of that study fee would be creditable against any follow-on execution that might result from the study

We hope this is responsive. We would be very happy to be engaged by you under this or our previous proposal terms. To remind you also of one clarification from yesterday's conversation, under our original proposal, our \$100,000 study fee would be 100% creditable against any follow-on execution that might result from the study.

We are very excited about helping you with this very important review of the Company. Please feel free to call any of us with questions.

Please pass this along to the others as appropriate. I had only Keith's email.

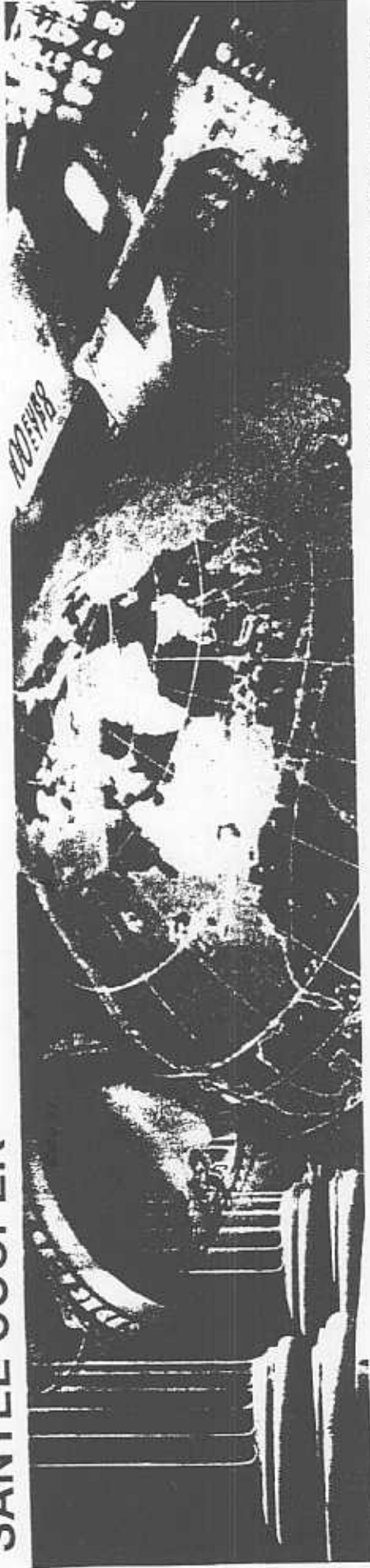
Paul Dabbar

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purchase or sale of any financial instrument or as an official confirmation of any transaction. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. Any comments or statements made herein do not necessarily reflect those of J.P. Morgan Chase & Co., its subsidiaries and affiliates.

CC: <michael.c.finnegan@jpmorgan.com>, <eric.fornell@jpmorgan.com>,
<paul.w.neuhedel@jpmorgan.com>, <gregor.vahramian@jpmorgan.com>, <kmunson@wcsr.com>

SANTEE COOPER



PRIVATIZATION STUDY DISCUSSION
HIGHLY CONFIDENTIAL | OCTOBER 8, 2004
PRELIMINARY | SUBJECT TO FURTHER REVIEW AND EVALUATION

CREDIT SUISSE | **FIRST BOSTON**

THESE MATERIALS MAY NOT BE USED OR RELIED UPON FOR ANY PURPOSE OTHER THAN AS SPECIFICALLY CONTEMPLATED BY A WRITTEN AGREEMENT WITH CREDIT SUISSE FIRST BOSTON.

CONFIDENTIAL

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1. **Executive Summary**
 2. **Monetization Alternatives**
 3. **Detailed Proposal for Confidential Study**
- Appendix**
- A. Potential Comparable Companies / Asset Sales
 - B. CSFB Credentials
 - C. Team Biographies

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The CSFB Santee Cooper Deal Team

Global Energy

Jamie Welch
Managing Director
Head of Global Power Group
(212) 325-4588

Ross Warner
Associate
(212) 325-6893

Mary Beth Mandanas
Director
(212) 325-0605

Michael Ong
Associate
(212) 538-1571

Senior Management

Adebayo Ogunieel
Executive Vice Chairman
Chief Client Officer
(212) 325-4039

John Cavalier
Managing Director
Chairman Energy Group
(212) 538-3741

Marc Granetz
Managing Director
Head of Global Mergers & Acquisitions
(212) 325-3877

Mergers and Acquisitions

Rodney Miller
Managing Director
Head of U.S. Mergers & Acquisitions
(212) 325-3953

Adam Davies
Vice President
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Equity Capital Markets

Ernesto Cruz
Managing Director
Head of Global ECM
(212) 325-2751

Michael Davis
Director
Head of Utility ECM
(212) 538-6224

Ted Hatfield
Managing Director
(212) 325-7775

Michael Proskin
Vice President
(212) 325-5036

Rating Advisory Group

Joel Lusting
Director
(212) 325-1335

Deadra Gibbons
Vice President
(212) 325-1893

Debt Capital Markets

Bill White
Managing Director
Head of Global DCM
(212) 325-2102

Joseph Lance
Director
(212) 325-4639



Why CSFB?

#1 Global Energy Franchise

- ▶ #1 advisor in domestic Power and Utility M&A
- ▶ Clear leader in advising on and executing "cutting-edge" transactions
- ▶ Full-service financing capabilities, commitment to long-term relationships and strong balance sheet to make capital commitments
- ▶ Largest global energy group with 139 dedicated bankers

Leader in Privatization

- ▶ Global leader in privatizations with 63 mandated or completed transactions since 1999
- ▶ Over \$17BN in utility privatizations since 1999
- ▶ Currently mandated to advise the Philippine, Bulgarian and Romanian governments on the privatization of their utility assets

#1 IPO Franchise

- ▶ Lead managed 48 transactions for over \$20 billion in proceeds since 2001
- ▶ CSFB has successfully executed "Best-in-Class" (POs such as Google (\$1.9BN), MetLife (\$3.3BN), Kraft (\$8.7BN), Alcon (\$2.5BN), and China Life (\$3.5BN)
- ▶ CSFB has lead-managed the following utility equity offerings: PepcoHolding \$288MM common stock, Aquila \$462MM common stock & convert and UGI Corporation \$240MM common stock

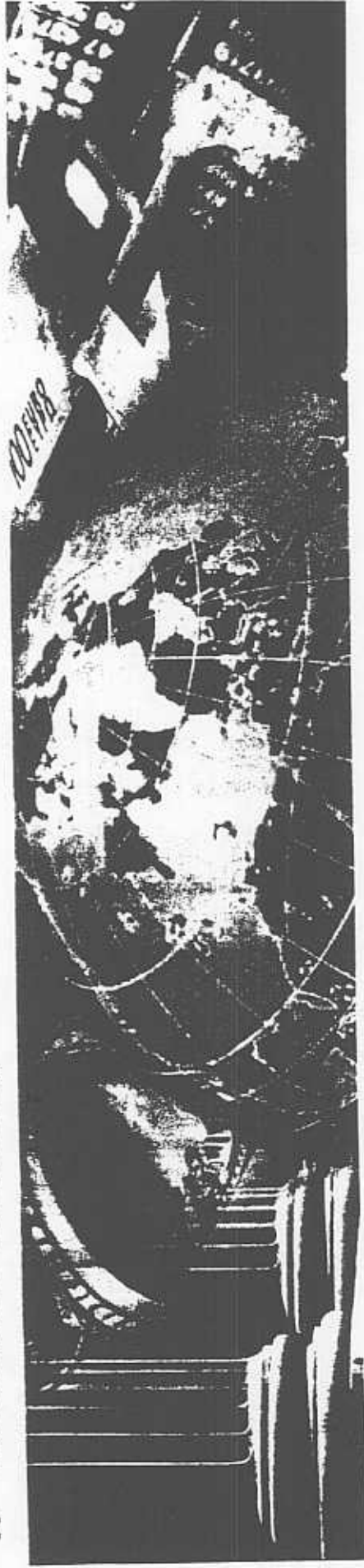
Powerhouse in Debt Underwriting

- ▶ #3 in global investment grade corporate debt, YTD 2004 underwrote 423 transactions generating \$85.5BN in proceeds
- ▶ Dominant #1 in Global High Yield issuance for over 10 years
- ▶ A leader in U.S. utility debt offerings and sale-leaseback transactions raising over \$22.7BN and \$6.4BN, respectively since 2001
- ▶ CSFB power/utility bond/sale-leaseback deals include: TXU Energy's \$800MM FRNs, APS \$300MM sr. notes, Westar Energy's \$250MM mortgage bonds, Pepco's \$275MM mortgage bonds, Tri-State Generation and Transmission \$760MM in pass through certificates and \$180MM of lease equity.

CSFB is without peer in its ability to assist the Office of the Governor in evaluating alternatives.

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1. Executive Summary



The Privatization Decision

Privatizing an utility is a complex process dealing with a multitude of constituents

DECISION PROCESS

Objectives:

- ▶ Maximum economic benefit for the State
- ▶ Maximize net benefit to ratepayers / taxpayers

Issues to Consider:

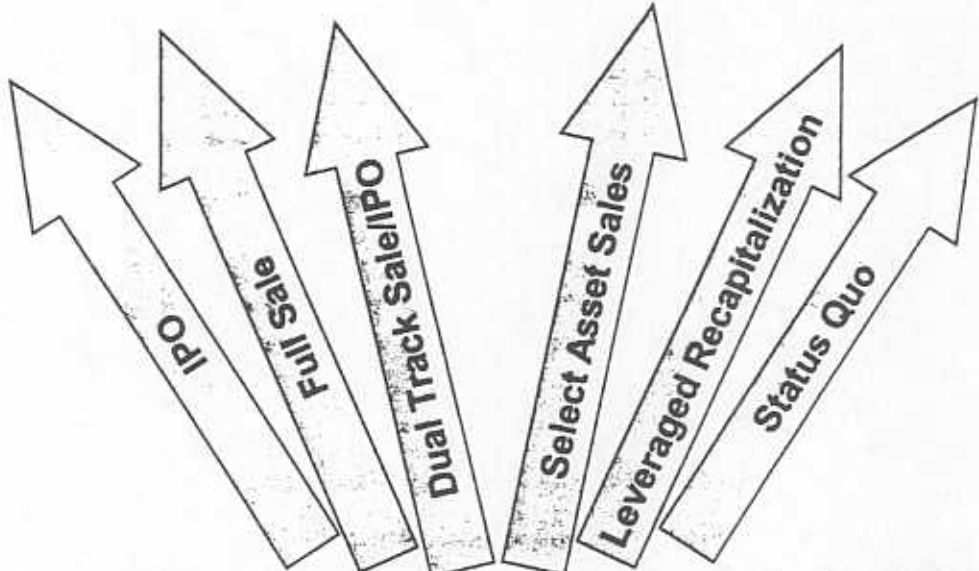
- ▶ Rate changes / levels
- ▶ Regulatory / legal
- ▶ Capital structure / use of proceeds
- ▶ Tax structure / tax breaks
- ▶ Management
- ▶ Investment thesis
- ▶ Privatization process and fees

Impacts on Stakeholders:

- ▶ Employees
- ▶ Customers
- ▶ Co-ops
- ▶ Citizens / State of South Carolina

ADVISORS

- Financial
- Accounting/Tax
- Legal
- Regulatory
- Market Consultants



Preliminary Assessment of Monetization Alternatives

	IPO	Sale	Sale of Select Assets
Objectives:			
Proceeds Generated	<ul style="list-style-type: none"> ▶ Dependent on amount of primary and / or secondary shares sold ▶ Portion of proceeds used to repay debt and aid in recapitalization 	<ul style="list-style-type: none"> ▶ Complete / immediate ownership transfer ▶ Maximum proceeds with complete monetization ▶ Portion will go to retire outstanding debt 	<ul style="list-style-type: none"> ▶ Proceeds determined by assets to be sold <ul style="list-style-type: none"> ▪ Generation asset sales could be very substantial ▪ Sale of non-core assets, such as the water utility, would generate limited returns
Minimize Potential Rate Changes	<ul style="list-style-type: none"> ▶ Rates likely to be restructured, comparable to stand alone investor owned utility ▶ New rate structure to reflect return on capital and growth opportunities 	<ul style="list-style-type: none"> ▶ Possibility to share some of the projected synergies with rate payers ▶ New rate settlement can accompany a sale 	<ul style="list-style-type: none"> ▶ Sales of non-core assets potentially limits impact on electric rates <ul style="list-style-type: none"> ▪ If water utility is sold, water rates may change ▪ Monetizing generation assets with leveraged transaction may require rate changes
Reduce Level of Execution Complexity	<ul style="list-style-type: none"> ▶ Significant disclosure, and negotiation with a multitude of constituents ▶ Potential internal restructuring to address demands of a listed company 	<ul style="list-style-type: none"> ▶ Preparation and process design critical to maximizing stakeholder value <ul style="list-style-type: none"> ▪ Auction process vs. negotiated sale ▪ Strategic vs. financial buyers 	<ul style="list-style-type: none"> ▶ Sale of individual assets or groups of assets less complex than a corporate sale ▶ Sale process may be shorter

 = Most Advantageous
  = Least Advantageous

Initial Considerations

Opportunities Created	IPO	Sale	Sale of Select Assets
<ul style="list-style-type: none"> ▶ Another South Carolina flagship public company ▶ Opportunity for State residents to participate in ownership ▶ Stakeholders have vested interest in success 	<ul style="list-style-type: none"> ▶ Expect rates to be regulated by SCPSC ▶ Contractual change of control issues ▶ Sarbanes Oxley requirements ▶ Reporting requirements 	<ul style="list-style-type: none"> ▶ Immediate realization of proceeds ▶ Potential to bring new initiatives / economies of scale to consumers 	<ul style="list-style-type: none"> ▶ Near-term proceeds ▶ Could be structured as an intermediate step to a sale or IPO ▶ Sale-leaseback of generation assets to co-ops allows ownership to stay local
Regulatory / Legal	<ul style="list-style-type: none"> ▶ Market power considerations ▶ State regulatory process ▶ Contractual change of control issues ▶ Representations and warranties ▶ Indemnification requirements 	<ul style="list-style-type: none"> ▶ Buyer involvement in debt restructuring ▶ Default in Rate covenant ▶ Desire to be investment grade 	<ul style="list-style-type: none"> ▶ Market power considerations ▶ State regulatory process ▶ Scope and scale of asset sales determines legal requirements
Capital Structure	<ul style="list-style-type: none"> ▶ Capital structure to change to meet IOU benchmarks - average BBB rating ▶ Level of debt restructuring required - default in Rate covenant ▶ Customer and corporate level tax revenues ▶ Potential State tax breaks 	<ul style="list-style-type: none"> ▶ Customer and corporate tax revenues ▶ Potential State tax breaks 	<ul style="list-style-type: none"> ▶ Potentially limited tax/revenue impacts; dependent upon assets sold
Tax / Revenue Generation	<ul style="list-style-type: none"> ▶ Management team crucial for good execution ▶ Independent director requirement ▶ Increased scrutiny 	<ul style="list-style-type: none"> ▶ Management commitment to sale process determinant of success ▶ Board judgment in determining greatest sale value (financial and non-financial) 	<ul style="list-style-type: none"> ▶ Changes in operational management would depend on individual assets sold
Management / Board of Directors	<ul style="list-style-type: none"> ▶ Management articulation of attractive investor story ▶ Dividend and growth necessary 	<ul style="list-style-type: none"> ▶ Buyer's assessment based on future pro forma earnings and growth ▶ Potential synergies 	<ul style="list-style-type: none"> ▶ Based on ability to maintain secure long-term power contracts
Investor Story	<p>HIGHLY CONFIDENTIAL</p>		

Stakeholder Considerations

	IPO	Sale	Sale of Select Assets
Retail and Industrial	<ul style="list-style-type: none"> ▶ Rate impact ▶ System reliability ▶ Customer service ▶ Accountability 	<ul style="list-style-type: none"> ▶ Rate impact ▶ System reliability ▶ Customer service ▶ Accountability 	<ul style="list-style-type: none"> ▶ Rate impact ▶ System reliability
Municipal Cooperatives	<ul style="list-style-type: none"> ▶ Rate impact ▶ System reliability ▶ Management influence 	<ul style="list-style-type: none"> ▶ Rate impact ▶ System reliability ▶ Management influence 	<ul style="list-style-type: none"> ▶ Rate impact ▶ System reliability
Santee Cooper Employees	<ul style="list-style-type: none"> ▶ Pension and other pre- and post-retirement benefits ▶ Potential for owning a stake in a privatized entity ▶ Employment security 	<ul style="list-style-type: none"> ▶ Pension and other pre- and post-retirement benefits ▶ Employment security ▶ Potential for ownership 	<ul style="list-style-type: none"> ▶ Dependent on transfer of employment with assets
Citizens of South Carolina	<ul style="list-style-type: none"> ▶ Immediate cash injection and long-term tax revenues for State <ul style="list-style-type: none"> ▪ Offset by higher rates for those in affected service territories ▶ Consistent determination of electric rates across State ▶ Likely to benefit from more efficient use of resources over the long run 	<ul style="list-style-type: none"> ▶ Immediate cash injection and long-term tax revenues for State <ul style="list-style-type: none"> ▪ Offset by higher rates for those in affected service territories ▶ Likely to benefit from more efficient use of resources over the long run 	<ul style="list-style-type: none"> ▶ Dependent on assets sold / monetized
State of South Carolina	<ul style="list-style-type: none"> ▶ Economic advantages / disadvantages of privatization <ul style="list-style-type: none"> ▪ Tax subsidy or effective tax increase for citizens ▶ Recapitalization of balance sheet 	<ul style="list-style-type: none"> ▶ Economic advantages / disadvantages of privatization <ul style="list-style-type: none"> ▪ Tax subsidy or effective tax increase for citizens ▶ Who is new owner of Santee Cooper? <ul style="list-style-type: none"> ▪ Strategic ▪ Financial Buyer ▶ Loss of control 	<ul style="list-style-type: none"> ▶ Amounts of proceed generated

Potential Creative Approaches to Manage Impacts of Sale

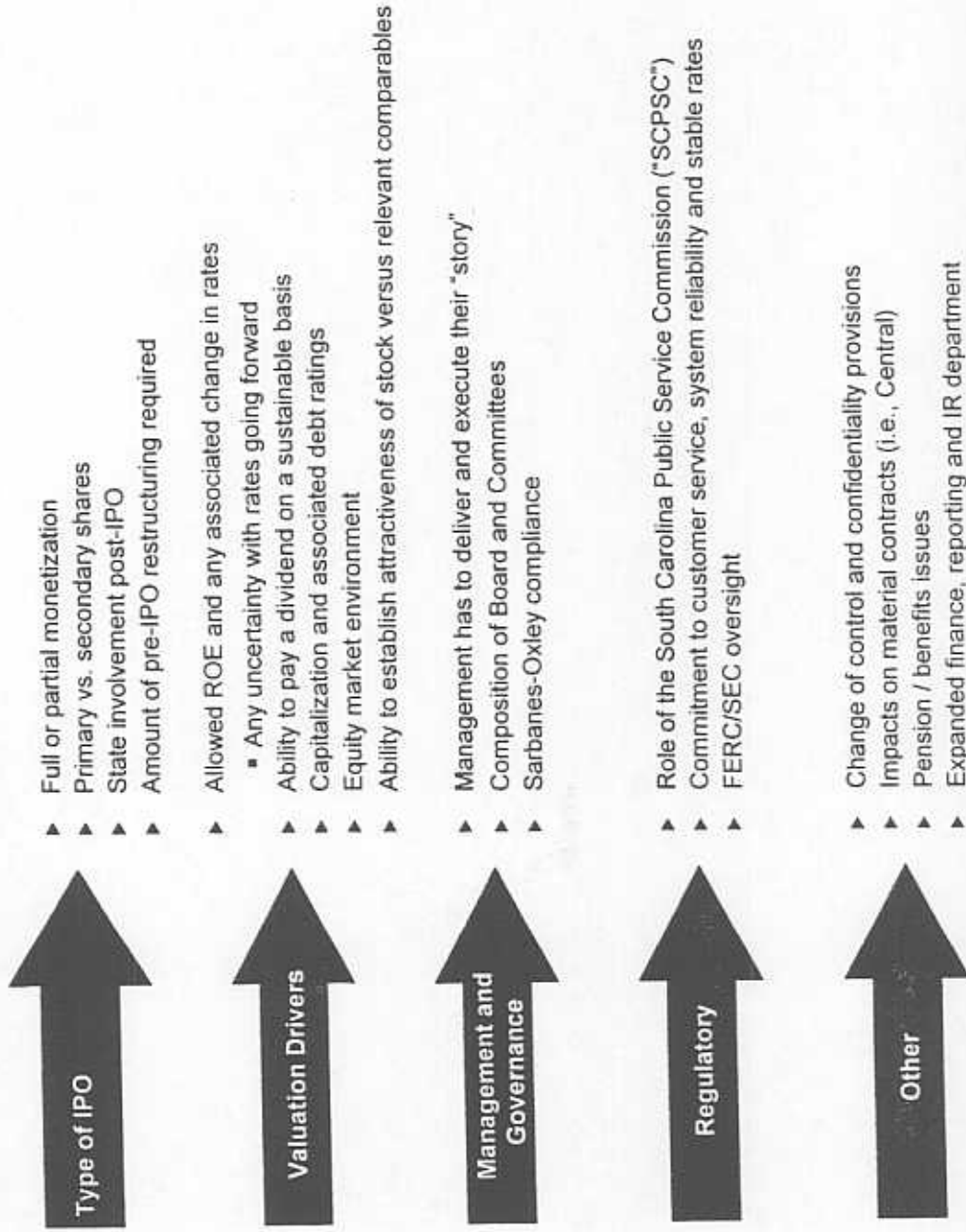
The following ideas reflect potential approaches to minimize impacts of possible rate increases and ensure stability for Santee Cooper employees

- Use portion of proceeds to fund tax cuts for citizens
- Sell generation assets, transmission and distribution remains state-owned
 - Monetize ownership in assets through lease structure - co-ops purchase generation assets and raise funds through sale-leaseback of plants
- Negotiate price such that owner(s) commit to a level of economic development support to state
 - Education funding
 - Establish fund for venture capital and small business loans
- Tender ancillary services to reduce costs
- Monetize State's dividend stream through "Holdco" structure and pay dividend to state

2. Monetization Alternatives



IPO Considerations



Skilled management of the IPO process is key to successfully accessing public equity markets.

Characteristics of Investor Owned Utilities

Regulated ROE

- ▶ Customers' rates – function of the cost to serve and an allowed return on shareholders' equity
- ▶ Typical ROE – approximately 10-13%, depending on the environment
 - Last rate order for SCE&G provided for a 12.45% allowed ROE

Capital Structure

- ▶ PUHCA requirement – 30% equity capitalization
- ▶ Strong investment grade rating – 50-60% debt / total capitalization
 - Approximately 80% of US utilities support an investment grade rating, of which 45% fall into the 'BBB' category

Dividend Yield / Payout

- ▶ Consistent dividend payments
- ▶ Targeted dividend yield of 4-5% and payout ratio of 55-60%

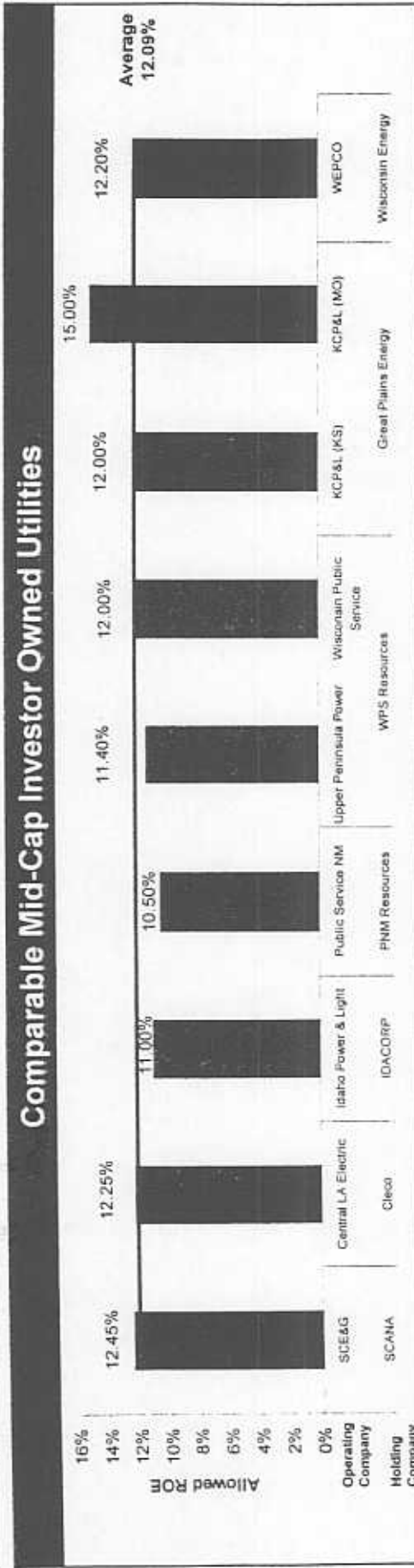
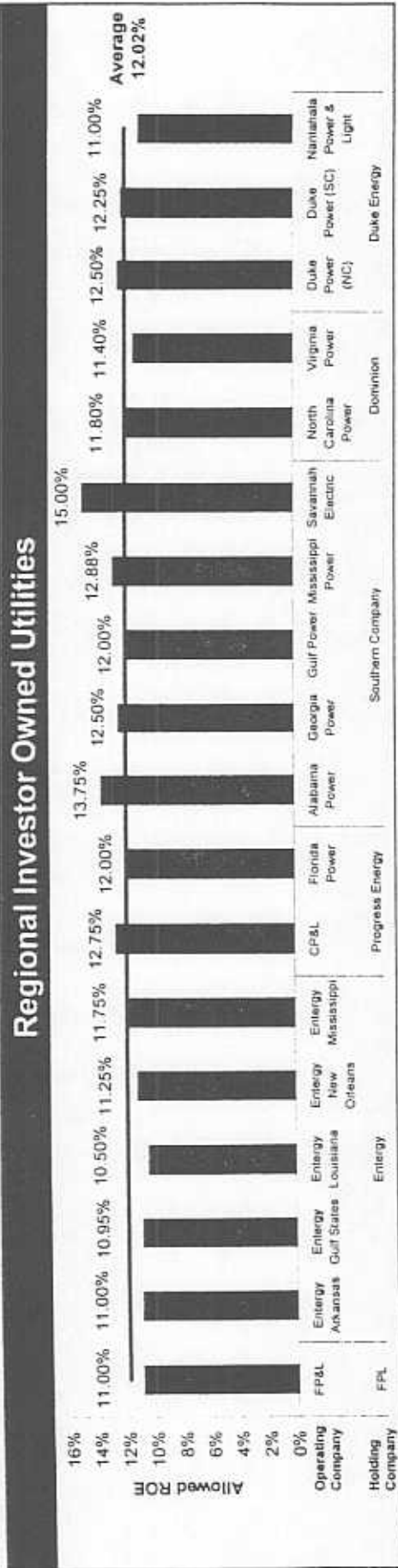
	10 Yr Average ⁽¹⁾	5 Yr Average ⁽¹⁾
Average for US Mid-Cap Utilities		
Dividend Yield	5.2%	4.9%
Dividend Payout Ratio	76.8%	66.8%

Growth Rates⁽²⁾

- ▶ Southeastern region – average demand growth of 3.0%
- ▶ United States – average demand growth of 2.7%

(1) Mid-Cap Companies consists of: Cleco Corp., Great Plains Energy, IDACORP, PNM Resources, SCANA Corp., Wisconsin Energy, WPS Resources.
 (2) Latest available data through 2002
 Source: NERC.

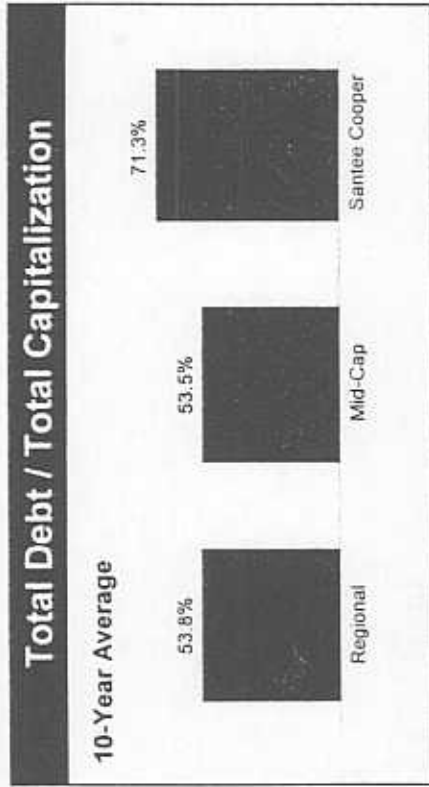
Regulated Return on Equity



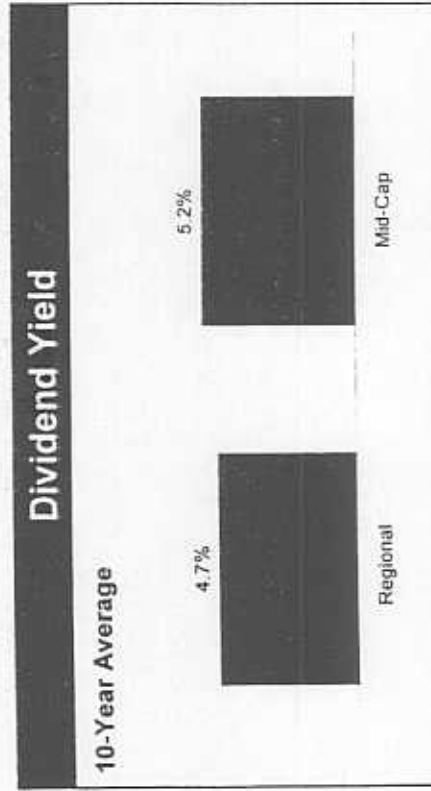
Source: Regulatory Research Associates.

Comparable investor owned utilities receive an Allowed ROE of approximately 12%

Financial Characteristics

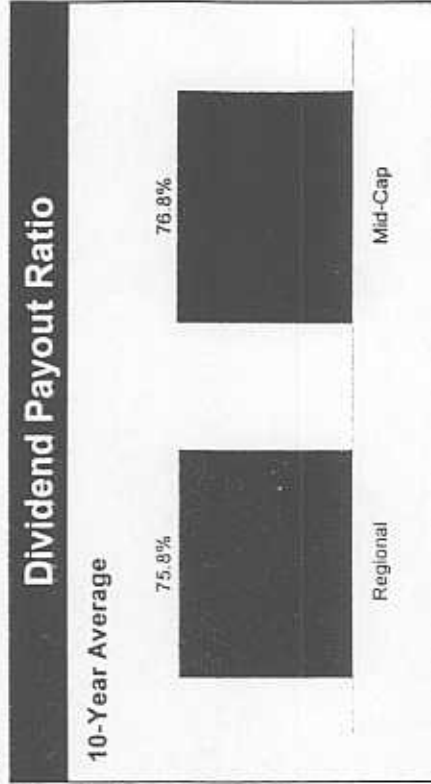


Source: FactSet and Santee Cooper 2003 Annual Report.



Source: FactSet.

Note: Regional Comparable Companies consists of Dominion Resources, Duke Energy, Entergy Corp., EPL Group, Progress Energy, SCANA Corp., Southern Co.



Source: FactSet.

Comparable IOUs have approximately 55% debt / total capitalization, provide for a dividend yield of approximately 4-5% and have a dividend payout ratio of approximately 60%+.

Hypothetical Revenue Requirement for 12% ROE

(\$ in millions)

	12/31/2003	EBITDA Build-up
CSFB Estimate of Rate Base		
Utility Plant ⁽¹⁾	\$4,076	Net Income
Accumulated Depreciation	(1,667)	Income Taxes @ 38%
Net Utility Plant	2,409	Pre-tax Income
Construction Work in Progress	513	Interest Expense @ 6.5%
Costs to be Recovered from Future Revenue	202	Implied EBIT
Other Deferred Debits and Noncurrent Assets	55	Depreciation & Amortization ⁽³⁾
Regulatory Asset - Asset Retirement Obligation - Net	96	Implied EBITDA
Other Deferred Credits and Noncurrent Liabilities	(35)	Actual 2003E EBITDA
Rate Base Before Working Capital	3,240	Implied Increase in EBITDA
Working Capital	91	Current Utility Revenue
Total Rate Base	\$3,331	Implied Rate Increase
		19.3%
Assumptions		Adjustment for Actual Leverage
Rate Base	\$3,331	Total Debt @ 12/31/03 ⁽⁴⁾
Equity Component	50%	Assumed Cost of Debt
Debt Component	50%	Pro Forma Interest Expense
Allowed Equity in Rate Base	\$1,665	Allowed Interest Expense
Allowed Debt in Rate Base	\$1,665	Incremental Interest Expense
Assumed Cost of Debt	6.5%	Income Taxes @ 38.25%
Allowed Return on Equity ⁽²⁾	12.0%	Adjustment to Net Income
Implied Rate of Return Rate Base	9.3%	
Statutory Income Tax Rate	38.3%	Adjusted Net Income
		Shareholders' Book Equity
		Return on Book Equity
		Return on Rate Base Equity
		13.8%
		9.3%

(1) Includes asset retirement cost of \$72 million.

(2) Allowed ROE represents the average ROE for comparable companies.

(3) Estimated to be equal to that of FYE ended 12/31/03.

(4) Total debt outstanding at 12/31/03.

Based on an approximate \$3.3BN rate base, Santee Cooper would have to raise rates by about \$202MM or 19.3% to achieve a 12% ROE. In addition, a 50%/50% allowed cap structure would yield an allowed debt component of \$1.7BN vs. Santee Cooper's actual debt load of \$2.8BN.

Hypothetical Debt Reduction and Credit Statistics

(\$ in millions)

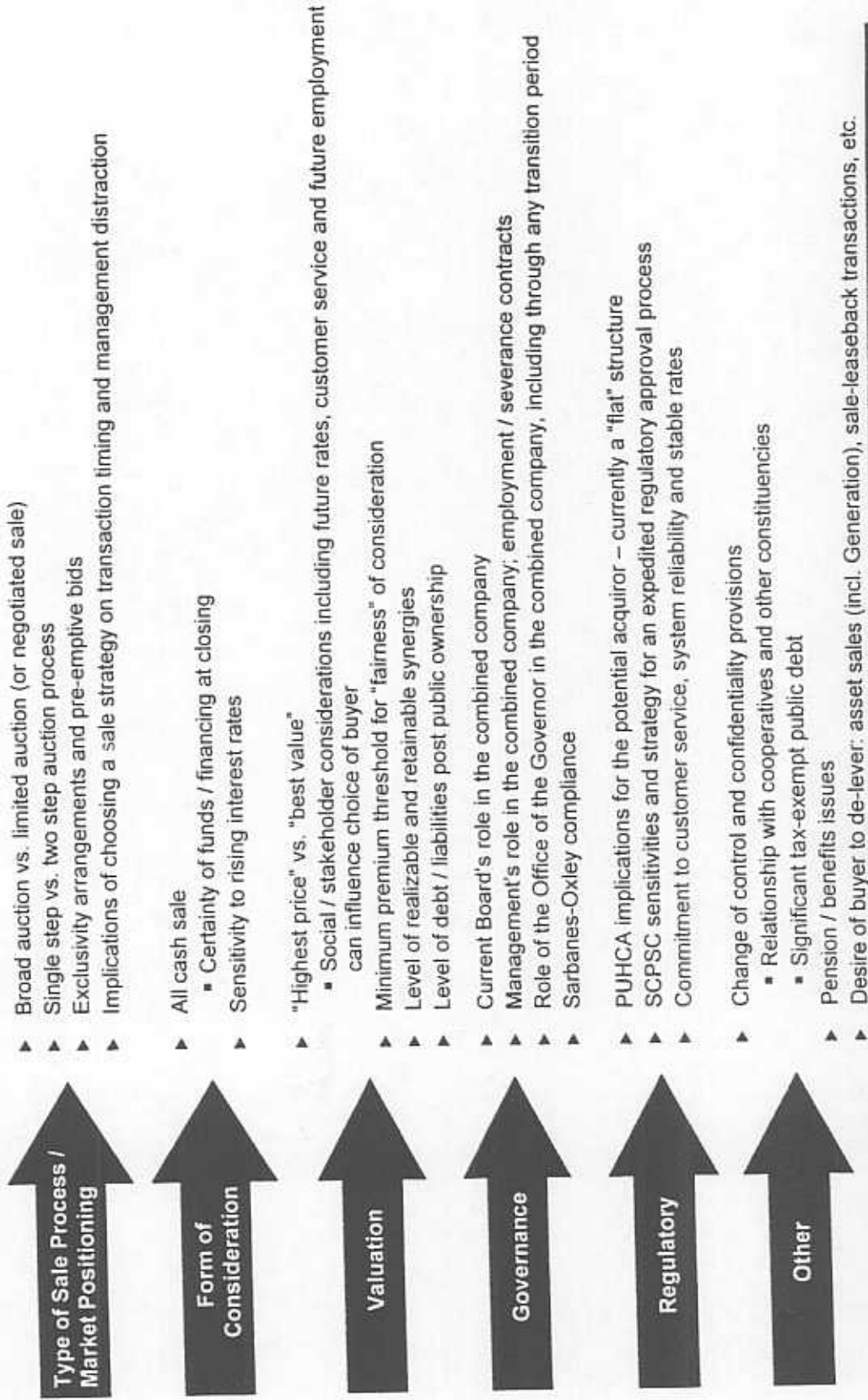
Credit Ratios	Pro Forma ⁽¹⁾		Pro Forma ⁽²⁾		S&P Financial Targets -Business Risk Position 4	
	No Debt Reduction	\$1.0Bn Debt Reduction	20.0%	28.0%	A	BBB
FFO / Debt	12.5%	19.6%	20.0%	20.0%	-	12.0%
FFO / Interest Coverage	2.9x	4.0x	4.2x	3.5x	3.5x	2.5x
Total Debt / Total Capitalization	71.3%	45.7%	45.0%	52.0%	52.0%	62.0%

(1) Pro forma credit ratios calculated using (i) implied Net Income plus actual D&A as of 12/31/03 = FFO; (ii) pro forma interest expense of \$181MM; and (iii) total debt and book equity balances as of 12/31/03.

(2) Pro forma credit ratios calculated using (i) implied Net Income plus actual D&A as of 12/31/03 = FFO; (ii) pro forma interest expense of \$116MM; and (iii) pro forma total debt of \$1.8BN and pro forma book equity of \$2.1BN.

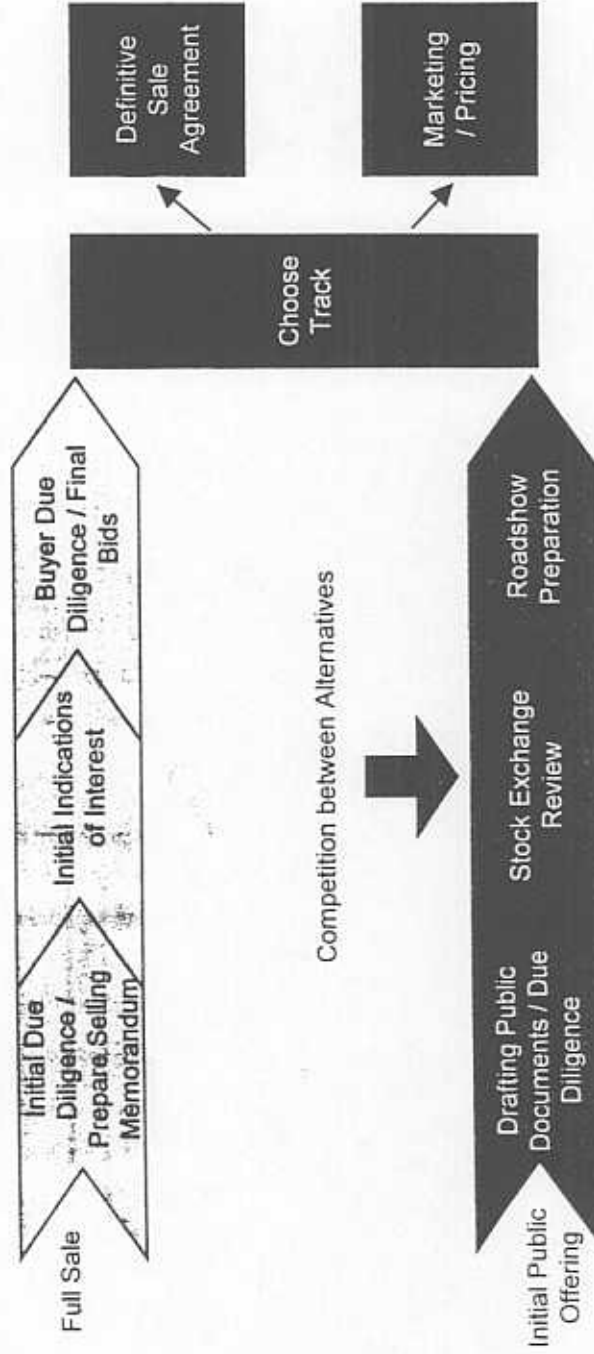
At an assumed pro forma interest rate of 6.5%, Santee Cooper would have to reduce net debt by approximately \$1.0BN to achieve a strong investment grade rating.

Sale Considerations



A "Qualified competition" is the key to a successful and timely sale.

Dual-Track IPO/Sale Process



A Dual-Track process is often the best approach for assuring maximum value.

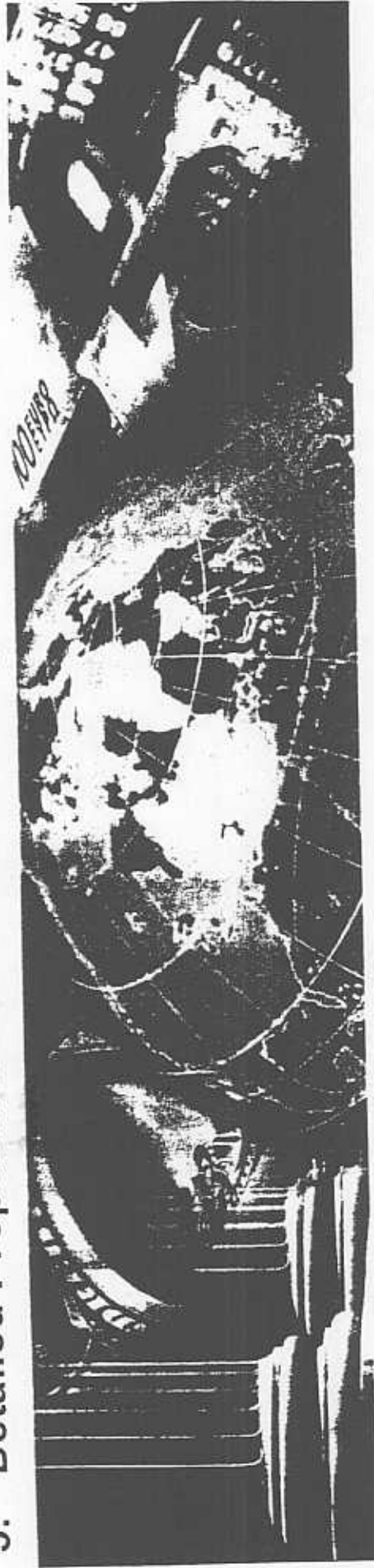
Liability Management Considerations

Our preliminary analysis indicates that Santee Cooper's debt portfolio would need to be restructured upon an IPO or Sale

- ▶ The Revenue Obligation Resolution includes an affirmative Rate Covenant that requires Santee Cooper to establish electricity rates adequate to cover all obligations and operating expenses
- ▶ Santee Cooper's tax-free bonds are subject to IRC 103 and related sections of 1986 tax code
 - Santee Cooper's Revenue Obligation Resolution prohibits Santee Cooper from taking any action that would cause its obligations to violate IRC 103 and become taxable

Debt Structure	
(\$ in millions)	2003
Commercial Paper	\$345.1
Electric Revenue Bonds	12.7
Capital Lease Obligations	21.5
Revenue Bonds	809.0
Revenue Obligation Bonds	1,599.5
Total Debt Outstanding	\$2,787.7

3. Detailed Proposal for Confidential Study



CSFB Proposed Scope of Work: Confidential Study

Overall Transaction

- ▶ Provide strategic, tactical and financial advice
- ▶ Perform valuation analyses
- ▶ Analyze feasibility and assess impacts of alternatives such as a partial sale, sale or IPO
- ▶ Advise on impact of rate structure changes and possible rate mitigation strategies
- ▶ Analyze the potential divestiture of non-core assets

Valuation

- ▶ Valuation analyses
 - Discounted cash flow
 - Comparable companies
 - Comparable transactions
- ▶ Review/development of financial plan
- ▶ Identify strategies for achieving optimal capital structure
- ▶ Pension / OPEB and other liabilities

Capital Structure

- ▶ Analyze and identify optimal capital structure for sale / IPO
- ▶ Identify impacts of change, conduct credit analyses
- ▶ Provide comprehensive financing and liability management recommendations
- ▶ Provide rating agency advice and assist with presentations to the agency

Outside Consultants

- ▶ CSFB will coordinate with consultants to provide an analysis of the impact of privatization on Santee Cooper and South Carolina
- ▶ Market Consultants
 - ▶ Project local and regional energy and fuel prices
 - ▶ Identify additional expenditure necessary to maximize value of partial or full privatization
 - ▶ Assess in territory load growth
- ▶ Accountants / Tax Advisors
 - ▶ Analyze potential financial reporting changes
 - ▶ Provide structuring advice
 - ▶ Advise on internal / SEC reporting procedures
- ▶ Legal Counsel
 - ▶ Identify and thoroughly vet diligence issues
 - ▶ Provide structuring advice
 - ▶ Analyze contracts and change of control provisions

Other

- ▶ Advise on potential Management Issues (retention, incentives, etc.)
- ▶ Outline political / regulatory / contractual / legal issues / tax consequences - Document review and experience of previous transactions
- ▶ Advise on long term positioning

Proposed Approach to Valuation

Discounted Cash Flow Analysis

- ▶ Intrinsic, long-term theoretical value
 - ▶ Value based on present value of future cash flows
- Key Issues:**
- ▶ Financial projections / sensitivities
 - Sensitivity to any proposed rate changes
 - ▶ Discount rate
 - ▶ Terminal value

Comparable Company Analysis

- ▶ Public equity market analysis
 - ▶ Value based on comparisons of multiples with similar publicly traded companies
- Key Issues:**
- ▶ Market environment
 - ▶ Appropriate comparables
 - Size and market position
 - Projected financial performance
 - Geographic location
 - Liquidity and capital structure
 - Business profile
 - ▶ Consistency of accounting

Comparable Acquisition Analysis

- ▶ Private "change of control" analysis
 - ▶ Value based on comparison of multiples for similar completed acquisitions
- Key Issues:**
- ▶ Appropriate comparables
 - ▶ Undisclosed information (e.g., contract terms)
 - ▶ Historical perspective
 - ▶ Consistency of accounting
 - ▶ Deal-specific issues (e.g., synergies, market conditions)

A variety of core valuation methodologies together with a broad array of corporate and other adjustments are used to arrive at a valuation reference range.

Preliminary Timetable

TASKS / MILESTONES	MONTH 1		MONTH 2		MONTH 3								
	WEEK 1	WEEK 2	WEEK 3	WEEK 4	WEEK 5	WEEK 6	WEEK 7	WEEK 8	WEEK 9	WEEK 10	WEEK 11	WEEK 12	WEEK 13
Privatization Study													
Inception and Study Planning													
Inception Report (incl. Resource Plan)													
Due Diligence													
Data Collection with Management													
Preparation of Management Forecasts													
Preliminary Draft of Management Forecasts													
Final Draft of Management Forecasts													
Perform Valuation and other Financial Analyses													
Preliminary Valuation Presentation													
Address Capital Structure													
Development of Privatization Strategy													
Recommendation on the Privatization Strategy													

CSFB Fee Proposal

CSFB proposes the following fee structure to undertake the "study" as outlined by the Office of the Governor and set out in our proposed scope of work

- ▶ Monthly financial advisory fee of \$75,000
- ▶ "Study Fee" upon completion of deliverables: \$2.0 million
- ▶ CSFB expects to execute an engagement letter with the Office of the Governor which would include both the study and a right of first refusal on any subsequent privatization transaction
- ▶ In addition, CSFB expects periodic reimbursement of all reasonable expenses resulting from or arising out of this engagement
- ▶ Fees associated with market and environmental consultants, legal advisors, accountants and any other third party advisors would be paid directly by the study sponsor
- ▶ CSFB is willing to discuss alternative approaches to our fee structure and proposed scope of work

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Appendix



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A. Potential Comparable Companies / Asset Sales

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Equity Market Trading Multiples: Regional Investor Owned Utilities

Ticker Symbol	SCANA Corp.		FPL Group Inc.		Entergy Corp.		Progress Energy Inc.		Southern Co.		Dominion Resources Inc.		Duke Energy Corp.	
	SCG	FPL	ETR	PGN	SO	D	DUK							
Stock Price (as of 10/5/2004)	\$37.64	\$68.45	\$60.82	\$42.91	\$30.24	\$65.51	\$23.44							
Market Value	\$4,208	\$12,698	\$13,961	\$10,590	\$22,530	\$22,505	\$22,430							
Net Debt	3,594	9,293	7,922	10,577	14,276	16,729	18,298							
Enterprise Value	\$7,802	\$21,991	\$21,883	\$21,167	\$36,806	\$39,234	\$40,728							
EV Multiples ⁽¹⁾														
2004E EBITDA	9.2x	8.0x	8.0x	9.1x	9.4x	8.6x	7.8x							
2005E EBITDA	8.9x	7.5x	7.4x	9.0x	8.9x	8.0x	7.5x							
Share Price Multiples ⁽¹⁾														
2004E P/E	13.9x	13.5x	15.9x	13.9x	15.2x	13.6x	18.7x							
2005E P/E	13.4x	13.2x	13.0x	11.8x	14.7x	12.6x	17.5x							
MV / Book Value														
	1.8x	1.8x	1.7x	3.1x	2.3x	3.2x	2.0x							
Dividend Yield														
Forward 2004E Dividend Payout	3.9%	4.0%	3.0%	5.4%	4.6%	4.1%	4.7%							
L-T Mean EPS Growth	51.8%	51.8%	41.7%	72.3%	77.2%	61.1%	75.6%							
	4.5%	4.9%	6.0%	3.3%	4.8%	5.7%	3.7%							
Debt / Book Capitalization														
	59.7%	56.8%	47.4%	58.2%	57.0%	59.8%	54.4%							
Business Risk Position ⁽²⁾														
Senior Unsecured Credit Ratings	4	6	6	6	4	7	7							
	A3/BBB+	Baa3/A	NR/BBB	Baa2/BBB-	A3/A-1	Baa1/BBB+	Baa1/BBB+							
Share Price 52-Week High	\$38.09	\$69.85	\$61.98	\$47.95	\$31.00	\$65.90	\$23.49							
Share Price 52-Week Low	32.80	60.20	50.64	40.09	27.44	59.27	17.08							

	Mean	Median
	8.6x	8.6x
	8.2x	8.0x
	14.9x	13.9x
	13.7x	13.2x
	2.2x	2.0x
	4.2%	4.1%
	61.7%	61.1%
	4.7%	4.8%
	56.2%	57.0%

(1) Earnings estimates based on IBES and First Call.
 (2) Reflects business risk position for operating utility companies.

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Equity Market Trading Multiples: Comparable Mid-Cap Investor Owned Utilities

(\$ in millions, except per share data and multiples)

Ticker Symbol	SCANA Corp.	Cleco Corp.	PNM Resources Inc.	WPS Resources Corp.	Great Plains Energy Inc.	Wisconsin Energy Corp.
	SCG	CNL	PNM	WPS	GXP	WEC
Stock Price (as of 10/5/2004)	\$37.64	\$17.75	\$23.03	\$46.52	\$29.50	\$32.05
Market Value	\$4,208	\$836	\$1,679	\$1,741	\$2,191	\$3,816
Net Debt	3,594	574	1,869	851	1,303	4,154
Enterprise Value	\$7,802	\$1,410	\$3,549	\$2,591	\$3,494	\$7,970
EV Multiples ⁽¹⁾						
2003E EBITDA	9.2x	8.7x	NM	8.4x	7.1x	9.1x
2004E EBITDA	8.9x	8.2x	7.9x	7.9x	7.1x	9.0x
Share Price Multiples ⁽¹⁾						
2003E P/E	13.9x	14.1x	16.3x	14.1x	12.8x	13.7x
2004E P/E	13.4x	13.5x	15.0x	13.5x	13.4x	13.4x
MV / Book Value	1.8x	1.7x	1.3x	1.8x	2.1x	2.0x
Dividend Yield	3.9%	5.1%	2.8%	4.8%	5.6%	2.6%
Forward 2004E Dividend Payout	51.8%	94.5%	47.1%	97.3%	75.4%	43.0%
L-T Mean EPS Growth	4.5%	4.0%	5.0%	6.0%	3.4%	6.3%
Debt / Book Capitalization	59.7%	54.2%	51.6%	46.5%	54.4%	63.5%
Business Risk Position ⁽²⁾	4	6	6	5	7	4
Senior Unsecured Credit Ratings	A3/BBB+	Baa3/BBB-	Baa2/BBB	A1/A	Baa2/BBB	A3/BBB+
Share Price 52-Week High	\$38.09	\$19.75	\$23.39	\$48.93	\$35.69	\$34.30
Share Price 52-Week Low	32.80	16.00	17.53	41.18	28.26	29.50

	Mean	Median
	8.5x	8.7x
	8.2x	8.1x
	14.2x	14.0x
	13.7x	13.4x
	1.8x	1.8x
	4.1%	4.3%
	68.2%	63.6%
	4.9%	4.8%
	55.0%	54.3%

(1) Earnings estimates based on IBES and First Call.
(2) Reflects business risk position for operating utility companies.

CONFIDENTIAL US Integrated Electric Utility -- Comparable Acquisitions Analysis

(\$ in millions)

Dates Announc.	Acquirer	Target	Equity Purchase Price	Adjusted Purchase Price	Purchase Price over		Adjusted Purchase Price	
					LTM Earn. to Com.	Book Value	as a multiple of LTM Revenues	EBITDA
7/25/2004	PNM Resources	TNP Enterprises	\$186	\$1,024	NM	3.6x	1.3x	9.6x
2/3/2004	Ameren Corporation	Illinois Power (Dynegy)	\$500	\$2,300	23.1x	NM	1.5x	7.5x
11/24/2003	KKR-Led Investor Group	UniSource Energy	\$875	\$2,789	20.9x	1.7x	3.2x	7.1x
11/18/2003	Texas Pacific Group	Portland General Electric (Enron)	\$1,250	\$2,148	22.9x	1.1x	1.1x	6.7x
9/15/2003	Fortis Inc.	Aquila Networks Canada	\$506	\$1,009	22.9x	1.5x	4.2x	8.8x
12/3/2002	KKR / Trimaran Capital Partners	International Transmission Co. (DTE)	\$610	\$610	NA	1.8x	4.6x	7.2x
10/29/2002	UniSource Energy	Arizona Gas & Electric (Citizens Utilities)	\$230	\$230	NA	0.7x	NA	9.3x
4/28/2002	Ameren	CILCORP (AES)	\$540	\$1,382	28.2x	1.0x	1.7x	8.2x
10/8/2001	Northwest Natural Gas	Portland General Electric	\$1,875	\$3,002	17.0x	2.1x	0.9x	7.7x
2/20/2001	Energy East	RGS Energy Group	\$1,382	\$2,396	15.0x	1.5x	1.7x	7.0x
2/12/2001	PEPCO	Conectiv	\$2,210	\$5,402	12.5x	1.9x	0.9x	7.3x
11/9/2000	Public Svc. Co. of New Mexico	Western Resources Electric Utility Operations	\$1,503	\$4,442	17.2x	1.4x	2.4x	8.4x
10/2/2000	NorthWestern Corp	MTP Utility	\$602	\$1,090	15.6x	1.3x	1.8x	8.0x
7/17/2000	AES	IPALCO	\$2,250	\$3,094	17.0x	3.1x	3.7x	8.0x
2/28/2000	PowerGen	LG&E	\$3,223	\$5,086	12.1x	2.4x	2.0x	7.0x
11/8/1999	Sierra Pacific Resources	Portland General Electric	\$2,020	\$3,099	18.0x	2.0x	3.0x	7.4x
10/28/1999	Investor Group	MidAmerican Energy Holdings	\$2,161	\$8,990	16.1x	2.0x	2.1x	7.9x
8/15/1999	Energy East	CMP Group	\$957	\$1,569	14.4x	1.8x	1.6x	7.2x

High	28.2x	3.1x	4.6x	9.6x
Average	18.7x	1.7x	2.1x	7.7x
Median	17.1x	1.7x	1.7x	7.6x
Low	12.1x	1.0x	0.9x	7.0x

Note: Bold lines are CSFB transactions.

US Generation Comparable Acquisitions

2004 YTD - Asset Sales

Buyer	Seller	Price (\$US MM)	Capacity (MW)	Price Per KW	Fuel
Dominion Resources	USGen New England	\$656	2,839	\$231	Coal / Oil / Natural Gas
GC Power Acquisition LLC	CenterPoint Energy, Inc.	\$3,647	14,175	\$257	Various
Black River Energy	TECO Energy	\$24	60	\$400	Oil
Nevada Power	Duke Energy	\$558	1,222	\$457	Natural Gas
Brownsville Public Utilities Board	AEP	\$43	54	\$792	Coal
Texas Genco (13.2%) / City Public Service of San Antonio (12%)	AEP	\$279	630	\$442	Nuclear
Pinnacle West	PPL Corp.	\$190	450	\$422	Natural Gas
ORMAT	Caithness Energy	\$20	13	\$1,612	Geothermal
BRASCAN Corporation	Reliant Energy	\$900	769	\$1,170	Hydro / Natural Gas
Buckeye Power	Ohio Valley Electric Corp. (9% from Allegheny)	NA	203	NA	Coal
Southern Nevada Water Authority	Pinnacle West	\$100	570	\$175	Natural Gas
Complete Energy Partners LLC	NRG Energy	\$331	837	\$395	Natural Gas
Georgia Pacific	Borallex, Inc.	\$1	16	\$75	Waste Wood
MatlinPatterson	Duke Energy	\$475	5,325	\$89	Natural Gas
TransCanada Power	Hydro Investment Corp.	\$118	56	\$2,107	Hydro
ORMAT	Constellation Energy	\$71	30	\$2,367	Geothermal
Centrica	FPL Energy	\$143	543	\$263	Natural Gas
FPL Energy	El Paso	\$72	272	\$265	Natural Gas
Calpine Power Income Fund	BAF Energy L.P.	\$116	120	\$968	Natural Gas
Calpine	Aquila	\$95	293	\$325	Natural Gas
TransCanada Power	TransCanada Corporation	\$403	360	\$1,118	Natural Gas / Hydro
Sempra Energy / Carlyle/Riverstone Global Energy	AEP	\$430	1,950	\$221	Natural Gas / Oil / Coal / Hydro
Bear Stearns	AEP	\$315	277	\$1,137	Natural Gas
Dominion	United American Energy	NA	132	NA	Coal
Camoco Corp.	AEP	\$279	630	\$442	Nuclear
GE Structured Finance	Dynegy	NA	212	NA	Natural Gas
Delta Power / John Hancock	Dynegy	NA	62	NA	Natural Gas
Undisclosed	Dynegy	\$6	13	\$424	Oil
Calpine	NRG Energy	\$175	570	\$307	Natural Gas
Delta Power / Morgan Stanley Capital Partners	Edison Mission Energy	\$241	143	\$1,687	Natural Gas / Oil
Golden Spread Electric Cooperative	AEP	\$43	54	\$792	Coal
Lightyear Capital / Rockland Capital Energy Investments	Tractebel	\$80	90	\$889	Natural Gas
Energy	Cleco Corp.	\$170	725	\$234	Natural Gas
Rockland Capital Energy Investments	Aquila	\$10	33	\$312	Natural Gas / Oil
AIG Highstar	El Paso	\$1,683	1,850	\$910	Natural Gas

Noted: Shade lines are CSFB transactions.

From: Marshall Evans
To: james.mcginnis@morganstanley.com
Date: 9/24/2004 2:04:50 PM
Subject: Extension

Dear Jim:

Per our telephone conversations, we would be glad to extend the deadline for your proposal until Friday, October 1, since we took so long getting back to you on a critical question you asked. Please contact me if you have any further questions, and thanks for your interest!

Sincerely,
Marshall Evans
803-734-5227

From: <paul.dabbar@jpmorgan.com>
To: <mevans@gov.sc.gov>
Date: 10/13/2004 3:36:56 PM
Subject: JPM New proposal

Marshall:

Thank you for your continued interest in our abilities to potentially conduct the study for the Board of Santee Cooper. This evaluation, along with other work, is what we do for a living, and we are very excited about the opportunity.

As you requested, we have reviewed your request for an advisory/study engagement proposal not linked to any follow on potential work. We are coming back with a very aggressive proposal that we think you will find financially attractive:

1. We propose a flat fee for the study of \$100,000. This fee would be creditable against any follow on advisory work for the Company/Board.
2. We propose no linkage with any potential follow on work. We would hope that if any action is taken around the company, that you would appreciate our capabilities that you would see around the delivery of our study.
3. We would cap our expenses that we would bill to \$175,000 without getting prior approval from the Company.

We hope this is an attractive proposal. We feel that combined with our market leading position across all the required disciplines, we hope that this makes us the most compelling for you to hire.

Please feel free to contact any of us with questions. We look hopefully for your positive response to this proposal.

Paul Dabbar
Vice President
Mergers & Acquisitions
JPMorgan
277 Park Ave
New York, NY 10583

(p) 212 622 2287
(m) 917 842 8316

Sent from my BlackBerry Wireless Handheld

This communication is for informational purposes only. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. Any comments or statements made herein do not necessarily reflect those of J.P.

Morgan Chase & Co., its subsidiaries and affiliates.

LAZARD

LAZARD FRÈRES & CO. LLC
30 ROCKEFELLER PLAZA
NEW YORK, NY 10020
PHONE 212-832-6000
www.lazard.com

October 7, 2004

Mr. Marshall Evans
Policy Advisor
Office of the Governor
P.O. Box 122767
Columbia, SC 29211

Dear Mr. Evans:

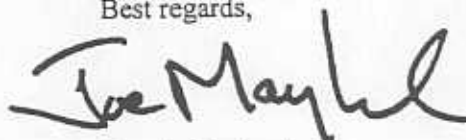
Thank you for meeting with our team yesterday. I thought we had a productive session and I would like to reiterate our strong belief that Lazard is well qualified to conduct the analysis of the options available regarding Santee Cooper. Further, we believe we are uniquely qualified to provide advice to the Office of the Governor in this complex situation without the appearance (or reality) of potential conflict either from existing relationships with Santee Cooper or potential outcome bias.

We spent some time in the meeting yesterday discussing the compensation structure contained in our written proposal. As you requested, we are prepared to modify the proposal along the lines suggested in our discussion. We now propose to conduct the analytical phase ("Study Phase") for \$250,000 and would propose a "success" based advisory fee for any subsequent activities, which would reflect market rates for banks acting in similar capacities for the various potential outcomes. As you requested, we have substantially lowered our initial fee for the Study Phase and are happy to align our interests with those of the State. We would be happy to discuss how to define "success" in this context. We expect that an appropriate incentive-based fee structure can be devised based on the criteria selected to define "success". One such measure could be based on a calculation of value received by the State under each of the various potential outcomes.

I will call you, in any event, to discuss further and to address any remaining issues or questions you or the other members of your committee have regarding Lazard's proposal.

Again, thank you for giving us the opportunity to work with the Office of the Governor in this important situation.

Best regards,



Joseph Maybank
Managing Director

PARIS LONDON NEW YORK BERLIN BOMBAY CAIRO CHICAGO FRANKFURT HAMBURG HONG KONG MADRID
MILAN MONTREAL NEW DELHI ROME SAN FRANCISCO SEOUL SINGAPORE STOCKHOLM SYDNEY TOKYO TORONTO

LAZARD

LAZARD FRÈRES & Co. LLC
30 ROCKEFELLER PLAZA
NEW YORK, NY 10020
PHONE 212-632-6000
www.lazard.com

October 12, 2004

Mr. Marshall Evans
Policy Advisor
Office of the Governor
P.O. Box 122767
Columbia, SC 29211

Dear Mr. Evans:

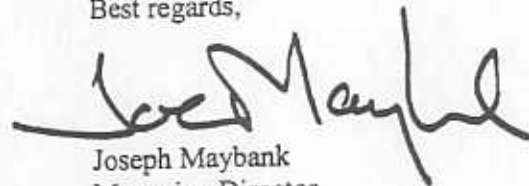
Thank you for your continued consideration of our proposal. I would like to reiterate our strong belief that Lazard is well qualified to conduct the analysis of the options available regarding Santee Cooper. Further, we believe we are uniquely qualified to provide advice to the Office of the Governor and the Board of Directors of Santee Cooper in this complex situation without the appearance (or reality) of potential conflict either from existing relationships or potential outcome bias.

In light of the cost concerns raised in each of our conversations, we are now proposing to conduct the Study Phase for no financial consideration. We would expect expense reimbursement with an initial cap of \$30,000 not to be exceeded without your prior agreement. Further, we will agree not to engage outside advisors (including legal counsel) for the purposes of the analysis without your prior written approval.

This analysis is critical to the future of Santee Cooper and the State of South Carolina. As such, it is important to Lazard and we will devote the full resources necessary to complete this assignment quickly and consistent with our highest standards. As we have discussed, the primary opportunity for Lazard to earn a return is in the Execution Phase (if any) of any potential transaction. While we have agreed not to tie our engagement as the advisor in the Study Phase to the ultimate execution role, we understand that a successful completion of the Study Phase will result in our being strongly considered for a role in any potential transaction in the Execution Phase.

Again, thank you for giving us the opportunity to work with the Board of Directors of Santee Cooper and the Office of the Governor in this important situation.

Best regards,



Joseph Maybank
Managing Director

PARIS LONDON NEW YORK BERLIN BOMBAY CAIRO CHICAGO FRANKFURT HAMBURG HONG KONG MADRID
MILAN MONTREAL NEW DELHI ROME SAN FRANCISCO SEOUL SINGAPORE STOCKHOLM SYDNEY TOKYO TORONTO

From: Marshall Evans
To: james.mcginnis@morganstanley.com
Subject: Request for Proposal

Dear Jim:

This is a request for a proposal for advisory services on the potential privatization of the South Carolina Public Service Authority, otherwise known as Santee Cooper. Specifically, we would like to commission a study to examine the feasibility of privatizing the utility. We would like this confidential study to be conducted in as timely a manner as possible.

Your proposal should address:

- 1) Your proposed approach to the study. The study should provide:
 - a. A thorough valuation of Santee Cooper if it were sold in a private Merger or Acquisition or in an IPO.
 - b. A study of the impact of such a sale on Santee Cooper's contracts with major customers and on electrical rates for end users.
 - c. Any possible approaches to mitigate or manage impacts of a sale on end users of electricity.
 - d. A proposed approach to managing the privatization process through final sale.
 - e. Any creative approaches or ideas you might generate that could maximize value for the citizens of South Carolina.
- 2) Your proposed compensation for the study, and, separately, for any further advisory work in this matter that might be requested by the Board of Directors.
- 3) Your proposed timeline for the study.
- 4) The qualifications of your firm and your individual team members in privatization of electrical utilities or in other sales of electrical utilities.
- 5) Any prior or ongoing experience your firm has had with Santee Cooper.

We should clarify that the successful proposer (or proposers, if a joint advisory team is selected) would work with the Office of the Governor in this matter.

Please submit your proposals electronically to the attention of Marshall Evans in the Office of the Governor, Columbia, South Carolina no later than 12:00 noon Eastern Daylight Time, Friday, September 24, 2004. Proposals should be sent to the following email address: mevans@gov.sc.gov.

Please treat this matter as strictly confidential.

In addition to your written proposal, we ask that you schedule an in-person presentation of your proposal to members of the Governor's staff in Columbia, SC between Monday, September 27, 2004 and Monday, October 11, 2004. These meetings can be scheduled by contacting Marshall Evans at (803) 734-5227.

If you require any further information for preparing your proposal, please direct your requests to Marshall Evans via the email or telephone contacts above.

Thank you for your interest in this matter. We look forward to hearing from you.

From: Marshall Evans
To: joseph.maybank@lazard.com
Subject: Request for Proposal

Dear Joe:

This is a request for a proposal for advisory services on the potential privatization of the South Carolina Public Service Authority, otherwise known as Santee Cooper. Specifically, we would like to commission a study to examine the feasibility of privatizing the utility. We would like this confidential study to be conducted in as timely a manner as possible.

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 - c. Any possible approaches to mitigate or manage impacts of a sale on end users of electricity.
 - d. A proposed approach to managing the privatization process through final sale.
 - e. Any creative approaches or ideas you might generate that could maximize value for the citizens of South Carolina.
- 2) Your proposed compensation for the study, and, separately, for any further advisory work in this matter that might be requested by the Board of Directors.
- 3) Your proposed timeline for the study.
- 4) The qualifications of your firm and your individual team members in privatization of electrical utilities or in other sales of electrical utilities.
- 5) Any prior or ongoing experience your firm has had with Santee Cooper.

We should clarify that the successful proposer (or proposers, if a joint advisory team is selected) would work with the Office of the Governor in this matter.

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If you require any further information for preparing your proposal, please direct your requests to Marshall Evans via the email or telephone contacts above.

Thank you for your interest in this matter. We look forward to hearing from you.

From: Marshall Evans
To: paul.dabbar@jpmorgan.com
Date: 9/20/2004 5:54:01 PM
Subject: Request for Proposal

Dear Paul:

This is a request for a proposal for advisory services on the potential privatization of the South Carolina Public Service Authority, otherwise known as Santee Cooper. Specifically, we would like to commission a study to examine the feasibility of privatizing the utility. We would like this confidential study to be conducted in as timely a manner as possible.

Your proposal should address:

- 1) Your proposed approach to the study. The study should provide:
 - a. A thorough valuation of Santee Cooper if it were sold in a private Merger or Acquisition or in an IPO.
 - b. A study of the impact of such a sale on Santee Cooper's contracts with major customers and on electrical rates for end users.
 - c. Any possible approaches to mitigate or manage impacts of a sale on end users of electricity.
 - d. A proposed approach to managing the privatization process through final sale.
 - e. Any creative approaches or ideas you might generate that could maximize value for the citizens of South Carolina.
- 2) Your proposed compensation for the study, and, separately, for any further advisory work in this matter that might be requested by the Board of Directors.
- 3) Your proposed timeline for the study.
- 4) The qualifications of your firm and your individual team members in privatization of electrical utilities or in other sales of electrical utilities.
- 5) Any prior or ongoing experience your firm has had with Santee Cooper.

We should clarify that the successful proposer (or proposers, if a joint advisory team is selected) would work with the Office of the Governor in this matter.

Please submit your proposals electronically to the attention of Marshall Evans in the Office of the Governor, Columbia, South Carolina no later than 12:00 noon Eastern Daylight Time, Friday, September 24, 2004. Proposals should be sent to the following email address: mevans@gov.sc.gov.

Please treat this matter as strictly confidential.

In addition to your written proposal, we ask that you schedule an in-person presentation of your proposal to members of the Governor's staff in Columbia, SC between Monday, September 27, 2004 and Monday, October 11, 2004. These meetings can be scheduled by contacting Marshall Evans at (803) 734-5227.

If you require any further information for preparing your proposal, please direct your requests to Marshall Evans via the email or telephone contacts above.

Thank you for your interest in this matter. We look forward to hearing from you.

From: Marshall Evans
To: marybeth.mandanas@csfb.com
Subject: Request for Proposal

Dear Mary Beth:

This is a request for a proposal for advisory services on the potential privatization of the South Carolina Public Service Authority, otherwise known as Santee Cooper. Specifically, we would like to commission a study to examine the feasibility of privatizing the utility. We would like this confidential study to be conducted in as timely a manner as possible.

Your proposal should address:

- 1) Your proposed approach to the study. The study should provide:
 - a. A thorough valuation of Santee Cooper if it were sold in a private Merger or Acquisition or in an IPO.
 - b. A study of the impact of such a sale on Santee Cooper's contracts with major customers and on electrical rates for end users.
 - c. Any possible approaches to mitigate or manage impacts of a sale on end users of electricity.
 - d. A proposed approach to managing the privatization process through final sale.
 - e. Any creative approaches or ideas you might generate that could maximize value for the citizens of South Carolina.
- 2) Your proposed compensation for the study, and, separately, for any further advisory work in this matter that might be requested by the Board of Directors.
- 3) Your proposed timeline for the study.
- 4) The qualifications of your firm and your individual team members in privatization of electrical utilities or in other sales of electrical utilities.
- 5) Any prior or ongoing experience your firm has had with Santee Cooper.

We should clarify that the successful proposer (or proposers, if a joint advisory team is selected) would work with the Office of the Governor in this matter.

Please submit your proposals electronically to the attention of Marshall Evans in the Office of the Governor, Columbia, South Carolina no later than 12:00 noon Eastern Daylight Time, Friday, September 24, 2004. Proposals should be sent to the following email address: mevans@gov.sc.gov.

Please treat this matter as strictly confidential.

In addition to your written proposal, we ask that you schedule an in-person presentation of your proposal to members of the Governor's staff in Columbia, SC between Monday, September 27, 2004 and Monday, October 11, 2004. These meetings can be scheduled by contacting Marshall Evans at (803) 734-5227.

If you require any further information for preparing your proposal, please direct your requests to Marshall Evans via the email or telephone contacts above.

Thank you for your interest in this matter. We look forward to hearing from you.

From: <paul.dabbar@jpmorgan.com>
To: "Marshall Evans" <mevans@gov.sc.gov>
Date: 10/7/2004 8:45:59 AM
Subject: JPM Additional Request for Proposal

Marshall:

Thank you for your time yesterday. We appreciated the time you spent with us yesterday, and we hope we provided some ideas for you to think about.

Also, we hope we made a compelling case for you to engage JPMorgan for your study. We are by far the best firm that can deliver the integrated products of Public Finance, power industry Corporate Finance, M&A and Equities.

We also have a dominant position reviewing strategic options for governments' business interests, as well as executing on decided paths.

We have discussed your request for providing an additional fee proposal for a "study only" service for you, with no linkage with potential follow on execution. We are happy to respond with this additional fee proposal for that requested potential engagement structure:

1. a fee of \$1 million for the study and follow on support as a result of the study
2. 90% of that study fee would be creditable against any follow-on execution that might result from the study

We hope this is responsive. We would be very happy to be engaged by you under this or our previous proposal terms. To remind you also of one clarification from yesterday's conversation, under our original proposal, our \$100,000 study fee would be 100% creditable against any follow-on execution that might result from the study.

We are very excited about helping you with this very important review of the Company. Please feel free to call any of us with questions.

Please pass this along to the others as appropriate. I had only Keith's email.

Paul Dabbar

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purchase or sale of any financial instrument or as an official confirmation of any transaction. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. Any comments or statements made herein do not necessarily reflect those of J.P. Morgan Chase & Co., its subsidiaries and affiliates.

CC: <michael.c.finnegan@jpmorgan.com>, <eric.fornell@jpmorgan.com>, <paul.w.neuhedel@jpmorgan.com>, <gregor.vahramian@jpmorgan.com>, <kmunson@wcsr.com>



September 24, 2004

Office of the Governor
State of South Carolina
P.O. Box 12267
Columbia, SC 29211

Attention: Marshall Evans

Banc of America Securities LLC ("BAS") is pleased to submit the following proposal to the Government of the State of South Carolina ("the State Government") to provide financial advisory and investment banking services in connection with the potential privatization of the South Carolina Public Service Authority ("Santee Cooper"). BAS understands that the State Government intends to commission a study to assess the feasibility of privatizing the utility and is seeking advisers to work with the Office of the Governor in conducting such a study.

This letter summarizes key issues related to the privatization process, main elements of our proposed approach to the study, the scope of services and marketing strategy that BAS would undertake in the event we are engaged as financial advisor to the State Government, as well as the primary reasons that BAS believes it is best suited to advise the State Government. In order to ensure that the study is beneficial, we will work closely with the State Government and the Board of Directors to better understand their views and perspective of the process and to prioritize their objectives, which in turn will allow us to balance the interests of all constituents in formulating our conclusions and recommendations. We would be pleased to elaborate on the items outlined herein and to discuss any modifications that the State Government might propose.

Bank of America NA (BAS' parent), is headquartered in Charlotte, North Carolina, and maintains a strong presence in each of its regional markets, including South Carolina. BAS is a leading investment banking institution with one of the strongest equity franchises on Wall Street. As part of one of the largest financial institutions in the United States, BAS is able to leverage a unique integrated platform encompassing Commercial and Investment Banking, Capital Markets, Rating Agency Advisory, Commodities, Public Finance and other capabilities to develop an approach that will assist the State Government in achieving its privatization objectives for Santee Cooper.

This document addresses the current market conditions and timing considerations regarding the potential sale of Santee Cooper, key issues that the State Government should consider, BAS' proposed approach to the privatization process (including key steps involved in the process and BAS' role, a brief description of the marketing approach and key selling points of Santee Cooper), a timeline for completion of the privatization, BAS' proposal and advisory services that we are offering to the State Government, our proposed fee schedule for such services and finally, why BAS believes it is best suited to provide financial advisory services to the State Government in connection with the potential privatization of Santee Cooper.

I. A sale of Santee Cooper, either through an initial public offering ("IPO") or strategic sale, will be well-received by the markets

The level of transaction activity in the Utility Sector, the current economic environment and the state of the equity markets make this an opportune time to consider the potential sale of Santee Cooper.

A. Market Conditions. The IPO market, though volatile, continues to be open to high quality issuers exhibiting scale and growth prospects similar to those of Santee Cooper. Most recent offerings are trading up post-IPO. Utility and other yield stocks have outperformed the broader market in 2004 as they typically perform well in low interest rate environments. Despite the market outlook for rising rates, interest rates still remain at historical lows. As a result, valuations for attractive yield-based utilities have recently experienced significant improvement. The State Government could opportunistically access the public markets through an IPO of Santee Cooper while rates remain favorable, or alternatively, enter into negotiations for a strategic sale, comfortable in the knowledge that an IPO remains a valid alternative should it be unable to secure an appropriate valuation in a negotiated transaction.

B. Merger and Acquisition ("M&A") activity in the Utility Sector has been robust with strong interest being shown for both Generation as well as Transmission and Distribution ("T&D") assets, and compelling valuations being realized in both asset classes. Financial buyers (private equity firms, hedge funds, and other financial institutions) have dominated recent acquisition activity in the sector, partly due to receptive financial markets that have allowed them to use

significant leverage to be aggressive on value. The increased interest by financial buyers has provided a floor for valuations, which continue to move upward. Strategic buyers (i.e. corporations) have also increased their M&A activity, engaging in both opportunistic asset acquisitions as well as transformational transactions to gain scale or to diversify and expand their portfolios.

II. Key Considerations

A. The proposed privatization will affect all stakeholders, including South Carolina's citizens; Santee Cooper's customers, suppliers, creditors, management and employees; regulatory authorities; legislative bodies within the State and the State Government itself. In our experience, key issues that should be evaluated as part of the privatization of Santee Cooper can be broken down into the following operational and financial areas:

- **Degree of Control Retained.** The State Government will need to assess the degree of control it wants to maintain over the entity post privatization, and balance this against the prospective valuation it may achieve by giving up control. In addition, it will need to assess the relative benefits and issues associated with holding a significant stake in a potentially publicly-traded entity, including the ongoing role it will play in corporate governance, and the potential reaction of both investors and the various political constituencies within the State versus those of making a clean break from ownership. In considering these issues, it will need to balance valuations that can be achieved under each scenario, as well as its ability to meet any non-financial objectives through alternate means, such as regulations or operating agreements.
- **Regulation.** The State Government will need to assess the rate regime (both residential and wholesale) in which a privatized Santee Cooper would operate, as well as any needs for altering the existing rate regime and the political and economic ramifications that these would pose. In particular, the State Government will need to address how rates that end users pay will be set and periodically reviewed, how the rate structure will impact investor expectations and in turn, valuations that the State Government can expect to realize in a privatization process.
- **Impact on Capital Structure.** The State Government will need to assess the impact that a sale would have on Santee Cooper's capital structure, including whether any existing debt obligations (primarily tax-exempt bonds) will need to be retired or defeased, whether there are certain restrictive bond covenants to be addressed, whether and how Santee Cooper will need to be recapitalized, the transaction costs associated with any such recapitalization, and the impact that a new capital structure will have on Santee Cooper's cost of capital and financial flexibility. Additionally, the impact that a change of control

transaction would have on the credit ratings of Santee Cooper needs to be assessed.

- **Ability to Maximize Present and Future Revenues to the State Government.** The State Government will need to assess whether the proceeds it will receive from a privatization of Santee Cooper, together with the present value of any additional tax revenues that come with privatization, as well as dividends from any ongoing partial ownership, will outweigh the financial benefits that come with owning Santee Cooper in its current form.
- **Survival of Existing Contracts.** The State Government will need to assess the impact that a privatization will have on existing contracts (primarily fuel supply contracts and long-term power sale contracts), the prospects for successfully renegotiating any contracts that could be terminated by the privatization process, and the associated impact on both Santee Cooper and its customers.
- **Impact on Long-Term Employee Obligations.** The State Government will need to assess the impact that a change of control transaction would have on existing pension plan obligations, retirement benefits and any long-term incentive programs at Santee Cooper.
- **Nuclear Regulatory Commission ("NRC") Approval.** Consent of the NRC is usually required in order to transfer control of a nuclear license. An assessment of whether the acquisition of Santee Cooper's one-third ownership in the V.C. Summer Nuclear Station, as part of any sale process, requires license transfer approval would need to be performed as part of the State Government's study.
- **Social Impacts.** The State Government will need to assess the impact that a privatization would have on the customers and communities served by Santee Cooper, Santee Cooper's management and employees, and the State in general.
- **Corporate Governance.** In the event of an IPO, Santee Cooper will need to ensure that its corporate governance policies meet today's high standards of transparency and independence. In addition, appropriate management compensation packages will need to be put in place, using procedures that will withstand the inevitable public scrutiny that they will undergo.

III. Proposed Approach

BAS proposes to conduct a multi-disciplinary study, the results of which will be used to develop a valuation of Santee Cooper. In the event the State Government chooses to proceed with the privatization, BAS proposes to conduct a dual-track sale process

in which it pursues a potential strategic sale of Santee Cooper simultaneously with executing an IPO. As part of this process, BAS will conduct a broad marketing effort designed to achieve the strongest possible valuation for Santee Cooper in an IPO or private sale.

- A. **Conduct Multi-Disciplinary Market Study.** The proposed privatization will require the integration of a number of issues that are critical to determining the value of Santee Cooper, some of which have been previously outlined in Section I. Expertise from various disciplines, including investment banking, industry consultants, legal (including corporate, regulatory and tax) and accounting will be required to conduct a comprehensive assessment of the benefits and issues associated with a privatization of Santee Cooper. BAS has strong relationships with many leading professionals in all of these disciplines, and is willing to act as an intermediary in assembling and coordinating their services in producing such a study. In addition to taking a leading role in assessing the financial issues associated with a privatization, BAS will also coordinate with and make its resources available to experts from other disciplines and play the lead role in producing a synthesized final product.

As part of this study, the combined disciplinary team, together with the State Government and management of Santee Cooper (as appropriate), will develop a financial projection model for the business, which incorporates the regulatory regime in which it will operate, customer demographics, market structure, supply and demand for electricity and fuel, the associated impact on electricity rates, planned capital expenditures and investment programs and associated financing strategy, and how these would impact the financial performance of a privatized Santee Cooper.

- B. **Conduct Full Valuation of Santee Cooper.** BAS will utilize the financial projection model produced by the above-described market study to develop a detailed view of the potential valuation range that can be realized by the State Government in a strategic sale or IPO of Santee Cooper, and compare such valuation range to the financial benefits that would come from retaining ownership in the business. As part of this valuation, BAS will perform a full range of analyses to reach a view on value, including the following:
- **Analysis of Selected Publicly-Traded Companies / IPO Valuation.** BAS will examine the trading ranges of selected utilities to ascertain the potential value at which Santee Cooper would trade in the public markets. From this, BAS will derive a view of both the amount of proceeds the State Government could expect to receive in an IPO transaction, as well as the potential premium it might receive in a privately-negotiated sale.
 - **Discounted Cash Flow Analysis.** BAS will assess the present value of projected cash flows, using the Capital Asset Pricing Model, arriving at a view

of the proper unlevered beta for Santee Cooper, the appropriate capital structure, expected weighted average cost of capital, and other relevant metrics required to perform this analysis.

- **Analysis of Selected Sale Transactions.** BAS will examine a number of precedent transactions that, for the purpose of our analysis are deemed relevant to the sale of Santee Cooper in whole or in part. BAS will examine premiums paid in those transactions in order to determine a reasonable premium for Santee Cooper.
 - **Discounted Dividend Analysis.** BAS will assess the present value of projected dividends using a discounted dividend model. Such analysis will be important in determining the potential IPO value of Santee Cooper, as dividend yield and growth are important investment metrics for utility investors.
- C. **Formulate Strategy.** BAS will assist the State Government in analyzing the results of the market study and valuation, and in formulating and communicating a clear privatization plan for Santee Cooper that includes addressing, as appropriate, such topics as the specific valuation targets, timetable for execution, an examination of current market conditions for an M&A / IPO process, the degree to which the privatization satisfies the State Government's broader objectives, and positioning of a privatized Santee Cooper within the State, the capital markets (if applicable), and the Utility sector generally.
- D. **Conduct "Dual Track" Sale Process.** In the event that the State Government opts to proceed with a privatization of Santee Cooper, BAS would recommend proceeding with a dual-track sale process, in which it pursues a potential strategic sale of Santee Cooper simultaneously with executing an IPO. Using such a process, BAS will test both the public and private markets to determine which holds the greatest potential for maximizing value to be received by the State Government, and at the same time preserving each option to the fullest extent possible until a final transaction is consummated. BAS has experience conducting such processes successfully for other clients and is confident that such a process can be undertaken without causing undue disruption to the State Government and Santee Cooper management.

As part of conducting such a process, BAS would undertake the following:

- **Position Santee Cooper to achieve the strongest possible valuation in a public (IPO) or private (M&A) sale.** In marketing Santee Cooper, BAS will ensure that prospective buyers are properly made aware of its most unique and salient features, including the following:

- **Size of Opportunity.** Santee Cooper represents one of the largest public utilities in the United States — a key selling attribute that is likely to attract additional buyers to the table. A utility of this size only rarely comes on the market, and will command a strong valuation.
 - **Stability of Cash Flows.** The utility's long-term contracts with wholesale and industrial customers are attractive to a buyer seeking to minimize the risk of variability in revenues and cash flows. Cost adjustment mechanisms contained in the majority of Santee Cooper's customer contracts will also serve to allay price and commodity risk to buyers.
 - **Growth Opportunities.** BAS expects buyers to focus on the growth opportunities that are available to Santee Cooper. BAS will work closely with management to help articulate the potential for growth, paying particular attention to opportunities represented by customer growth within the commercial, industrial, residential and government segments; opportunities represented by new generation and other projects; and other add-on acquisition opportunities that may be available in the market.
 - **Experienced Management Team.** Santee Cooper's management is well respected, experienced, and should prove an asset in any prospective sale. BAS will emphasize their years of experience, the company's reliability rating and strong record of consistent financial and operating performance.
 - **Favorable Service Territory.** Santee Cooper's customer base is large, covering three quarters of the State and providing power for 1.8 million South Carolinians. This territory encompasses some of the fastest growing areas in the region and will form a key selling point in the sale process.
 - **Conduct Broad M&A Marketing Effort.** BAS believes a broad marketing effort, including both strategic investors and financial buyers would maximize the potential value of Santee Cooper. The purchase of Santee Cooper by qualified strategic or financial investors that possess the commercial, managerial and technical expertise to own and operate electric utilities in a market-oriented manner is critical to the State's value maximization objective. BAS has strong relationships with the buyers who are likely to have the interest and ability to pay a strong valuation for Santee Cooper. As a result, we have immediate access to a core of potential buyers who can ensure meaningful pricing in a strategic sale of Santee Cooper.
- E. **Assess other, innovative approaches.** In addition to the approaches outlined above, BAS will also explore the potential to realize value through other more innovative approaches, including, but not limited to, assessing the prospects for the following:

- **Potential to sell Santee Cooper's generating assets separately from its T&D and water assets.** Buyers interested only in parts of Santee Cooper may be willing to bid more for the separate parts. Such utility disaggregations have proven increasingly popular over the years. If generation assets are to be sold separately, BAS will explore the potential for its Commodity Derivatives group to offer products that will enable prospective buyers to manage risks associated with such assets, which may improve the valuation received for the assets. BAS will also explore the relative benefits of selling generation units separately, or in a single portfolio sale. T&D assets, with their steady cash flows, hold the potential to attract buyers with lower financial return requirements. As part of this effort, BAS will explore whether the use of an Income Deposit Security structure, such as BAS' Equity Enhanced Yield Securities ("EYES") structure or a Real Estate Investment Trust ("REIT") structure can be used to further improve valuations. BAS is currently actively involved in the EYES market, in a book-running or lead-managing position on over \$4 billion of EYES transactions in registration and recently book-ran one of the largest REIT IPOs. Finally, though currently a small source of revenue relative to its electric utility, Santee Cooper's Regional Water system may hold appeal to a buyer interested in water assets, which may facilitate the sale of rest of the utility to the extent potential buyers lack the desire to purchase or the experience to operate a water utility.
- **Potential to offer "Stapled Financing" as part of the marketing effort.** "Stapled Financing" refers to a financing package offered by the seller's financial advisor, which can be used by prospective buyers without the need to bring in independent sources of debt capital and undertake separate due diligence processes. As one of the nation's top providers of acquisition financing, BAS is well-positioned to offer such a service, and has successfully done so in the past. Santee Cooper's exemplary credit profile would appear to make it a prime candidate for such a product, which in the past has brought considerable expedience and improved valuations to sale processes.

IV. Timetable

We estimate the market study and valuation will take 6 – 10 weeks to complete. However, after additional discussions with the State Government, Santee Cooper management and partners from other disciplines, it may be possible to reduce the estimated time required.

The following sets out the timeline of a transaction, starting from the point at which the State Government makes the determination that it will proceed with a privatization process. The major process steps and their approximate duration are outlined below. Key decision points occur during Week 8 when preliminary bids and comments from the SEC are received and in Week 13, when final bids are due. BAS believes that this timeline is aggressive and achievable, however specific dates can

vary and should be flexible, within limits. BAS will aim to strike a proper balance in order to keep maximum investor interest, ensuring that enough time is devoted so that potential investors have had the opportunity to participate while at the same time ensuring that momentum is not lost.

Step	IPO	Sale Process
Week 1	<ul style="list-style-type: none"> Leverage work on sale process in preparing S-1 	<ul style="list-style-type: none"> Start to develop auction strategy, including examination of company profile, strengths, strategic options, analysis of value drivers Develop valuation view
Week 4	<ul style="list-style-type: none"> File S-1 	<ul style="list-style-type: none"> Start to develop marketing strategy and prepare selling package
Week 6		<ul style="list-style-type: none"> Contact potential buyers Distribute confidential Offering Memorandum
Week 8	<ul style="list-style-type: none"> Receive SEC comments 	<ul style="list-style-type: none"> Preliminary bids due Start to evaluate preliminary bids
Week 9		<ul style="list-style-type: none"> Invite select bidders to Management Presentations Due Diligence process
Week 13		<ul style="list-style-type: none"> Final bids due
Week 14	<ul style="list-style-type: none"> Commence marketing / road show* 	<ul style="list-style-type: none"> Begin preliminary negotiations
Week 15	<ul style="list-style-type: none"> Price / Closing assuming IPO path chosen 	
Week 16		<ul style="list-style-type: none"> Select buyer
Week 17		<ul style="list-style-type: none"> Begin final due diligence Negotiate structure and terms
Week 21		<ul style="list-style-type: none"> Finalize and execute purchase agreements

* IPO launch could occur several weeks earlier in the absence of the M&A sale process.

BAS would be pleased to provide greater detail on the process steps for the dual-track sale process during our in-person presentation.

V. Proposal

- A. **Services to be provided by BAS.** BAS understands that the State Government may mandate a financial advisor if, after the results of the market study are evaluated, it decides to commence with the privatization process. BAS proposes to perform the following advisory services, based on a dual-track M&A / IPO approach:
- Prepare and refine financial projections, including proper supporting documentation, for presentation to potential buyers:
 - Manage the IPO process including drafting, due diligence, development of management presentations, road show strategy, investor targeting and all logistical coordination related to the offering
 - Work with the State Government to craft a detailed descriptive memorandum that promotes the investment highlights about Santee Cooper and the attractiveness of the opportunity in a clear, concise and convincing way
 - Create a detailed valuation for Santee Cooper to use as a benchmark against which to evaluate proposals
 - Assemble a list of potential buyers and contact such buyers on the State Government's behalf
 - Assess potential buyers' indications of interest and evaluate their ability to obtain financing and quickly consummate a transaction
 - Organize all relevant documentation that would be required for the due diligence phase, providing for its input into a virtual, online data room that will greatly enhance efficiency and reduce time and expenses associated with this stage of the process, and otherwise coordinate the due diligence phase in a manner that strives to minimize management distractions
 - Work with the State Government and Santee Cooper management to prepare a management presentation or an IPO presentation and participate in "dry run" sessions with the State Government and Santee Cooper management to refine the content and tone of the presentation
 - Assist the State Government with the negotiation of final terms and conditions for the sale of Santee Cooper

VI. Fees

BAS will align its interests with the State Government's to ensure that our compensation is dependent on successful completion of a transaction. Recognizing that the State Government seeks to maximize value, we have endeavored to structure a fee proposal that provides for remuneration to BAS and incorporates mechanisms designed to align our interests, as well as incentive mechanisms designed to increase our compensation in instances where we are able to obtain maximum sales proceeds for the State Government. The key elements of our fee proposal under an IPO or strategic sale scenario include the following:

- A. **Market Study and Valuation Phase.** BAS proposes a flat fee of \$750,000, of which \$100,000 will be paid at the commencement of our engagement and \$650,000 will be paid upon the earlier of the 6-month anniversary of our engagement or the completion of the study. The full amount of this fee will be creditable against any fees payable pursuant to sub-sections B and C below. In addition, BAS will be reimbursed for reasonable out-of-pocket expenses, including those associated with BAS' outside counsel. Fees and expenses incurred by consultants, attorneys and other study participants from other disciplines will be billed directly to the State Government by such participants, and are not included in the costs outlined above.
- B. **In the event of an IPO:**
- BAS proposes a base gross spread of 4-6%. The final fee will be based on the size of the offering and the number of managers selected for the underwriting team. A performance-based "incentive scale" will also be applied to this base fee whereby the underwriting team could earn somewhat more or less than the base fee depending on the success of the execution.
- C. **In the event of a Strategic Sale:**
- We propose a base fee of 0.3% (i.e. 30 basis points) of the aggregate consideration from a transaction involving the sale of Santee Cooper, subject to an agreed-upon minimum fee. "Aggregate consideration" will include both the amount received by the State Government and the amount of any debt assumed by the buyer or extinguished in the transaction. In the event of a partial sale, aggregate consideration will be calculated as if the entire business had been sold.
 - BAS is also willing to consider establishing certain incentives that would provide for compensation depending on the level of valuation obtained.
 - In the event that Santee Cooper is sold in pieces to more than one buyer, BAS would seek additional compensation to account for the additional work involved in conducting two transactions.
 - An agreed-upon portion of the above-described fees would be payable upon the earlier of the execution of a definitive agreement with respect to a

transaction, or the announcement thereof, with the balance payable upon consummation of such transaction.

- The above fee schedule assumes that BAS would be appointed "book-runner" in the event of an IPO or lead advisor in the event of a sale.

Open to further discussion. The fee proposal above represents our preliminary thoughts, which we would seek to refine in further discussions with the State Government in order to ensure a mutually acceptable arrangement.

VII. Qualifications and Institutional Commitment

Bank of America is the second largest financial institution in the United States and is one of the few institutions capable of providing "One-stop-shop" financial services. This unique integrated platform provides us the ability to bring together experienced professionals from many different disciplines in order to provide unparalleled advisory and execution services to our clients. BAS is one of the leading investment banking practices on Wall Street. After performing internal checks, we believe we do not have any material banking relationships with Santee Cooper, and as such will be well-positioned to remain independent and provide impartial advice and execution.

Most importantly as relates to the proposed privatization of Santee Cooper, please note the following:

- A. BAS is a leader in the Equity markets** with significant recent experience in positioning companies for premium valuations in the IPO market including the \$804 million IPO of American Financial Realty Trust, the largest IPO of 2003. BAS is a top energy equity underwriter and has book managed over \$2.5 billion in equity in 2004. BAS has built what we believe is one of the largest institutional salesforces on Wall Street and a nationwide retail platform with approximately 2,500 brokers. A full description of BAS' Equity / IPO qualifications can be found in the Appendix.
- B. BAS has unmatched commitment to the Natural Resources sector** and is continuously involved in advising buyers and sellers in the utilities sector, including regulated and diversified utilities, transmission and distribution companies, local gas distribution companies ("LDC's"), power generators and other market participants. As such, we can offer the State Government the following strengths in the proposed privatization:

- **Recent experience on the first corporate utility / utility acquisition in over 3 years.** BAS acted as the sole financial advisor to PNM Resources on its acquisition of TNP Enterprises announced in July 2004. The \$1.0 billion transaction involved the acquisition of a public utility operating in Texas and New Mexico.
- **One of the fastest growing Natural Resources transaction practices – ranking 4th in the league tables for announced Power M&A transactions** in the last year. Because our practice is growing, an engagement such as this will hold as much significance for our own firm as it will for the State Government. Accordingly, an advisory assignment by the State Government will have the full commitment of our institution.
- **First-hand knowledge of the privatization process.** BAS' professionals have been involved in multiple privatization processes in the Natural Resources sector that are relevant to the proposed sale of Santee Cooper including advising:
 - TXU Corp. on the purchase of a gas LDC license in Monterey, Mexico from the Mexican Electricity Commission (CFE)
 - The Romanian State ownership fund on the sale of its residual shareholding in the Romanian Development Bank
 - APVt Hungary on the privatization of the Hungarian electricity sector
 - London Electricity on its privatization and subsequent M&A and disposals program
 - The U.K. Government on the sale of English and Welsh water and sewerage businesses
- **BAS will dedicate significant senior and knowledgeable resources to ensure a successful execution.** Recognizing the important significance that the privatization of Santee Cooper has for the State Government, we will commit significant senior resources towards ensuring its proper execution. Our team will also include bankers with extensive and directly relevant experience from BAS' Natural Resources Investment Banking and Product Groups. A full description of the backgrounds of the professionals that will be dedicated to the privatization process is contained in the Appendix, which is attached to this letter.

Banc of America Securities
September 24, 2002
Page 14

In closing, we would like to reiterate our strong interest in working with the State Government on the proposed privatization of Santee Cooper. We look forward to visiting with you in person during the next two weeks to discuss this proposal in greater detail, as well as review more detailed presentation materials.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert Craig", with a stylized flourish at the end.

Robert Craig
Managing Director

Enclosures

OCTOBER 6, 2004

OG



STRATEGIC DISCUSSION MATERIALS



STRICTLY PRIVATE AND CONFIDENTIAL



Agenda

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Introduction

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Situation overview

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Strategic options

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Strategic alternative—trade sale

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Strategic alternative—IPO

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Conclusion

Executive summary

- JPMorgan is pleased to respond to the Office of the Governor of South Carolina (“the Office”) to discuss its strategic alternatives regarding Santee Cooper (“the Authority”)
- The Office has several options and alternatives to satisfy what could be a large number of objectives for several constituencies
- Prior to undertaking a potential privatization, there are a number of other issues the Office and the State need to identify, consider, and rectify
- JPMorgan greatly appreciates the opportunity to continue its relationship with the State and assist it in evaluating the alternatives for the Authority through both a strategic review (“Study”) and ongoing advisory
- JPMorgan believes it is uniquely qualified to assist the Office given our track record of both Power and Public Finance M&A, prior privatization, equity underwriting, and advisory expertise

Rationale for study

It is reasonable for the Office of the Governor to initiate a study to determine the value of an asset with so many stakeholders.

In responding to the request from the Office of the Governor, we considered the following:

- Approach to the study
- Thorough valuation of Santee Cooper
- Impact of sale on Santee Cooper's contracts with major customers and on electrical rates for end users
- Approaches to mitigate negative impact of sale on end users
- Proposed approach to managing the privatization process through final sale
- Ideas to generate maximum value for the citizens of South Carolina
- Study timeline
- JPMorgan and team member qualifications
- Current and prior experience with Santee Cooper

JPMorgan has a team of professionals prepared to assist the State

Public Finance

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Vice President
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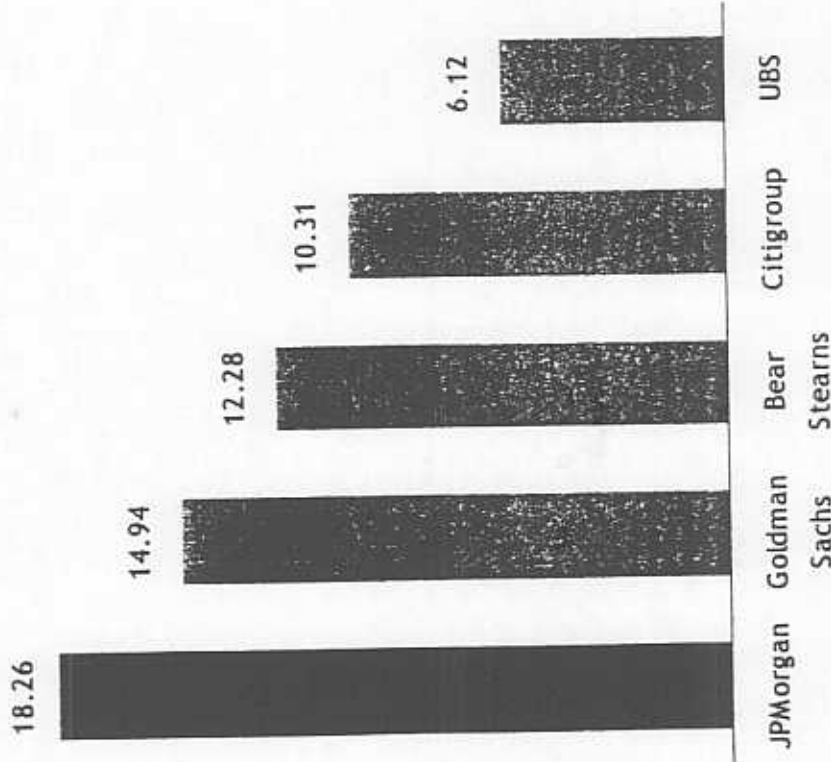
JPMorgan is uniquely qualified to serve the State

JPMorgan is the only investment bank the Office can engage that is in a top position across the spectrum of services required by the assignment

- JPMorgan is the leader in advising federal State governments on valuation/advisory assignments
- JPMorgan has extensive M&A execution experience across the utility sector including valuations, spin-offs, sales, mergers and acquisitions of publicly held entities
- JPMorgan is the dominant advisor to U.S. governmental entities in the power sector
- JPMorgan is an industry leader in power & pipeline sector and IPO equity offerings
- JPMorgan is the leader in utility financing and credit analysis
- JPMorgan is the dominant leader in nuclear generation M&A, an important issue regarding Santee Cooper
- JPMorgan will commit its best professionals in an integrated team of senior M&A, equity and power industry public finance bankers with unique skill sets
- JPMorgan has the proven ability and resources to compile and analyze large amounts of data and provide conclusions in an efficient and timely manner

JPMorgan is the market leader in public power finance

Public Power Underwriting 1998 - 2003 (\$ billions)



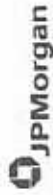
Public Power Presence

- JPMorgan is the #1 senior manager of public power financings since 1998, with over \$18 billion in public power transactions, capturing nearly 30% of market share
- JPMorgan led the largest public power transaction in 2003
 - \$1.4 billion transaction between Memphis Light, Gas and Water and TVA
- JPMorgan led the largest public power financing ever -- State of California Department of Water Resources with
 - \$11.3 billion bond financing
 - Bond Buyer 2003 Deal of the Year

South Carolina Experience

- Senior managed (negotiated) \$95 million in public debt in 2003
- JPMorgan has been involved with over \$1.9 billion South Carolina municipal bond issuances since 1998
- Senior managed Piedmont Municipal Power Agency's bonds since 1984, including the recent \$446 million restructuring
- JPMorgan currently remarks Santee Cooper's \$103.5 million (\$500 million authorized) commercial paper program

Source: Securities Data Corporation



JPMorgan is an established leader in M&A...

JPMorgan advises clients globally on a wide range of strategic transactions, including mergers, acquisitions, asset purchases and dispositions, restructurings and reorganizations

U.S. M&A market leadership

- #1 in 2004 YTD announced U.S. M&A
- Consistent top-five advisor globally in both number of deals and overall volume

Geographic leadership

- Top-four advisor in every major region; currently #2 in 2004 YTD global M&A
- Geographic presence in over 20 countries

Industry leadership

- Recent market leading positions in all industry focus areas
- Industry sectors include: Chemicals, Consumer, Diversified Industrial, Financial Institutions, Healthcare, Media, Metals & Mining, Oil & Gas, Power, Real Estate, Technology, Telecom, Transportation

Product leadership

- M&A is a critical component underpinning the firm's global integrated model and leading financing franchise
- Leading Corporate Defense and "teams"
- Leadership in cross-border M&A, spin-offs, minority squeeze-out advisory, bankruptcy and special committee assignments

Numerous landmark transactions

- Key recent transactions include: News Corp/Hughes, Comcast/AT&T Broadband, Olivetti/Telecom Italia, Credit Agricole/Credit Lyonnais, Carlyle Group/QwestDex, First Data/Concord EFS, and Phillips/Conoco

... and a leading advisor to the power and pipeline sector

1H 2004 Global Power and Pipeline – Announced M&A transactions

Advisor	Deal volume (\$ millions)	# of transactions	% market
1 JPMorgan	\$9,141	11	29%
2 CSFB	8,960	19	29
3 UBS	6,751	3	22
4 Lehman	5,331	5	17
5 Morgan Stanley	3,720	1	12
5 Black River Capital	3,720	1	12
7 Merrill Lynch	3,354	9	11
8 Citigroup	3,340	6	11
9 Lazard	1,858	3	6
10 Societe Generale	1,703	1	6

Worldwide business target, SIC codes: 1321, 4613, 4619, 4911, 4922, 4923, 4924, 4931, 4932, 4939

1H 2004 North American Power & Pipeline – Announced M&A transactions

Advisor	Deal volume (\$ millions)	# of trans.	% market
1 JPMorgan	\$6,410	4	46%
2 CSFB	5,437	14	39
3 Lehman	3,101	4	22
4 Merrill Lynch	2,443	4	18
5 Blackstone	2,350	1	17
6 Lazard	1,700	2	12
7 SG Barr Devlin	1,700	1	12
8 Goldman	976	3	7
9 BofA	920	2	7
10 Citigroup	307	2	2

North America business target, SIC codes: 1321, 4613, 4619, 4911, 4922, 4923, 4931, 4932, 4939

Select power & pipeline transactions

August 2004
\$244,000,000



Allegheny Energy
Advisor to Allegheny Energy, Inc. on the sale of its West Virginia gas distribution business

June 2004
\$2,450,000,000



Southern Union Company
Advisor to Southern Union and GE on acquisition of CrossCountry Energy

June 2004
\$1,925,000,000




TXU
Advisor to TXU on its sale of TXU Gas to Atmos Energy

March 2004
\$1,230,000,000




Duke Energy
Sale of Australian and New Zealand subsidiaries to Alinta Limited

January 2004
\$1,703,000,000



TransCanada Corp.
Advisor to on acquisition of GTNC from NEGT

November 2003
\$3,000,000,000



UniSource Energy
Buyout of UniSource by JPMP and KKR

November 2003
\$423,000,000



EnergyEast
Sale of Ginna generating station to Constellation

March 2003
\$28,682,000,000



IBERDROLA
Successful hostile defense of Iberdrola

January 2003
\$420,000,000

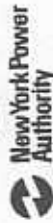


Southern Union Company
Sale of Texas assets to ONEOK

JPMorgan has a longstanding experience of working on public power assignments

Select public power advisory assignments

Client



JPMorgan's role

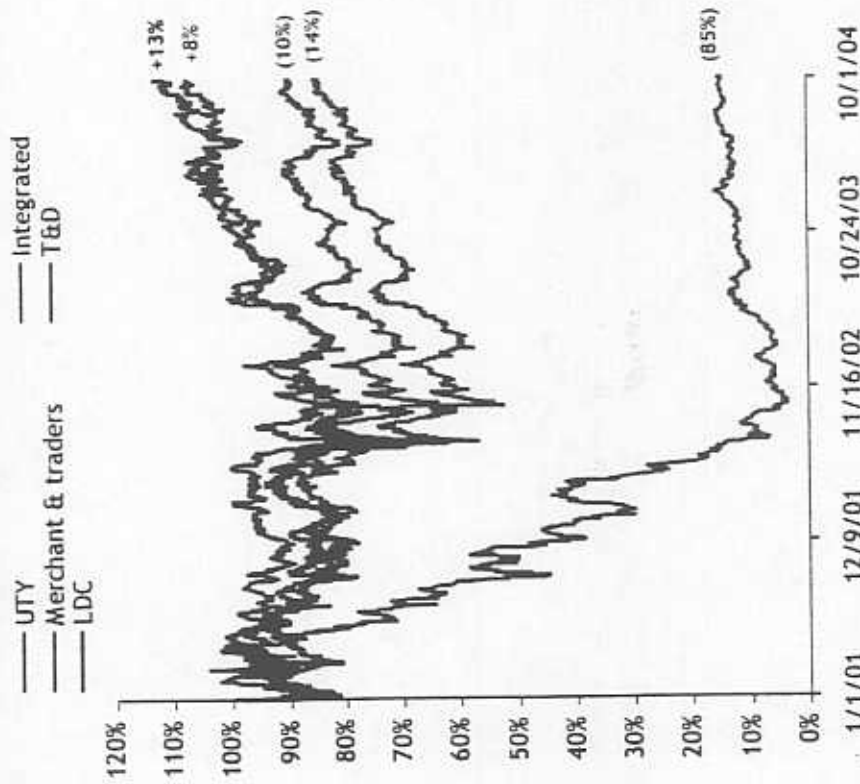
- JPMorgan was engaged by the Public Utility Commission of Texas in January 2004 to deliver a valuation opinion on Texas GenCo Holdings, Inc. (TGN). JPMorgan's valuation was used to determine whether the stock price set by the Texas statute was reflective of fair market value
- CenterPoint Energy spun off TGN by distributing 19% of TGN to its shareholders, as a step to put in place a mechanism to establish market value for the common stock of TGN
- This transaction further solidified JPMorgan as the leader in advising Public Finance clients on M&A transactions and services
- Acted as exclusive financial advisor to the State of Connecticut Department of Public Utility Control on the sale of the Millstone Nuclear Power Station owned by Northeast Utilities, United Illuminating, and other minority owners to Dominion Resources
- Acted as exclusive financial advisor to the State of Connecticut Department of Public Utility Control on the sale of Connecticut Light and Power's fossil and hydroelectric generation assets with a total capacity of 3,564 MW to NRG Energy and Northeast Generation
- Acted as exclusive financial advisor to the State of Connecticut Department of Public Utility Control on the sale of Connecticut Light and Power's standard offer service requirements to NRG Power Marketing and Duke Energy Trading and Marketing Northeast
- Acted as exclusive financial advisor to the New Hampshire Public Utilities Commission in conjunction with the State of Connecticut Department of Public Utility Control on the sale of Seabrook Nuclear Generating Station owned by Northeast Utilities, United Illuminating, BayCorp Holdings and others to FPL Group
- NYPA served as financial advisor for the sale of NYPA's Indian Point 3 and J.A. FitzPatrick nuclear power plants
- NYPA refunded all of its outstanding bonds issued under the Authority's 1974 Resolution
- New resolution increases the Authority's ability to retain its existing customer base and to more efficiently manage its cash and investments
- JPMorgan advised the State of California's Department of Water Resources on appropriate strategic and financing strategies in order to help mitigate the State's exposure to the energy crisis
- JPMorgan was lead book running senior manager for the State of California in the largest municipal financing in U.S. history
- An \$11.3 billion bond financing closed in November 2002
- JPMorgan also served as agent and arranger for a \$4.3 billion bridge loan that relieves the State's General Fund from purchasing power in the volatile spot market
- JPMorgan committed \$2.5 billion of the bridge loan to help the State purchase power
- JPMorgan was selected to assist the Los Angeles Department of Water and Power in its restructuring of electric utility debt in order to be better positioned for deregulation and competition
- JPMorgan is working to achieve the Department's goals, which include eliminating generation debt by 2003, level debt service after 2003, and unbundling of rates by 2002
- JPMorgan senior manager managed \$340 million of fixed rate debt and \$310 million of variable rate debt and acted as co-dealer on a \$720 million tender offer
- JPMorgan was senior manager for the Department's \$1.36 billion new money issue in March 2001
- JPMorgan was selected to serve as lead manager to JEA on all refinancings for a 5 year period
- In the last two years JPMorgan underwrote over \$1.5 billion for JEA
- JPMorgan acted as placement agent for the \$350 million financing to re-power its Northside Generating Station
 - 300 MW class circulating fluid bed boilers designed to burn petroleum coke and coal
- JPMorgan's responsibilities included
 - Developing and evaluating financing alternatives for the project
 - Advising JEA regarding joint ownership, including third party negotiations
- LIPA issued approximately \$7 billion to acquire LIICO assets to reduce Long Island electric rates and amortize Shoreham debt
- LIPA's acquisition of LIICO will result in average annual savings over a 10-year period of 20.5% in Nassau County and the Rockaways and 17.8% in Suffolk County
- JPMorgan was selected as a co-manager on the LIPA team
- JPMorgan was a co-lead manager of the variable rate bond tranche issued for the acquisition

The Office is considering privatization among a backdrop of improving industry fundamentals

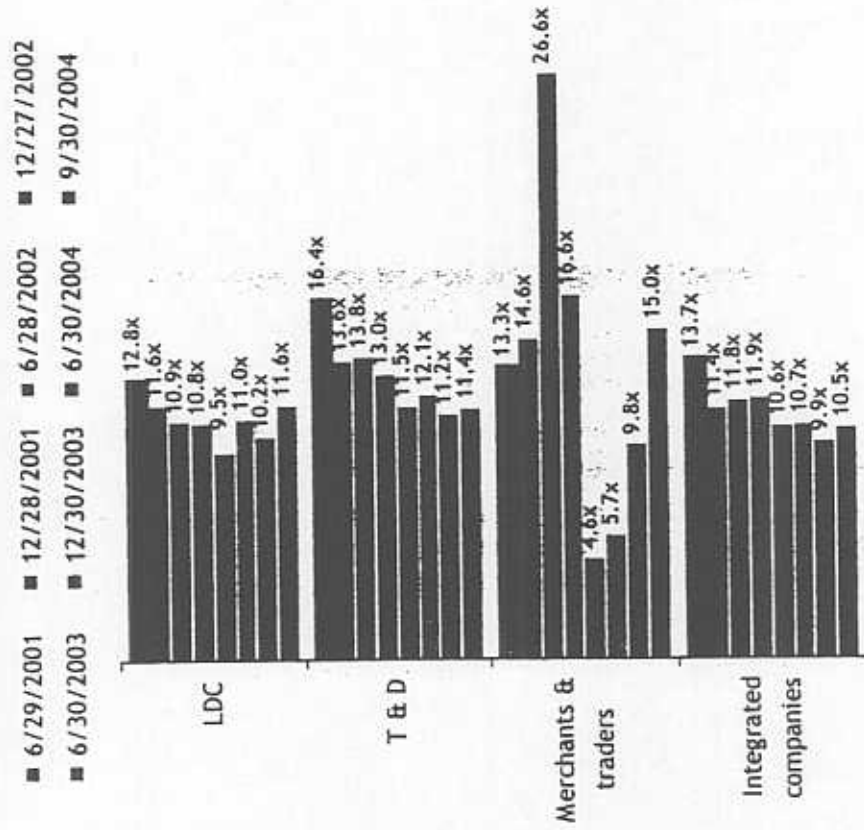
Industry trends

Company analysis

Relative stock price performance (% change)¹



Year forward price-to-earnings ratio¹



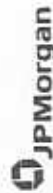
Source: Tradeline

¹ Integrated companies: AEP, Cinergy, CMS Energy, Dominion, Duke, Entergy, FPL, PPL, Progress Energy, Southern Co.

Merchants & traders: AES, Calpine, Dynegy, El Paso, Reliant Resources, Williams

T&D: Energy East, First Energy, Northeast Utilities, Nstar, PSD

LDC: AGL Resources, Atmos Energy, Equitable Resources, KeySpan, Nisource, Sempra Energy, Southern Union, WGL Holdings



Equity markets have rebounded but consolidation will be required to drive growth and equity levels higher

Industry trends

Company analysis

Utility

- “Back-to-basics” strategy has driven recent utility performance, but will not lead to further stock price increases
- Lack of clear sources of “real” earnings growth
- Organic regulated growth of 3-5% falls short of total return requirement given the direction of dividend yields
- Regulatory hurdles to creating value through M&A are becoming more manageable, but will not be eliminated
- PUHCA - burdensome and costly, but not entirely prohibitive for registered companies
- FERC - key focus is market power
- States - trying to manage several variables
 - Rate protection, reliability, control, employment

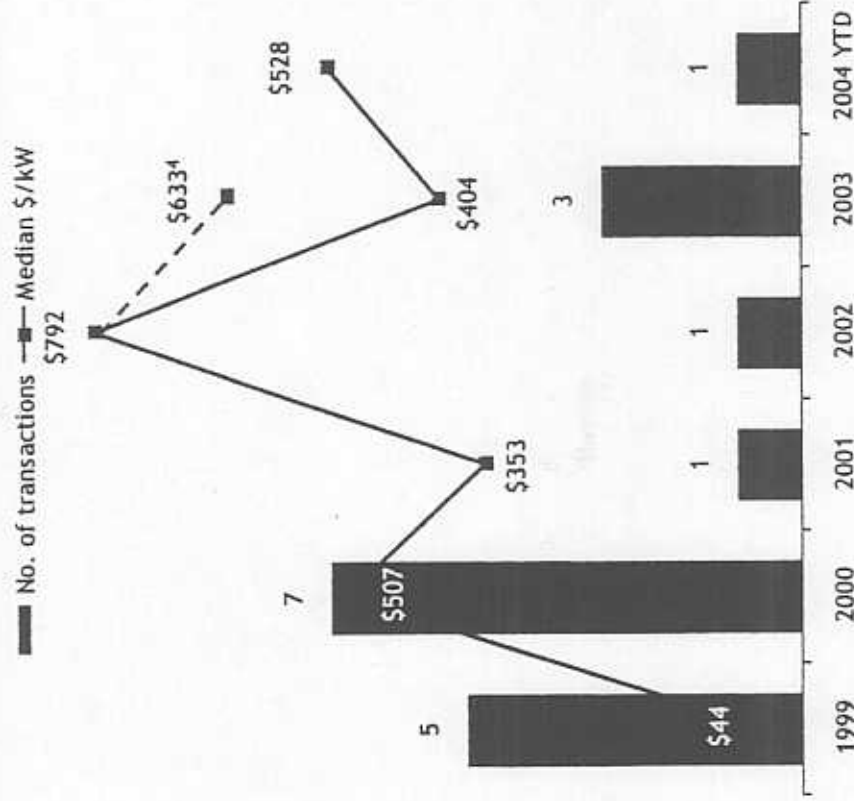
Merchant

- Portfolio divestitures are largely complete which leaves corporate level activity as the next phase of strategic repositioning
- The industrial logic and available synergies to be gained can support 2-3 corporate transactions in this space
- Many companies are trading at a premium to NAV based on imbedded optionality
 - Spark-spread
 - Dark-spread
 - M&A

The power M&A space has reflected the value inherent in baseload

Industry trends
Company analysis

Historical nuclear transaction multiples



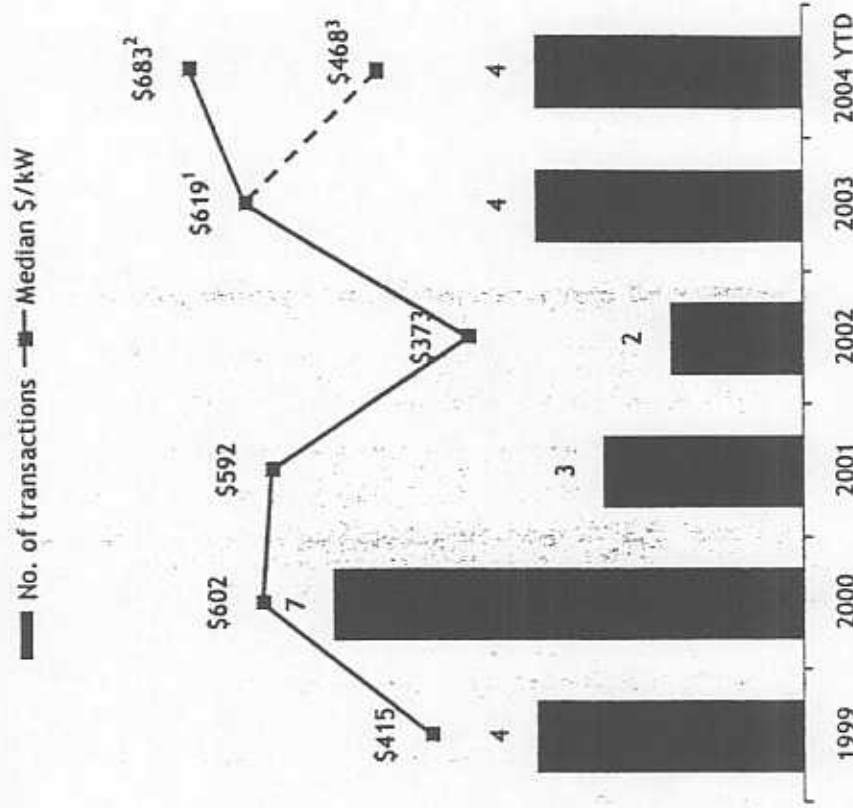
Note: Median of annual transaction multiples

Source: RDI, Herolds, Company information, SNL Interactive, JPMorgan estimates

¹ Includes GE acquisition of interest in Birchwood (\$1,832/kW)

² Median \$/kW assumes Texas Genco transaction value of \$3.65 billion attributes value to South Texas Project at 528 \$/kW (implied transaction value of \$581 million); the remaining total transaction value of \$3,069 million (\$3.65 billion less \$581 million) is the implied value for Limestone and W.A. Parish; assumes AEP Texas generation transaction value of \$430 million attributes value to only Coleto Creek

Historical coal transaction multiples



³ Median \$/kW assumes Texas Genco transaction value of \$3.65 billion is

attributes value to the entire Texas Genco portfolio; assumes AEP Texas generation transaction value of \$430 million is attributing value to the entire AEP Texas generation portfolio

⁴ Average of Ginna and Kewanee transactions

The generation M&A markets have significantly picked up

Generation 2004 M&A transactions; Deals above \$200mm

Date announced	Seller	Acquirer	Asset description	Net capacity (MW)	Trans size (\$mm)
09/29/04	USGen New England	TransCanada	567 MW of hydro capacity; 484MW Connecticut River and 83MW Deerfield River systems	567	\$505
09/15/04	NEGT	Goldman Sachs	12 non-reg plants and 5.2% Iroquois Pipeline	1,330	641
09/13/04	NRG Energy	LS Power Associates LP	Kendall generating plant; 1,160 MW CC facility	1,160	451
09/07/04	USGen New England	Dominion Resources	Brayton Point, Salem Harbor and Manchester Street Stations (1,599MW coal & oil, 745MW coal & oil, 495MW CC gas facilities respectively)	2,839	656
09/07/04	AEP	TGN & San Antonio (City Pub. Svc. Board of)	25.2% int in nuclear plant (TX)	630	333
07/21/04	Texas Genco (TGN)	GC Power Acquisition (Blackstone, Hellman & Friedland, KKR, TPG)	All of TGN's generation (coal, nuclear & gas)	14,153	3,650
07/21/04	Reservoir Capital Group	Primary Energy	6 CHP facilities - varying technologies and fuels	270	190
05/19/04	Reliant Resources	Brascan Corp.	71 NY State hydro plants and Carr Street	770	900
05/06/04	NRG Energy	Complete Energy	837 MW Batesville facility	837	331
01/16/04	El Paso Merchant Energy	Northern Star Generation LLC (AIG sub)	25 dom pwr fac (CO,NV,CA,MA,FL,PA,GA)	1,850	920

Santee Cooper's geographic location and asset base positions it well in the region...

Industry trends
Company analysis

Overview of operations



Source: 2003 Fingertip Facts

Customers by GWh consumption



Source: 2003 Fingertip Facts

Sales evolution GWh



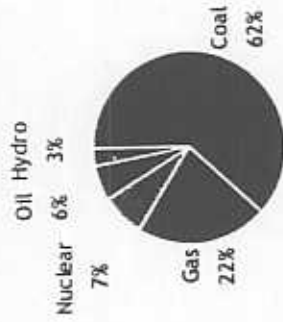
Source: 2003 Fingertip Facts

... and its portfolio of baseload generation is very attractive in today's market environment

Industry trends

Company analysis

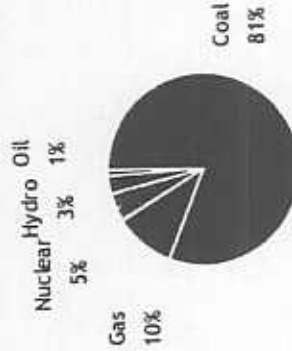
Installed capacity



Total = 4,482 MW

Source: 2003 Fingertip Facts

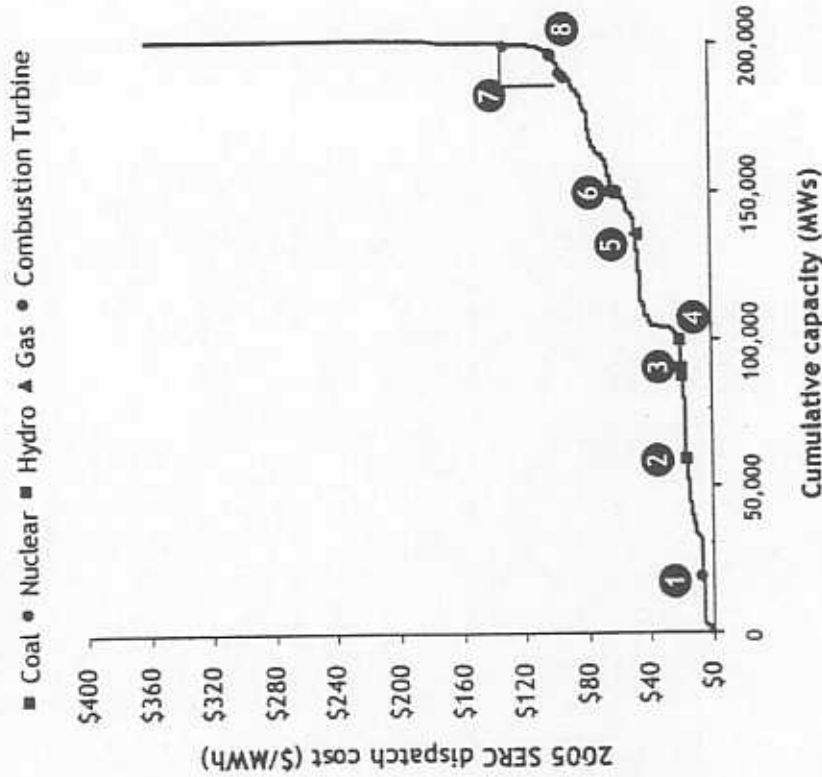
Generation 2003



Total = 23,363 Net MWh ('000)

Source: 2003 Fingertip Facts

SERC dispatch curve



Source: RDI Outlook

- 1: V.C. Summer (Nuclear)
- 2: Winyah (Coal)
- 3: Jefferies (Hydro)
- 4: Grainger (Coal)
- 5: Rainey (Gas)
- 6: Jefferies (Coal)
- 7: Hilton (Combustion Turbine)
- 8: Myrtle Beach (Combustion Turbine)

Note: The Authority has a one-third stake in V.C. Summer. Additionally, it owns and operates a small hydroelectric plant, a methane gas fired plant as well as seven small diesel fuel power units at various locations in the upper part of the state

Significant asset base, strong infrastructure, and robust financial position make Santee Cooper an attractive investment prospect

Industry trends
Company analysis

Santee Cooper's generating facilities

Plant	Capacity (MW)	Capacity Factor	Fuel	In-service date
Cross	1,160	79.0	Coal	1995
Winyah	1,155	76.3	Coal	1975
Rainey	961	NA	Gas	2002
Jefferies Station	398	52.4	Coal/Oil	1954
V.C. Summer	318	85.7	Nuclear	1983
Grainger	170	62.6	Coal	1966
Jefferies	128	16.9 ¹	Hydro	1942
Hilton Head	97	0.4	Oil	1973
Myrtle Beach	90	0.3	Oil/Gas	1962
Horry County	3	29.1	Methane	2001
Santee Spillway	2	NA	Hydro	1950

Note: Plant data as of 2003
¹ As of 2002

Transmission and distribution Infrastructure

- 2,258 miles of distribution lines
- 80 transmission substations
- 330 central electric power system delivery points
- 17 interconnections with other utilities

Summary Financials

	2001	2002	2003	2004 (TM)
Total assets	3,603	3,992	4,233	4,549
Plant assets	2,100	2,387	2,409	2,936
Total cash ²	365	315	376	NA
Total debt	2,594	2,848	2,788	2,860
Revenues	973	1,033	1,048	1,070
Net change in assets	57	72	58	NA
EBITDA	346	387	373	370

Source: Annual reports

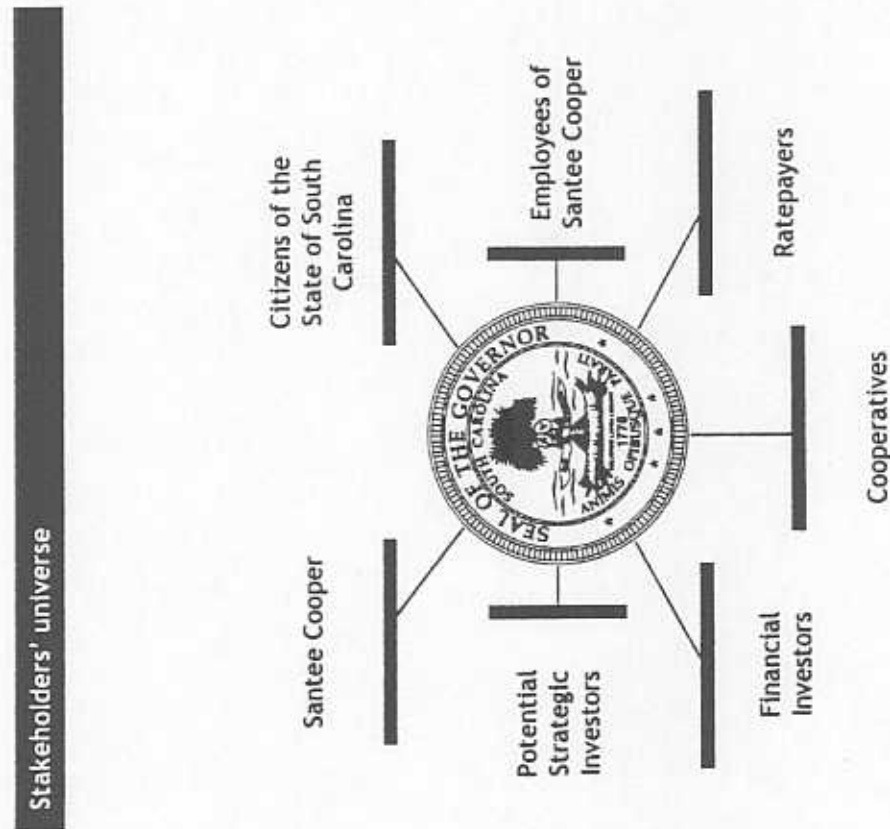
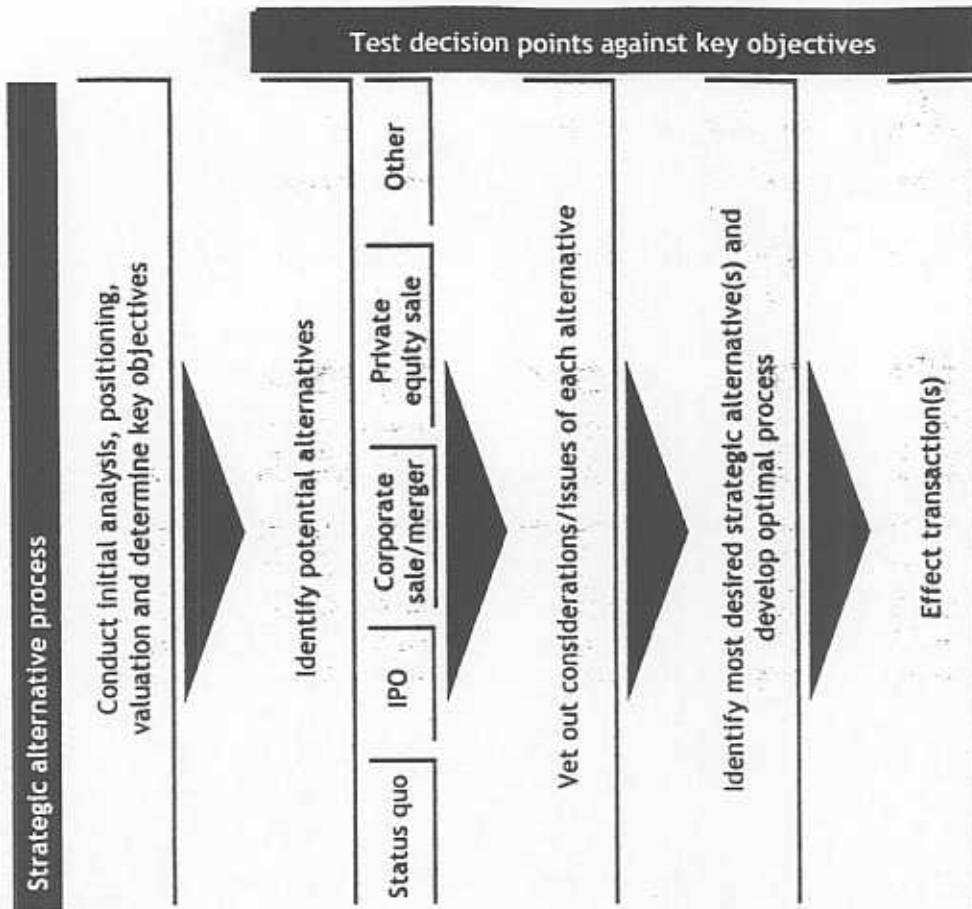
¹ As of June 30, 2004

² Total cash includes current restricted and unrestricted cash & cash equivalents and investments. Excludes non-current restricted and unrestricted cash & cash equivalents and investments

Agenda

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JPMorgan will base the study and recommendations on an in-depth analysis of various objectives



Possible strategic decisions

Summary of strategic objectives

JPMorgan will help identify the strategic objectives that the State should consider in regard to its potential privatization of Santee Cooper

- Generate significant proceeds, which could be used for State improvements
- Maximize Santee Cooper's autonomy to manage its own future
- Preserve existing utility jobs in South Carolina
- Induce economic growth in South Carolina
- Ensure proper regulation of Santee Cooper post-privatization
- Ensure compliance with existing contractual arrangements
- Manage the need for public disclosure throughout the process

The State of South Carolina should consider various options with respect to Santee Cooper

Range of strategic alternatives for the State of South Carolina



Each strategy would address some of the potential objectives

Strategic options

	Sale		Part sale/IPO		IPO		Lease/concession		State retains ownership	
	100% sale	Partial sale combined with partial IPO executed simultaneously	100% initial public offering to new shareholders	Limited tenure lease of assets and granting of concession rights	State analyzes holding value and retains control					
Maximize cash proceeds for the State	●	●	●	●	●	○			○	
Maximize capital-raising ability	●	●	●	●	●	○			○	
Minimize customer rates and tariffs	●	●	●	●	●	○			○	
Make Santee Cooper competitive	●	●	●	●	●	○			○	
Maximize Santee Cooper's autonomy	○	○	○	○	○	○			○	
Encourage local ownership	○	○	○	○	○	○			○	
Preserve jobs	○	○	○	○	○	○			○	
Induce economic growth in South Carolina	○	○	○	○	○	○			○	
Time to execute	●	●	●	●	●	●			●	N/A
Maximize pace of efficiency improvements	●	●	●	●	●	●			●	
Sale of State's ownership in business	●	●	●	●	●	●			○	

- = Fulfilled
- ◐ = Partly fulfilled
- = Not fulfilled

Each potential option should be weighed against market expectations

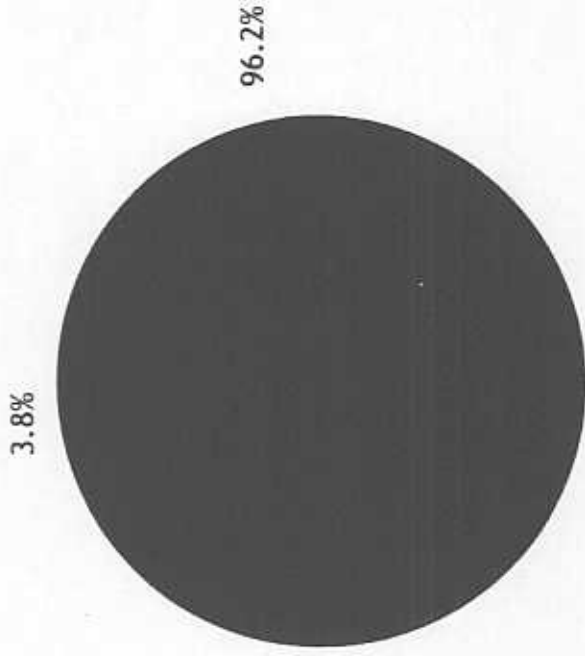
Investors in the energy sector are looking for certain investment criteria for new investments:

Criteria	Equity Markets	Strategic Investors	Private equity investors
Stable cash flows	✓	✓	✓
High degree of contracted capacity	✓	✗	✗
Regulated rates of return/integrated business model	✓	✓	✗
Stand-alone capital structure	✓	✓	✓
Sufficient liquidity	✓	✓	✓
Significant scale	✓	✓	✗
Business diversity	✓	✗	✗
Fuel diversity	✓	✗	✗
Geographic/market diversity	✗	✗	✗
Stand-alone investment grade rating	✓	✗	✗

Considerations regarding Santee Cooper's outstanding debt

- If the utility is privatized, tax regulations generally require that all outstanding tax-exempt debt be defeased or repurchased
- Tax-exempt debt outstanding
 - \$86.3 million 1993 Tax-exempt Refunding Series C
 - \$2.6 million 1995 Tax-exempt Refunding Series A
 - \$110.1 million 1995 Tax-exempt Refunding Series B
 - \$187.3 million 1996 Tax-exempt Refunding Series A
 - \$21.5 million 1996 Tax-exempt Refunding Series B
 - \$206.9 million 1997 Tax-exempt Refunding Series A
 - \$23.9 million 1998 Tax-exempt Refunding Series B
 - \$193.0 million 1999 Tax-exempt Improvement Series A
 - \$46.3 million 2001 Tax-exempt Improvement Series A
 - \$3.1 million 2001 Tax-exempt Refunding Series A
 - \$108.0 million 2002 Tax-exempt Refunding Series A
 - \$281.1 million 2002 Tax-exempt Improvement Series B
 - \$439.8 million 2002 Tax-exempt Refunding Series D
 - \$335.0 million 2003 Tax-exempt Refunding Series A
 - \$434.9 million 2004 Tax-exempt Improvement Series A
 - \$125.3 million 2005 Tax-exempt Refunding Series
- In conjunction with bond counsel, we will examine the possibility of keeping the tax-exempt debt outstanding

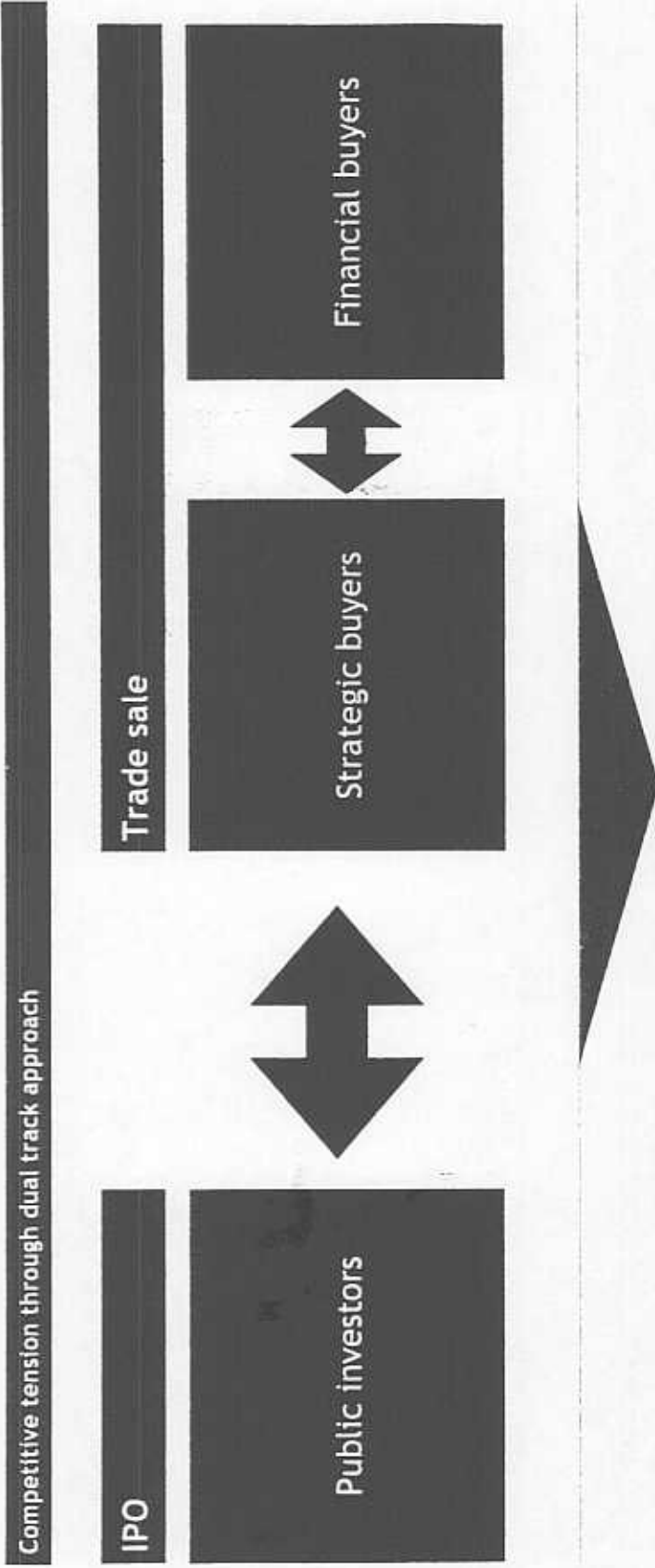
■ Long-Term Debt ■ Short-Term Debt



Total tax-exempt Debt Outstanding as of 10/04/04:
\$2.7 billion

Final Maturity 2039

A potential “dual-track” process encompasses both an IPO and trade sale keeping options open throughout

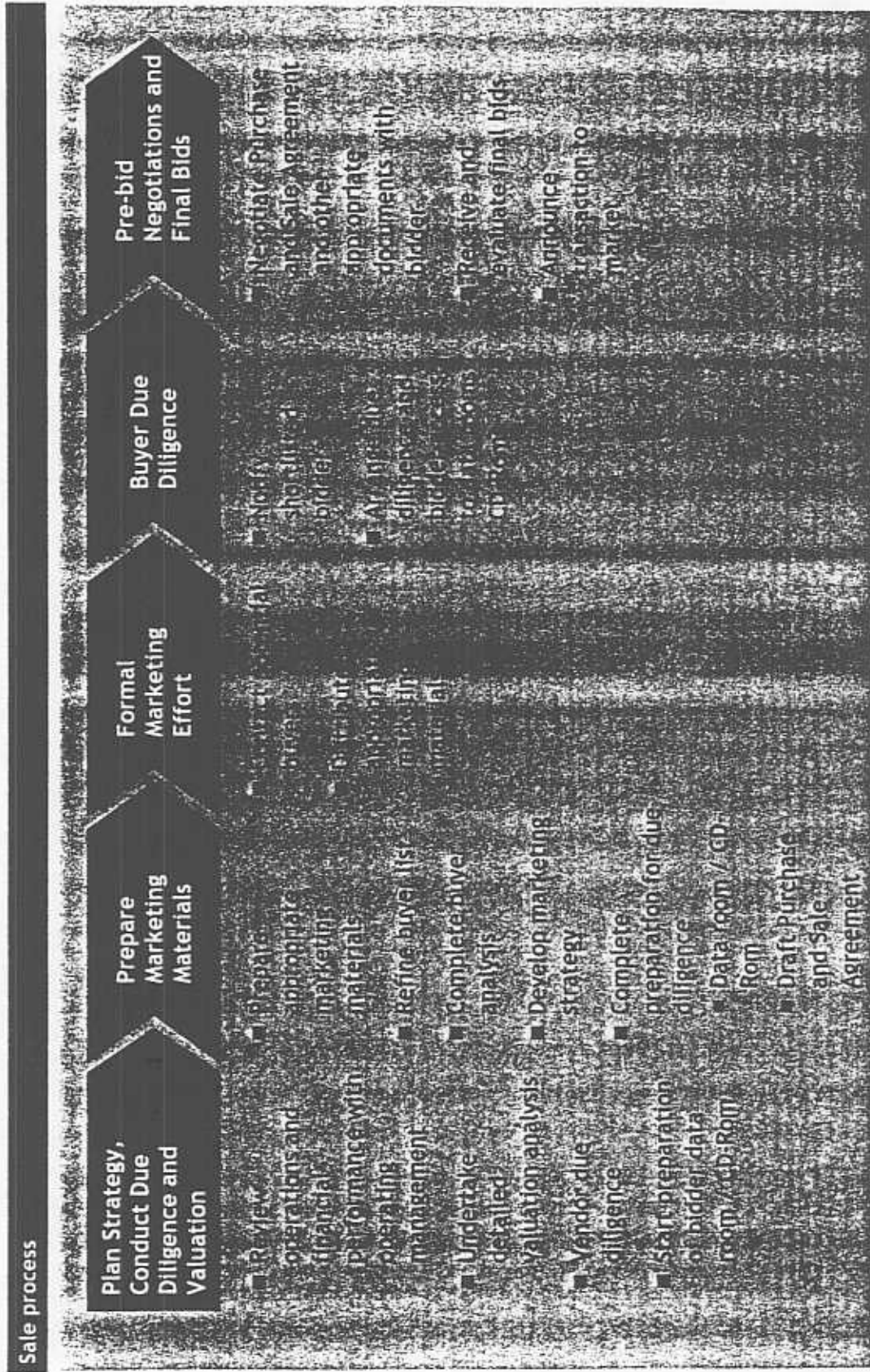


- Competitive pressure between strategic and financial buyers through auction process
- Competitive pressure on buyers (strategic and financial) from potential listing of the Authority

Agenda

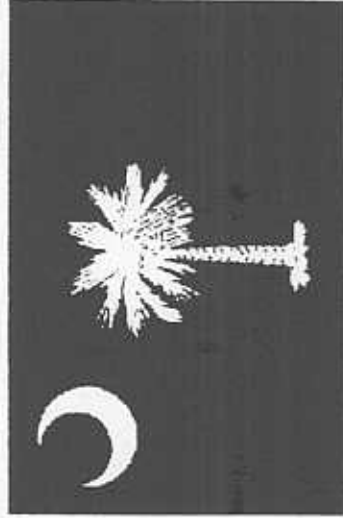
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Potential M&A sale process



06

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State Government of South Carolina

Response to RFP

October 11, 2004



INFORMATION ON ALLOCATION OF IPO SECURITIES

Please Deliver A Copy of This Disclosure To your Chief Legal, Chief Executive or Chief Financial Officer.

The following disclosure is required pursuant to the 2003 voluntary initiative regarding the allocation of securities in "hot" initial public offerings ("IPOs") to corporate executive officers and directors:

"We hereby notify you that Banc of America Securities may have allocated hot IPOs to your executive officers and directors and/or their immediate family members and that your board of directors may wish to obtain information from the foregoing persons concerning such allocations in connection with your consideration of BAS as an underwriter."

Banc of America Securities LLC



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- I. Introduction to BAS
 - II. Privatization Objectives and Process
 - III. Phase I – Privatization Study and Feasibility Assessment
 - IV. Phase II – Execution Strategy and Mechanics
- Appendices
- I. BAS Team Biographies
 - II. Trading and Transaction Comparables
 - III. Valuation and Capital Structure Considerations



Introduction to BAS



The Banc of America Securities Team

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Managing Director
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Matthew Faust
Analyst
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Why Banc of America Securities?

BAS is uniquely qualified and well positioned to assist the State Government of South Carolina in both assessing the feasibility of privatizing Santee Cooper and, if appropriate, in executing the desired privatization process.

Credential

- Second largest U.S. financial institution
- Leading natural resources investment banking franchise
- Integrated platform
 - M&A Advisory
 - Equity Capital Markets
 - Ratings Advisory
- Commitment

Considerations

- "One stop shop" of financial services
- Breadth and depth of resources
- Reputation and credibility
- Experienced, knowledgeable industry experts
- Strong sector relationships – clients, investors, regulators, rating agencies
- Relevant corporate finance and privatization experience
- Coordinated, multi-disciplinary team
 - #4 ranked M&A advisor in Power Sector
 - Premier IPO execution based on deal pricing and overall success of offering
 - Respected ratings advisory specialists
- Senior focus, confidentiality, independence



BAS Qualifications

Merger & Acquisition Advisory Experience

- ◆ BAS is a leader in power and utility M&A
 - Advised PNM Resources on its acquisition of TNP Resources for \$1 billion
 - Advised El Paso Corp. on its \$1.5 billion divestiture of its contracted power generation portfolio
 - Advised Tractebel in its sale of 9 district heating systems throughout the U.S.
 - Advised and committed acquisition financing to investor group in its 2nd place bid for Texas Genco

RECENT BAS PRIVATIZATION BUY OR SELL-SIDE ASSIGNMENTS

- ◆ Leading a consortium advising the Romanian Government on the expected privatization of the electricity distribution companies S.C. Electrica Moldova and S.C. Electrica Oltenia
- ◆ Advised the Greek Ministry of the Economy on the privatization of the Thessaloniki and Piraeus Port Authorities through initial public offerings valued at €2.1 billion

MERGERS & ACQUISITIONS – POWER SECTOR ^(a)

CREDIT TO EACH LEAD ADVISOR

Rank	Lead Advisor	Value (SMM)	Deals
1	Credit Suisse First Boston	8,718	7
2	Goldman Sachs & Co	3,324	3
3	Dresdner Kleinwort Wasserstein	2,502	2
4	Banc of America Securities		
5	Citigroup	1,065	4
6	Lehman Brothers	920	1
7	RBC Capital Markets	716	1
8	Morgan Stanley	657	2
9	Lazard	656	2
10	Merrill Lynch & Co Inc	513	3

EXTENSIVE PRIVATIZATION AND PUBLIC SECTOR EXPERIENCE OF BAS PROFESSIONALS OVER MANY YEARS IN EMEA

- ◆ Advised UK Government on the privatization by way of public offer of 10 water and sewage companies in England and Wales
- ◆ Advised Hungarian Government on the privatization of its electricity distribution business, MVM Rt
- ◆ Advised London Electricity on its privatization by way of public offer
- ◆ Advised the State-owned power company of South Africa, Eskom, on its acquisition of the second national telecoms license

(a) As of 10/10/04, SDC Platinum.
 (b) Includes deals with undisclosed transaction values.



BAS Qualifications

Equity Capital Markets Experience

- ◆ BAS is a leader in the Equity Capital Markets
 - One of the largest institutional salesforces in U.S.
 - Premier execution of IPOs based on success of offering and deal pricing
 - Utility institutional sales specialists will drive optimal execution
- ◆ Powerful retail salesforce in the Southeast: 13 BAI retail hubs and an additional 18 Quick & Reilly branches acquired with Fleet
- ◆ BAS has developed a niche in bookrunning equity transactions for Southeast utilities
 - ◆ BAS acted as joint bookrunner for SCANA Corp.'s \$151 million common stock offering
 - ◆ BAS acted as joint bookrunner for AGL Resources' \$142 million common stock offering

2003-2004 MARKETED NATURAL RESOURCES EQUITY DEALS^(a)

Full Credit to Bookrunner

Rank	Managers	Proceeds (\$MM)	# of Deals	% Mkt Share
1	Citigroup Global Markets Inc	\$6,885	18	36.2%
2	Merrill Lynch & Co	3,330	17	17.5%
3	Morgan Stanley	6,169	16	32.4%
4	JP Morgan Securities Inc	4,675	16	24.6%
5	Lehman Brothers	3,139	14	16.5%
6	Banc of America Securities	2,607	11	13.3%
7	Credit Suisse First Boston	2,528	11	13.3%
8	AG Edwards & Sons Inc	387	6	2.0%
9	Goldman Sachs & Co	1,779	5	9.3%
10	UBS Securities Inc	765	5	4.0%

Source: Equidask: As of 10/6/04.

(a) Includes US transactions greater than \$30MM. Natural resources league table includes convertible preferred transactions.



Privatization Objectives and Process



Privatization Objectives

Prioritizing and balancing key objectives will provide clear direction throughout the process

Potential Objective / Consideration

- Price Maximization
- Consumer Interests
- Timing
- Transaction Risk
- Transparency
- Social Considerations

Commentary

- Ensure best value terms in order to justify costs of privatization and relinquishment of control
- Access optimal market at time of offering
- Ensure low cost, reliable electric service to citizens of South Carolina
- Requires the capital investment and operational expertise available from private sector
- Achieve a timely privatization while balancing value obtained, restructuring requirements and regulatory developments
- Minimize risk of failure or delay
- Requires robust decision-making and balancing timing with market of execution
- Need to conduct the process in as visible and unimpeachable manner as possible
- Address interests of Santee Cooper's customers, management, employees, to minimize disruption
- Address concerns of other taxpayers within the State



Privatization Process

Preparation is key to success

When to Sell

- ◆ Aim is to opportunistically take advantage of positive market conditions
 - Optimal timing dependent on external factors: market needs / expectations, political backdrops, other relevant considerations
 - Practical considerations will determine ultimate timing: historical / projected financial statements, regulatory framework, potential balance sheet restructuring

What to Sell

- ◆ Analysis can be divided into two components:
 - Ownership - % offered to market versus retained
 - Assets / Liabilities – evaluate merits of selling as a whole or divesting piecemeal

Who to Sell to

- ◆ Thorough understanding of approach and potential strategies that investors will employ regarding the privatization and valuation will help promote a robust, competitive process
- ◆ Development of investment thesis is key to successful marketing strategy
 - Strategic Investor – industry participant more likely to identify (and pay for) upside potential, but desire control
 - Institutional / Retail Investor – attracted to utility sector based on defensive orientation and income / return profile

Form of Acceptable Proceeds

- ◆ Is cash king?
 - Alternative structures may provide opportunity to participate in upside
 - Constraints relating to debt restructuring?

Proposed Approach

Phase I – Privatization Study and Feasibility Assessment



Phase II – Execution Strategy and Mechanics



Phase I – Privatization Study and Feasibility Assessment



Kick-off and Advisors Preparation

Provides foundation to complete the entire transaction in a timely and efficient manner

Activities

- ◆ Scheduling and Work Plan
 - Kick-off meeting with BAS
 - Review of internal and external factors affecting privatization
 - Review and prioritize transaction objectives
 - Prepare detailed timetable and list of responsibilities
- ◆ Determine Seller's Objectives
 - Review policy and privatization priorities
 - Review previous privatization attempts and "lessons learned"
 - Agree on Seller's preliminary objectives

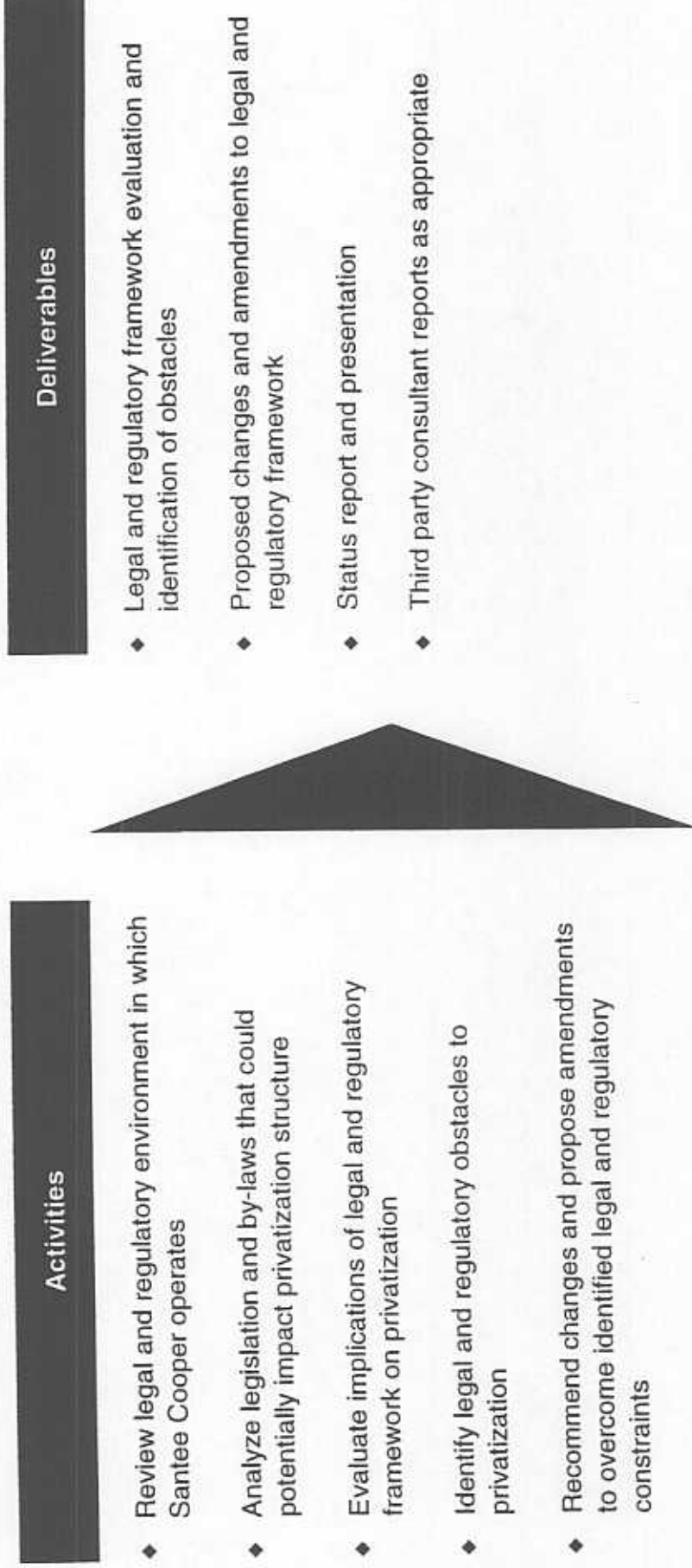
Deliverables

- ◆ Detailed project plan and responsibilities list
- ◆ Preliminary objectives
- ◆ Status report and presentation



Legal and Regulatory Analysis

BAS will review and evaluate the legal and regulatory environment in order to address any issues affecting the privatization and propose any required changes



Corporate Due Diligence

BAS will review and evaluate Santee Cooper from the perspective of its financial, legal, operational, and human resource functions to better understand the business's current operating and financial situation in detail

Activities

- ◆ Technical / asset due diligence
 - Physical condition of generating plants and transmission / distribution assets
- ◆ Commercial due diligence
 - Ability to transfer current contracts / obligations
- ◆ Accounting due diligence
 - Bridge actual results to projections
- ◆ Financial due diligence
 - Capital structure, ratings implications
- ◆ Legal due diligence
- ◆ Management and HR due diligence
- ◆ Environmental due diligence¹⁾

Deliverables

- ◆ Asset / business valuation
- ◆ Investment requirements
- ◆ Financial forecasts
- ◆ Discipline-specific due diligence reports
- ◆ Strategy to negotiate / replace any required contracts
- ◆ Status presentation



Diagnostic Review

BAS will evaluate the findings from due diligence and will review the prospects for a successful privatization

Activities

- ◆ Review management's business plans
- ◆ Review preliminary due diligence findings
- ◆ Prepare Company Status Report
- ◆ Prepare Privatization Prospects Report

Deliverables

- ◆ Company Status Report
- ◆ Privatization Prospects Report



Company Valuation

BAS will develop a multi-faceted valuation approach

Activities

- ◆ Analyze operations
 - Review and evaluate business operations
 - Interview key management (if appropriate)
- ◆ Identify strategic issues
 - Identify value drivers
 - Examine the impact of structure on value
 - Recommend measures to increase value
- ◆ Develop financial model
 - Collect and analyze historical and projected financial information
 - Benchmark operational and financial ratios against peer companies
 - Analyze liability portfolio and develop recapitalization strategy
 - Develop comparable company and transaction analysis valuation
 - Develop detailed DCF valuation
 - Develop dividend discount valuation

Deliverables

- ◆ Recommendations to increase value
- ◆ Financial model, including capital structure assessment
- ◆ Valuation report
- ◆ Status presentation

Kick-off
and
Advisors Prep

Legal and
Regulatory
Analysis

Corporate
Due
Diligence

Diagnostic

Company
Valuation

Market
Evaluation

Privatization
Strategy

Market Evaluation

BAS will assess potential market interest and use the results to fine-tune thoughts on the appropriate transaction process

Activities

- ◆ Preliminary market evaluation
 - Review and evaluate sector
 - Evaluate similar transactions both domestically and internationally
 - Evaluate utility companies in Southeastern U.S. for competitive positioning
 - Prepare list of potential buyers / investors
- ◆ Conduct preliminary marketing
 - Assess potential investor interest and capabilities
 - Assess investment criteria of potential investors
 - Estimate attractiveness of a sale of the company

Deliverables

- ◆ Preliminary market evaluation and strategic investor report
- ◆ Profile report on IOUs in Southeastern U.S.
- ◆ Status presentation



Privatization Strategy

BAS will focus on optimizing the privatization plan and outlining the criteria for a “go – no go” decision

Activities

- ◆ Sales options
 - Evaluate alternative sales options consistent with privatization objectives
 - Evaluate timing and pricing issues
- ◆ Privatization strategy
 - Evaluate need for non-core asset spin-offs
 - Evaluate need for pre-privatization capital restructuring and strategy measures
 - Identify investor interest for each privatization method
 - Identify pros and cons of alternative privatization processes
 - Evaluate post – privatization prospects / concerns
 - Prepare privatization plan

Deliverables

- ◆ Final Privatization Feasibility Report
- ◆ Detailed Privatization Plan



Phase II – Execution Strategy and Mechanics



Marketing Strategy and Positioning - Key Selling Points

BAS would position Santee Cooper as a low risk, efficiently operated utility providing service to an attractive customer base in a high growth region

What the market is looking for...

- ◆ Visibility of financial performance - earnings and cash flow stability
- ◆ Strong, experienced management team
- ◆ Competitive cost structure
- ◆ Achievable path toward future growth
- ◆ Clean story

What Santee Cooper has to offer...

- ◆ Primarily regulated business model
- ◆ Strong base of residential and highly rated municipal customers
- ◆ Cost adjusters in contracts provide insulation from market price risk
- ◆ Significant utility experience within the Santee Cooper organization
- ◆ Mitigation against future potential competitive dynamics
- ◆ Low cost, baseload plants provide 95% of total generation
- ◆ Low rate structure across customer classes
- ◆ High growth service territory
- ◆ Saluda's full requirements agreement creates visible demand growth over the long term
- ◆ Cross Units 3 & 4 will provide additional low-cost MW to serve native load
- ◆ No high risk, non-core operations
- ◆ Settled clean air issues with EPA
- ◆ Favorable regulatory / business climate in South Carolina



Comparison of Privatization Alternatives

	Private Sale	IPO	Partial Sale / Offering
Price Maximization	●	●	○
Maximization of Proceeds	●	○	○
Source of Future Financing	○	○	○
Social Considerations	○	●	○
Limited Political Controversy	○	○	○
Transaction Risk	●	●	○
Ease of Execution	●	○	○
Timing	○	○	○
Transparency	○	●	○
Minimal Restructuring in Advance of Sale	●	○	○
Limited Sensitivity to Market Conditions	●	○	○
Costs	●	○	○

● = Positive ○ = Neutral ○ = Negative



Current Market Environment

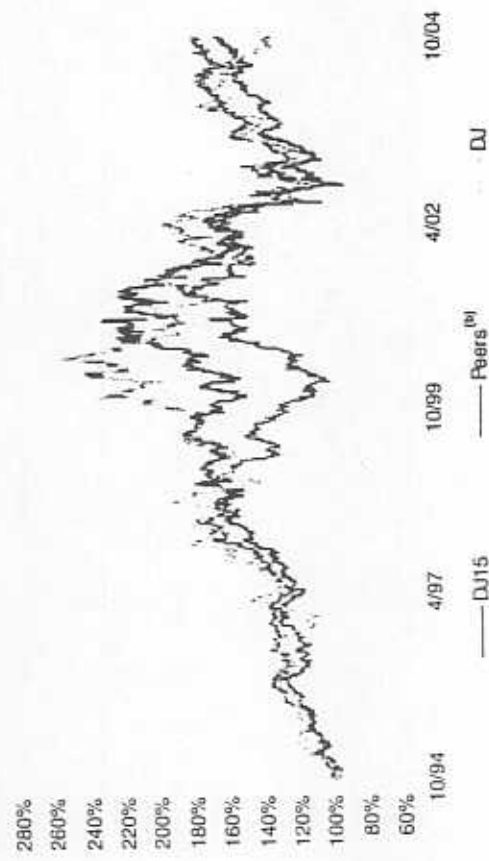
The State Government has chosen an appropriate time to consider privatization

- ◆ PNM Resources' acquisition of TNP Enterprises represents the beginning of a new wave of corporate transactions in the utility sector
 - BAS advised PNM on this transaction and is advising on several other similar situations that could be announced in the coming months
- ◆ Financial Sponsors are actively pursuing acquisitions, driving up valuation floors
- ◆ Strong strategics are actively seeking opportunities as investors begin to once again expect a growth profile
- ◆ Utility company valuations have steadily climbed as the broader market experienced high volatility in a low interest environment
- ◆ Equity markets are very open to utility plays as markets are rewarding cash flow and dividend stability / growth

Recent Transactions

Target	Acquirer	Closing Date	Size(\$mm)	LYMEBITDA Multiple
TNP Enterprises	PNM Resources	Pending	\$1,024	7.9x
Illinois Power	Ameren	10/01/2004	\$2,164	7.2x
Unisource	KKR	Pending	\$2,875	7.5x
Portland General	Texas Pacific Group	Pending	\$2,350	6.3x
Cllicorp	Ameren	01/31/2003	\$1,397	6.9x

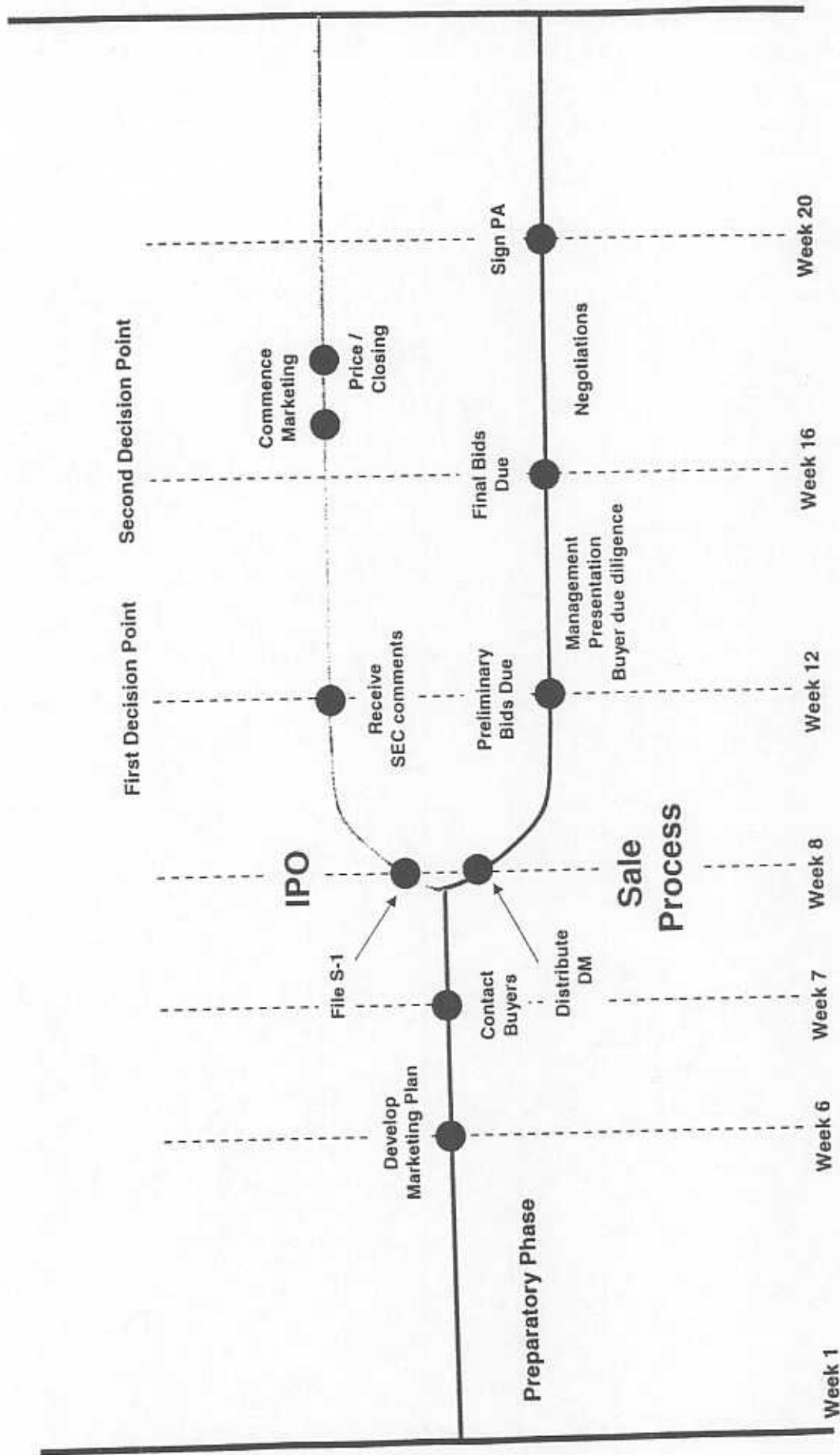
TRADING HISTORY



(a) Source SDC Platinum, includes deals >500mm, excludes withdrawn or cancelled deals.
 (b) Peers include SCG, PNW, WR, GXP, WPS, PNM.



Dual Track Process Overview



M&A Sales Process



Structure of Sale

Santee Cooper is an attractive investment as a single entity or separate businesses

- ◆ Santee Cooper as a single entity would be of interest to both strategic and financial buyers
 - Strong mix of generation, transmission & distribution and water assets
- ◆ A broad marketing effort including both strategic investors and financial buyers would maximize valuation
 - BAS has strong relationships with a wide range of buyers that would have the interest and ability to pay an attractive valuation for Santee Cooper
- ◆ A partial sale of the component businesses could be a viable option for Santee Cooper
 - Buyers may be willing to pay more for the separate businesses of the company
 - Generation assets:
 - ◆ If generation assets are sold separately, BAS can explore the potential for its Commodity Derivatives group to offer products that can manage risks associated with such assets
 - ◆ Generation assets could be sold separately or as a single portfolio
 - Transmission & Distribution
 - ◆ Have the ability to attract buyers with lower financial return requirements
 - ◆ FERC incentives
 - ◆ Income Deposit Security structures such as 'EYES' or REITS can be used to improve valuation
 - Water Utility
 - ◆ Will hold appeal to a buyer interested in water assets facilitated from sale of other assets
- ◆ Potential to offer Stapled Financing



M&A Process Alternatives

Process	Negotiated Transaction	Targeted Process	Broad Auction
Number of Buyers	Direct negotiations with 1-2 logical buyers	5-10 Targeted Buyers	Widest possible range of appropriate potential purchasers
Structure / Process	<ul style="list-style-type: none"> ◆ Accelerated 1-phase process ◆ Limited marketing information prepared specifically for process <ul style="list-style-type: none"> ◆ Financial data ◆ Existing business plan ◆ Due diligence followed by negotiated acquisition agreement 	<ul style="list-style-type: none"> ◆ Generally a 2-phase process but less than a formal auction process ◆ Short Information Memorandum distributed to targeted buyers ◆ Preliminary bids submitted with general transaction terms ◆ Small group of buyers selected, conduct detailed due diligence: <ul style="list-style-type: none"> ◆ Data room visits ◆ Management presentations ◆ Definitive bids submitted 	<ul style="list-style-type: none"> ◆ Formal 2-phase auction process ◆ Information Memorandum distributed to targeted buyers ◆ Preliminary bids submitted with general transaction terms ◆ No access to the Company in Phase 1 ◆ Manageable group of buyers selected to conduct detailed due diligence <ul style="list-style-type: none"> ◆ Data room visits ◆ Management presentations ◆ Definitive bids submitted
Timing ^(a)	1 to 2 months	2 to 4 months	3 to 4 months

(a) From commencement to closing could be significantly impacted by regulatory requirements and other approvals necessary to close the transaction.



Equity IPO Process



Equity Market Overview

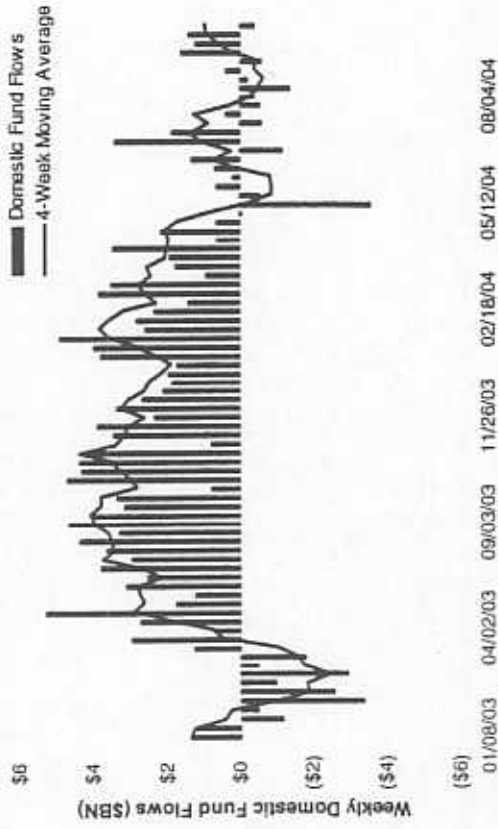
General Market Overview

OVERVIEW

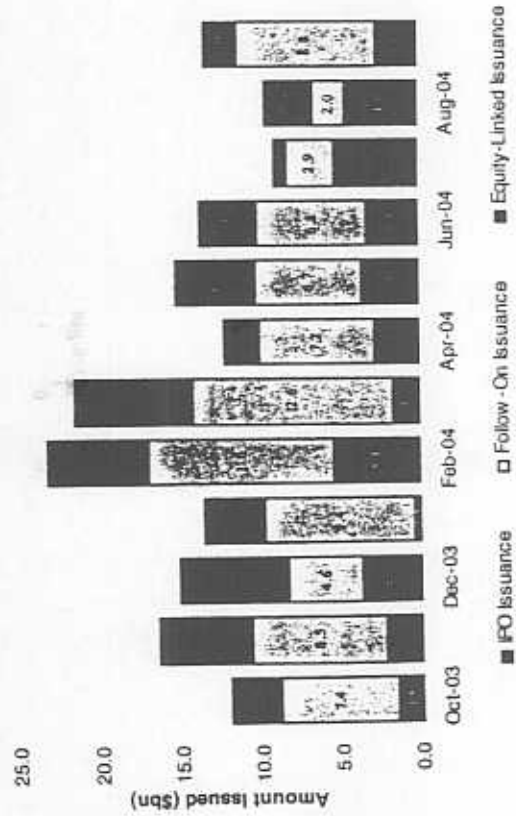
- ◆ Market performance continues to be influenced by several factors:
 - Oil prices are at all-time highs
 - Company preannouncements leading into 3Q earnings
 - Interest rate up 25bps to 1.75%
 - Geopolitical risks
 - Election uncertainties

- ◆ Domestic fund flows continue to be mixed:
 - September saw inflows of \$3.2bn versus August outflows of \$1.5bn
 - Last week shows an outflow of \$0.4bn

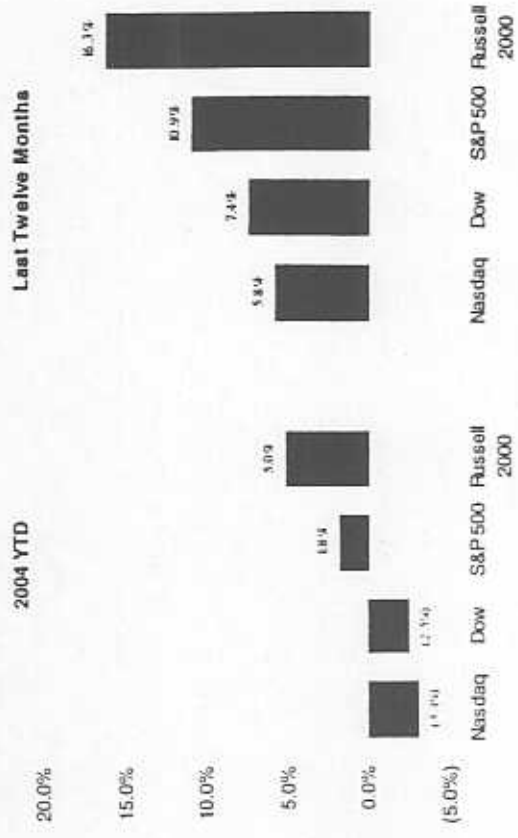
2003-2004 DOMESTIC EQUITY FUNDS FLOW



LTM EQUITY AND EQUITY-LINKED ISSUANCES



INDEX PERFORMANCE



Natural Resources Equity Market Overview

Equity market activity in the natural resources sector remains solid

INDEX PERFORMANCE

	Current Price		Change		Change	
	10/3/2004	10/3/2004	1 Week	1 Month	2004 YTD	2003
U.S. Equity Indices						
Dow Jones Industrials	10,192.7		1.4%	(0.9%)	(2.5%)	25.3%
S&P 500	1,131.5		1.9%	1.2%	1.8%	26.4%
Russell 2000	585.0		3.4%	4.5%	5.0%	45.4%
Nasdaq Composite	1,942.2		3.3%	3.7%	(3.1%)	50.0%
Sector Indices						
S&P E&P Index	207.1		1.7%	9.6%	30.4%	22.1%
S&P Energy Index	290.2		2.4%	7.3%	25.0%	22.4%
S&P Electric Utilities Index	153.5		1.4%	0.2%	9.9%	19.0%
PHLX Utility Index	336.6		1.6%	0.9%	9.3%	19.5%
AMEX Oil and Gas	707.1		2.6%	8.4%	25.7%	25.9%
Commodities						
Henry Hub Gas (1 mo. forward)	6.79		25.9%	29.7%	9.7%	29.2%
NYMEX Oil (1mo. forward)	50.12		2.5%	18.5%	54.1%	4.2%

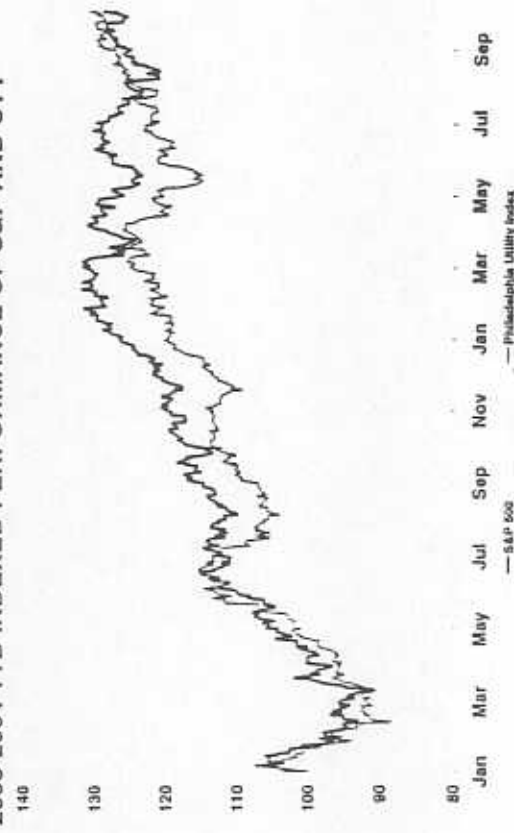
2004 YTD NATURAL RESOURCES EQUITY MARKET ACTIVITY

- ◆ 48 total natural resources follow-ons since 2004
 - 20 power offerings; 28 energy offerings
 - Of the 48 natural resources offerings, 33 were marketed on an accelerated basis (≤ 3 days of roadshow marketing)
 - For power offerings:
 - Average amount raised: \$249MM
 - Average file-to-offer: (2.8%)

RECENT POWER EQUITY OFFERINGS

Pricing Date	Issuer	Type	Total Amount Raised (\$mm)	Post-Offering Market Cap (\$mm)	A Price File to Offer to -1 Offer Day	A Price Offer to Current	A Price Offer to Current
10/1/04	AMS Energy Corp	SEC	\$259	\$1,424	(2.7%)	(0.6%)	2.9%
09/29/04	MOE Energy Inc	SEC	\$40	\$638	(0.5%)	1.6%	(1.1%)
09/29/04	Papco Holdings Inc	SEC	288	3,574	(8.4%)	1.5%	5.2%
09/27/04	Dominion Resources Inc	SEC	652	21,531	(0.3%)	0.1%	1.2%
09/18/04	Aquila Inc	SEC	117	601	(17.2%)	0.4%	18.8%
07/28/04	Southern Union Co	SEC	237	1,482	(11.0%)	3.4%	12.3%
07/13/04	Alinta Energy Corp	SEC	246	1,507	(4.1%)	0.0%	2.9%
06/30/04	Ameren Corp	SEC	458	7,945	(2.2%)	1.0%	10.8%
06/28/04	Consolidation Energy Group Inc	SEC	228	6,228	(1.0%)	0.0%	9.0%
06/28/04	Great Plains Energy Inc	SEC	150	2,228	0.3%	0.1%	(4.6%)
05/25/04	Laclede Group Inc	SEC	46	515	0.0%	(0.3%)	9.6%
05/11/04	Consolidated Edison Co of New York	SEC	528	9,093	(3.2%)	0.3%	12.6%
03/30/04	Northwest Natural Gas Co	SEC	60	606	(1.8%)	0.8%	1.4%
03/25/04	Wester Energy Inc	SEC	249	1,731	3.8%	1.0%	0.3%
Total			\$2,841	\$12,841	(3.0%)	0.7%	6.0%
Total			\$2,841	\$12,841	(3.0%)	0.6%	4.1%

2003-2004 YTD INDEXED PERFORMANCE OF S&P AND UTILITY



Source: FactSet, Equidesk as of 10/3/04. Excludes offerings raising less than \$20 million.

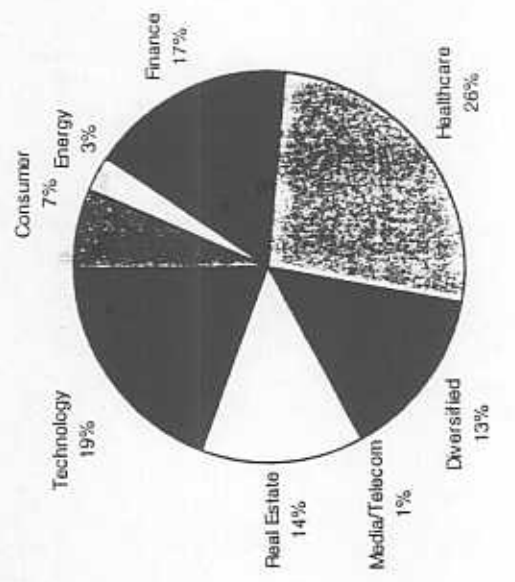
Equity Market Overview

The IPO Market Remains Active

2004 IPO SUMMARY

Date	Company	Sector	Valuation (\$ mil)	Price Range (\$)	Offer Size (\$ mil)	Underwritten	Change in Offer Size
06/30/04	Eagle Multiphase Properties Trust Inc.	Real Estate	147.8	14.5-15.0	147.8	100%	0.0%
06/30/04	New Century Real Inc.	Real Estate	2,754.9	24.4-24.6	2,754.9	29.4%	10.0%
07/01/04	Paycom Software Inc.	Software	47.7	12.0-12.1	47.7	24.4%	14.0%
07/26/04	CalWave Inc.	Telecom	40.0	32.5-33.5	40.0	26.4%	0.0%
07/26/04	West Tech Solutions Inc.	Technology	138.7	32.5-33.5	138.7	27.8%	12.0%
07/26/04	Fluor Corp.	Chemical	668.8	21.5-21.8	668.8	21.5%	41.8%
07/26/04	Fluor Corp.	Chemical	668.8	21.5-21.8	668.8	21.5%	41.8%
07/26/04	Fluor Corp.	Chemical	668.8	21.5-21.8	668.8	21.5%	41.8%
07/26/04	Fluor Corp.	Chemical	668.8	21.5-21.8	668.8	21.5%	41.8%
07/26/04	Fluor Corp.	Chemical	668.8	21.5-21.8	668.8	21.5%	41.8%

2004 IPOs BY SECTOR (a)

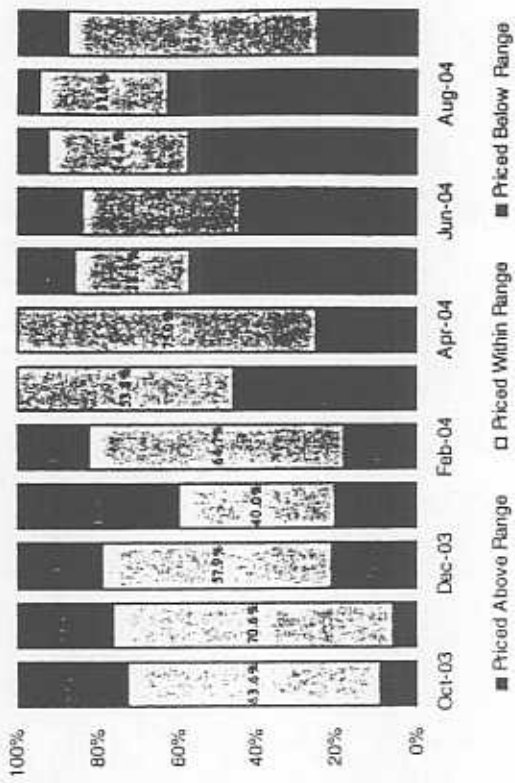


Source: FactSet, Equidisk as of 10/3/04. Includes all IPOs greater than \$20 million listed in the U.S. Total amount offered includes over-allotment. Excludes unit offerings and ADRs. Recent deals shown. (a) Deals by count.

2004 IPOs > \$250MM (EXCLUDING OVERALLOTMENT)

Company	Sector	Valuation (\$ mil)	Price Range (\$)	Offer Size (\$ mil)	Underwritten	Change in Offer Size
06/29/04	New Century Real Inc.	Real Estate	\$2.76	24.4-24.6	2,754.9	29.4%
06/29/04	Equidisk	Real Estate	2,004	24.4-24.6	2,004	7%
06/29/04	Equidisk	Real Estate	2,004	24.4-24.6	2,004	28%
06/29/04	Equidisk	Real Estate	2,004	24.4-24.6	2,004	7%
06/29/04	Equidisk	Real Estate	2,004	24.4-24.6	2,004	7%
06/29/04	Equidisk	Real Estate	2,004	24.4-24.6	2,004	7%
06/29/04	Equidisk	Real Estate	2,004	24.4-24.6	2,004	7%
06/29/04	Equidisk	Real Estate	2,004	24.4-24.6	2,004	7%
06/29/04	Equidisk	Real Estate	2,004	24.4-24.6	2,004	7%
06/29/04	Equidisk	Real Estate	2,004	24.4-24.6	2,004	7%

LTM IPO PRICING PERFORMANCE



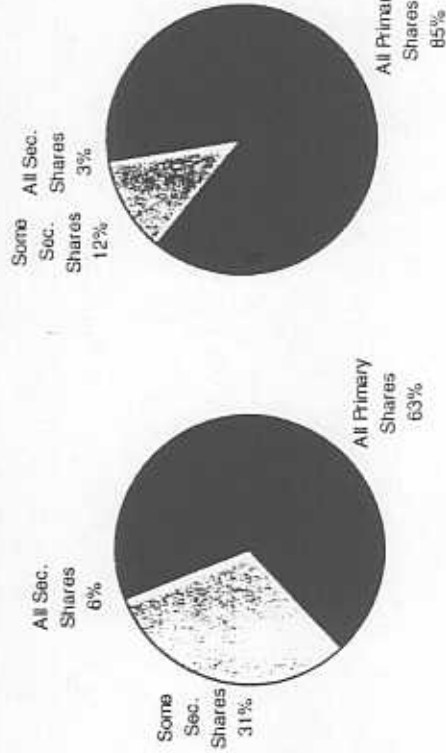
Equity Market Overview

There are Numerous Precedents of IPOs with Secondary Share Selling

SUMMARY OBSERVATIONS

- ◆ Selling secondary shares in an IPO is now a common occurrence:
 - 37% of IPOs in 2003-2004 involved secondary sellers
 - In 2001, only 15% of IPOs included secondary shares
- ◆ 2003-2004 transactions which involve secondary selling have outperformed 100% primary offerings
 - Average file-to-offer discount of (2.4)% for deals with secondary selling vs. (7.5)% for 100% primary deals
 - Average offer-to-current increase of 33.3% for deals with secondary selling vs. 9.1% increase for 100% primary deals

% OF IPOs WITH SECONDARY SELLERS - 2003-2004



2003- 2004 DOMESTIC IPOs WITH SECONDARY SELLERS


Deal No.	Company	Size (\$ Mil)	Market Value (\$ Mil)	Secondary Shares Sold	% of Total Shares Sold	Offer Price (\$)	Offer Yield (%)
062404	PeptideSupport Inc	47.7	66.8	30.4%	194.4%	1.14	17.1%
062404	Meta Technologies Inc	140.1	292.6	43.9%	15.9%	1.14	17.1%
062404	Energy Technology LP	139.7	235.5	41.8%	15.9%	1.14	17.1%
062404	JAMPA Technology	175.1	232.2	31.1%	14.2%	1.14	17.1%
062404	Beacon Funding Supply Inc	165.0	413.9	87.0%	100.0%	1.14	17.1%
062404	Exabyte Inc	1468.4	21,851.5	27.9%	1.9%	1.14	17.1%
062404	Google Inc	128.5	469.2	50.0%	39.0%	1.14	17.1%
062404	Accelipack Holdings Inc	54.5	217.5	11.4%	2.1%	1.14	17.1%
062404	EuroChemicals Inc	114.8	276.5	91.3%	8.0%	1.14	17.1%
062404	Planar Santa Barbara	860.0	1,927.7	100.0%	2.3%	1.14	17.1%
062404	NetScout	44.1	157.4	4.8%	10.0%	1.14	17.1%
062404	Algalife Technologies Inc	190.3	185.2	64.2%	18.8%	1.14	17.1%
062404	Commercial Vehicle Group Inc	146.8	165.2	8.0%	21.4%	1.14	17.1%
062404	Top Tapers Inc	193.5	63.0	26.1%	5.9%	1.14	17.1%
062404	Stacyus International Inc	64.8	348.3	100.0%	26.0%	1.14	17.1%
062404	Blackand Inc	1,208.2	2,294.1	82.8%	22.5%	1.14	17.1%
062404	Sea Media Inc	81.2	604.8	21.0%	18.7%	1.14	17.1%
062404	Delta Pharmaceutical Inc	23.0	351.0	25.9%	12.4%	1.14	17.1%
062404	Karby International Inc	55.0	162.0	20.9%	17.1%	1.14	17.1%
062404	Overleaf Online Inc	230.1	829.9	81.3%	12.5%	1.14	17.1%
062404	Barista Pizza Inc	114.4	153.4	45.9%	17.8%	1.14	17.1%
062404	Admotive Performance Holdings Inc	10.3	11.2	36.9%	17.5%	1.14	17.1%
062404	Admotive Performance Inc	210.2	151.2	28.9%	20.0%	1.14	17.1%
062404	Orbitel Wireless Inc	55.9	52.1	10.7%	2.8%	1.14	17.1%
062404	Life-Tech Foods Inc	192.8	162.8	10.7%	0.9%	1.14	17.1%
062404	Multi Finance Electronic Inc	150.3	1,170.4	20.0%	16.7%	1.14	17.1%
062404	Grada Inc	97.4	208.2	42.0%	18.1%	1.14	17.1%
062404	Xyona Group Ltd	45.5	115.7	23.2%	15.0%	1.14	17.1%
062404	WCA Waste Corp	637.5	734.9	100.0%	10.0%	1.14	17.1%
062404	Jackson Health Tax Service Inc	77.0	301.3	33.0%	0.0%	1.14	17.1%
062404	Blackboard Inc	71.5	237.6	27.2%	7.1%	1.14	17.1%
062404	Harbor Technology Services Inc	456.0	984.1	32.2%	19.9%	1.14	17.1%
062404	CJ Richard Eric Group Inc	69.0	99.6	15.0%	14.2%	1.14	17.1%
062404	Powertech LLC	2,827.5	8,718.3	100.0%	11.4%	1.14	17.1%
062404	Blue Nile Inc	78.7	314.5	48.5%	10.6%	1.14	17.1%
062404	Blue Nile Inc	111.8	389.7	1.2%	123.1%	1.14	17.1%
062404	InfoSource Inc	169.3	227.2	52.0%	8.2%	1.14	17.1%
062404	Interactions Inc	482.0	1,350.0	100.0%	15.7%	1.14	17.1%
062404	Assured Guaranty Ltd	551.8	439.5	36.4%	9.1%	1.14	17.1%
062404	Stiff Technology Inc	93.5	53.6	10.1%	14.6%	1.14	17.1%
062404	Polkley Corp	135.9	163.5	0.4%	0.0%	1.14	17.1%
062404	Alor Realty Trust Inc	56.9	61.3	12.2%	16.7%	1.14	17.1%
062404	Colata Inc	427.0	1,623.7	80.0%	7.1%	1.14	17.1%
062404	Alphatech Inc	400.7	372.5	9.2%	15.4%	1.14	17.1%
062404	Blue West Holdings Inc	35.0	48.7	54.3%	0.0%	1.14	17.1%
062404	Alphastream Inc	25.4	159.8	8.1%	10.9%	1.14	17.1%
062404	TDCCO	115.0	3,120.0	100.0%	4.8%	1.14	17.1%
062404	Coastal Energy Inc	51.7	226.8	100.0%	11.4%	1.14	17.1%

Source: FactSet, Equidesk as of 10/3/04. Includes all IPOs greater than \$20 million listed in the U.S. Total amount offered includes over-allotment. Excludes unit offerings and ADRs. Recent deals shown.

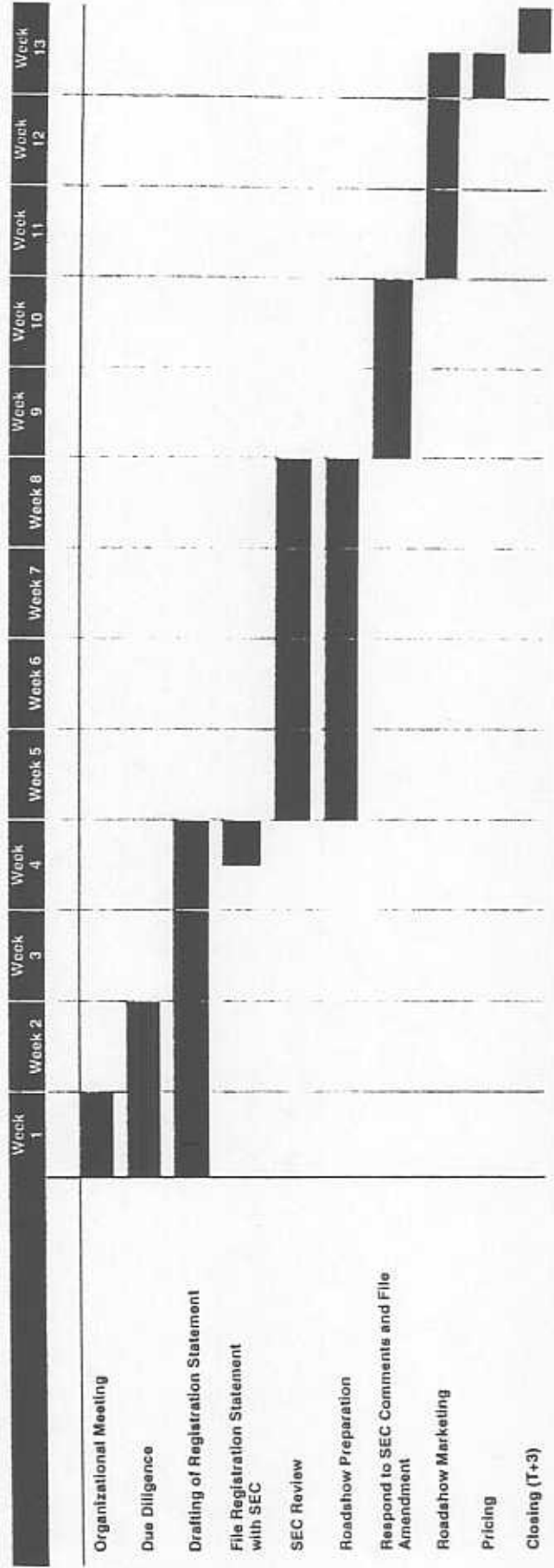
Equity IPO Process

Timing considerations

October 2004							November 2004							December 2004							January 2005							February 2005							March 2005						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2						1	2	3	4				1	2	3	4				1	2	3	4	5			1	2	3	4	5			1	2	3	4	5
3	4	5	6	7	8	9	7	8	9	10	11	12	13	5	6	7	8	9	10	11	2	3	4	5	6	7	8	6	7	8	9	10	11	12	6	7	8	9	10	11	12
10	11	12	13	14	15	16	14	15	16	17	18	19	20	12	13	14	15	16	17	18	9	10	11	12	13	14	15	13	14	15	16	17	18	19	13	14	15	16	17	18	19
17	18	19	20	21	22	23	21	22	23	24	25	26	27	19	20	21	22	23	24	25	16	17	18	19	20	21	22	20	21	22	23	24	25	26	20	21	22	23	24	25	26
24	25	26	27	28	29	30	28	29	30				26	27	28	29	30	31	23	24	25	26	27	28	29	27	28	29	30	31			27	28	29	30	31				
31																			30	31																					

 Holiday

 FOMC Meeting



Equity IPO Process

Key Post-IPO Considerations

- ◆ Research coverage
 - Analysts that choose to cover the Company can issue their Initiation of Coverage report no sooner than 40 days after pricing
 - Regular reports likely to be issued by analysts after earnings and other significant events
- ◆ Quarterly earnings calls
 - Analysts will have detailed questions regarding performance, any deviations from plan and the potential implications for future results
 - **BAS would be pleased to help Santee Cooper refine call script and practice "Q&A"**
- ◆ Public company reporting requirements
 - 10Q - quarterly financial report
 - 10K - annual audited financial report with MD&A
 - Proxy statement
 - 8K – for disclosable events
- ◆ New constituencies to satisfy
 - Investors - Will often call management directly for information
 - Research analysts - Need to keep models and information current
- ◆ Conferences, Non-Deal Roadshows and "Field Trips"
 - Active attendance at investor conferences will be critical to keeping the story fresh with investors; Non-deal roadshows are vehicles in which Company management can speak face-to-face with fund managers outside the context of an offering
 - Company may elect to hold "Field Trips" where research analysts and investors come to the Company's offices or locations to see the business first hand
 - **BAS would be pleased to organize non-deal roadshows and "field trips" for Santee Cooper**



Appendix Part II

Selected Utility Transactions

Acquirer / Target Company	Comp. Date	Value of:		Enterprise Value as a Multiple of:			Equity Value as a Multiple of:		
		Enterprise	Equity	LTM	EBITDA	EBIT	Customer	Net Income	Book Value
PNM Resources / TNP Enterprises	-	1,024	189	7.9	7.9	NM	3,258	NM	3.6
Ameren / Illinois Power ^(a)	-	2,164	360	7.2	7.2	12.0	3,600	NM	0.2
KKR / Unisource ^(b)	-	2,875	880	7.5	7.5	12.7	7,829	13.0	1.7
Texas Pacific Group / Portland General Electric ^(c)	-	2,350	1,250	6.3	6.3	11.3	3,167	15.3	1.1
Ameren / Cilcorp	1/31/2003	1,397	540	6.9	6.9	11.9	6,872	NM	1.0
Energy East / RGS Energy	6/28/2002	2,396	1,382	7.4	7.4	11.5	7,657	15.0	1.8
Potomac Electric Power Co. / Connecticut Inc.	8/1/2002	5,488	2,232	7.5	7.5	12.3	5,637	12.6	1.9
Northwestern / Montana Power	2/15/2002	1,100	612	7.5	7.5	11.0	3,780	14.4	1.6
National Grid Group plc / Niagara Mohawk Holdings	1/31/2002	8,941	3,052	7.7	7.7	10.6	5,688	16.7	1.1
FirstEnergy Corp. / GPU Inc.	11/7/2001	11,930	4,441	7.0	7.0	10.9	2,593	11.1	1.3
AES Corp. / IPALCO Enterprises, Inc.	3/27/2001	3,094	2,250	8.0	8.0	11.2	7,194	17.0	3.1
PowerGen plc / LG&E	12/11/2000	5,483	3,226	8.3	8.3	12.3	15,016	13.7	2.8
Investor Group / MidAmerican Energy	3/14/2000	8,990	2,161	7.9	7.9	12.8	13,659	16.1	2.0
Carolina Power & Light Co. / Florida Progress Corp.	11/30/2000	8,053	5,303	7.8	7.8	13.5	6,006	17.8	2.7
Energy East / Central Maine Power Group	6/1/2000	1,592	960	6.8	6.8	10.7	2,987	18.4	1.7
New England Electric / Eastern Utilities Associates	4/19/2000	1,115	634	7.6	7.6	12.4	3,656	17.2	1.7
AES / Cilcorp	10/19/1999	1,325	885	9.6	9.6	19.0	6,787	NM	2.5
Consolidated Edison / Orange & Rockland	7/10/1999	1,320	792	9.7	9.7	13.1	6,690	18.8	2.1
Average:				7.7x		12.3x	3,323 ^(d)	15.5x	1.9x



Comparison of Selected Regulated Utility Companies

Market Value Information (in millions, except per share)

Company	Ticker Symbol	Price at 10/7/2004	Stock Price vs. LTM		Equity Market Value ^(a)	Equity Market Value / Net Income		Dividend Yield	Dividend Payout	Equity Market / Book Value	Enterprise Value ^(b)	Enterprise Value / EBITDA							
			High	Low		2004E	2005E					2004E	2005E						
Selected Regulated Utility Companies																			
Southern Company	SO	\$30.18	(2.6%)	10.0%	\$22,557	15.2x	14.7x	4.7%	71.9%	2.3x	\$36,833	9.4x	8.9x						
FirstEnergy Corporation	FE	40.77	(3.5%)	28.8%	13,604	14.6x	13.6x	3.7%	53.8%	1.6x	25,030	6.6x	6.7x						
Progress Energy, Inc.	PGN	42.20	(12.0%)	5.3%	10,406	13.7x	11.6x	5.5%	74.4%	1.4x	21,109	8.5x	8.4x						
DTE Energy Company	DTE	41.96	(1.3%)	19.5%	7,301	13.8x	11.9x	4.9%	68.0%	1.3x	14,272	8.5x	8.3x						
Xcel Energy, Inc.	XEL	17.49	(4.6%)	14.3%	6,993	14.2x	13.6x	4.7%	67.5%	1.3x	13,681	7.0x	6.8x						
Ameren Corp	AEE	46.26	(4.3%)	14.1%	9,004	16.4x	15.2x	5.5%	90.1%	1.7x	13,098	9.4x	8.1x						
Clenergy Corporation	CIN	39.13	(4.8%)	12.1%	7,121	14.7x	13.5x	4.8%	70.7%	1.9x	12,163	8.7x	8.2x						
Wisconsin Energy Corporation	WEC	31.77	(7.4%)	7.7%	3,824	13.6x	13.3x	2.6%	36.1%	1.6x	7,978	8.7x	8.8x						
SCANA Corporation	SCG	37.36	(1.9%)	13.9%	4,184	13.8x	13.2x	3.9%	53.9%	1.8x	7,778	8.5x	8.2x						
Pinnacle West Capital Corp	PNW	42.24	(1.7%)	21.0%	3,867	16.8x	13.2x	4.3%	71.7%	1.3x	6,925	7.4x	6.4x						
Alliant Energy Corp	LNT	25.74	(6.1%)	13.6%	2,914	14.1x	12.9x	3.9%	54.6%	1.2x	5,391	6.5x	6.3x						
Puget Energy, Inc.	PSD	22.56	(6.0%)	10.0%	2,292	14.9x	13.4x	4.4%	66.2%	1.4x	4,787	7.7x	6.7x						
Sierra Pacific Resources	SRP	9.20	(2.9%)	76.6%	1,079	24.2x	17.7x	0.0%	0.0%	0.8x	4,928	7.3x	6.9x						
Westar Energy, Inc.	WR	20.75	(3.4%)	14.9%	1,775	15.1x	12.4x	3.7%	55.5%	1.4x	3,558	6.4x	5.9x						
Great Plains Energy	GXP	29.56	(17.2%)	4.6%	2,196	12.9x	13.4x	5.6%	72.2%	2.0x	3,508	7.0x	7.1x						
Alliote Inc.	ALE	32.76	(24.7%)	6.5%	2,930	5.3x	15.6x	10.3%	54.9%	1.8x	3,512	3.4x	7.7x						
Unisource Energy Corporation	UNS	24.36	(2.3%)	28.1%	855	16.8x	NM	2.8%	44.1%	1.5x	2,738	7.2x	NM						
WPS Resources Corporation	WPS	46.20	(5.6%)	12.2%	1,735	14.0x	13.4x	4.8%	67.1%	1.7x	2,664	7.4x	6.9x						
PHM Resources	PHM	23.04	(2.3%)	31.5%	1,397	16.2x	15.0x	2.8%	45.1%	1.3x	2,452	8.7x	8.1x						
IdaCorp, Inc.	IDA	30.17	(5.9%)	19.2%	1,152	16.5x	15.2x	4.0%	65.6%	1.3x	2,278	8.2x	7.5x						
Clcico Corporation	CNL	17.66	(10.6%)	10.4%	840	14.0x	13.4x	5.1%	71.4%	1.7x	1,446	6.5x	6.7x						
Avista Corp	AVA	18.18	(6.4%)	18.4%	887	16.7x	13.3x	2.9%	47.7%	1.2x	1,956	7.6x	6.6x						
El Paso Electric Company	EE	16.12	(2.5%)	39.0%	780	20.2x	15.5x	0.0%	0.0%	1.5x	1,358	6.9x	6.6x						
												Average:	15.1x	13.9x	4.1%	56.6%	1.5x	7.5x	7.4x
												Median:	14.7x	13.4x	4.3%	65.6%	1.5x	7.4x	7.0x
												High:	24.2x	17.7x	10.3%	90.1%	2.3x	9.4x	8.9x
												Low:	5.3x	11.6x	0.0%	0.0%	0.8x	3.4x	5.9x

(a) Equity Market Value = Total Shares Outstanding (treasury method) * Current Common Stock Price

(b) Enterprise Value = Equity Market Value + Preferred + Total Debt + Minority Interest - Unrestricted Cash and Marketable Securities



Comparison of Selected Regulated Utility Companies

Credit Information (in millions, except per share)

Company	Senior Unsecured Rating	Projected Dividend Payout	LTM Free Cash Flow	Net Debt, Preferred & Minority Interest	LTM FFO/Interest Expense		LTM EBITDA/Interest Expense		LTM EBIT/Interest Expense	Net Debt/Book Cap.	LTM FFO/Debt		Total Debt/EBITDA	Non-Fuel O&M Costs	CapEx
					FFO/Interest Expense	EBITDA/Interest Expense	FFO/Debt	Total Debt/EBITDA							
Selected Regulated Utility Companies															
Southern Company	A3/A-	71.9%	\$1,256	\$14,276	6.9x	7.0x	4.9x	56.2%	4.9x	56.2%	23.3%	3.7x	\$4,382	\$1,979	
FirstEnergy Corporation	Baa3/BBB-	53.8%	1,327	11,426	3.7x	4.0x	2.3x	54.8%	2.3x	54.8%	18.3%	3.7x	3,502	767	
Progress Energy, Inc.	Baa2/BBB-	74.4%	(131)	10,703	3.5x	3.9x	2.1x	58.3%	2.1x	58.3%	14.7%	4.3x	3,419	1,699	
DTE Energy Company	Baa2/BBB-	68.0%	139	6,971	3.4x	3.4x	1.9x	55.6%	1.9x	55.6%	12.6%	5.6x	3,109	747	
Xcel Energy, Inc.	Baa1/BBB-	67.5%	402	6,688	4.8x	5.0x	3.0x	54.6%	3.0x	54.6%	22.2%	3.4x	1,707	1,082	
Ameren Corp.	A3/BBB+	90.1%	347	4,094	4.8x	5.7x	3.7x	39.4%	3.7x	39.4%	24.6%	2.7x	1,274	729	
Cinergy Corporation	Baa2/BBB	70.7%	224	5,042	4.2x	4.3x	2.7x	55.5%	2.7x	55.5%	17.7%	4.2x	1,386	686	
Wisconsin Energy Corporation	A3/BBB+	36.1%	72	4,154	4.2x	4.6x	2.6x	62.7%	2.6x	62.7%	16.0%	4.4x	1,089	593	
SCANA Corporation	A3/BBB+	53.9%	55	3,594	4.2x	4.6x	3.3x	56.0%	3.3x	56.0%	17.4%	4.1x	571	590	
Pinnacle West Capital Corp.	Baa2/BBB-	71.7%	227	3,058	5.5x	5.1x	2.7x	49.1%	2.7x	49.1%	24.9%	3.6x	875	602	
Alliant Energy Corp.	Baa3/BBB+	54.6%	(72)	2,477	3.9x	4.1x	2.5x	43.7%	2.5x	43.7%	24.3%	2.9x	1,140	648	
Puget Energy, Inc.	Ba1/BBB-	66.2%	51	2,495	3.4x	3.6x	2.3x	59.4%	2.3x	59.4%	17.2%	3.9x	305	379	
Sierra Pacific Resources	B2/B+	0.0%	(248)	3,848	1.3x	1.3x	0.8x	72.4%	0.8x	72.4%	3.2%	7.2x	410	372	
Westar Energy, Inc.	Ba2/BB-	NM	2	1,781	1.7x	2.6x	1.8x	52.5%	1.8x	52.5%	7.3%	4.0x	537	153	
Great Plains Energy	BBB/Baa2	72.2%	177	1,311	5.7x	6.2x	4.0x	47.8%	4.0x	47.8%	23.0%	3.3x	401	173	
Alliate Inc.	Baa2/BBB	54.9%	246	582	6.8x	6.9x	7.4x	18.7%	7.4x	18.7%	31.6%	2.1x	1,079	106	
Unisource Energy Corporation	NA/NA	NM	100	1,883	2.4x	2.4x	1.5x	72.8%	1.5x	72.8%	11.9%	5.0x	237	139	
WPS Resources Corporation	A1/A	67.1%	76	929	6.5x	6.0x	2.7x	43.2%	2.7x	43.2%	31.4%	2.9x	481	220	
PNM Resources	Baa2/BBB	45.1%	117	1,055	6.1x	5.0x	2.5x	48.3%	2.5x	48.3%	27.0%	3.7x	256	166	
IdaCorp, Inc.	Baa1/BBB+	65.6%	6	1,126	4.2x	4.0x	1.8x	53.2%	1.8x	53.2%	17.2%	4.7x	216	181	
Cleco Corporation	Baa3/BBB-	71.4%	48	606	2.8x	3.4x	2.3x	50.2%	2.3x	50.2%	18.6%	2.8x	161	76	
Avista Corp.	Ba1/BB+	47.7%	40	1,070	2.7x	2.5x	1.7x	52.9%	1.7x	52.9%	13.2%	5.1x	243	115	
El Paso Electric Company	Ba1/BBB-	0.0%	45	578	4.0x	4.2x	1.9x	51.9%	1.9x	51.9%	23.0%	3.1x	205	94	
Average:		57.3%	\$196	\$3,902	4.2x	4.4x	2.7x	52.6%	2.7x	52.6%	19.2%	3.9x	\$1,173	\$535	
Median:		66.2%	76	2,495	4.2x	4.2x	2.5x	53.2%	2.5x	53.2%	18.3%	3.7x	571	379	
High:		90.1%	1,327	14,276	6.9x	8.9x	7.4x	72.8%	7.4x	72.8%	31.6%	7.2x	4,382	1,979	
Low:		0.0%	(248)	578	1.3x	1.3x	0.8x	18.7%	0.8x	18.7%	3.2%	2.1x	161	76	

(a) FCF = NI + Deferred Taxes + EDA - CapEx - Dividends.

Comparison of Selected Diversified Utility Companies

Market Value Information (in millions, except per share)

Company	Ticker Symbol	Price at 10/7/2004	Stock Price vs. LTM			Equity Market Value	Equity Market Value		Dividend Yield	Dividend Payout	Equity Market / Book Value	Enterprise Value ^(a)	Enterprise Value / EBITDA	
			High	Low	2004E		2005E	2004E					2005E	
Selected Diversified Utility Companies														
Duke Energy Corporation	DUK	\$23.60	(1.5%)	38.2%	\$22,132	18.9x	17.6x	4.7%	88.0%	1.5x	\$42,397	9.0x	8.5x	
Dominion Resources	D	65.48	(0.9%)	10.5%	21,781	13.6x	12.6x	3.9%	53.5%	2.1x	39,253	8.2x	7.5x	
Exelon Corporation	EXC	37.89	(0.4%)	24.3%	25,392	13.5x	12.7x	3.2%	43.4%	2.8x	39,570	8.3x	8.0x	
American Electric Power	AEP	32.20	(8.3%)	20.6%	12,740	13.9x	13.5x	4.3%	60.3%	1.8x	25,729	9.2x	8.9x	
Public Service Enterprise Group Inc.	PEG	42.81	(10.3%)	12.4%	10,186	13.1x	12.4x	5.1%	67.3%	1.9x	21,330	7.9x	7.6x	
TXU Corporation	TXU	48.55	(1.4%)	132.6%	14,481	18.6x	11.8x	1.0%	19.2%	3.6x	28,184	10.8x	9.0x	
Energy Corporation	ETR	62.40	(0.1%)	23.2%	14,526	16.3x	13.3x	2.9%	47.0%	1.7x	22,132	8.1x	7.4x	
FPL Group Inc.	FPL	67.99	(2.7%)	12.9%	12,847	13.4x	13.1x	4.0%	53.8%	1.8x	21,940	8.0x	7.5x	
Edison International	EIX	26.56	(3.4%)	37.8%	8,763	15.5x	13.1x	3.0%	46.8%	1.8x	23,007	7.3x	7.0x	
PG&E Corporation	PCG	30.80	(0.6%)	31.5%	12,436	14.7x	11.9x	3.4%	44.8%	2.2x	21,221	5.8x	5.6x	
PPL Corporation	PPL	47.90	(1.2%)	23.2%	9,085	13.1x	11.9x	3.4%	44.8%	2.2x	15,224	8.2x	7.6x	
NISource, Inc.	NI	21.40	(5.0%)	8.9%	5,639	14.0x	13.4x	4.3%	56.4%	1.3x	11,786	7.8x	7.3x	
KeySpan Corporation	KSE	39.14	(2.0%)	16.3%	6,349	14.9x	15.3x	4.5%	67.9%	1.6x	10,869	5.9x	6.1x	
Constellation Energy Group, Inc.	CEG	40.95	(1.3%)	16.9%	7,267	12.8x	12.2x	2.8%	35.5%	1.6x	12,372	7.4x	7.1x	
Sempra Energy	SRE	36.53	(1.8%)	38.6%	8,687	12.1x	11.9x	2.7%	33.2%	2.1x	13,066	7.0x	6.3x	
TECO Energy, Inc.	TE	14.01	(8.9%)	24.0%	2,642	17.5x	14.7x	5.4%	95.0%	1.7x	6,878	8.9x	8.7x	
CMS Energy Corporation	CMS	9.41	(4.8%)	27.0%	1,518	11.8x	11.8x	0.0%	0.0%	0.9x	9,608	9.1x	9.0x	
Allienergy Energy, Inc.	AYE	16.95	(0.5%)	80.7%	2,155	54.7x	20.4x	0.0%	0.0%	1.4x	7,070	8.0x	7.0x	
DPL, Inc.	DPL	20.80	(2.6%)	26.9%	2,639	15.7x	15.0x	4.6%	72.2%	2.8x	4,865	8.5x	8.2x	
OGE Energy Corp	OGE	25.48	(4.9%)	16.0%	2,244	16.1x	15.2x	5.2%	84.2%	1.9x	3,863	7.6x	7.3x	
MDU Resources Group, Inc.	MDU	26.24	(1.0%)	20.1%	3,113	14.3x	13.5x	2.7%	39.3%	2.0x	3,976	6.7x	6.3x	
Aquila, Inc.	ILA	3.07	(36.8%)	36.5%	601	14.8x	8.3x	0.0%	0.0%	0.5x	2,587	NM	NM	
Black Hills Corporation	BKH	28.06	(15.4%)	5.8%	911	16.8x	14.9x	4.4%	74.3%	1.3x	1,626	7.1x	6.4x	
			Average:			14.9x	13.3x	3.1%	47.0%	1.8x		7.9x	7.5x	
			Median:			14.6x	13.3x	3.4%	47.0%	1.7x		8.0x	7.5x	
			High:			54.7x	20.4x	5.4%	95.0%	3.6x		10.8x	9.0x	
			Low:			11.8x	8.3x	0.0%	0.0%	0.5x		5.8x	5.6x	

(a) Equity Market Value = Total Bases Outstanding (treasury method) * Current Common Stock Price
 (b) Enterprise Value = Equity Market Value + Preferred + Total Debt + Minority Interest - Unrestricted Cash and Marketable Securities

Comparison of Selected Diversified Utility Companies

Credit Information (in millions, except per share)

Company	Senior Unsecured Rating	Projected Dividend Payout	LTM Free Cash Flow	Not Debt, Preferred & Minority Interest	LTM		LTM		Net Debt / Book Cap.	LTM		Total Debt / EBITDA	Non-Fuel O&M Costs	CapEx
					FFO / Interest Expense	EBITDA / Interest Expense	EBIT / Interest Expense	FFO / Total Debt						
Selected Diversified Utility Companies														
Duke Energy Corporation	Baa1/BBB+	88.0%	\$189	\$20,265	2.8x	3.2x	1.9x	51.5%	4.6x	\$4,032	12.1%	4.6x	\$4,032	\$2,376
Dominion Resources	Baa1/BBB+	53.5%	1,528	17,472	4.3x	4.4x	3.0x	61.2%	4.1x	2,770	18.5%	4.1x	2,770	1,871
Exelon Corporation	Baa2/BBB+	43.4%	1,495	14,178	4.7x	5.5x	3.4x	58.6%	3.1x	4,540	22.1%	3.1x	4,540	1,779
American Electric Power	Baa3 / BBB	60.3%	1,097	12,989	4.1x	4.5x	2.9x	58.4%	3.8x	3,674	18.0%	3.8x	3,674	1,416
Public Service Enterprise Group Inc.	Baa2/BBB-	67.3%	369	11,144	3.3x	3.3x	2.6x	65.8%	4.8x	2,196	14.5%	4.8x	2,196	1,268
TXU Corporation	Baa2/BBB-	19.2%	236	13,703	2.3x	3.1x	2.0x	72.6%	5.1x	2,908	8.4%	5.1x	2,908	953
Energy Corporation	NR / BBB	47.0%	1,516	7,607	8.8x	7.0x	4.4x	42.9%	2.9x	2,479	38.2%	2.9x	2,479	1,486
FPL Group Inc.	A2/A-	53.8%	(436)	9,293	6.6x	6.0x	3.4x	55.5%	3.4x	1,669	27.2%	3.4x	1,669	3,019
Edison International	Ba2/BB+	46.8%	669	14,244	2.8x	2.8x	1.7x	63.2%	5.0x	3,611	13.3%	5.0x	3,611	1,437
PG&E Corporation	NR	0.0%	2,417	8,785	5.2x	4.2x	2.9x	49.0%	2.5x	3,104	40.4%	2.5x	3,104	1,705
PPL Corporation	Ba1/BBB	44.8%	472	6,139	3.4x	3.4x	2.6x	57.5%	3.7x	1,239	19.2%	3.7x	1,239	758
NISource, Inc.	Baa2/BBB	56.4%	406	6,147	3.3x	3.6x	2.5x	56.9%	3.9x	1,192	16.1%	3.9x	1,192	575
KeySpan Corporation	A3/A	67.9%	295	4,520	4.9x	5.0x	3.1x	47.9%	3.1x	1,968	24.6%	3.1x	1,968	993
Constellation Energy Group, Inc.	Baa1/BBB+	35.5%	456	5,106	4.4x	4.2x	2.3x	48.5%	3.8x	0	21.2%	3.8x	0	659
Sempra Energy	Baa1/BBB	33.2%	220	4,379	7.4x	8.4x	5.6x	43.3%	3.1x	3,782	24.8%	3.1x	3,782	1,106
TECO Energy, Inc.	Ba2/BB+	95.0%	(787)	4,237	-0.1x	1.4x	0.5x	72.6%	8.4x	1,131	(8.9%)	8.4x	1,131	404
CMS Energy Corporation	B3/B+	0.0%	145	8,090	2.1x	1.9x	1.1x	72.3%	6.5x	1,207	8.5%	6.5x	1,207	511
Allegheny Energy, Inc.	B2/CCC+	0.0%	471	4,915	2.4x	1.6x	0.9x	71.8%	6.7x	871	13.7%	6.7x	871	232
DPL, Inc.	Ba1/BB	72.2%	331	2,227	3.9x	4.5x	3.3x	57.2%	4.1x	0	15.8%	4.1x	0	127
OGE Energy Corp	Baa1/BBB	84.2%	239	1,419	5.8x	5.3x	3.4x	53.3%	3.0x	373	30.8%	3.0x	373	212
MDU Resources Group, Inc.	A3/A-	39.3%	125	863	8.9x	9.0x	5.5x	33.2%	1.9x	1,623	45.8%	1.9x	1,623	324
Aquila, Inc.	Caa1/B-	0.0%	(516)	1,986	0.0x	0.2x	-0.4x	49.5%	49.5x	521	(9.8%)	49.5x	521	249
Black Hills Corporation	Baa3/BBB-	74.3%	124	715	4.9x	6.1x	4.5x	46.2%	2.5x	99	25.5%	2.5x	99	82
Average:		47.0%	\$481	\$7,844	4.2x	4.3x	2.7x	56.0%	6.1x	\$1,956	19.1%	6.1x	\$1,956	\$1,015
Median:		47.0%	331	6,147	4.1x	4.2x	2.9x	56.9%	3.8x	1,669	18.5%	3.8x	1,669	953
High:		95.0%	2,417	20,265	8.9x	9.0x	5.6x	72.6%	49.5x	4,540	45.8%	49.5x	4,540	3,019
Low:		0.0%	(787)	715	-0.1x	0.2x	-0.4x	33.2%	1.9x	0	(9.8%)	1.9x	0	82

(a) FCF = NI + Deferred Taxes + DDA - CapEx - Dividends.

Comparison of Selected T&D Companies

Market Value Information (in millions, except per share)

Company	Ticker Symbol	Price at 10/7/2004	Stock Price vs. LTM		Equity Market Value ^(a)	Equity Market Value		Dividend Yield	Dividend Payout	Equity Market / Book Value	Enterprise Value ^(b)	Enterprise Value / EBITDA	
			High	Low		2004E	2005E					2004E	2005E
Selected T&D Companies													
Consolidated Edison	ED	\$42.48	(5.8%)	14.1%	\$10,275	10.0x	15.1x	5.3%	85.3%	1.5x	\$17,377	8.6x	6.1x
CenterPoint Energy	CNP	10.84	(12.0%)	20.0%	3,334	13.7x	15.9x	3.7%	50.6%	1.0x	13,357	9.7x	9.1x
Peopco Holdings, Inc.	POM	20.09	(7.5%)	18.6%	3,468	14.0x	13.2x	5.0%	69.9%	1.1x	9,057	8.0x	7.7x
Energy East Corporation	EAS	25.17	(3.4%)	16.3%	3,718	14.8x	13.9x	4.1%	61.2%	1.4x	7,268	7.3x	7.2x
Northeast Utilities	NU	19.36	(4.7%)	9.9%	2,490	14.9x	13.8x	3.4%	50.0%	1.1x	5,138	5.1x	4.8x
NSTAR	NST	48.82	(7.6%)	8.3%	2,602	13.8x	13.5x	4.5%	62.9%	1.9x	4,727	8.0x	6.5x
DOE Inc	DOE	17.78	(13.4%)	16.5%	1,360	16.0x	14.6x	5.6%	90.1%	2.3x	2,419	9.3x	8.8x
UIL Holdings Corporation	UIL	50.00	(1.5%)	38.7%	730	20.2x	19.8x	5.8%	116.6%	1.4x	1,137	6.8x	6.5x
			Average:			15.4x	15.0x	4.7%	73.3%	1.5x		7.7x	7.3x
			Median:			14.8x	14.2x	4.8%	68.4%	1.4x		7.7x	7.4x
			High:			20.2x	19.8x	5.8%	116.6%	2.3x		9.7x	9.1x
			Low:			13.7x	13.2x	3.4%	50.0%	1.1x		5.1x	4.8x

(a) Equity Market Value = Total Shares Outstanding (treasury method) * Current Common Stock Price.

(b) Enterprise Value = Equity Market Value + Preferred + Total Debt + Minority Interest - Unrestricted Cash and Marketable Securities.



Comparison of Selected T&D Companies

Credit Information (in millions, except per share)

Company	Senior Unsecured Rating	Projected Dividend Payout	LTM Free Cash Flow	Net Debt, Preferred & Minority Interest	LTM		LTM EBITDA / Interest Expense	LTM EBIT / Interest Expense	Net Debt / Book Cap.	LTM		Total Debt / EBITDA	CapEx
					FFO / Interest Expense	FFO / Total Debt				FFO / Total Debt	FFO / Total Debt		
Selected T&D Companies													
Consolidated Edison	A2/A	85.3%	\$421	\$7,102	5.0x	4.5x	3.3x	47.1%	24.2%	3.7x	\$1,487	\$1,355	
CenterPoint Energy	Baa2/BBB-	50.6%	588	10,023	2.3x	2.0x	1.3x	82.1%	11.7%	5.7x	1,712	593	
Pecco Holdings, Inc.	Baa2/BBB	69.9%	131	5,590	2.9x	3.3x	2.1x	63.2%	11.7%	4.8x	1,378	526	
Energy East Corporation	Baa2/BBB	61.2%	526	3,549	4.0x	4.7x	3.1x	52.5%	20.8%	3.1x	1,014	300	
Northeast Utilities	Baa1/BBB	50.0%	33	2,647	3.6x	4.1x	1.7x	50.2%	25.4%	2.5x	1,221	627	
NSTAR	A2/A	62.9%	270	2,125	4.6x	4.6x	3.0x	58.8%	26.5%	3.0x	439	288	
DOE Inc	Baa1/BBB	90.1%	220	1,059	5.7x	3.5x	2.3x	50.8%	29.0%	4.5x	229	86	
UIL Holdings Corporation	Baa2/NA	116.6%	91	406	5.7x	5.9x	3.4x	39.2%	26.0%	3.1x	495	38	
Average:		73.3%	\$285	\$4,063	4.2x	4.1x	2.5x	55.5%	21.9%	3.8x	\$987	\$477	
Median:		66.4%	245	3,098	4.3x	4.3x	2.6x	51.6%	24.8%	3.4x	1,118	413	
High:		116.6%	588	10,023	5.7x	5.9x	3.4x	82.1%	29.0%	5.7x	1,712	1,355	
Low:		50.0%	33	406	2.3x	2.0x	1.3x	39.2%	11.7%	2.5x	229	38	

(a) FCF = NI + Deferred Taxes + DDA - CapEx - Dividends



Appendix Part III



Preliminary Valuation Considerations

- ◆ BAS believes Santee Cooper would be valued at the high end of its peers
 - Markets are rewarding regulated and highly contracted cash flow
 - High growth service territory provides visible upside
 - Low cost position provides insulation from potential competitive forces

(\$ in millions, except per share data)

Enterprise Value / EBITDA Multiple

	7.0x	7.5x	8.0x	8.5x
Enterprise Value				
Plus: 6/30/04 Total Debt, Minority Interest and Preferreds	\$2,757	\$2,954	\$3,151	\$3,348
Less: 6/30/04 Cash & Equivalents	(2,860)	(2,860)	(2,860)	(2,860)
2004E Equity Value^(a)	809	809	809	809
	\$706	\$903	\$1,100	\$1,297

Statistic.

\$394

2004E EBITDA

Enterprise Value
 Plus: 6/30/04 Total Debt, Minority Interest and Preferreds
 Less: 6/30/04 Cash & Equivalents
 2004E Equity Value^(a)

Total Enterprise Value as a Multiple of:

	FY 2004E	FY 2005E	FY 2004E (incl. Taxes)	FY 2005E (incl. Taxes)	6/30/2004 Book Value
EBITDA	7.0x	7.5x	8.0x	8.5x	1.1x
	6.4x	6.8x	7.3x	7.7x	
Total Equity Value as a Multiple of:					
Net Income	14.2x	18.1x	22.1x	26.1x	
	12.1x	15.4x	18.8x	22.2x	
Market / Book	0.6x	0.8x	1.0x	1.1x	

Statistic.

394

FY 2004E

433

FY 2005E

50

FY 2004E (incl. Taxes)

59

FY 2005E (incl. Taxes)

\$1,154

6/30/2004 Book Value

(a) Excludes transaction fees and expenses.
 Note: Based on BAS estimates.



Leverage Considerations

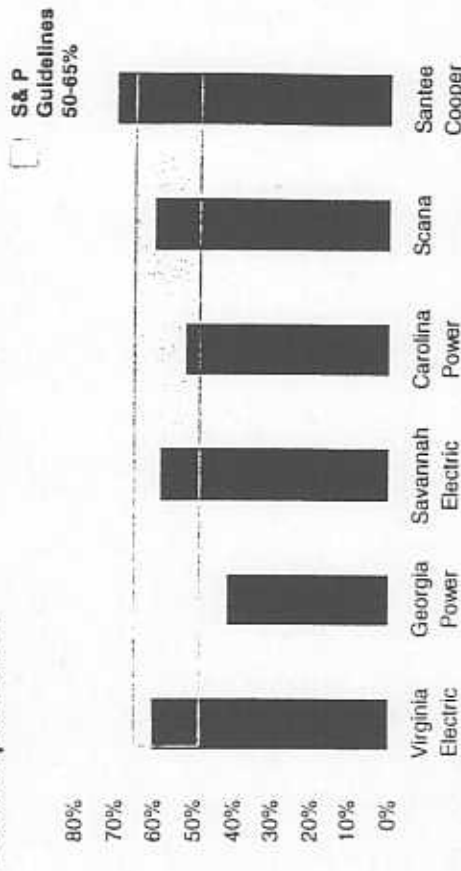
Santee Cooper is over-leveraged relative to its indicative peer group

- ◆ In order to be well positioned for a successful sale, Santee Cooper would need to reduce its debt burden to a level more consistent with investment grade rated counterparties
- ◆ Based on the definitions provided by the rating agencies, a debt reduction of approximately \$250 million may be required

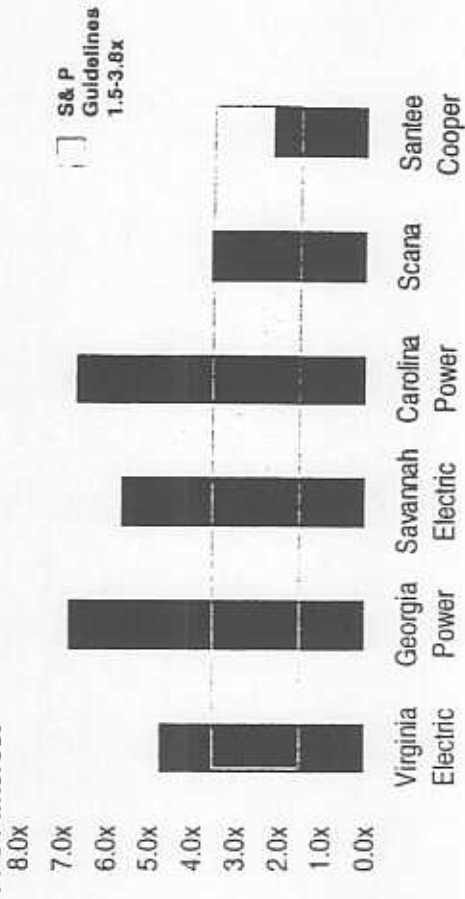
In addition...

- ◆ The sale / IPO of Santee Cooper is likely to result in a change of control event under the debt documentation
- ◆ Depending on documentation, Santee Cooper may also trigger an "unexpected change of use"
- ◆ If triggered, it would require the defeasance of all tax-exempt debt
- ◆ This would likely result in:
 - ◆ Negative arbitrage costs during the defeasance period to the first call date
 - ◆ Additional borrowing costs as a result of use of higher cost taxable debt
 - ◆ Friction expenses from refinancing events
- ◆ BAS is well positioned to assist Santee Cooper with its liability management exercise and has significant tax-exempt and taxable bond expertise

Debt / Capitalization



FFO / Interest



SEPTEMBER 24, 2004



PROPOSAL TO SERVE AS ADVISOR TO THE OFFICE OF THE GOVERNOR IN
EVALUATING THE POTENTIAL PRIVATIZATION OF SANTEE COOPER



STRICTLY PRIVATE AND CONFIDENTIAL



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1. Executive summary

JPMorgan is very pleased to submit this proposal to serve the Office of the Governor (the "Office") and the State of South Carolina ("State") as its potential privatization advisor and offer its services for the evaluation of Santee Cooper (or "the Authority"). JPMorgan has a proven leadership track record in both global privatizations as well as in mergers and acquisitions in the power sector.

JPMorgan will work with the Office and the State to ensure that the process produces the best possible outcome for all stakeholders. We have an unparalleled level of experience with these types of assignments and will provide expert input and commentary on every step of the process to ensure the success of this assignment.

JPMorgan understands the assignment to include the following:

- Thorough valuation of Santee Cooper which will be based on various techniques and performed by professionals with longstanding experience
- Study on the impact of such a sale on the Authority's contracts with major customers and on electrical rates for end users and ways to mitigate such effects
- Proposed approach for the privatization process, allowing for the maximization of proceeds to the State while respecting the interests of all stakeholders

This assignment requires the State to engage a high-caliber advisor to ensure that an appropriate process is organized to ultimately secure a successful transaction. We believe that the following compelling reasons argue for the selection of JPMorgan as advisor to the State

- JPMorgan is the leader in advising federal State governments on valuation/advisory assignments
- JPMorgan has extensive M&A execution experience across the utility sector including valuations, spin-offs, sales, mergers and acquisitions of publicly held entities
- JPMorgan is the dominant advisor to U.S. governmental entities in the power sector
- JPMorgan is the leader in utility financing and credit analysis
- JPMorgan will commit its best professionals in an integrated team of senior M&A and power industry public finance bankers with unique skill sets
- JPMorgan has the proven ability and resources to compile and analyze large amounts of data and provide conclusions in an efficient and timely manner
- JPMorgan is an industry leader in power & pipeline sector and IPO equity offerings
- JPMorgan is the dominant leader in nuclear generation M&A, an important issue regarding Santee Cooper
- JPMorgan is the only investment bank the Office can engage that is in a top position across all the spectrum of services required by the assignment:
 - Public Finance advisory and financing
 - Utility M&A (especially coal and nuclear generation)
 - Equity offering and IPOs
 - Corporate debt and lending
 - Long term relationship and physical presence in the State

JPMorgan welcomes the opportunity to present our qualifications on this very important assignment and is excited to demonstrate to the State how it would advise and support its role through the services of the potential privatization of Santee Cooper.

3. Understanding of the objectives

In advance of undertaking any strategic action, JPMorgan believes it is important to identify and prioritize all appropriate objectives and determine how specific courses of action are able to maximize those objectives. Oftentimes, specific actions are the result of understanding, and ultimately, resolving various competing stakeholder needs and wants. JPMorgan's extensive experience with both the public and private sectors have allowed us to benefit from understanding and dealing appropriately with many of these issues. For example, during the sale of Seabrook Nuclear facility, JPMorgan negotiated on behalf of the State of New Hampshire with seven owners, several potential buyers, environmental groups, the US Nuclear Regulatory Commission and local constituent groups.

JPMorgan has identified various issues and objectives which the State may wish to consider over the course of the contemplated strategy. JPMorgan believes the complex interrelationships between the various parties must be properly disseminated to potential partners and investors. JPMorgan will work with Santee Cooper and the State to refine and further identify issues, which may need to be resolved either in advance of, or during a contemplated process.

Exhibit 3 A: Various objectives and considerations

State of South Carolina	Private sector discipline
	Efficient, competitive supply of electricity
	Maximize business impact for economy of the State
	Maximize value for South Carolina citizens
	Power supply for the Santee Cooper customers
Santee Cooper	Private sector discipline
	Integration and role of strategic partner
	Profit vs. other goals
	Conflict of interest resolution mechanisms
	Competitive, growth seeking enterprise
Employees	Job security
	System safety, reliability and service quality
	Private sector influence in operational decisions
	Opportunity to pursue and participate in growth
	Understanding and input into final process
Strategic investors	Ability to pursue strategic opportunities and growth
	Financial return on investment
	Integration, role and decision making capabilities
	Stability and status of management and board
Financial investors	Financial return on investment
	Integration, role and decision making capabilities
	Conflict of interest resolution mechanisms
	Stability and status of management and board

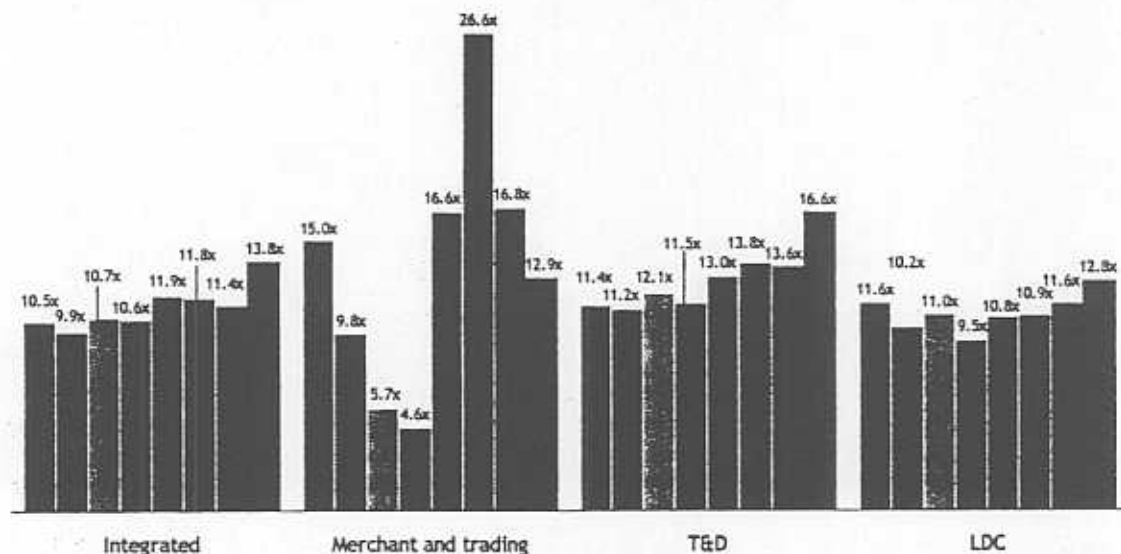
4. Approach and considerations

The State's considerations for potential strategic options for Santee Cooper come at an opportune time, despite the general industry-wide view toward prospects for generation.

The following chart identifies some of the valuation trends in the industry. In general, JPMorgan views those acquirers of generation assets and companies as having recovered significantly over the past 24 months. As well, investors have paid significant interest in those companies which can provide a strong and stable source of cash flow and dividends.

Historical 1-year weighted average forward P/E ratios from 1H/2001 to present¹

■ 6/29/2001 ■ 12/28/2001 ■ 6/28/2002 ■ 12/27/2002 ■ 6/30/2003 ■ 12/30/2003 ■ 6/30/2004 ■ 9/17/2004



¹ Integrated companies: AEP, Cinergy, CMS Energy, Dominion, Duke, Entergy, FPL, PPL, Progress Energy, Southern Co.
Merchants & traders: AES, Calpine, Dynegy, El Paso, Reliant Resources, Williams

T&D: Energy East, First Energy, Northeast Utilities, Nstar, PSD

LDC: AGL Resources, Atmos Energy, Equitable Resources, Keyspan, Nisource, Sempra Energy, Southern Union, WGL Holdings

As well, a large contingent of utility players have undergone significant restructuring efforts in an effort to get to a "Back-to-Basics" strategy, which has been rewarded by investors over the past 12 months. However, going forward, we expect the underlying modest growth prospects of organic growth to be insufficient for investors' expectations. Thus, a growing number of industry participants are looking for further acquisitions to boost their relative earnings expectations. This, in fact, is providing a good environment for sellers in general.

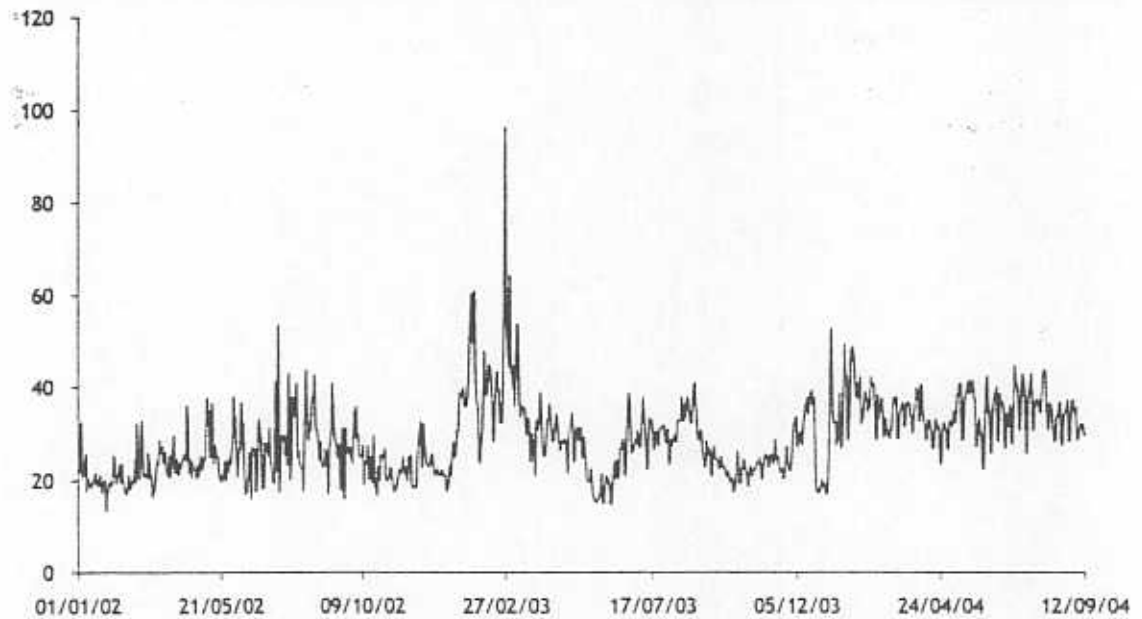
In addition to favorable industry trends, Santee Cooper has a number of characteristics which would be attractive to various investor types, including both strategic and financial.

Strategically located asset base

Santee Cooper is located in the SERC region of the United States. This is a benefit to the company given its low cost baseload coal-fired generation portfolio. Power prices in the region have been highly correlated to the price of natural gas, and thus, have been increasing over the past 24 months with the price of gas. However, the cost of running coal fired and

nuclear facilities has remained relatively constant, so the company would be in a position to benefit from any increases in prices.

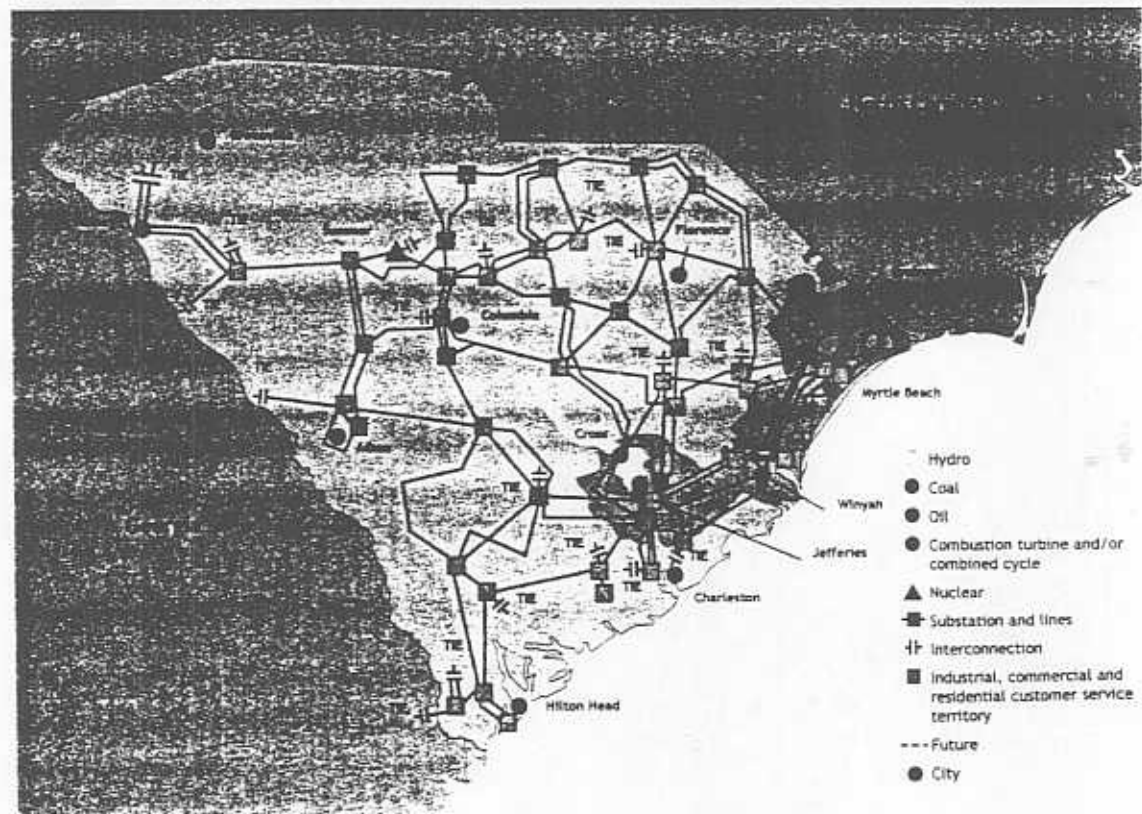
Daily power prices in the VACAR delivery point since 2002 (SERC region)



Source: Platts

Note: Volume weighted average index \$ per MWh

Service territory, generating stations and transmissions lines



Source: Platts

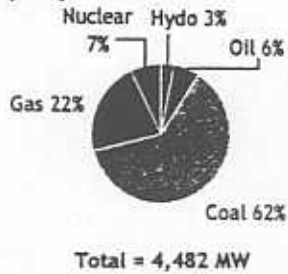
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Attractive portfolio mix of baseload generation

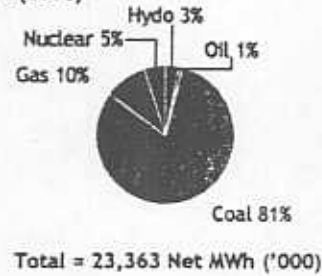
As mentioned above, Santee Cooper benefits from its low cost generation mix. In fact, the value of baseload generation assets has increased significantly over the past 24 months due to the operational and cost performance. Investors view the generation mix and corresponding relative stability in cash flows as a significant positive, and one which will be viewed highly in the context of either an IPO or trade sale.

Generation assets

Installed capacity



Generation (2003)

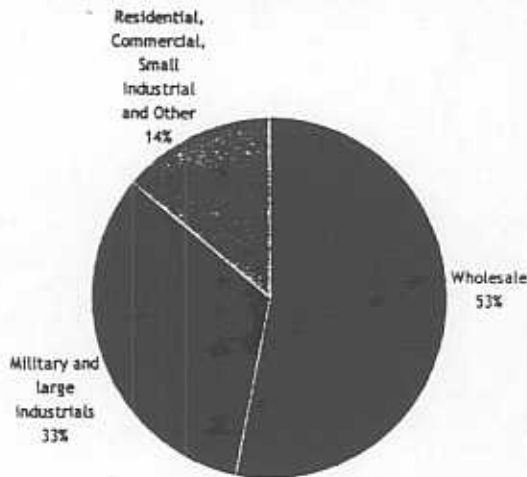


Source: Company data

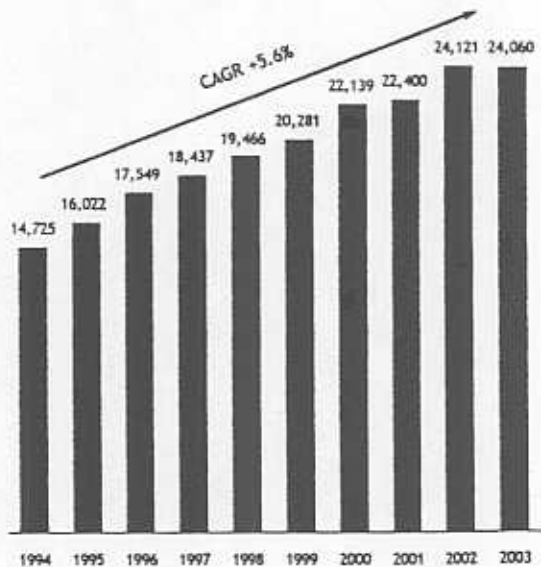
High quality customer base

Santee Cooper's customer base provides a stable base of revenues and long-term relationships which should be viewed positively by potential investors. All of Santee Cooper's wholesale customers are made up of municipal co-ops, which offer long-established relationships and a good mix of high-quality power offtakers. Santee Cooper's volumetric growth has been solid over the past ten years with a compounded annual growth rate of 5.6%.

Customers by GWh consumption



Sales evolution (GWh)



Source: Company data

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5. Valuation

As part of a successful evaluation of a potential privatization, JPMorgan will develop a view and recommendation to the Office as to the value of Santee Cooper. In calculating an appropriate valuation range, JPMorgan will utilize three primary valuation techniques:

- Discounted cash flow
- Trading multiples analysis
- Transaction multiples analysis

The results of these three techniques would be compared and cross-checked for consistency in determining the value of Santee Cooper under various potential transaction structures. In the exhibit below a description of each of the above-mentioned methodologies can be found as well as the advantages and disadvantages of these valuation methods

Exhibit 5.1

Valuation methodology			
	Description	Advantages	Disadvantages
Discounted Cash Flow	<ul style="list-style-type: none"> ■ Forecast business for several years to estimate annual free cash flow ■ Free cash flow represents maximum cash which can be distributed to stakeholders of the company after Capex ■ After several years, terminal value is calculated, whereby the business is assumed to grow at a steady rate in perpetuity ■ Take present value of free cash flows and present value of perpetuity free cash flows 	<ul style="list-style-type: none"> ■ Detailed forecast reflecting different asset qualities and environments ■ Flexibility to understand impact of different circumstances ■ Greatest negotiating legitimacy 	<ul style="list-style-type: none"> ■ Complex to gather data; requires access to management in order to discuss business plan/projections ■ Impact of choice of discount rate applied ■ Negotiations can become stuck in detailed negotiation of assumptions
Trading multiples	<ul style="list-style-type: none"> ■ Forecast key financials for next two years ■ Calculate the multiple of these financials that current stock market valuation of comparable companies produce ■ Apply multiple to key financials to estimate relative valuation 	<ul style="list-style-type: none"> ■ Simple and quick ■ Derived from all existing investor information 	<ul style="list-style-type: none"> ■ Qualitative judgement as to comparable set, easy to refute ■ No "perfect" comparables exist
Transaction multiples	<ul style="list-style-type: none"> ■ Calculate key historical financials for comparable past transactions and divide into transaction value to derive multiple ■ Apply multiple to key financials to estimate relative valuation 	<ul style="list-style-type: none"> ■ Includes comparable company premium reflective of synergies ■ Reflects prices that other companies are willing to pay for assets 	<ul style="list-style-type: none"> ■ Relies on historic data ■ Assumes previous strategic premia are equally relevant

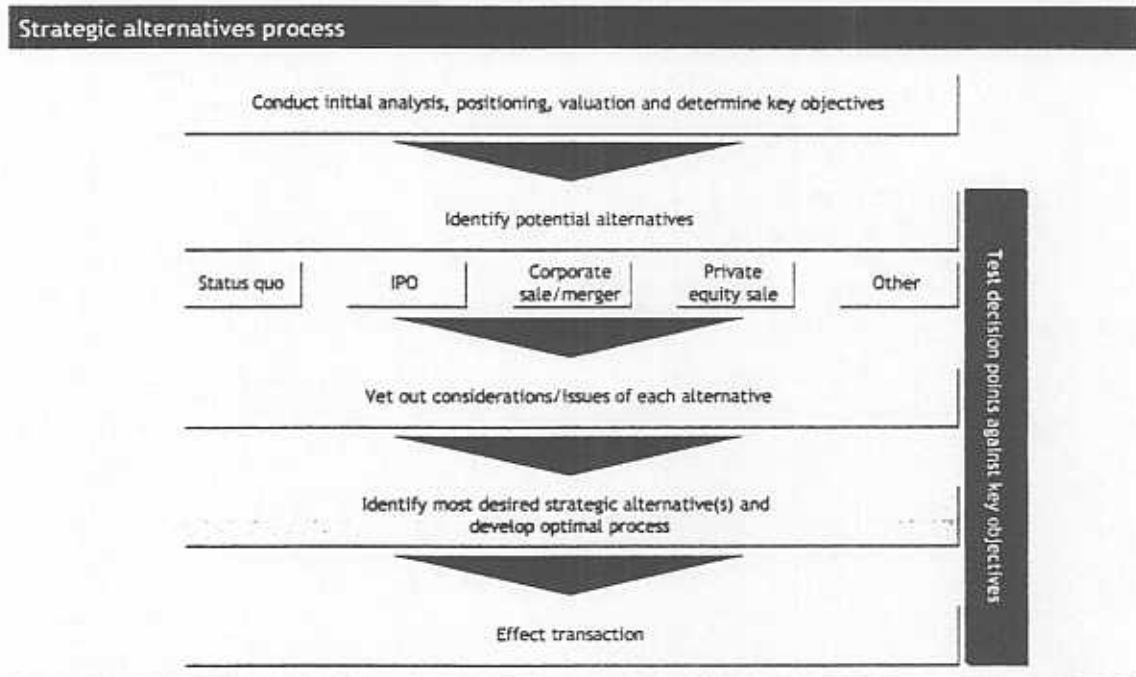
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6. Process considerations

JPMorgan believes identifying and ultimately effecting a strategic directive comes from determining key State objectives, undergoing significant analysis, introspective thought and incorporating market intelligence. Identifying, and analyzing potential strategic alternatives is a complex process and requires consideration of many factors all of which need to be ultimately tested against the ability to satisfy management's key objectives. As well, any decision will have implications on market perception and valuation, labor and HR, regulatory issues, strategic and cultural fit, and interests of other various stakeholders, for example.

The following chart outlines the sequence of thought processes and actions that would determine and effectuate an ultimate action.

Exhibit 6.1



JPMorgan will work with the Office to consider each step which will lead to the most educated and confident decision on strategy. And in the event of a transaction, we will work with the State and the Authority to understand the structuring perspectives of the most likely investor community in order maximize the appeal of the Authority and its potential value. Additionally, as a result of current industry trends, regional market conditions, and issues currently within the buyer universe, JPMorgan will work with the Office in order to maximize value.

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Transaction options

Various options can be contemplated by the State in the context of a privatization of Santee Cooper. Each option addresses some of the potential perceived objectives of the State.

Exhibit 6.2

Strategic alternatives	
Option	Process commentary
100% Sale	<p>Likely to produce maximum proceeds for the State</p> <p>Complete divestiture of the company</p> <p>Parent company likely to assume control over day-to-day operations</p>
100% IPO	<p>Likely to give more autonomy to management and attract local retail investors</p> <p>Complete divestiture of the company</p> <p>Extensive preparation for public filing</p> <p>Lower sale proceeds than 100% sale</p> <p>Retention of potential upside until complete listing</p>
Partial sale / IPO	<p>Averages high sale value with lower IPO value</p> <p>Governance issues would be critically important to valuation</p> <p>Allows for public participation</p>
Lease concession	<p>Non-traditional model</p> <p>Though ownership will remain with the State, it is unclear who has ultimate control, post-transaction</p> <p>Lessee's long-term capital investment commitment may be lower, and incentives to improve operating efficiency could be lower than in other alternatives</p>
Retain ownership	<p>Maintenance of operational and financial stability</p> <p>Benefits to the State realized from existing contractual and customer relations</p>

Proposal to generate maximum value for assets

JPMorgan believes the best way to generate the maximum value for assets is to introduce the maximum amount of competitive tension amongst potential investors and buyers. That is, each investor constituency should be motivated to be the successful bidder against all types of investors and buyers. In the chart below, we pictorially represent this type of tension, with both third party buyers (strategic and financial) and public investors.



- Competitive pressure between strategic and financial buyers through auction process
- Competitive pressure on buyers (strategic and financial) from potential listing of the Authority

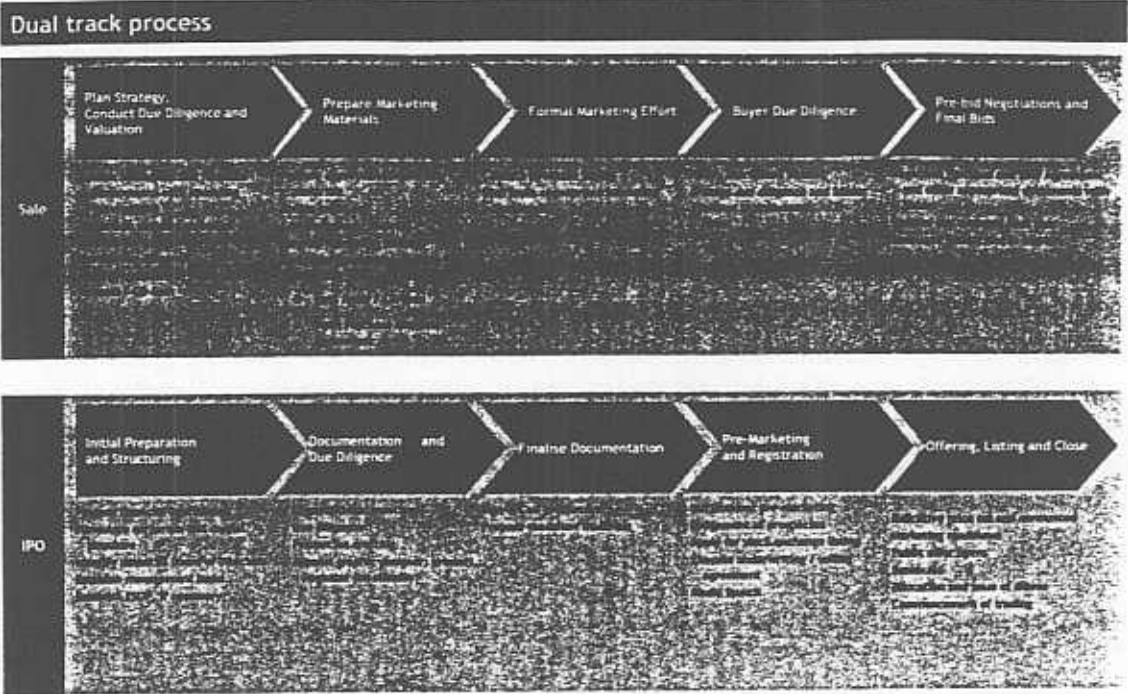
In order to achieve the situation whereby the various parties are incented to provide the highest value possible, it is important to grasp the following factors:

- Understand the market fundamentals of the markets in which the Authority operates;
- Understand all of the important issues and business drivers affecting the business;
- Understanding the needs, wants and motivations of the various potential buyers. JPMorgan believes that institutionally, we are in the best position to offer advice on the equity and M&A markets to the State. Given our years of dealing directly with those individuals who make the investment decisions (whether that be the portfolio managers at institutional funds, or the senior level management at the strategic investors themselves).

JPMorgan believes a dual track process, whereby both the sale and IPO options are being assessed, is the most likely option to maximize proceeds to the State by creating optional competitive tension amongst multiple investors.

However, the exact recommendation around potential process would be significantly evaluated as part of the evaluation phase.

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Potential buyers

In the context of a sale process, JPMorgan believes that there should be significant interest in Santee Cooper. JPMorgan would assist the State by properly analyzing various bids and proposed terms in the context of an auction process.

Potential buyers

Strategic buyers

- AES
- Cinergy
- Dominion
- Duke Energy
- Entergy
- FPL
- LS Power
- NRG Energy
- PPL
- Progress Energy
- Reliant
- Scana
- Sempra
- Southern Company
- Texas Genco
- TXU

Financial buyers

- AIG
- Apollo Management
- Archlight
- Bain Capital
- Blackstone
- Evercore
- First Reserve Corp
- Goldman Sachs
- Hellman & Friedman
- KKR
- Lindsay Goldberg & Bessemer
- Madison Dearborn
- Matlin Patterson
- Texas Pacific Group
- The Carlyle Group/Riverstone
- Warburg Pincus

Other transaction issues which JPMorgan would address in the Study include:

Nuclear related issues: The complexity of nuclear related asset transactions can not be overstated. The ability to understand, identify and negotiate key risk components will be critical for the State. These include such items as Decommissioning Trusts, licencing , nuclear insurance, spent fuel storage to name a few. JPMorgan's extensive experience in this area can be extremely helpful for the State in negotiating the best possible terms for the citizens.

Nuclear sale considerations**Transaction structure**

Issues that need to be addressed in the structure of the sale process due to third party involvement or impact on required bid structure include:

- Spent fuel storage
- Fuel contracts
 - Vendor confidentiality agreement
- Decommissioning issues
- Top-off/required fund levels
- Power purchase agreements
 - Impact on marketability and valuation
 - Desired form of agreement, type, term and products
- Earn-out agreements
 - Revenue sharing
 - Life extension/uprate
- NEIL membership account balance and other insurance
- Financial impact and use of proceeds
- Environmental
- Transition services

Legal

Major legal issues that will need to be addressed that may have an impact on value and ongoing liabilities as well as the drafting of the transaction documents include:

- Representations and warranties
 - Treatment of risks
- Other contingent/future liabilities
 - Decommissioning/tax treatment of the funds
 - Spent fuel
 - Non-nuclear environmental
 - Property tax changes
 - Criminal/off-site liabilities
 - Fuel contracts
- PSA and other documentation
 - PPA format (EEI or non-standard)
 - PPA closing relative to PSA closing
 - Asset demarcation agreement
 - Easement agreement

Regulatory

Issues that need to be considered during structuring of a sale process, as well as issues and concerns that have historically arisen during the regulatory approval process include:

- Required approvals at federal, state and local levels
- Regulatory approval strategy
- Stranded costs/rate base
- Treatment of potential power contract
- Risks to transaction value
- Buyer qualifications and screening
- Decommissioning fund levels and plans
- License extension issues
- Spent fuel and LLRW storage
- Transmission assets in the transaction
- Reliability and safety implications
- Regulatory recovery of accelerated deferred taxes
- Alternative power procurement costs

Labor

Certain labor considerations that may be required by regulators and have been structured into previous agreements include:

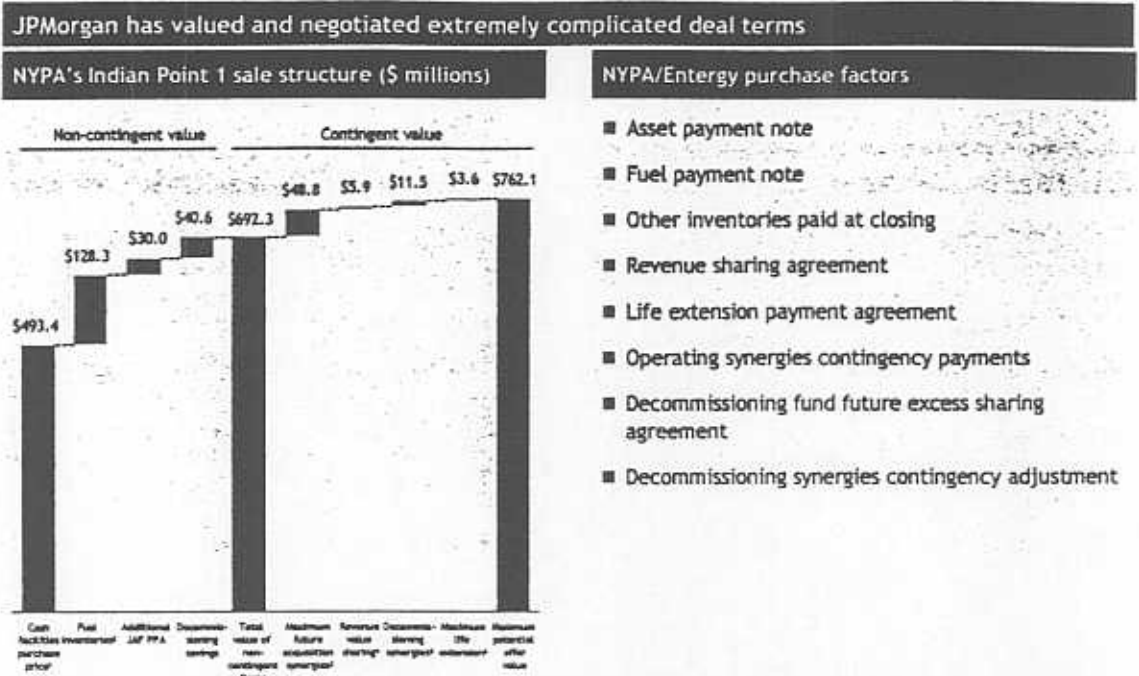
- Total employment level
- Compensation and benefits
- Transition period/guaranteed term
- Union issues/agreements

Operations

Successful marketing of the plant and final value received will be influenced by certain operational components that include:

- Historical operations
- Potential efficiency gains
- Capital expenditure requirements
- Uprate potential
- Existing contracts
- Environmental
- Phase I/II

Below is an example of JPMorgan's involvement in an extremely complex transaction involving a nuclear asset and a private acquirer from a public entity.



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¹ Present value of \$50mm at closing plus \$83.715mm per annum for seven years discounted at 7.5%

² Payment for existing fuel and JAF refueling (\$24.405mm per annum for seven years discounted at 7.5%, plus \$27.5mm financed by NYPA with repayments of \$5.014mm per annum for seven years at 7.5%)

³ Assumes Entergy purchases IP2 (NYPA receives \$10mm/year for 10 years) and purchases NMP (\$2mm/year for 10 years, discounted at 15%)

⁴ Value of the call option

⁵ Reduction of decommissioning target amount at end of license life of \$50mm for both IP3 and JAF if Entergy purchases IP2 and NMP1 and NMP2

⁶ Assumes both plants receive life extension for 20 years (\$2.5mm/year/plant for 20 years, discounted at 15%)

Impact of sale on major customers and end-user rates & mitigants to effects: In general, JPMorgan would expect the bulk of the customer/supplier relationship to be relatively unaffected. However, specific items could be factors in determining what, if any modifications and/or mitigants to the existing terms.

Customer and Power Purchase Agreement ("PPA") Contract terms etc. - Any changes in the credit quality could impact the Authority's cost structure and customer contracts (both existing and potential). Santee Cooper currently enjoys extremely strong ratings (AA-/Aa2/AA). After any privatization process the new entity is likely to have different ratings.

Several forms of PPAs can achieve various objectives and may be useful as the Office contemplates a privatization.

Key terms of PPA alternatives

Unit contingent PPA

- Buyer requirements
 - Power purchase commitment contingent upon operation of the unit
 - Output take or pay when unit is running
 - Buyer is not obligated to the Seller to provide replacement power
 - Payments can be considered on an annual basis or cumulative basis
- Benefits to Seller
 - Allows maximum value for initial asset sale as risk to Buyer is low
- Risk to Seller
 - Unable to hedge the power off-take effectively
- Benefits to Buyer
 - PPA structure does not obligate unit Buyer to provide replacement power

Committed capacity factor (Firm) PPA

- Buyer requirements
 - Power purchase commitment that has a stated capacity factor
 - Buyer is obligated to the Seller to provide replacement power
 - True-up structures must be developed to accommodate the committed delivery
- Benefits to Seller
 - Benefits Seller if they have a dedicated need for power
 - Shifts delivery and operating risk to the Buyer

Existing fuel contractual arrangements: A continuing risk could be under the existing coal purchase contracts. JPMorgan understands certain of the Santee Cooper's suppliers are operating under Chapter 11 which could alter the willingness to provide coal under existing terms. This is especially the case in today's environment with coal prices undergoing a significant price increase of late. The advantages of existing contracts, are obvious to the extent that they are less than prevailing market prices. Any change in contract terms could materially alter the ultimate value of the business.

Environmental issues: Purchasers and investors will be extremely focused on the environmental issues surrounding the plants. This is especially true for the coal and nuclear plants. Key contractual terms on a purchase agreement will include these as major components of value.

Credit ratings, tax exempt debt and capital structure: Santee Cooper is a very highly rated utility (AA-/Aa2/AA) based in part on strong financial performance, experienced/strong management team, competitive power supply and competitive cost structure. The potential privatization process and any subsequent ownership change will likely result in an entity with different ratings, most likely lower. This potential rating change and the potential negative impacts on cost structure are issues requiring pre-emptive action.

Santee Cooper has approximately \$2.6 billion of outstanding long term tax-exempt debt which, depending on the direction of any potential privatization process may take, may need to be remediated or refunded. If this debt ultimately needs to be refunded with taxable debt this could negatively impact the cost structure of the new entity depending on market conditions, interest rates and ultimate ratings.

JPMorgan's proposed advisory team includes professionals with long histories of interactions with the rating agencies and unequalled insight into the hot button issues, which position us to offer the best possible advice during any transition. Furthermore JPMorgan, as an integrated financial institution is the best positioned firm to assist in optimizing potential capital structures given the full range of products we provide.

Expert testimony

JPMorgan would also carry out a testimony to support the valuation and characteristics of the transaction. Such testimony is critical and it is very important to have a firm that carries a strong reputation with stakeholders, and specific people on your advisor's team who can deliver credibility when required. The JPMorgan team has unsurpassed experience in this area, with testimony before U.S. Congress, Presidential Commissions, and utility regulators throughout the U.S.

Project controls

JPMorgan has been particularly effective at developing complicated valuations. The primary method for doing this is the application by JPMorgan of a fully staffed and experienced team. We have a deep bench of highly talented individuals who have been able to support tight time schedules and provide accurate valuations. Additionally, we have excellent experience at building good rapport with other members of the team, enabling the team to maintain focus on the daily issues that can delay the valuation.

The State is welcome to contact previous clients about our project management and our effectiveness across a whole transaction including detailed valuations and oral and written testimonies. Please refer to the subsection marked references for contact information.

7. Proposed JPMorgan services

JPMorgan's proposed advisory services

JPMorgan will provide the following evaluation and general services (collectively the "Services") to State of South Carolina (the "State") to facilitate the privatization evaluation and potential execution of a Transaction processes:

- (a) familiarize ourselves with the financial condition and business of the Authority and advise and assist the State in considering the desirability of effecting a Transaction;
- (b) provide a view on potential valuation of the Authority;
- (c) a study of the impact of such a sale on Santee Cooper's contracts with major customers and on electrical rates for end users;
- (d) a review of possible approaches to mitigate or manage impacts of a Transaction on end users of electricity provided by Santee;
- (e) provide advice and recommendations as needed in relation to the corporate structure of Santee Cooper in preparation for the Offering and/or the Trade Sale and assist in the implementation of the financial aspects of that structure;
- (f) provide advice and recommendations in relation to Santee Cooper's corporate governance policies, including the articles of incorporation of the Authority and the composition of its Board of Directors;
- (g) provide advice and recommendations on the optimum sell down strategy for the State;
- (h) together with other relevant advisors to the State, liaise with executive departments, legislative bodies, counties, and regulatory bodies as required;
- (i) assist in preparing presentations and providing recommendations to the governor's office and legislative bodies; and
- (j) assist in the logistics of the overall management of any potential Transaction process.

Should the State decide to attempt to execute an Initial Public Offering of the Authority ("IPO" or "Offering"), JPMorgan will provide the following services (collectively the "Offering Services") to State specifically in respect of the Offering:

- (a) advise on an appropriate management structure for the Offering and assistance in appointing and managing the members of the selling syndicate;
- (b) provide advice and recommendations on the structure of the Offering, including terms and pricing, market perception and impact, size and capital structure of the Authority following the Offering;
- (c) provide advice on and coordinate the presentation and marketing of the Authority and the Offering to potential investors and/or participants in the Offering including, without limitation:
 - (i) identifying target investor profiles and potential core investors;
 - (ii) pre-marketing the Offering to potential investors; and
 - (iii) organising and coordinating institutional roadshows;

- (d) coordinate the drafting by the State and its other advisors of the prospectus and any other documentation required in connection with the Offering;
- (e) participate in the due diligence process;
- (f) implement the Offering, including, without limitation, by conducting the bookbuild, acting as settlement underwriter and effecting the greenshoe (if required); and
- (g) if requested by the State, provide after market support to the Authority and the State for six (6) months following completion of the Offering by monitoring share price movements, the composition of the shareholder base, broker and analyst recommendations and valuations and preparing quarterly reports for the State and the Authority's senior management on these matters. Nothing in this paragraph requires JPMorgan to distribute research in respect of the State at any time to its clients or the public generally. If JPMorgan distributes such research it will be prepared and distributed by JPMorgan's research division in whatever form, with whatever content and to whomever is deemed appropriate in JPMorgan's sole discretion.

JPMorgan will provide the following services (collectively the "Trade Sale Services") to the State specifically in respect of the Trade Sale:

- (a) assist the State in preparing an information memorandum (based entirely on information supplied by the Authority) for distribution to potential participants in the Trade Sale process, describing the Authority;
- (b) provide advice on the most appropriate method of effecting the Trade Sale and appropriate structure, price and terms for the Trade Sale;
- (c) assist the State in identifying and contacting potential purchasers to ascertain their interests in the Trade Sale;
- (d) coordinate the Trade Sale process in conjunction with the State's senior executives and other advisors;
- (e) assist the State in its negotiation of the Trade Sale and, if requested, participate directly in such negotiations;
- (f) provide recommendations on the appropriate structure, price and terms and conditions for the Trade Sale;
- (g) assist in preparing and organising bidder due diligence, including preparation of the dataroom, facilitation of management Q&A, and site visits; and
- (h) provide valuation advice through, but not limited to, financial modelling, and multiple analysis,

PROPOSAL TO SERVE AS ADVISOR TO THE OFFICE OF THE GOVERNOR

Exhibit 7.1

Timetable for planning and structuring

Task	Weeks
Establishment of work plan	0
Review of overall sale feasibility	1
Review of regulations/market design	2
Evaluation of Santes Cooper	3
Finalize privatization and sales plan	4
Select potential buyers	5
Prepare and issue teaser & CA	6
Prepare info memo	7
Issue info memo	8
Bidders review and scale down	9
Prepare dataroom & mgt. pres.	10
Indicative bids	11
Due diligence	12
Binding bids	13
Negotiation	14
Signing	15
Offer structure	16
Prospectus drafting	17
Prepare roadshow presentation	18
Prepare equity story and analyst briefing	19
Pre-marketing	20
Bookbuilding & roadshow	21
Pricing & allocation	22

8. Proposed JPMorgan compensation

Retainer Fee

JPMorgan proposes a flat fee of \$100,000 for the study and support work for the Board of Directors.

Offering Role and Fees

If an Offering is effected, JPMorgan will be the lead bookrunner for any potential IPO that results from this assignment. In its role as lead bookrunner JPMorgan will be responsible for all coordinating activities related to the IPO and manage after market trading of the IPO as stabilization agent. JPMorgan would appear on the upper left side of the prospectus. The State of South Carolina may name up to one additional bookrunner for the offering.

If the Offering is effected, in consideration for the Offering Services the State agrees to pay JPMorgan the following:

- (a) a gross spread of 6.0% where the aggregate gross proceeds of the ordinary shares of the Authority sold in the Offering and any associated sell down of ordinary shares in the Authority is less than or equal to \$500 million, 5.5% where the aggregate gross proceeds of the ordinary shares sold in the Offering and any associated sell down of ordinary shares in the Authority is greater than \$500 million and less than or equal to \$1 billion, and 5.0% where the aggregate gross proceeds of the ordinary shares sold in the Offering and any associated sell down of ordinary shares in the Authority is greater than \$1 billion ("Sell Down Fee"). This Sell Down Fee is applicable to shares sold in the Offering or any associated sell down of ordinary shares in the Authority that occurs either before or in conjunction with the Offering as consideration for JPMorgan providing the Offering Services and managing and distributing those ordinary shares in connection with the Offering. The Sell Down Fee covers all the components of JPMorgan's sell down role including management fees, selling fees and broker stamping fees. For the avoidance of doubt, any retained shareholding indirectly maintained by the State in the Authority following completion of the Offering will not be included in the calculation of aggregate gross proceeds for the purpose of calculating the Sell Down Fee. No less than 35% of the Sell Down Fee is to be received by JPMorgan, with the balance to be shared amongst the broker syndicate (to be appointed);
- (b) to the extent the State elects distribute any equity-linked or other similar hybrid securities of the Authority in connection with the Offering, a total selling fee of 3.00% of the aggregate sale proceeds of any equity-linked or other hybrid securities sold in the Offering as consideration for managing and distributing such securities in connection with the Offering ("Equity Linked Fee"). For the avoidance of doubt, any retained shareholding indirectly maintained by the State in the Authority following completion of the Offering will not be included in the calculation of aggregate gross proceeds for the purpose of calculating the Equity Linked Fee. No less than 35% of the Equity Linked Fee is to be received by JPMorgan, with the balance to be shared amongst the broker syndicate (to be appointed); and
- (c) an advisory fee of 0.25% of the aggregate gross proceeds of the ordinary shares sold in the Offering and any associated sell down of ordinary shares in the Authority.

Trade Sale Success Fee

If a Trade Sale is completed and the Authority is sold in its entirety to a single acquirer or consortium, The State agrees to pay JPMorgan, in consideration for the Trade Sale Services, a fee calculated as follows:

- (a) the Trade Sale Success Fee shall be equal to 0.37% of the Total Consideration;
- (b) the term "Total Consideration" shall mean the total amount of cash and the fair market value of other property paid to the State in connection with the Transaction plus the principal amount of all indebtedness of the Authority assumed by a purchaser; and
- (c) the Trade Sale Success Fee would be payable as follows: one-third upon public announcement of a definitive agreement for a Transaction, and two-thirds upon closing of the Transaction.

Expenses

In addition to our fees for professional services, you agree to reimburse us for, and we will separately bill, our reasonable expenses as incurred, including travel costs, document production and other similar expenses, and reasonable fees of counsel. JPMorgan will consult with the State on the level and requirements of JPMorgan counsel.

Related financing assignments

As a result of any potential Transaction, if the Authority determines to enter into any interest rate hedging, any escrow arrangement, or pursue any restructuring of debt securities of the Authority (by consent, tender offer or otherwise), in any case in connection with any Transaction or Offering, the Authority shall offer JPMorgan the right to act as structuring advisor and arranger in the case of any such hedging or derivative transaction, as escrow agent in the case of any such escrow arrangement and as financial advisor or dealer-manager in the case of any such restructuring of debt securities. If JPMorgan agrees to act in any such capacity, the Authority and JPMorgan will enter into the appropriate form of agreement relating to the type of transaction involved and containing customary terms and conditions acceptable to the Authority and JPMorgan, including provisions relating to the scope of JPMorgan's services and compensation.

PROPOSAL TO PROVIDE ADVISORY SERVICES
IN RESPECT OF SANTEE COOPER



LAZARD

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Summary of Lazard Proposal

September 24, 2004

PERSONAL AND CONFIDENTIAL

Office of the Governor
State of South Carolina
P.O. Box 12267
Columbia, SC 29211

Attention: Marshall Evans

Ladies and Gentlemen:

I. INTRODUCTION

In response to your recent request for proposals, we are pleased to submit a proposal for advisory services, specifically including a study to examine the feasibility of a potential privatization of the South Carolina Public Service Authority, otherwise known as Santee Cooper (the "Advisory Assignment").

Lazard views this assignment as extremely important to its franchise, and will commit the full resources of the firm to ensure its successful execution. We believe that Lazard is uniquely qualified to advise the Governor's Office on the Advisory Assignment based on our strengths in the following key areas:

- Power & Utility Industry Mergers & Acquisitions leadership
- Core team depth and experience and committed senior resources
- Valuation of electric utility companies
- Strong understanding/access to the potential buyer universe
- Global privatization experience
- Extensive capital markets advisory experience
- Unique expertise in transactions involving complex structuring considerations

The format of the following proposal is intended to present responses to the areas highlighted in your request for proposals, in the order given.

II. PROPOSED APPROACH TO THE STUDY

Lazard will approach the study with a view towards balancing the benefits of any given alternative on key constituencies, e.g., customers, local communities, taxpayers, employees and governmental officials. In this regard, we will undertake this study without a preconceived notion as to the best course of action for Santee Cooper and with the understanding that the results of the study may point towards a privatization through either an IPO or private sale or may in fact indicate that the best course of action is to maintain the current organizational structure of Santee Cooper.

In connection with the Advisory Assignment, Lazard would undertake a thorough valuation of Santee Cooper under two scenarios: i) if it were taken public in an IPO or ii) if Santee Cooper were sold in a private merger or acquisition. In order to establish these value levels, several methodologies would be employed:

Comparable Companies Analysis

- 5 Values a company by comparing its past and estimated future operating results to those of other publicly traded companies that have similar characteristics
- 4 Companies are selected which have similar customer mixes, regulatory regimes, growth rates, asset types and financial leverage
- 3 Analysis of comparable companies provides key metrics such as multiples of Net Income, Book Value, Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), Earnings Before Interest and Taxes ("EBIT") and Dividend Yield
- 1 An implied value can then be derived for a firm by multiplying the firm's given operating results by the appropriate comparable multiple
- 2 Multiples derived in this analysis do not in general incorporate a "control" premium and are therefore representative of how the public market values a share of ownership, not corporate control or strategic value

Precedent Transactions Analysis

- 4 Precedent Transactions Analysis values a company relative to transaction multiples paid in acquisitions of companies which have similar characteristics
- 6 Transactions are selected which involve companies with similar characteristics to the company being valued, as those characteristics are defined in Comparable Companies Analysis
- 3 As in the Comparable Companies Analysis, an implied acquisition value can then be derived for a firm by multiplying the firm's given operating results by the appropriate comparable multiple

4. Multiples derived in this analysis incorporate a "control" premium and are therefore representative of how a potential buyer values corporate control or strategic value, including potential synergies

Discounted Cash Flow Analysis

- Discounted Cash Flow Analysis ("DCF") values a company on its future cash flows, which are discounted at an appropriate discount rate given the company's unique characteristics.
- A DCF is comprised of two parts:
 - The Net Present Value ("NPV") of a stream of Unlevered Free Cash Flows
 - A Discounted Cash Flow Analysis starts at Unlevered Net Income plus any non-cash items less any cash charges that are necessary for the normal operation of the firm and that do not run through the Income Statement
 - The NPV of Unlevered Free Cash Flow is projected for a period of time and discounted back to "today's" value
 - The Net Present Value of a Terminal Value
 - The Terminal Value is a projected value for the total company at the end of the periods for which Unlevered Free Cash Now is projected
 - Terminal Value is typically calculated using either an Exit Multiple which assumes the business is sold for a multiple of earnings or a Perpetual Growth Rate which assumes that the company's cash flows grow at a certain rate for perpetuity

A critical component of the study will be a view of the impact of a privatization on Santee Cooper's contracts with major customers and on electrical rates for end users. In this regard, Lazard will analyze the cost structure of Santee Cooper in relation to investor-owned utilities generally, and potential acquirors specifically, in order to determine potential costs which may be incurred as a result of a sale or IPO transaction. These potential costs may include:

- Cost related to the equity component of the capital structure
- Potentially higher (and non-tax exempt) interest expenses on debt
- Public company costs such as filing fees, governance-related expenses, etc.

The impact of a privatization transaction on key constituencies must be weighed against the challenges faced by Santee Cooper in its present structure and how those challenges may ultimately impact these same constituencies. Examples of these challenges include:

- Capital requirements associated with improvements to the transmission & distribution (“T&D”) system intended to improve reliability
- Potentially material capital spending necessary to meet stricter environmental regulations on air and water emissions for the generation plants
- Budget limitations and/or funding caps at the State level
- Improvements which may be necessary to upgrade information systems over time

In terms of possible approaches to mitigate or manage impacts of a privatization on end users of electricity, Lazard would explore a range of alternatives, including:

- Cost savings relating to streamlining of operations
- Continued use of municipal (potentially tax-exempt) financing
- Securitization or other asset-backed financing structures

With respect to Lazard’s proposed approach to managing the privatization process through final sale, in the event that a sale is determined to be the preferred path, Lazard would assist the Governor’s Office in all aspects of the auction process and would be in close communication and coordination with the Governor’s Office as the process progresses. The following outlines the primary services that Lazard would provide as part of the overall engagement:

- Valuation of Santee Cooper
- Development of process and offering materials
- Assistance in structuring to accommodate accounting, tax and other considerations
- Bidder solicitation
- Assisting in development of due diligence materials
- Assisting in development of Purchase & Sale Agreement and other agreements (if any)
- Maintaining close communications with interested parties
- Implementing process controls to ensure that the auction process remains on schedule and confidentiality is maintained
- Analysis of preliminary and final bids
- Development of negotiation strategy and assistance in negotiation of final agreements

As part of the ongoing solicitation of potential buyers, Lazard would assist in developing a communications strategy appropriate to the selected breadth of the solicitation process. Close communications with the bidders is critical to ensure that their concerns are addressed expeditiously and reduce the possibility of schedule slippage. As part of the process, Lazard would keep a “question log” that tracks all bidders’ questions, assigns responsibility to individuals for responding to specific questions and provides bidders with responses.

In addition, Lazard would develop a detailed process letter in coordination with the Governor's Office to be sent to bidders that have signed Confidentiality Agreements. The letter would include:

- A description of the auction process
- A description of what would be required to be included in any proposal to purchase Santee Cooper, including such items as:
 - The proposed purchase price
 - An indication of the source(s) of financing contemplated for the potential acquisition and financial statements of the entity that would purchase the assets. If financing is required from outside sources, the buyer must also include relevant commitment letters verifying the ready existence of funds
 - A statement that the offer is not subject to either additional due diligence or additional corporate approvals
 - A list of regulatory approvals to consummate the transaction and a discussion of the timetable and process for obtaining any regulatory approvals and the ability of the bidder to rapidly close the transaction
 - The identity of advisors (financial, legal, technical, etc.), if any

Finally, in respect of creative approaches or ideas that could maximize the benefits of a privatization to all constituencies, Lazard would explore a range of alternatives, which could include the sale of components of Santee Cooper to separate buyers in order to maximize the value paid for each of the components. For example, the generation assets may be sold to one buyer while the transmission assets are sold to another.

III. PROPOSED COMPENSATION FOR THE STUDY

In connection with our services on the Advisory Assignment, we will charge a Retainer Fee and a Study Completion Fee, which will represent the sole source of compensation. The Retainer Fee would be in the amount of \$250,000, payable upon the execution of an engagement letter detailing the scope of Lazard's services in respect of the Advisory Assignment. The Study Completion Fee would also be in the amount of \$250,000 and would be payable upon the submission to the Governor's Office of Lazard's completed study in respect of Santee Cooper. In the event that, at your request, the Advisory Assignment extends beyond one calendar quarter as anticipated in paragraph IV of this proposal, additional Retainer Fees of \$250,000 per calendar quarter would be payable to Lazard. In addition, it is customary for advisors in similar situations to be entitled to reimbursement of expenses, which may include travel costs, document production and other such expenses, including fees of outside counsel or other professional advisors should they be engaged with your consent.

We assume that in the event a determination is made to undertake a privatization, Lazard would be retained as advisor to the Governor's Office in respect of a sale or offered a position as a co-lead or senior co-manager in an IPO on customary terms. As such, we would credit any Retainer Fees or Study Completion Fees paid against any fees which become payable in respect of a transaction. We understand that compensation arrangements are an important factor in your selection of an Advisor and we are prepared to further discuss these arrangements at our face-to-face meeting.

IV. PROPOSED TIMELINE FOR THE STUDY

We would expect that a study of this nature could reasonably be completed in one to three months from the receipt of the requisite information required for the study. If selected as the Advisor to the Governor's Office, Lazard will promptly submit a request for data and documentation we deem necessary to perform our services under the Advisory Assignment. Such data would typically include recent historical financial data for Santee Cooper, projected financial data if available, documents detailing the nature of Santee Cooper's debt and related securities, material operating agreements, labor contracts, and other customary information. In addition, we would need to meet key people related to Santee Cooper (both the management of Santee Cooper itself and potentially members of the State Government, as appropriate) in order to obtain first-hand knowledge and to work with those people to formulate a strategy to meet the objectives of all key constituencies.

V. QUALIFICATIONS

Power & Utility Industry M&A Experience and Leadership

Lazard's leading Power & Utility franchise is comprised of over 50 dedicated M&A, corporate finance and restructuring professionals worldwide. Institutionally, Lazard houses a number of professionals with deep experience executing advisory assignments in the Power & Utility Industry, including senior bankers formerly at Merrill Lynch, CS First Boston, Wasserstein Perella and Morgan Stanley. Lazard has become a leader in helping power companies execute their financial strategies.

Lazard's professionals have extensive experience advising on electric utility sales, acquisitions, restructurings and capital markets transactions. Please refer to Appendix A for a list of transactions that illustrate our leading Power & Utility franchise.

As a result of Lazard's role in these transactions and the firm's acknowledged leadership position in the Industry, Lazard is at the center of information flow in respect of strategic transactions in the Power & Utility Industry.

The Lazard Team

If retained, George Bilicic, Joseph Maybank, John Tamagni and Peter Marquis will have overall responsibility for the Advisory Assignment. We will take an active role in the execution of the assignment and will ensure that all of the requisite global resources of the firm will be made available. In particular, Lazard will dedicate a team of experienced and knowledgeable professionals to the Advisory Assignment, with a view toward presenting all practical alternatives to maximize the value received for Santee Cooper. The four senior bankers will be supported by team members across several disciplines: James von Riesemann (Vice President), Joshua Boyd (Associate) and Raphael Mueller (Analyst), who will assist in the execution of the assignment, and Eli Fink (Managing Director and formerly head of International Tax for Deloitte & Touche), who will focus on tax and accounting issues.

George Bilicic is head of Lazard's Global Power & Utility Group and has been covering the sector for nine years. He has advised numerous utility and power companies in recent years including AES, Allegheny Energy, British Energy, Cinergy, Consolidated Edison, Dominion Resources, Duke Energy, Exelon, FPL Group, KeySpan, NRG Energy, PG&E National Energy Group, Northeast Utilities, Reliant Resources, RWE, Sierra Pacific, TXU, WPS Resources, Xcel Energy and others. Joe Maybank is a Managing Director of Lazard. He is responsible for the Firm's Corporate Finance Group and works on a broad range of financing and advisory assignments. Previously, Mr. Maybank was primarily responsible for the Firm's equity new issue business.

John (Jack) Tamagni is a Managing Director of Lazard. Mr. Tamagni currently serves as Financial Advisor to The Salt River Project, Nebraska Public Power District, the United States Tennis Association, New York University, San Francisco International Airport and Greater Toronto Airports Authority. In addition to his history with Santee Cooper as described in paragraph VI below, Mr. Tamagni has served as lead banker or financial advisor to the Washington Public Power Supply System, Niagara Mohawk, the State of New Hampshire, the Long Island Power Authority, New Jersey Turnpike Authority, Triborough Bridge and Tunnel Authority, Municipal Assistance Corporation for the City of New York, Municipality of Metropolitan Seattle and the County of Westchester Solid Waste Project.

Peter Marquis is a Director in the Global Power & Utility Group. During his career he has advised a number of companies in the energy and power sector, including AES, British Energy, Exelon, Northeast Utilities, National Energy & Gas Transmission, Public Service Enterprise Group, RWE, Sierra Pacific Resources, UGI and Union Pacific Resources. Before commencing a career in investment banking, Mr. Marquis was a commissioned officer in the United States Navy, first serving aboard a nuclear powered attack submarine and finally as a tactics instructor at the Naval Submarine School. Finally, Jim von Riesemann, a Vice President in Lazard's Power & Utility Group, is currently a member of the twelve person advisory team to the Secretary of Energy evaluating the feasibility of building new nuclear generation facilities in the U.S.

The table below lists those and certain other individuals who would support the execution team in respect in respect of the Advisory Assignment.

NAME	TITLE	RELEVANT YEARS OF EXPERIENCE	ROLE
George Bilicic	Managing Director	16 years	Execution Leader
Joseph Maybank	Managing Director	19 years	Team Leader
John Tamagni	Managing Director	45 years	Team Leader
Peter Marquis	Director	11 years	Team Leader
James von Riesemann	Vice President	10 years	Execution
Joshua Boyd	Associate	3 years	Execution
Raphael Mueller	Analyst	1 year	Execution

Strong Understanding/Access to the Potential Buyer Universe

Lazard has extensive institutional knowledge of and frequent dialogue with the relevant strategic players in the South Carolina region, such as Duke Energy, SCANA Corp., Progress Energy, Southern Company, FPL Group, Dominion, Entergy and others. Additionally, we believe that as a result of our activities raising private and public capital and dominant position in Power & Utility Industry restructuring, we have unparalleled access to and knowledge of a uniquely broad array of both traditional and non-traditional buyers. We have

developed a strong understanding of the types of opportunities that these buyers will pursue as well as their concerns. This unique knowledge will enable us to identify buyers who are most likely to be aggressive in valuing Santee Cooper. In addition, we believe that the process we will design in conjunction with the Advisory Assignment will maximize the competitive tension between the best buyers for Santee Cooper, thereby generating the highest achievable value for the State of South Carolina.

Valuation Expertise

Prior to initiating a sale process, Lazard would endeavor to provide the Governor's Office with its best assessment of the value that could be received for Santee Cooper and a view as to the process that would generate such value. It is our view that value is only meaningful within the context of a mechanism or process capable of achieving such a value. Our valuation expertise will combine intrinsic measures with deep market knowledge to assess the possible outcome of a sales process.

Lazard has completed detailed electric utility valuation analyses for numerous buyers and sellers, and in doing so, has developed an understanding of the value metrics and other considerations that buyers in today's market will likely utilize in their analyses. We will help to identify and analyze some of the key issues that may impact individual buyer's perception of value, including ownership structure, cost of capital, tax considerations, indemnity/guaranty provisions required, and others. As deal structure and complexity may impact value, Lazard would work with the Governor's Office to identify structures that balance their objectives and those of other key constituencies with the buyer's ability to put their best foot forward on value.

Expertise in Privatization Transactions

Lazard is uniquely qualified to seamlessly provide the Governor's Office advice on the potential privatization of Santee Cooper. As more fully detailed in Appendix B, Lazard's professionals have extensive experience in privatization transactions around the world. Lazard's partnership structure and the resulting close working relationship among the global offices ensures that the team responsible for the Advisory Assignment will have full access to the insight and lessons learned from these transactions.

Perhaps the best example of a transaction that combines Lazard's privatization expertise with its experience in the Power & Utility Industry is our ongoing work advising KeySpan in respect of the potential acquisition/privatization of the T&D assets of the Long Island Power Authority ("LIPA"). This highly complex situation involves many of the same issues that will be faced in a potential privatization of Santee Cooper, including the effects on ratepayers, employees, local communities, cost of capital, etc., with the added complication

of determining a strategy relating to LIPA's enormous debt associated with the failed Shoreham nuclear plant.

VI. EXPERIENCE WITH SANTEE COOPER

Jack Tamagni acted as the financial advisor to Santee Cooper for approximately 12 years ending in 1990. In 1988, Mr. Tamagni performed a study at the request of Santee Cooper in response to an effort on the part of Enron Corporation and SCANA Corp. to have Santee Cooper privatized.

VII. CONCLUSION

We believe that Lazard is uniquely qualified for the Advisory Assignment. In volatile market conditions such as these, it is critical to have a firm with proven M&A expertise, a firm grasp of the sector and intimate knowledge of the potential buyers, experience in working with public entities, and a commitment to the Governor's Office of the State of South Carolina to ensure a properly structured and executed process that is beneficial to all constituencies.

Please call me or any member of the team if you have questions regarding this proposal. We look forward to seeing you in Columbia on October 6th to discuss our proposal in greater detail and answer any potential questions.

Very truly yours,

George W. Bilicic

cc: Joseph Maybank
John Tamagni
Peter Marquis
James von Rieseemann
Josh Boyd
Raphael Mueller

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Appendix

LAZARD

A. Lazard Power & Utility Group

Providing Independent Advice

The cornerstone of Lazard's franchise is its unique ability to provide strategic and financial advice from seasoned, independent advisors whose interests are aligned with their clients

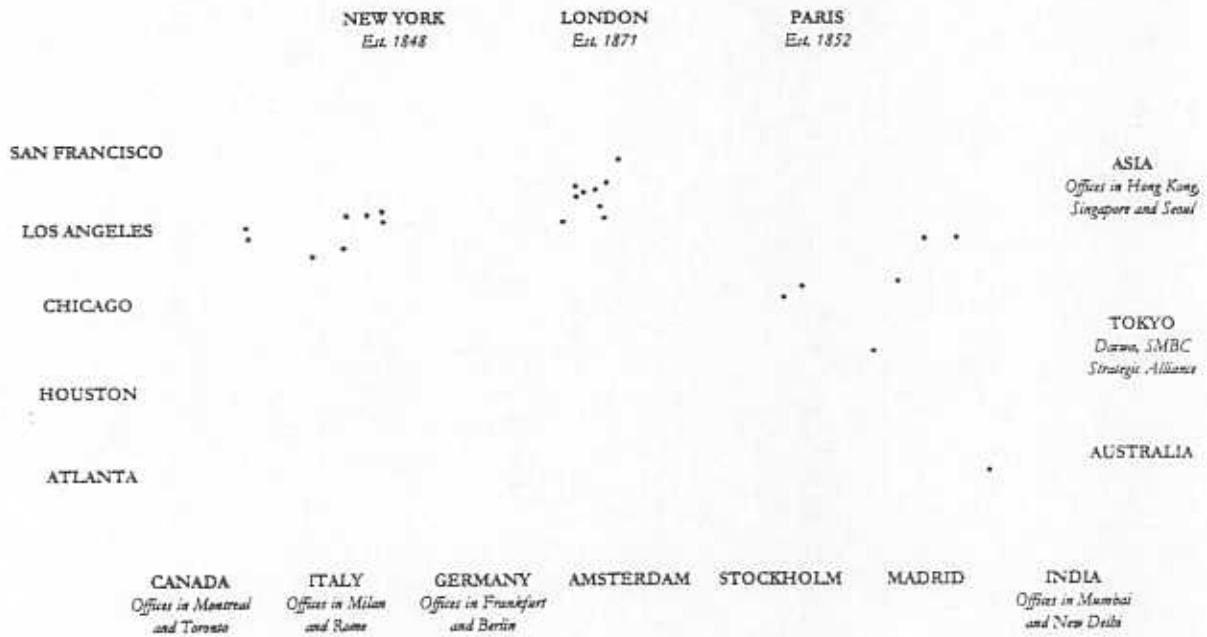
- Over the last decade, Wall Street has pursued a capital-driven, "one-stop-shopping" strategy focused on selling multiple products (including bank loans, underwritten public debt and equity, research, etc.) as opposed to advice
- In particular, the Power & Utility Industry has been characterized by large, integrated financial institutions who have relied on using capital to drive their advisory business, an inherent conflict
- Lazard, in contrast, has remained steadfastly focused solely on providing corporate finance and M&A advice to its Power & Utility clients in the challenging post-Enron environment without the conflicts associated with being a provider of capital or a proprietary participant in the energy commodity markets
- Core to this value proposition is a group of senior professionals and advisors who have in-depth sector knowledge and transaction experience

Lazard's Business

CORPORATE ADVISORY	CAPITAL MARKETS	ASSET MANAGEMENT	PRINCIPAL INVESTING
<ul style="list-style-type: none"> ■ General financial advice ■ Mergers, acquisitions and divestitures ■ Corporate restructuring ■ Special committee assignments ■ Takeover defense ■ Strategic partnerships/joint ventures ■ Advice on capital structure, long-range financial planning and rating agency relationships 	<ul style="list-style-type: none"> ■ Underwriting, private placements, sales and trading of equities, investment grade and high-yield debt and convertible securities ■ Distressed securities trading ■ Bank of Tokyo – Mitsubishi affiliation 	<ul style="list-style-type: none"> ■ Approximately \$80 billion of assets under management ■ Institutional accounts ■ Private client accounts ■ International mutual funds 	<ul style="list-style-type: none"> ■ Various real estate and private equity funds

The Lazard Franchise: Global M&A Presence

Lazard has an established and indigenous presence in major business capitals around the world, which are staffed by local investment banking professionals



Lazard Is a Leading Global M&A Advisory Firm

In addition to its leading Power & Utility M&A practice, Lazard is a leading global M&A advisory firm, with more than 200 M&A professionals in its New York office and more than 600 M&A professionals worldwide – this is the core of the Lazard franchise

2004 YTD COMPLETED M&A TRANSACTIONS		
ADVISOR	USD VOLUME (\$MM)	DEAL COUNT
1. Goldman Sachs	\$256,723	149
2. Morgan Stanley	228,839	157
3. JP Morgan	225,539	166
4. Lazard	140,864	78
5. Citigroup	123,278	134
6. Merrill Lynch	105,563	91
7. UBS	97,041	110
8. Lehman Brothers	94,817	96
9. Credit Suisse First Boston	88,109	137
10. Deutsche Bank	84,273	92

2003 COMPLETED M&A TRANSACTIONS		
ADVISOR	USD VOLUME (\$MM)	DEAL COUNT
1. Goldman Sachs	\$296,591	195
2. Merrill Lynch	187,582	151
3. Lazard	169,503	150
4. Morgan Stanley	169,132	217
5. Citigroup	160,642	225
6. JP Morgan	145,636	214
7. Credit Suisse First Boston	117,544	239
8. Deutsche Bank	110,490	151
9. Lehman Brothers	108,964	145
10. UBS	108,864	189

\$49.2 billion



ON ITS SALE TO



2004

\$1.7 billion



ON ITS MERGER WITH

Apogint

2004

\$20.7 billion



ON ITS MERGER WITH



2004

\$45.9 billion



ON ITS MERGER WITH



2003

\$26.9 billion



ON ITS MERGER WITH



2003

\$9.0 billion



ON ITS SALE TO

SILVESTOR UK PROPERTIES LTD.

2003

\$5.1 billion



ON THE BUY-OUT OF MINORITY INTEREST OF



2003

\$5.1 billion



ON ITS ACQUISITION OF



2003

\$6.6 billion



ON ITS SALE TO



2003

\$6.1 billion



ON ITS EXCHANGE OFFER FOR



2003

TBD

STRATEGIC ADVISOR

ONGOING

Lazard Global Power & Utility Group

U.S.: INVESTMENT BANKING

George Bilicic <i>Managing Director</i>	Gregory Reider <i>Associate</i>
George Brokaw <i>Managing Director</i>	Haermit Sobti <i>Associate</i>
Arthur Reichstetter <i>Managing Director</i>	Andrew Steinau <i>Associate</i>
Ian Connor <i>Director</i>	Matthew Barkoff <i>Analyst</i>
Peter Marquis <i>Director</i>	Bilal Khan <i>Analyst</i>
Jean Greene <i>Vice President</i>	James Lee <i>Analyst</i>
Jonathan Mir <i>Vice President</i>	Raphael Mueller <i>Analyst</i>
Darryl Sagel <i>Vice President</i>	Eren Pamir <i>Analyst</i>
Jesse Saglio <i>Vice President</i>	Jatin Patel <i>Analyst</i>
James von Riesenmann <i>Vice President</i>	Sheetal Sharma <i>Analyst</i>
Joshua Boyd <i>Associate</i>	A.J. Strasser <i>Analyst</i>
Michael Dilworth <i>Associate</i>	Joshua Weisenbeck <i>Analyst</i>
David Nanus <i>Associate</i>	

U.S.: CAPITAL MARKETS

Joseph Maybank <i>Managing Director</i>
John Tamagni <i>Managing Director</i>
Jim Millstein <i>Managing Director</i>
James Rossman <i>Director</i>

U.S.: TAX AND ACCOUNTING

Eli Fink <i>Managing Director</i>
Michael Casiato <i>Director</i>

U.S.: OTHER

Bruce Wasserstein <i>Chief Executive Officer</i>
Michael Biondi <i>Chairman of Investment Banking</i>
Kenneth Jacobs <i>Deputy Chairman and Head of New York</i>
Vernon Jordan, Jr. <i>Managing Director</i>
Harry Pinson <i>Managing Director</i>
Brian McCabe <i>Director</i>

CANADA

Evan Siddall <i>Managing Director</i>
Jacques Drouin <i>Managing Director</i>

LONDON

Marcus Agius <i>Deputy Chairman and Head of London</i>
Peter Kiernan <i>Managing Director</i>
David Kotler <i>Managing Director</i>
Trevor Nash <i>Managing Director</i>
Mian Zaheen <i>Managing Director</i>
Matthew Jarman <i>Director</i>
Peter Stokes <i>Director</i>

PARIS

Bruno Roger <i>Chairman, Lazard-Paris</i>
Georges Ralli <i>Deputy Chairman & Head of Paris</i>
Jean-Yves Helmer <i>Managing Director</i>
Thomas Piquemal <i>Managing Director</i>

ITALY

Gerardo Braggiotti <i>Deputy Chairman and Head of Europe</i>
Marco Samaja <i>Managing Director</i>
Alberto Gargioni <i>Director</i>

GERMANY

Ernst Fassbender <i>Managing Director</i>
John Kornblum <i>Managing Director</i>
Torsten Murke <i>Managing Director</i>

SPAIN

Pedro Pasquin <i>Managing Director</i>
Bill MacDonald <i>Director</i>
Jaime Alonso <i>Director</i>

SWEDEN

Per-Olov Bergstrom <i>Director</i>

NETHERLANDS

Remmert Laan <i>Managing Director</i>
--

ASIA

Yasu Hatakeyama <i>Managing Director</i>
David Timblich <i>Director</i>

AUSTRALIA

Paul Binsted <i>Managing Director</i>
Brian Wilson <i>Managing Director</i>



Selected Current Power & Utility Engagements

(\$ in millions)

<p>\$656</p>  <p>SALE OF IPP ASSETS TO</p>  <p>Pending</p>	<p>\$656</p> <p>USGen New England, Inc.</p> <p>SALE OF FOSSIL GENERATING FACILITIES TO</p>  <p>Pending</p>	<p>\$456</p> <p>Scottish and Southern Energy plc</p> <p>ADVISOR ON ACQUISITION OF FERRYBRIDGE AND FIDDLER'S FERRY POWER STATIONS FROM</p>  <p>Pending</p>	<p>\$253</p>  <p>ADVISOR ON SALE OF 75% INTEREST IN TURBOGAS POWER PLANT TO</p>  <p>Pending</p>
<p>\$412</p> <p>Shanks Group plc</p> <p>ADVISOR ON SALE OF LANDFILL AND RELATED POWER ASSETS TO</p> <p>Terra Firma Capital Partners</p> <p>Pending</p>	<p>To Be Determined</p> <p>Boston Generating, LLC</p> <p>ADVISOR ON SALE PROCESS</p> <p>Pending</p>	<p>To Be Determined</p> <p>Milford Power, LLC</p> <p>ADVISOR ON SALE PROCESS</p> <p>Pending</p>	<p>\$1,703</p>  <p>SALE OF GAS TRANSMISSION NORTHWEST CORP. TO</p> <p>Pending</p>
<p>Undisclosed</p>  <p>SALE OF CHEYENNE LIGHT, FUEL & POWER TO</p>  <p>Pending</p>	<p>To Be Determined</p> <p>Italian Treasury</p> <p>PRIVATIZATION OF</p>  <p>Pending</p>	<p>To Be Determined</p> <p>CINERGY</p> <p>ADVISOR ON VARIOUS POTENTIAL ASSET ACQUISITIONS</p> <p>Pending</p>	<p>To Be Determined</p>  <p>STRATEGIC AND FINANCIAL ADVISOR</p> <p>Pending</p>
<p>To Be Determined</p> <p>Swedish Government</p> <p>ADVISORY ON VARIOUS GOVERNMENT-OWNED BUSINESSES, INCLUDING</p>  <p>Pending</p>	<p>To Be Determined</p>  <p>STRATEGIC AND RESTRUCTURING ADVISOR</p> <p>Pending</p>	<p>To Be Determined</p>  <p>STRATEGIC AND FINANCIAL ADVISOR</p> <p>Pending</p>	<p>To Be Determined</p>  <p>STRATEGIC AND FINANCIAL ADVISOR</p> <p>Pending</p>
<p>To Be Determined</p>  <p>STRATEGIC AND FINANCIAL ADVISOR</p> <p>Pending</p>	<p>To Be Determined</p> <p>USGen New England, Inc.</p> <p>SALE OF HYDROELECTRIC GENERATING FACILITIES</p> <p>Pending</p>	<p>To Be Determined</p>  <p>STRATEGIC AND FINANCIAL ADVISOR</p> <p>Pending</p>	<p>To Be Determined</p> <p>French Government</p> <p>PRIVATIZATION OF</p>  <p>Pending</p>
<p>To Be Determined</p> <p>Italian Treasury</p>  <p>ACQUISITION OF</p>  <p>Pending</p>			

Selected Completed Power & Utility Engagements

(\$ in millions)

<p>NA</p> <p>CGE POWER LTD.</p> <p>STRATEGIC AND FINANCIAL ADVISOR</p> <p>Terminated</p>	<p>\$945</p>  <p>STRATEGIC AND RESTRUCTURING ADVISOR</p> <p>2004</p>	<p>NA</p> <p>Exelon</p> <p>ADVISED ON DIVIDEND POLICY</p> <p>2004</p>	<p>\$6,200</p>  <p>NEW AND RESTRUCTURED CREDIT FACILITIES</p> <p>2003</p>
<p>\$9,200</p>  <p>STRATEGIC AND RESTRUCTURING ADVISOR</p> <p>2003</p>	<p>\$2,000</p>  <p>(NOW PART OF BRASILIANA ENERGIA)</p> <p>STRATEGIC AND RESTRUCTURING ADVISOR</p> <p>2003</p>	<p>\$300</p>  <p>(NOW PART OF BRASILIANA ENERGIA)</p> <p>STRATEGIC AND RESTRUCTURING ADVISOR</p> <p>2003</p>	<p>\$80</p>  <p>ACQUISITION OF GLOBAL THERMOFACTURE INC.</p> <p>2003</p>
<p>\$2,200</p> <p>Italian Treasury</p>  <p>ADVISOR ON SALE OF MINORITY INTEREST STAKE TO Morgan Stanley</p> <p>2003</p>	<p>\$579</p>  <p>MERGER WITH APS Padova</p> <p>2003</p>	<p>\$9,200</p>  <p>ADVISOR ON DISPOSAL OF N&G ENERGY</p> <p>2003</p>	<p>\$5,864</p>  <p>NEW AND RESTRUCTURED CREDIT FACILITIES</p> <p>2003</p>
<p>\$2,100</p> <p>VIVENDI Environnement</p> <p>ACQUISITION OF Southern Water FROM First Aqua</p> <p>2003</p>	<p>\$100</p>  <p>TERM LOAN FACILITY</p> <p>2003</p>	<p>\$2,100</p>  <p>BOND EXCHANGE AND BANK REFINANCING</p> <p>2002</p>	<p>\$2,600</p>  <p>MERGER WITH Edison Spa</p> <p>2002</p>
<p>\$4,900</p>  <p>RESTRUCTURING OF Orion Power Credit Facilities</p> <p>2002</p>	<p>\$2,976</p> <p>VIVENDI Environnement</p> <p>RESTRUCTURING OF SHAREHOLDING STRUCTURE</p> <p>2002</p>	<p>\$2,600</p> <p>FIAT</p> <p>ACQUISITION OF </p> <p>2002</p>	<p>\$4,900</p>  <p>SALE OF Cincorp, Inc. TO Ameren</p> <p>2002</p>



Selected Completed Power & Utility Financings

(\$ in millions)

<p>\$125</p>  <p>GEORGIA POWER A SOUTHERN COMPANY 4.1% SENIOR NOTES DUE 2009</p> <p>2004</p>	<p>\$150</p>  <p>GREAT PLAINS ENERGY 5,000,000 SHARES OF COMMON STOCK AT \$30/PER SHARE</p> <p>2004</p>	<p>\$104</p> <p>Union Electric COMPANY 7.0% FIRST MORTGAGE BONDS</p> <p>2004</p>	<p>\$300</p> <p>Boston Edison Company 4.875% DEBENTURES DUE 2014</p> <p>2004</p>
<p>\$350</p>  <p>TransCanada 5.60% BONDS DUE 2014</p> <p>2004</p>	<p>\$175</p> <p>Zimmer Lucas PRIVATE PLACEMENT OF DPL 8.00% SENIOR NOTES DUE 2009</p> <p>2004</p>	<p>\$240</p>  <p>FPL GROUP 5.65% FIRST MORTGAGE BONDS</p> <p>2004</p>	<p>\$300</p>  <p>Dominion FLOATING RATE NOTES & 5.2% NOTES</p> <p>2004</p>
<p>\$200</p> <p>Consolidated Natural Gas 5.00% SENIOR NOTES</p> <p>2004</p>	<p>\$480</p>  <p>KEYSPAN 13,900,000 SHARES OF COMMON STOCK</p> <p>2003</p>	<p>\$250</p>  <p>Duke Energy FLOATING-RATE NOTES</p> <p>2003</p>	<p>\$300</p>  <p>Allegheny Energy 11.875% CONVERTIBLE TRUST PREFERRED</p> <p>2003</p>
<p>\$300</p>  <p>pepero 3.75% NOTES</p> <p>2003</p>	<p>\$330</p>  <p>Xcel Energy 3% CONVERTIBLE DEBT SECURITIES & 7.5% SENIOR NOTES</p> <p>2002</p>		

Lazard Professionals: Selected Transactions

(\$ in millions)

In addition to the Lazard transactions announced from 2002 to 2004, Lazard's professionals have participated in the following selected transactions:

<p>\$8,600</p>  <p>ACQUISITION OF <i>American Water Works Company, Inc.</i></p> <p>2003</p>	<p>\$8,500</p>  <p>ACQUISITION OF Westcoast Energy</p> <p>2002</p>	<p>\$4,800</p>  <p>ACQUISITION OF  POWER HOLDINGS, INC.</p> <p>2002</p>	<p>\$443</p>  <p>SALE OF GENERATION ASSETS TO </p> <p>2002</p>
<p>\$11,239</p>  <p>ACQUISITION OF </p> <p>2001</p>	<p>\$8,053</p>  <p>CP&L ACQUISITION OF Florida Progress Corp.</p> <p>2001</p>	<p>\$2,300</p>  <p>ACQUISITION OF <i>Louis Dreyfus</i></p> <p>2001</p>	<p>\$602</p>  <p>SALE OF INDIAN POINT NUCLEAR FACILITY </p> <p>2001</p>
<p>\$14,225</p>  <p>MERGER (TERMINATED) </p> <p>2000</p>	<p>\$10,080</p>  <p>SALE TO </p> <p>2000</p>	<p>\$3,878</p>  <p>ACQUISITION OF New England Electric System</p> <p>2000</p>	<p>\$3,027</p>  <p>SALE TO </p> <p>2000</p>
<p>\$1,095</p> <p>New England Electric System ACQUISITION OF Eastern Utilities Associates</p> <p>2000</p>	<p>\$550</p>  <p>SALE OF GENERATION ASSETS TO </p> <p>2000</p>	<p>\$17,445</p>  <p>Unicom Corp MERGER WITH Peco Energy</p> <p>1999</p>	<p>\$8,142</p>  <p>ACQUISITION OF Columbia Energy</p> <p>1999</p>
<p>\$7,269</p>  <p>ACQUISITION OF (TERMINATED) </p> <p>1999</p>	<p>\$597</p>  <p>SALE OF RAVENSWOOD FACILITY </p> <p>1999</p>	<p>\$505</p>  <p>SALE OF ARTHUR KILL AND ASTORIA GAS TURBINE </p> <p>1999</p>	

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B. Lazard Privatization Credentials

LAZARD

Lazard Privatization Experience

DATE	ISSUER	ISSUE SIZE (IN MM)	NATIONALITY	TRANSACTION	ROLE
Pending	Gaz de France	EUR 2,500-3,500	France	Shares	Advisor
Pending	TEDAS	NA	Turkey	Shares	Advisor
Pending	Strategic Rail Authority	NA	UK	Common Stock	Advisor
2003	Bord Gais	NA	UK	Shares	Advisor
2003	Enel	EUR 2,164	Italy	Shares	Advisor
2003	Telenor	EUR 272	UK	Shares	Advisor
2003	France Telecom	EUR 15,000	France	Shares	Advisor
2002	British Waterways & Partnership	NA	UK	Shares	Advisor
2002	Alitalia	EUR 1,802	Italy	Common Stock	Advisor
2002	Thomson Multimedia	EUR 1,700	France	Common Stock	Advisor
2001	Thomson Multimedia	EUR 440	France	Shares	Advisor
2001	Orange	EUR 4,800	France	Shares	Advisor
2001	Credit Agricole	EUR 3,392	France	Shares	Joint-Lead Manager
2000	Telenor	USD 1,700	Norway	Shares	Advisor
2000	AEM Torino	EUR 935	Italy	Shares	Advisor, Joint- Lead Manager
2000	Telefonica Moviles	EUR 3,300	Spain	Shares	Advisor
2000	Thomson Multimedia SA	EUR 715	France	Convertible	Advisor
2000	Thomson Multimedia SA	EUR 2,235	France	Shares	Advisor, Joint- Lead Manager
2000	Aerospatiale / EADS	EUR 2,438	France	Shares	Co-Manager
2000	Wanadoo	EUR 1,924	France	Shares	Advisor
2000	Finmeccanica	EUR 5,505	Italy	Shares	Advisor, Co- Lead Manager
2000	EADS	NA	Italy	Shares	Advisor
1999	Thomson Multimedia	EUR 272	France	Shares	Co-Lead Manager
1999	Credit Lyonnais	EUR 3,700	France	Common Stock	Co-Lead Manager
1999	Aerospatiale Matra	EUR 1,332	France	Common Stock	Advisor, Global Joint-Lead Manager
1999	Air France	EUR 644	France	Common Stock	Advisor, Global Joint-Lead Manager
1998	Berlin Airport	NA	Germany	Common Stock	Advisor
1998	London Regional Transport/ London Underground	NA	UK	Common Stock	Advisor
1998	France Telecom	FFR 13,300	France	Convertible	Advisor, Senior Co-Lead Manager
1998	France Telecom	FFR 36,300	France	Common Stock	Advisor, Joint- Lead Manager
1998	Pliva	USD 219	Croatia	Shares / GDRs	Co-Manager
1997	Air France	NA	France	Shares	Advisor
1997	Telecom Italia	USD 10,800	Italy	Common Stock	Co-Manager (UK Tranche)
1997	France Telecom	FFR 40,000	France	Common Stock	Advisor, Global Senior Co-Lead Manager
1996	Dairy Crest	NA	UK	Common Stock	Advisor
1988-1996	British Rail	NA	UK	Common Stock	Advisor
1996	AEA Technology	USD 336	UK	Common Stock	Advisor
1996	British Energy	STG 1,400	UK	Common Stock	Advisor
1996	AGF	FFR 8,400	Canada	Common Stock	Co-Manager
1996	Guangshen Railway Company	USD 473	China	Common Stock	Co-Lead Manager
1996	Pliva	USD 161	Croatia	Common Stock	Co-Lead Manager
1995	Pechiney	USD 929	France	Common Stock	Advisor, Joint Lead Manager

Lazard Privatization Experience (cont'd)

DATE	ISSUER	ISSUE SIZE (IN MM)	NATIONALITY	TRANSACTION	ROLE
1995	MOL Magyar Olaj - s Gazipari Rt	USD 190	Hungary	Common Stock	Advisor, Co-Global Coordinator
1995	PT Telekomunikasi Indonesia	USD 180	Indonesia	Common Stock	Advisor, Co-Lead Manager
1995	PT Tambang Timah	USD 160	Indonesia	Common Stock	Senior Co-Manager
1995	Telefónica de España	USD 1,300	Spain	Common Stock	Co-Manager
1995	Repsol	USD 1,500	Spain	Common Stock	Advisor
1995	Flughafen Wien AG	USD 223	Austria	Bearer Shares	Advisor, Co-Manager
1995	Usinor Sacilor	USD 3,033	France	Common Stock	Co-Manager
1994	Renault	FFR 11,000	France	Common Stock	Advisor, Joint Lead Manager
1994	Indosat - PT Indonesian Satellite Corp	USD 1,200	Indonesia	Common Stock	Co-Lead Manager
1994	Societe Centrale Union des Assurances de Paris	USD 2,600	France	Common Stock	Advisor, Joint-Lead Manager
1994	Societe Nationale Elf Aquitaine	USD 4,200	France	Common Stock	Jr Co-Lead Manager
1993	ENI	NA	Italy	Common Stock	Advisor
1993	Rhone-Poulenc	USD 1,869	France	Common Stock	Co-Manager
1993	Argentaria	USD 1,292	Spain	Common Stock	Co-Manager
1993	Banque Nationale de Paris	USD 3,044	France	Common Stock	Joint Lead Manager
1993	Credit Local de France	USD 771	France	Common Stock	Co-Manager
1993	Rhone-Poulenc	USD 602	France	Common Stock	Co-Manager
1992	CEGB/National Power	NA	UK	Common Stock	Advisor
1992	TOTAL	USD 1,018	France	Common Stock	Co-Manager
1992	Istituto Bancario San Paolo di Torino	USD 1,223	Italy	Common Stock	Co-Manager
1991	British Telecommunications	USD 9,819	UK	Common Stock	Co-Manager
1989	Pechiney	NA	France	Common Stock	Advisor
1989	Thames Water	NA	UK	Common Stock	Advisor
1988	Harland & Wolff	NA	UK	Common Stock	Advisor
1987	British Airways	NA	UK	Common Stock	Advisor
1987	Rover Group	NA	UK	Shares	Advisor
1987	DSM NV	USD 697	Netherlands	Common Stock	Co-Manager
1987	Societe Generale	USD 1,919	France	Common Stock	Co-Manager
1987	Compagnie Generale d'Electricite	USD 1,742	France	Common Stock	Co-Manager
1986	Trust Savings Bank	NA	UK	Common Stock	Advisor
1986	British Gas	USD 7,591	UK	Common Stock	Co-Manager
1986	Compagnie de Saint-Gobain	USD 1,185	France	Common Stock	Joint Lead Manager
1985	British Aerospace	NA	UK	Common Stock	Advisor
1985	Bitoil	NA	UK	Common Stock	Advisor
1984	British Gas	NA	UK	Common Stock	Advisor

CONFIDENTIAL

4

C. Selected Biographies



Selected Biographies

GEORGE BILICIC, *Managing Director*

George Bilicic joined Lazard as a Managing Director in March 2002. At Lazard, he heads the firm's Global Power & Utility Group. He has advised numerous utility and power companies in recent years including AES, Allegheny Energy, British Energy, Cinergy, Consolidated Edison, Dominion Resources, Duke Energy, Exelon, FPL Group, KeySpan, NRG Energy, PG&E National Energy Group, Northeast Utilities, Reliant Resources, RWE, Sierra Pacific, TXU, WPS Resources, Xcel Energy and others.

Prior to joining Lazard, Mr. Bilicic was a Managing Director at Merrill Lynch in its Mergers and Acquisitions Group since the end of 2000 and was responsible for leading that firm's mergers and acquisitions effort in the power and utilities industry.

Previously, Mr. Bilicic had been a Partner in the law firm of Cravath, Swaine & Moore from 1995. He joined Cravath as an associate in 1989. Mr. Bilicic's diverse corporate practice at Cravath primarily focused on mergers & acquisitions, but also included joint ventures, public offerings, and swaps and other derivatives. His non-utility clients at Cravath included CBS, Coltec Industries, Hartford Financial Services Group, ISDA, ITT, ITT Industries, Nestlé, Salomon Brothers and others. Mr. Bilicic was an Articles Editor of the Law Journal at Georgetown University Law Center. After graduation from Georgetown, he served in a clerkship with the Hon. Murray M. Schwartz (Chief Judge, U.S. District Court for the District of Delaware).

DeSales University, B.A. summa cum laude, Georgetown University Law Center, J.D. magna cum laude.

Selected Biographies (cont'd)

JOSEPH MAYBANK IV, *Managing Director*

Joe Maybank is a Managing Director of Lazard. He is responsible for the Firm's Corporate Finance Group and works on a broad range of financing and advisory assignments.

Previously, Mr. Maybank was primarily responsible for the Firm's equity new issue business. He joined Lazard in 1985, first specializing in mergers and acquisitions and then providing general financial advice to clients in the natural resources industries.

Harvard College

Selected Biographies (cont'd)

JOHN S. TAMAGNI, *Managing Director*

John (Jack) Tamagni is a Managing Director of Lazard. He joined the Firm in 1972.

Mr. Tamagni currently serves as Financial Advisor to The Salt River Project, Nebraska Public Power District, San Francisco International Airport and Greater Toronto Airports Authority.

During his long and distinguished career, Mr. Tamagni has served as lead banker or financial advisor to the Washington Public Power Supply System, Niagara Mohawk, the State of New Hampshire, the Long Island Power Authority, New Jersey Turnpike Authority, Triborough Bridge and Tunnel Authority, Municipal Assistance Corporation for the City of New York, Municipality of Metropolitan Seattle, South Carolina Public Service Authority and the Westchester County Solid Waste Project.

Mr. Tamagni currently serves on the Board of Directors of Taylor Investments. He is also a Trustee of The Brooklyn Museum of Art, Overlook Hospital of Summit, New Jersey, the Orchestra of St. Luke's and the Citizens Budget Committee. Mr. Tamagni is a former Vice Chairman and Director of the Securities Industry Association and former Director of the Public Securities Association.

Dartmouth College, B.A.

Selected Biographies (cont'd)

PETER MARQUIS, *Director*

Peter Marquis joined Lazard in April 2002 and is a Director in the Global Power & Utility Group. During his career he has advised a number of companies in the energy and power sector, including AES, British Energy, Exelon, Northeast Utilities, PG&E National Energy Group, Public Service Enterprise Group, RWE, Sierra Pacific, UGI and Union Pacific Resources.

Prior to joining Lazard, Mr. Marquis was a Vice President at Morgan Stanley and held similar positions at SG Barr Devlin and Smith Barney. During this period, Mr. Marquis focused primarily on mergers and acquisitions and corporate finance activities related to the energy and power sector.

Before commencing a career in investment banking, Mr. Marquis was a commissioned officer in the United States Navy, first serving aboard a nuclear powered attack submarine and finally as a tactics instructor at the Naval Submarine School.

United States Naval Academy, *B.S. in Systems Engineering*, Rensselaer Polytechnic Institute, *MBA*

Selected Biographies (cont'd)

JAMES VON RIESEMANN, *Vice President*

Jim von Rieseemann joined Lazard's Global Power & Utility Group in February 2004 following nine years as a "sell-side" analyst. At Lazard, Mr. von Rieseemann will be responsible for general client coverage as well as maintaining his relationships in the investor community. He will also have an active role with companies on their transactional communications with investors.

Prior to joining Lazard, Mr. von Rieseemann was the lead electric utility analyst at JPMorgan, providing comprehensive coverage of 22 companies in the Power & Utility Industry. Previously, he held a similar position at Morgan Stanley for four years where he was highly recognized by the Institutional Investor, Greenwich and Reuters surveys for his work on the industry. Mr. von Rieseemann began his career as an associate analyst at Donaldson, Lufkin & Jenrette. During his time as a sell-side analyst, Jim's stock recommendations outperformed the relevant sector benchmarks by greater than 20%.

Mr. von Rieseemann is currently a member of the twelve person advisory team to the Secretary of Energy evaluating the feasibility of building new nuclear generation facilities in the U.S.

University of Arizona, *B.S.B.A.*, St. John's College, *M.A.*, Emory University, *M.B.A.*

From: John West
To: Spann, Kay
Date: 11/4/04 1:23PM
Subject: Fwd: Credit Suisse First Boston Retention to perform Santee Cooper structure study

Pls print

John S. West
Executive VP & Chief Legal Officer
Santee Cooper
One Riverwood Drive
Moncks Corner, SC 29461-2901
Office: 843-761-7078
FAX: 843-761-7037
E-mail: jswest@santeecooper.com

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>>> "Munson, Keith" <KMunson@wcsr.com> 11/04/04 12:24PM >>>
Please see Confidentiality Notice before reading email.

Lonnie: Attached is a revised proposed letter agreement with CSFB after receiving back their comments on the draft we prepared last Thursday. This draft sticks to our biggest concerns that we have the right to cap the expenses and that CSFB has no expectation of any follow on business. Not too surprisingly, they do require that the agreement reflect a little more than just third party funding in order to understand the source of their obligations. Therefore, I have briefly outlined the history of their involvement over the last couple years in the first couple sentences. This should allow Santee Cooper to point out in the future that this study was independent and therefore not subject to the oft cited criticism that it achieved a pre-determined result suggested by the company. As I understand it, this was one of the major goals in Graham's offering to pay for an independent study, and hopefully this will end the question as to whether other studies were tainted or inaccurate.

The only other real throw back is their need for some kind of indemnity provision. I cut out a few unrelated provisions and studied the proposal closely. As it appears in the letter attached, it is very narrow (claims in connection to this assignment, which is to do some analyses of financial/organization issues with "duties solely to the Company.") Therefore, only Santee Cooper could sue them for breach of contract or fiduciary duty. Since Santee Cooper is the indemnifying party, this is really more of a disclaimer than an indemnity provision.

In addition, it expressly does not apply to losses resulting from "bad faith or gross negligence." As you know from the Good Cents case, plaintiff's lawyers (if one could even imagine some kind of claim) will almost certainly include a claim for bad faith and/or gross negligence. Therefore, this is a very strong exclusion.

Finally, the whole indemnity provision is expressly invalid to the extent it is against public policy (see the last paragraph). Attached is an Attorney General Opinion from September 2004 that says generally state agencies do not have authority to indemnify contracting parties. I believe that Santee Cooper probably does have some authority in this regard, because I cannot imagine that our bond indentures, etc, don't have indemnity provisions. It would seem to fall with the broad power to "make contracts of every name and nature and to execute all instruments necessary or convenient of the carrying on of its business."

(Section 58-31-30). Finally, I added an express provision at the end that this indemnification does not reach the State and that it is limited to \$1 million dollars.

When we discussed this with the board last week and got a consensus of direction, we informed them that there might be some additional revisions to the agreement. I believe these changes are within the general understanding of the board and therefore I don't think this needs to go back to the board for approval. I have copied Clarence Davis on this letter because he helped me work on the language yesterday when I was in Columbia (Clarence, I tweaked it still a little today). I have added Guerry and Richard because they helped vet the advisors who were interested in this project.

When I was in Columbia yesterday, it was strongly hoped that Lonnie would be able to sign this version and fax it Mary Beth Mandanas as early as today. John, feel free to tweak it as legally required - but try and resist that temptation. I have spent several hours trying to "mediate" this agreement. As you know, no one is every happy after a mediation. If it passes the, "we can stomach that" test, then I think we should let it be. I have made the other side "stomach" some stuff as well. The last thing I want is to have to call a special meeting of the board in order to get this done. Actually, that the second to last thing I want, the last thing I want is to spend any more time word-smithing this agreement, especially as it relates to an indemnification, under which I cannot imagine a claim! Thanks, KEITH

Keith D. Munson

Womble Carlyle Sandridge & Rice, PLLC

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Greenville, South Carolina 29601

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November 4, 2004

C O N F I D E N T I A L

Mr. Lonnie N. Carter
President and Chief Executive Officer
South Carolina Public Service Authority
Post Office Box 2946101
Moncks Corner, South Carolina 29461-6101

Dear Lonnie:

As you know, in 2003, Credit Suisse First Boston LLC conducted an overview analysis of aspects of the existing structure of Santee Cooper, including a comparison of certain alternative organizational structures. In 2004, after learning of the 2003 overview analysis, the State asked us to expand this analysis by undertaking comprehensive financial analyses regarding Santee Cooper using various valuation and other methodologies and provide our views as to possible strategies to maximize the Company's value under its existing structure or any viable alternatives (the "2004 Review" or "Assignment"). Therefore, this letter is to confirm our understanding that South Carolina Public Service Authority ("Santee Cooper", the "Company" or "you") has retained Credit Suisse First Boston LLC and its affiliates, successors and assigns, as appropriate ("CSFB", "we" or "us"), to act as a financial advisor with respect the 2004 Review. In completing the 2004 Review, CSFB will perform its own financial analyses taking into account information provided by the Company.

In addition, CSFB will be available at your request to meet with your Board of Directors to discuss the results of its financial analyses.

In connection with undertaking the Assignment, the Company will furnish CSFB with all information concerning the Company which CSFB reasonably deems appropriate and will provide CSFB with access to the Company's officers, directors, employees, accountants, and other representatives (collectively, the "Representatives"), it being understood that CSFB will rely solely upon such information supplied by the Company and its Representatives without assuming any responsibility for independent investigation or verification thereof. All non-public information concerning the Company which is given to CSFB in connection with this engagement will be used solely in the course of

the performance of our services hereunder, will not be used for any other purpose or transaction and will be treated confidentially by it for so long as it remains non-public. Except as otherwise required by law or judicial or regulatory process, CSFB will not disclose this information to a third party without the Company's consent. At the completion of this Assignment, if requested, CSFB will return all non-public documents provided to us and marked Confidential. Notwithstanding the foregoing, CSFB may retain copies of such documents (including to the extent stored on electronic, magnetic or similar media) in accordance with policies and procedures implemented in order to comply with legal and regulatory requirements and to demonstrate CSFB's compliance with its obligations.

As compensation for CSFB's services hereunder, the Company agrees to pay CSFB a fee equal to \$100,000 ("Fee"). The Fee shall be payable as follows: 50% upon execution of this agreement, with the balance payable upon delivery of CSFB's review.

In addition, the Company agrees to periodically reimburse CSFB for all expenses, including the fees and expenses of its legal counsel, if any, and any other advisor retained by CSFB. However, the Company will not reimburse expenses beyond \$50,000 without the prior written consent of the Company. CSFB agrees to notify the Company when it believes its expenses reimbursable under this paragraph are about to approach \$50,000. All fees and expenses payable hereunder are net of all applicable withholding and similar taxes.

CSFB will not be prohibited from the opportunity to compete for the lead role in connection with any subsequent work or transactions that might follow this Assignment, including without limitation, as appropriate, lead financial advisor, lead bookrunning underwriter or other applicable lead role.

The Company and CSFB agree to the indemnity provisions and other matters set forth in Annex A which is incorporated by reference into this agreement.

No advice rendered by CSFB, whether formal or informal, may be disclosed, in whole or in part, or summarized, excerpted from or otherwise referred to without our prior written consent or as required by court order or formal written opinion of counsel for Santee Cooper under the State's Freedom of Information laws (in which case you will give us prompt notice). In addition, CSFB may not be otherwise referred to in any press release or other public announcement made

by the Company without our prior written consent. If requested by CSFB, the Company shall include a mutually acceptable reference to CSFB in any press release or other public announcement made by the Company regarding the matters described in this letter.

CSFB's retention hereunder may be terminated at any time by the Company or by CSFB, with or without cause, upon ten days' prior written notice thereof to the other party, *provided, however*, that no termination of CSFB's retention hereunder shall affect the Company's obligation to pay the Fee, other fees and expenses to the extent provided for herein, and to indemnify CSFB and certain related persons and entities as provided in Annex A referred to above.

CSFB is a full service securities firm engaged in securities trading and brokerage activities as well as investment banking and financial advisory services. In the ordinary course of our trading and brokerage activities, CSFB or its affiliates may hold positions, for its own account or the accounts of customers, in equity, debt or other securities of the Company or any other company that may be involved in the matters contemplated by this agreement. CSFB has adopted policies and procedures designed to preserve the independence of its research analysts whose views may differ from those of CSFB's investment banking division.

In connection with this Assignment, CSFB is acting as an independent contractor and not in any other capacity, with duties owing solely to the Company. All aspects of the relationship created by this agreement shall be governed by and construed in accordance with the laws of the State of New York, applicable to contracts made and to be performed therein.

We are delighted to accept this Assignment and look forward to working with you on toward its completion. Please confirm that the foregoing is in accordance with your understanding by signing and returning to us the enclosed duplicate of this letter.

Very truly yours,

CREDIT SUISSE FIRST BOSTON LLC

By: _____

Name: Mary Beth Mandanas

Title: Director

11 Madison Avenue
New York, NY 10010-3629
(212) 325-0605
FAX: (212) 743-1433
marybeth.mandanas@csfb.com

Accepted and agreed to as of the date first written above:
SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: _____
Name: Lonnie N. Carter
Title: President and Chief Executive Officer

November 4, 2004

In further consideration of the agreements contained in our engagement letter dated the date hereof (the "engagement"), in the event that Credit Suisse First Boston LLC ("CSFB") or any of its affiliates, the respective directors, officers, partners, agents or employees of CSFB or any of its affiliates, or any other person controlling CSFB or any of its affiliates (collectively, "Indemnified Persons") becomes involved in any capacity in any action, claim, suit, investigation or proceeding, actual or threatened, brought by or against any person, in connection with or as a result of the engagement or any matter referred to in the engagement, the South Carolina Public Service Authority (the "Company") will reimburse such Indemnified Person for its reasonable and customary legal and other expenses (including without limitation the costs and expenses incurred in connection with investigating, preparing for and responding to third party subpoenas or enforcing the engagement) incurred in connection therewith as such expenses are incurred. The Company will also indemnify and hold harmless any Indemnified Person from and against, and the Company agrees that no Indemnified Person shall have any liability to the Company or its owners, parents, affiliates, security holders or creditors for, any losses, claims, damages or liabilities (including actions or proceedings in respect thereof) (collectively, "Losses") (A) related to or arising out of (i) the Company's actions or failures to act (including statements or omissions made or information provided by the Company or its agents) or (ii) actions or failures to act by an Indemnified Person with the Company's consent or in reliance on the Company's actions or failures to act or (B) otherwise related to or arising out of the engagement or CSFB's performance thereof, except that this clause (B) shall not apply to any Losses that resulted primarily from the bad faith or gross negligence of such Indemnified Person. If such indemnification is for any reason not available or insufficient to hold an Indemnified Person harmless, the Company agrees to contribute to the Losses involved in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Company, on the one hand, and by CSFB, on the other hand, with respect to the engagement or, if such allocation is determined by a court or arbitral tribunal to be unavailable, in such proportion as is appropriate to reflect other equitable considerations such as the relative fault of the Company on the one hand and of CSFB on the other hand; *provided, however, that, to the extent permitted by applicable law, the Indemnified Persons shall not be responsible for amounts which in the aggregate are in excess of the amount of all fees actually received by CSFB from the Company in connection with the engagement.*

The Company will not, without CSFB's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding in respect of which indemnification may be sought hereunder (whether or not any Indemnified Person is a party thereto) unless such settlement, compromise, consent or termination includes a release of each Indemnified Person from any liabilities arising out of such action, claim, suit, investigation or proceeding. The Company will not permit any such settlement, compromise, consent or termination to include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an Indemnified Person, without such Indemnified Person's prior written consent. No Indemnified Person seeking indemnification, reimbursement or contribution under this agreement will, without the Company's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding referred to herein.

Prior to entering into any agreement or arrangement affecting all or most of its assets in one or a series of transactions or any significant recapitalization or reclassification of its outstanding securities that does not directly or indirectly provide for the assumption of the obligations of the Company set forth herein, the Company will notify CSFB in writing thereof (if not previously so notified) and, if requested by CSFB, shall arrange in connection therewith alternative means of providing for the obligations of the Company set forth herein, including the assumption of such obligations by another party, insurance, surety bonds or the creation of an escrow, in each case in an amount and upon reasonable terms and conditions or upon terms and conditions satisfactory to CSFB.

The Company's obligations hereunder shall be in addition to any rights that any Indemnified Person may have at common law or otherwise. The Company acknowledges that in connection with the engagement CSFB is acting as an independent contractor and not in any other capacity with duties owing solely to the Company. This agreement and any other agreements relating to the engagement shall be governed by and construed in accordance with the laws of the State of New York, applicable to contracts made and to be performed therein and, in connection therewith, the parties hereto consent to the jurisdiction of the Supreme Court of the State of New York sitting in New York County or the United States District Court for the Southern District of New York and the respective appellate courts thereof. Notwithstanding the foregoing, solely for purposes of enforcing the Company's obligations hereunder, the Company consents to personal jurisdiction, service and venue in any court proceeding in which any claim subject to this agreement is brought by or against any Indemnified Person. CSFB HEREBY AGREES, AND THE COMPANY HEREBY AGREES ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS SECURITY HOLDERS, TO WAIVE ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM, COUNTER-CLAIM OR ACTION ARISING OUT OF THE ENGAGEMENT OR CSFB'S PERFORMANCE THEREOF.

The provisions of this agreement shall apply to the engagement (including related activities prior to the date hereof) and any modification thereof and shall remain in full force and effect regardless of the completion or termination of the engagement. If any term, provision, covenant or restriction herein is held by a court of competent jurisdiction to be invalid, void or unenforceable or against public policy, the remainder of the terms, provisions and restrictions contained herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated. It is expressly understood by the parties hereto that this indemnity agreement does not create any obligations against the State of South Carolina generally or against any other state agency. Finally, payments for any and all claims, whether for expenses or liability, shall be capped at one million dollars (\$1,000,000) and once Santee Cooper has made payments totaling one millions dollars (\$1,000,000) pursuant to this indemnity agreement, no other claims under this indemnity agreement will be valid or payable, provided that if at anytime existing claims exceed the amount remaining available for payment of claims and expenses under this indemnity agreement, Santee Cooper shall have the option to pay into court or escrow the remaining available amount and have no other obligations under this indemnity agreement.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By:

Name: Lonnie N. Carter
Title: President and CEO

Accepted and agreed to as of the date hereof:
CREDIT SUISSE FIRST BOSTON LLC

By:

Name: Mary Beth Mandanas
Title: Director

GREENVILLE 71995v2

Office of the Attorney General
State of South Carolina

*1 September 29, 2004

Wayne F. Rush, Esquire
State Budget and Control Board
General Services Division
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Mr. Rush:

You note that the "State of South Carolina recently purchased a tract of approximately eleven acres of real property." You further indicate that "[d]uring the title examination it was discovered that a fence bordering a county right-of-way encroached into an unpaved portion of the right-of-way." By way of background, you further state the following:

On behalf of the State, an encroachment permit was requested in order to avoid the expense of relocating the fence. The County requested that the State provide an agreement to "indemnify the County for any liability incurred or injury or damage sustained by reason of the past, present, or future existence of said encroachment."

The County was notified of the South Carolina Attorney General's opinions, such as that by John P. Wilson, dated October 20, 1971, stating that:

This Office has uniformly advised State agencies, including your Department, that they do not have authority to enter into any indemnification agreement whether limited by the phrase "insofar as it lawfully may" or otherwise. The Department's liability for damage claims is strictly regulated by statute (i.e., Section 33-112, 22-171, 33- 229, Code of Laws of South Carolina (1962) as amended), and may not be extended by agreement or contract.

and continuing:

While it is believed that such agreements, even if entered into, would allow no rights to arise thereunder against the Department, clearly the best policy is to totally avoid any such possibility. Therefore, it is our suggestion that "hold harmless" or indemnity clauses be avoided.

and the State deleted the indemnification portion of the Application for Encroachment Permit.

The County responded, referring to South Carolina's Attorney General's Opinion No. 89-41, dated April 10, 1989, which provides:

We are not unfamiliar with the problem faced by DSS, since indemnification agreements are common in contracts proposed to be entered into with federal agencies. We suggest that contract negotiations include elimination of indemnification clauses altogether or else insertion of language such as "so far as the laws of the State permit." (emphasis added)

and the County reiterated its' request for the inclusion of the language, "so far as the laws of the State permit."

Accordingly, we request the Attorney General's opinion clarifying the question regarding a State agency's authority to enter into indemnification agreements, and whether the opinion would be changed by the addition of the language, "so far as the laws of the State permit."

Law / Analysis

It is our longstanding opinion that a state agency possesses no authority to enter into indemnification agreements. It is our further opinion that this conclusion is not changed by the addition of language "so far as the laws of the State permit" or any other language. Because a state agency possesses no authority to enter into indemnification agreements, insertion of the above-cited language or any other language cannot change or alter such lack of authority.

*2 Our opinions concluding that a state agency possesses no authority to enter into indemnification or "hold harmless" agreements date back at least to 1966. On February 21, 1966, we concluded the Railroad Commission "is without authority to bind itself or the State to ... an indemnification agreement, and therefore paragraph 8 would be of no binding effect.

Likewise, in an opinion of January 8, 1968, we stated:

[i]t is a general rule of law that no State agency is liable for suit except as provided by statute or constitutional provision. This being so, the University is not empowered to assume such liability.

It is my opinion that the quoted paragraph should be deleted from the contract.

Immediately thereafter, on February 13, 1968, we stated that "[w]e have uniformly advised State agencies that they do not have authority to enter into indemnification agreements of this nature. Even if entered into, it is questionable if any rights could arise thereunder."

As noted in your letter, we concluded in an opinion of October 20, 1971 that insertion of the phrase "insofar as it lawfully may" or otherwise in an indemnification agreement containing such phrase did validate the agreement because "[t]he Department's [Highway Department] liability for damage claims is strictly regulated by statute ... and may not be extended by agreement or contract."

In an opinion dated August 15, 1972, we articulated the reasoning underlying the lack of authority of a state agency to enter into indemnification agreements:

[t]his problem has continually appeared in this Office, particularly in connection with the construction of Highway projects. It appears in other forms also It has been the consistent opinion of this Office that governmental agencies, in the absence of specific authority therefor, do not have the authority to execute such 'hold harmless' clauses. The basis for this conclusion is that this State possesses sovereign immunity, with certain deviations therefrom in limited circumstances. These relate primarily to subjection of the State for claims for damages resulting from the operation of State-owned motor vehicles. The execution of a 'hold harmless' cause is nothing more nor less than subjection of the State or one of its political subdivisions to tort liability and, in the opinion of this Office, can only be done by the State itself through legislative enactment.

Former Attorney General McLeod again addressed the issue of indemnification agreements in an opinion of September 27, 1972. In that opinion the former Attorney General explained:

In my opinion, there is no authority for the execution by the State of 'hold harmless' clauses. Similar instances occur in nearly all agreements with the federal government and, while such clauses have been inserted in many instances in various agreements, there is, in my opinion, no authority for the inclusion of such

clauses. The basis for this position is that the State thereby subject itself to tort action, for which there is no authority absent legislative authorization.

*3 Subsequently, we commented on April 22, 1983 that "the State may not enter into hold harmless agreements with private individuals or corporations." And on November 4, 1991, we commented that

[w]e realize that the question you have presented is not whether the County may agree to indemnify a third party; however, as to that limited question, we advise that this Office has previously opined that State agencies, as a general rule, lack authority to enter into open-ended indemnification agreements. Op. Atty. Gen., April 10, 1991. We have no doubt that a similar conclusion would be reached with regard to counties. See, Wright v. Colleton County School District, 301 S.C. 282, 391 S.E.2d 564 (1990) [A political subdivision may not waive immunity provisions provided by State law]; see also, S.C. Const. Art. X, Section 8 (1990 Cum. Supp.) ["Monies shall be drawn from ... the treasury of any of [the State's] political subdivisions only in pursuance of appropriations made by law."] Id., Art. X, Section 7(b) [Annual expenditures shall not exceed annual revenues].

Thus, there has been no deviation from the Attorney General's consistent conclusion over the years. Nevertheless, you reference the opinion of April 10, 1989 (Op. No. 89-43) as perhaps departing from the many opinions quoted from and referenced above because of certain non-controlling language contained therein. Apparently, the 1989 opinion is relied upon by some based upon the language included therein "or else insertion of language such as 'so far as the laws of the State permit.'" In our view, however, such reliance is misplaced.

We first note that the October 20, 1971 opinion of Mr. Wilson, referenced above, rejects any conclusion that insertion of any such language as was mentioned in the 1989 opinion in an indemnification agreement serves to validate that agreement. It is clear that the 1989 opinion does not purport to overrule the 1971 opinion, but instead cites it with approval. Moreover, Op. No. 89-43 discusses in some detail how indemnification clauses in a contract violate "state law in at least two ways." Moreover, the author of the 1989 opinion also wrote the subsequent 1991 opinion, referenced above, which concluded that state agencies generally lack authority to enter into indemnification agreements. Finally, we have consistently concluded that a state agency "derives its powers solely from the statutes created by the Legislature." See, e.g. Op. S.C. Atty. Gen., December 20, 1966. See also, Op. S.C. Atty. Gen., March 18, 2004 (citing Bazzle v. Huff, 319 S.C. 443, 462 S.E.2d 273 (1993); Nucor Steel v. S.C. Public Service Comm., 310 S.C. 539, 426 S.E.2d 319 (1992)).

Conclusion

Accordingly, based upon all of the above reasons, we conclude that the phrase "or else insertion of language such as 'so far as the laws of the State permit'" in the 1989 opinion was inadvertent on the part of its author. In any event, we do not deem this language as in any way controlling or dispositive and we caution that phraseology should not be relied upon in an effort to validate an indemnification agreement. Thus, to the extent inconsistent with the many other opinions referenced herein, we overrule that portion of Op. No. 89-43 which employs such language. We continue to adhere to our longstanding opinion that indemnification agreements are without legal authority.

Very truly yours,

2004 WL 2247469 (S.C.A.G.)
2004 WL 2247469 (S.C.A.G.)
(Cite as: 2004 WL 2247469 (S.C.A.G.))

Page 4

*4 Robert D. Cook

Assistant Deputy Attorney General

2004 WL 2247469 (S.C.A.G.)

END OF DOCUMENT



FAX TRANSMISSION

Santee Cooper
P. O. Box 2946101
Moncks Corner, SC 29461-6101
(843) 761-7024
Fax: (843) 761-7037
Email: sboillia@santeecooper.com

CONFIDENTIAL

To: T. Graham Edwards
Patrick T. Allen
Paul G. Campbell, Jr.
Richard H. Coen
Clarence Davis
Vernie E. Dove, Sr.
G. Dial Dubose
Guerry E. Green
J. Calhoun Land, IV
Keith D. Munson
James W. Sanders, Sr.

Date: November 4, 2004

From: Lonnie N. Carter, President & CEO **Page(s):** 13 including this cover sheet

Subject: Credit Suisse First Boston Retention to Perform Santee Cooper Structure Study

Gentlemen,

Attached is a note from Director Munson and a revised agreement from CSFB to perform the independent study of Santee Cooper's value as we discussed at our last meeting. CSFB insists on having someone as the contracting party, so the revised agreement provides for Santee Cooper to be the contracting party. After discussing the agreement with Director Munson, we believe it is consistent with the overall status given by the Board regarding this matter. If you have any concerns, please let me know right away as the Governor's Office is anxious to get the study underway.

Thank you,

Lonnie

Attachments

From: "Munson, Keith" <KMunson@wcsr.com>
To: "Lonnie Carter (E-mail)" <Incarter@santeecooper.com>, "John S. West (E-mail)" <jswest@santeecooper.com>, "Clarence Davis (E-mail)" <cxd@nmrs.com>, "T. Graham Edwards (E-mail)" <tgedward@santeecooper.com>
Date: Thu, Nov 4, 2004 12:25 PM
Subject: Credit Suisse First Boston Retention to perform Santee Cooper structure study

Please see Confidentiality Notice before reading email.

Lonnie: Attached is a revised proposed letter agreement with CSFB after receiving back their comments on the draft we prepared last Thursday. This draft sticks to our biggest concerns that we have the right to cap the expenses and that CSFB has no expectation of any follow on business. Not too surprisingly, they do require that the agreement reflect a little more than just third party funding in order to understand the source of their obligations. Therefore, I have briefly outlined the history of their involvement over the last couple years in the first couple sentences. This should allow Santee Cooper to point out in the future that this study was independent and therefore not subject to the oft cited criticism that it achieved a pre-determined result suggested by the company. As I understand it, this was one of the major goals in Graham's offering to pay for an independent study, and hopefully this will end the question as to whether other studies were tainted or inaccurate.

The only other real throw back is their need for some kind of indemnity provision. I cut out a few unrelated provisions and studied the proposal closely. As it appears in the letter attached, it is very narrow (claims in connection to this assignment, which is to do some analyses of financial/organization issues with "duties solely to the Company.") Therefore, only Santee Cooper could sue them for breach of contract or fiduciary duty. Since Santee Cooper is the indemnifying party, this is really more of a disclaimer than an indemnity provision.

In addition, it expressly does not apply to losses resulting from "bad faith or gross negligence." As you know from the Good Cents case, plaintiff's lawyers (if one could even imagine some kind of claim) will almost certainly include a claim for bad faith and/or gross negligence. Therefore, this is a very strong exclusion.

Finally, the whole indemnity provision is expressly invalid to the extent it is against public policy (see the last paragraph). Attached is an Attorney General Opinion from September 2004 that says generally state agencies do not have authority to indemnify contracting parties. I believe that Santee Cooper probably does have some authority in this regard, because I cannot imagine that our bond indentures, etc, don't have indemnity provisions. It would seem to fall with the broad power to "make contracts of every name and nature and to execute all instruments necessary or convenient of the carrying on of its business." (Section 58-31-30). Finally, I added an express provision at the end that this indemnification does not reach the State and that it is limited to \$1 million dollars.

When we discussed this with the board last week and got a consensus of direction, we informed them that there might be some additional revisions to the agreement. I believe these changes are within the general understanding of the board and therefore I don't think this needs to go back to the board for approval. I have copied Clarence Davis on this letter because he helped me work on the language yesterday when I was in Columbia (Clarence, I tweaked it still a little today). I have added Guerry and Richard because they helped vet the advisors who were interested in this project.

When I was in Columbia yesterday, it was strongly hoped that Lonnie would be able to sign this version and fax it Mary Beth Mandanas as early as today. John, feel free to tweak it as legally required - but try and resist that temptation. I have spent several hours trying to "mediate" this agreement. As you know, no one is every happy after a mediation. If it passes the, "we can stomach that" test, then I think we should let it be. I have made the other side "stomach" some stuff as well. The last thing I want is to have to call a special meeting of the board in order to get this done. Actually, that the second to last thing I want, the last thing I want is to spend any more time word-smithing this agreement, especially as it relates

to an indemnification, under which I cannot imagine a claim! Thanks, KEITH

Keith D. Munson
Womble Carlyle Sandridge & Rice, PLLC
Poinsett Plaza, Suite 700
104 S. Main Street
Greenville, South Carolina 29601
864.255.5412 (Direct)
864.255.5480 (Fax)
kmunson@wcsr.com
www.wcsr.com

CONFIDENTIALITY NOTICE: This electronic mail transmission has been sent by a lawyer. It may contain information that is confidential, privileged, proprietary, or otherwise legally exempt from disclosure. If you are not the intended recipient, you are hereby notified that you are not authorized to read, print, retain, copy or disseminate this message, any part of it, or any attachments. If you have received this message in error, please delete this message and any attachments from your system without reading the content and notify the sender immediately of the inadvertent transmission. There is no intent on the part of the sender to waive any privilege, including the attorney-client privilege, that may attach to this communication. Thank you for your cooperation.

CC: "Guerry E. Green (E-mail)" <guerry@screentight.com>, "Richard H. Coen (E-mail)" <rcoen@coencapital.com>

November 4, 2004

C O N F I D E N T I A L

Mr. Lonnie N. Carter
President and Chief Executive Officer
South Carolina Public Service Authority
Post Office Box 2946101
Moncks Corner, South Carolina 29461-6101

Dear Lonnie:

As you know, in 2003, Credit Suisse First Boston LLC conducted an overview analysis of aspects of the existing structure of Santee Cooper, including a comparison of certain alternative organizational structures. In 2004, after learning of the 2003 overview analysis, the State asked us to expand this analysis by undertaking comprehensive financial analyses regarding Santee Cooper using various valuation and other methodologies and provide our views as to possible strategies to maximize the Company's value under its existing structure or any viable alternatives (the "2004 Review" or "Assignment"). Therefore, this letter is to confirm our understanding that South Carolina Public Service Authority ("Santee Cooper", the "Company" or "you") has retained Credit Suisse First Boston LLC and its affiliates, successors and assigns, as appropriate ("CSFB", "we" or "us"), to act as a financial advisor with respect the 2004 Review. In completing the 2004 Review, CSFB will perform its own financial analyses taking into account information provided by the Company.

In addition, CSFB will be available at your request to meet with your Board of Directors to discuss the results of its financial analyses.

In connection with undertaking the Assignment, the Company will furnish CSFB with all information concerning the Company which CSFB reasonably deems appropriate and will provide CSFB with access to the Company's officers, directors, employees, accountants, and other representatives (collectively, the "Representatives"), it being understood that CSFB will rely solely upon such information supplied by the Company and its Representatives without assuming any responsibility for independent investigation or verification thereof. All non-public information concerning the Company which is given to CSFB in connection with this engagement will be used solely in the course of

the performance of our services hereunder, will not be used for any other purpose or transaction and will be treated confidentially by it for so long as it remains non-public. Except as otherwise required by law or judicial or regulatory process, CSFB will not disclose this information to a third party without the Company's consent. At the completion of this Assignment, if requested, CSFB will return all non-public documents provided to us and marked Confidential. Notwithstanding the foregoing, CSFB may retain copies of such documents (including to the extent stored on electronic, magnetic or similar media) in accordance with policies and procedures implemented in order to comply with legal and regulatory requirements and to demonstrate CSFB's compliance with its obligations.

As compensation for CSFB's services hereunder, the Company agrees to pay CSFB a fee equal to \$100,000 ("Fee"). The Fee shall be payable as follows: 50% upon execution of this agreement, with the balance payable upon delivery of CSFB's review.

In addition, the Company agrees to periodically reimburse CSFB for all expenses, including the fees and expenses of its legal counsel, if any, and any other advisor retained by CSFB. However, the Company will not reimburse expenses beyond \$50,000 without the prior written consent of the Company. CSFB agrees to notify the Company when it believes its expenses reimbursable under this paragraph are about to approach \$50,000. All fees and expenses payable hereunder are net of all applicable withholding and similar taxes.

CSFB will not be prohibited from the opportunity to compete for the lead role in connection with any subsequent work or transactions that might follow this Assignment, including without limitation, as appropriate, lead financial advisor, lead bookrunning underwriter or other applicable lead role.

The Company and CSFB agree to the indemnity provisions and other matters set forth in Annex A which is incorporated by reference into this agreement.

No advice rendered by CSFB, whether formal or informal, may be disclosed, in whole or in part, or summarized, excerpted from or otherwise referred to without our prior written consent or as required by court order or formal written opinion of counsel for Santee Cooper under the State's Freedom of Information laws (in which case you will give us prompt notice). In addition, CSFB may not be otherwise referred to in any press release or other public announcement made

by the Company without our prior written consent. If requested by CSFB, the Company shall include a mutually acceptable reference to CSFB in any press release or other public announcement made by the Company regarding the matters described in this letter.

CSFB's retention hereunder may be terminated at any time by the Company or by CSFB, with or without cause, upon ten days' prior written notice thereof to the other party, *provided, however*, that no termination of CSFB's retention hereunder shall affect the Company's obligation to pay the Fee, other fees and expenses to the extent provided for herein, and to indemnify CSFB and certain related persons and entities as provided in Annex A referred to above.

CSFB is a full service securities firm engaged in securities trading and brokerage activities as well as investment banking and financial advisory services. In the ordinary course of our trading and brokerage activities, CSFB or its affiliates may hold positions, for its own account or the accounts of customers, in equity, debt or other securities of the Company or any other company that may be involved in the matters contemplated by this agreement. CSFB has adopted policies and procedures designed to preserve the independence of its research analysts whose views may differ from those of CSFB's investment banking division.

In connection with this Assignment, CSFB is acting as an independent contractor and not in any other capacity, with duties owing solely to the Company. All aspects of the relationship created by this agreement shall be governed by and construed in accordance with the laws of the State of New York, applicable to contracts made and to be performed therein.

We are delighted to accept this Assignment and look forward to working with you on toward its completion. Please confirm that the foregoing is in accordance with your understanding by signing and returning to us the enclosed duplicate of this letter.

Very truly yours,
CREDIT SUISSE FIRST BOSTON LLC

By: _____
Name: Mary Beth Mandanas
Title: Director

11 Madison Avenue
New York, NY 10010-3629
(212) 325-0605
FAX: (212) 743-1433
marybeth.mandanas@csfb.com

Accepted and agreed to as of the date first written above:
SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: _____
Name: Lonnie N. Carter
Title: President and Chief Executive Officer

November 4, 2004

In further consideration of the agreements contained in our engagement letter dated the date hereof (the "engagement"), in the event that Credit Suisse First Boston LLC ("CSFB") or any of its affiliates, the respective directors, officers, partners, agents or employees of CSFB or any of its affiliates, or any other person controlling CSFB or any of its affiliates (collectively, "Indemnified Persons") becomes involved in any capacity in any action, claim, suit, investigation or proceeding, actual or threatened, brought by or against any person, in connection with or as a result of the engagement or any matter referred to in the engagement, the South Carolina Public Service Authority (the "Company") will reimburse such Indemnified Person for its reasonable and customary legal and other expenses (including without limitation the costs and expenses incurred in connection with investigating, preparing for and responding to third party subpoenas or enforcing the engagement) incurred in connection therewith as such expenses are incurred. The Company will also indemnify and hold harmless any Indemnified Person from and against, and the Company agrees that no Indemnified Person shall have any liability to the Company or its owners, parents, affiliates, security holders or creditors for, any losses, claims, damages or liabilities (including actions or proceedings in respect thereof) (collectively, "Losses") (A) related to or arising out of (i) the Company's actions or failures to act (including statements or omissions made or information provided by the Company or its agents) or (ii) actions or failures to act by an Indemnified Person with the Company's consent or in reliance on the Company's actions or failures to act or (B) otherwise related to or arising out of the engagement or CSFB's performance thereof, except that this clause (B) shall not apply to any Losses that resulted primarily from the bad faith or gross negligence of such Indemnified Person. If such indemnification is for any reason not available or insufficient to hold an Indemnified Person harmless, the Company agrees to contribute to the Losses involved in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Company, on the one hand, and by CSFB, on the other hand, with respect to the engagement or, if such allocation is determined by a court or arbitral tribunal to be unavailable, in such proportion as is appropriate to reflect other equitable considerations such as the relative fault of the Company on the one hand and of CSFB on the other hand; *provided, however*, that, to the extent permitted by applicable law, the Indemnified Persons shall not be responsible for amounts which in the aggregate are in excess of the amount of all fees actually received by CSFB from the Company in connection with the engagement.

The Company will not, without CSFB's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding in respect of which indemnification may be sought hereunder (whether or not any Indemnified Person is a party thereto) unless such settlement, compromise, consent or termination includes a release of each Indemnified Person from any liabilities arising out of such action, claim, suit, investigation or proceeding. The Company will not permit any such settlement, compromise, consent or termination to include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an Indemnified Person, without such Indemnified Person's prior written consent. No Indemnified Person seeking indemnification, reimbursement or contribution under this agreement will, without the Company's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding referred to herein.

Prior to entering into any agreement or arrangement affecting all or most of its assets in one or a series of transactions or any significant recapitalization or reclassification of its outstanding securities that does not directly or indirectly provide for the assumption of the obligations of the Company set forth herein, the Company will notify CSFB in writing thereof (if not previously so notified) and, if requested by CSFB, shall arrange in connection therewith alternative means of providing for the obligations of the Company set forth herein, including the assumption of such obligations by another party, insurance, surety bonds or the creation of an escrow, in each case in an amount and upon reasonable terms and conditions or upon terms and conditions satisfactory to CSFB.

The Company's obligations hereunder shall be in addition to any rights that any Indemnified Person may have at common law or otherwise. The Company acknowledges that in connection with the engagement CSFB is acting as an independent contractor and not in any other capacity with duties owing solely to the Company. This agreement and any other agreements relating to the engagement shall be governed by and construed in accordance with the laws of the State of New York, applicable to contracts made and to be performed therein and, in connection therewith, the parties hereto consent to the jurisdiction of the Supreme Court of the State of New York sitting in New York County or the United States District Court for the Southern District of New York and the respective appellate courts thereof. Notwithstanding the foregoing, solely for purposes of enforcing the Company's obligations hereunder, the Company consents to personal jurisdiction, service and venue in any court proceeding in which any claim subject to this agreement is brought by or against any Indemnified Person. CSFB HEREBY AGREES, AND THE COMPANY HEREBY AGREES ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS SECURITY HOLDERS, TO WAIVE ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM, COUNTER-CLAIM OR ACTION ARISING OUT OF THE ENGAGEMENT OR CSFB'S PERFORMANCE THEREOF.

The provisions of this agreement shall apply to the engagement (including related activities prior to the date hereof) and any modification thereof and shall remain in full force and effect regardless of the completion or termination of the engagement. If any term, provision, covenant or restriction herein is held by a court of competent jurisdiction to be invalid, void or unenforceable or against public policy, the remainder of the terms, provisions and restrictions contained herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated. It is expressly understood by the parties hereto that this indemnity agreement does not create any obligations against the State of South Carolina generally or against any other state agency. Finally, payments for any and all claims, whether for expenses or liability, shall be capped at one million dollars (\$1,000,000) and once Santee Cooper has made payments totaling one millions dollars (\$1,000,000) pursuant to this indemnity agreement, no other claims under this indemnity agreement will be valid or payable, provided that if at anytime existing claims exceed the amount remaining available for payment of claims and expenses under this indemnity agreement, Santee Cooper shall have the option to pay into court or escrow the remaining available amount and have no other obligations under this indemnity agreement.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By:

Name: Lonnie N. Carter
Title: President and CEO

Accepted and agreed to as of the date hereof:
CREDIT SUISSE FIRST BOSTON LLC

By:

Name: Mary Beth Mandanas
Title: Director

Office of the Attorney General
State of South Carolina

*1 September 29, 2004

Wayne F. Rush, Esquire
State Budget and Control Board
General Services Division
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear Mr. Rush:

You note that the "State of South Carolina recently purchased a tract of approximately eleven acres of real property." You further indicate that "[d]uring the title examination it was discovered that a fence bordering a county right-of-way encroached into an unpaved portion of the right-of-way." By way of background, you further state the following:

On behalf of the State, an encroachment permit was requested in order to avoid the expense of relocating the fence. The County requested that the State provide an agreement to "indemnify the County for any liability incurred or injury or damage sustained by reason of the past, present, or future existence of said encroachment."

The County was notified of the South Carolina Attorney General's opinions, such as that by John P. Wilson, dated October 20, 1971, stating that:

This Office has uniformly advised State agencies, including your Department, that they do not have authority to enter into any indemnification agreement whether limited by the phrase "insofar as it lawfully may" or otherwise. The Department's liability for damage claims is strictly regulated by statute (i.e., Section 33-112, 22-171, 33- 229, Code of Laws of South Carolina (1962) as amended), and may not be extended by agreement or contract.

and continuing:

While it is believed that such agreements, even if entered into, would allow no rights to arise thereunder against the Department, clearly the best policy is to totally avoid any such possibility. Therefore, it is our suggestion that "hold harmless" or indemnity clauses be avoided.

and the State deleted the indemnification portion of the Application for Encroachment Permit.

The County responded, referring to South Carolina's Attorney General's Opinion No. 89-43, dated April 10, 1989, which provides:

We are not unfamiliar with the problem faced by DSS, since indemnification agreements are common in contracts proposed to be entered into with federal agencies. We suggest that contract negotiations include elimination of indemnification clauses altogether or else insertion of language such as "so far as the laws of the State permit." (emphasis added)

and the County reiterated its' request for the inclusion of the language, "so far as the laws of the State permit."

Accordingly, we request the Attorney General's opinion clarifying the question regarding a State agency's authority to enter into indemnification agreements, and whether the opinion would be changed by the addition of the language, "so far as the laws of the State permit."

Law / Analysis

It is our longstanding opinion that a state agency possesses no authority to enter into indemnification agreements. It is our further opinion that this conclusion is not changed by the addition of language "so far as the laws of the State permit" or any other language. Because a state agency possesses no authority to enter into indemnification agreements, insertion of the above-cited language or any other language cannot change or alter such lack of authority.

*2 Our opinions concluding that a state agency possesses no authority to enter into indemnification or "hold harmless" agreements date back at least to 1966. On February 21, 1966, we concluded the Railroad Commission "is without authority to bind itself or the State to ... an indemnification agreement, and therefore paragraph 8 would be of no binding effect.

Likewise, in an opinion of January 8, 1968, we stated:

[I]t is a general rule of law that no State agency is liable for suit except as provided by statute or constitutional provision. This being so, the University is not empowered to assume such liability.

It is my opinion that the quoted paragraph should be deleted from the contract.

Immediately thereafter, on February 13, 1968, we stated that "[w]e have uniformly advised State agencies that they do not have authority to enter into indemnification agreements of this nature. Even if entered into, it is questionable if any rights could arise thereunder."

As noted in your letter, we concluded in an opinion of October 20, 1971 that insertion of the phrase "insofar as it lawfully may" or otherwise in an indemnification agreement containing such phrase did validate the agreement because "[t]he Department's [Highway Department] liability for damage claims is strictly regulated by statute ... and may not be extended by agreement or contract."

In an opinion dated August 15, 1972, we articulated the reasoning underlying the lack of authority of a state agency to enter into indemnification agreements:

[t]his problem has continually appeared in this Office, particularly in connection with the construction of Highway projects. It appears in other forms also It has been the consistent opinion of this Office that governmental agencies, in the absence of specific authority therefor, do not have the authority to execute such 'hold harmless' clauses. The basis for this conclusion is that this State possesses sovereign immunity, with certain deviations therefrom in limited circumstances. These relate primarily to subjection of the State for claims for damages resulting from the operation of State-owned motor vehicles. The execution of a 'hold harmless' clause is nothing more nor less than subjection of the State or one of its political subdivisions to tort liability and, in the opinion of this Office, can only be done by the State itself through legislative enactment.

Former Attorney General McLeod again addressed the issue of indemnification agreements in an opinion of September 27, 1972. In that opinion the former Attorney General explained:

In my opinion, there is no authority for the execution by the State of 'hold harmless' clauses. Similar instances occur in nearly all agreements with the federal government and, while such clauses have been inserted in many instances in various agreements, there is, in my opinion, no authority for the inclusion of such

clauses. The basis for this position is that the State thereby subject itself to tort action, for which there is no authority absent legislative authorization.

*3 Subsequently, we commented on April 22, 1983 that "the State may not enter into hold harmless agreements with private individuals or corporations." And on November 4, 1991, we commented that

[w]e realize that the question you have presented is not whether the County may agree to indemnify a third party; however, as to that limited question, we advise that this Office has previously opined that State agencies, as a general rule, lack authority to enter into open-ended indemnification agreements. Op. Atty. Gen., April 10, 1991. We have no doubt that a similar conclusion would be reached with regard to counties. See, Wright v. Colleton County School District, 301 S.C. 282, 391 S.E.2d 564 (1990) [A political subdivision may not waive immunity provisions provided by State law]; see also, S.C. Const. Art. X, Section 8 (1990 Cum. Supp.) ["Monies shall be drawn from ... the treasury of any of [the State's] political subdivisions only in pursuance of appropriations made by law."] Id., Art. X, Section 7(b) [Annual expenditures shall not exceed annual revenues].

Thus, there has been no deviation from the Attorney General's consistent conclusion over the years. Nevertheless, you reference the opinion of April 10, 1989 (Op. No. 89-43) as perhaps departing from the many opinions quoted from and referenced above because of certain non-controlling language contained therein. Apparently, the 1989 opinion is relied upon by some based upon the language included therein "or else insertion of language such as 'so far as the laws of the State permit.'" In our view, however, such reliance is misplaced.

We first note that the October 20, 1971 opinion of Mr. Wilson, referenced above, rejects any conclusion that insertion of any such language as was mentioned in the 1989 opinion in an indemnification agreement serves to validate that agreement. It is clear that the 1989 opinion does not purport to overrule the 1971 opinion, but instead cites it with approval. Moreover, Op. No. 89-43 discusses in some detail how indemnification clauses in a contract violate "state law in at least two ways." Moreover, the author of the 1989 opinion also wrote the subsequent 1991 opinion, referenced above, which concluded that state agencies generally lack authority to enter into indemnification agreements. Finally, we have consistently concluded that a state agency "derives its powers solely from the statutes created by the Legislature." See, e.g. Op. S.C. Atty. Gen., December 20, 1966. See also, Op. S.C. Atty. Gen., March 18, 2004 (citing Bazzle v. Huff, 319 S.C. 443, 462 S.E.2d 273 (1993); Nucor Steel v. S.C. Public Service Comm., 310 S.C. 539, 426 S.E.2d 319 (1992)).

Conclusion

Accordingly, based upon all of the above reasons, we conclude that the phrase "or else insertion of language such as 'so far as the laws of the State permit'" in the 1989 opinion was inadvertent on the part of its author. In any event, we do not deem this language as in any way controlling or dispositive and we caution that phraseology should not be relied upon in an effort to validate an indemnification agreement. Thus, to the extent inconsistent with the many other opinions referenced herein, we overrule that portion of Op. No. 89-43 which employs such language. We continue to adhere to our longstanding opinion that indemnification agreements are without legal authority.

Very truly yours,

2004 WL 2247469 (S.C.A.G.)
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(Cite as: 2004 WL 2247469 (S.C.A.G.))

Page 4

*4 Robert D. Cook

Assistant Deputy Attorney General

2004 WL 2247469 (S.C.A.G.)

END OF DOCUMENT



Lonnie N. Carter
President and
Chief Executive Officer

One Riverwood Drive
Moncks Corner, SC 29461-2901
(843) 761-4192
Fax: (843) 761-7037
P.O. Box 2946101
Moncks Corner, SC 29461-6101

November 10, 2004

Ms. Mary Beth Mandanas
Director of Investment Banking
11 Madison Avenue
New York, NY 10010-3629

Dear Ms. Mandanas:

Enclosed is the letter from you to me regarding CSFB's study. I understand that you have signed off on the text. I have signed the letter and the annex.

If this represents your understanding of the arrangement, please sign and fax the completed version of the letter and annex to me. Upon receipt of your fax, I will transmit the original to you along with the fee and expense retainer. If you would prefer to handle the logistics of execution differently, please advise.

By copy of this to the Governor's office, I am apprising that office of the status of the paperwork.

Regarding information to be requested from Santee Cooper, please communicate your information and data requests to me directly.

Please call me if you have any questions or concerns. I look forward to working with you.

Sincerely yours,

Lonnie N. Carter / jnc

Lonnie N. Carter

LNC:kays

Enclosure

cc: Keith D. Munson, Esquire
Marshall Evans

November 10, 2004

C O N F I D E N T I A L

Mr. Lonnie N. Carter
President and Chief Executive Officer
South Carolina Public Service Authority
Post Office Box 2946101
Moncks Corner, South Carolina 29461-6101

Dear Lonnie:

As you know, in 2003, Credit Suisse First Boston LLC conducted an overview analysis of aspects of the existing structure of The South Carolina Public Service Authority ("Santee Cooper", the "Company" or "you"), including a comparison of certain alternative organizational structures. In 2004, after learning of the 2003 overview analysis, the State asked us to expand this analysis as set forth herein. Therefore, this letter confirms our understanding that Credit Suisse First Boston LLC and its affiliates, successors and assigns, as appropriate ("CSFB", "we" or "us"), has been engaged to act as financial advisor with respect to undertaking comprehensive financial analyses regarding Santee Cooper using various valuation and other methodologies and provide our views as to possible strategies to maximize the Company's value under its existing structure or any viable alternatives. ("CSFB Engagement"). CSFB will perform its own financial analyses taking into account information provided by the Company.

In addition, CSFB will be available at your request to meet with your Board of Directors to discuss the results of the review.

In connection with CSFB's engagement, the Company will furnish CSFB with all information concerning the Company which CSFB reasonably deems appropriate and will provide CSFB with access to the Company's officers, directors, employees, accountants, and other representatives (collectively, the "Representatives"), it being understood that CSFB will rely solely upon such information supplied by the Company and its Representatives without assuming any responsibility for independent investigation or verification thereof. All non-public information concerning the Company which is given to CSFB in connection with this engagement will be used solely in the course of the performance of our services hereunder, will not be used for any other purpose or transaction and will be treated confidentially by it for so long as it remains non-public. Except as otherwise required by law or judicial or regulatory process, CSFB will not disclose this information to a third party without the Company's consent. At the completion of this engagement, CSFB, if requested, will return all non-public documents in any form provided to us and marked Confidential, except that CSFB may retain copies of such documents (including to the extent stored on electronic, magnetic or similar media) in accordance with policies and procedures implemented in order to comply with legal and regulatory requirements and to demonstrate CSFB's compliance with its obligations.

As compensation for CSFB's services hereunder, the Company agrees to pay CSFB a fee equal to \$100,000 ("Fee"). The Fee shall be payable upon the full execution of this agreement.

In addition, the Company agrees to reimburse CSFB for all expenses, including the fees and expenses of its legal counsel, if any, and any other advisor retained by CSFB up to and not to exceed \$50,000. Santee Cooper will provide a \$50,000 expense retainer upon the full execution of this agreement and CSFB will refund any amount of that retainer remaining at the completion of the CSFB Engagement. The Company will not reimburse expenses beyond \$50,000 without the prior written consent of the Company. All fees and expenses payable hereunder are net of all applicable withholding and similar taxes.

CSFB will not be prohibited from the opportunity to compete for the lead role in connection with any subsequent work or transactions that might follow this engagement, including without limitation, as appropriate, lead financial advisor, lead bookrunning underwriter or other applicable lead role.

The Company and CSFB agree to the indemnity provisions and other matters set forth in Annex A which is incorporated by reference into this agreement.

No advice rendered by CSFB, whether formal or informal, may be disclosed, in whole or in part, or summarized, excerpted from or otherwise referred to without our prior written consent or as required by court order or formal written opinion of counsel for Santee Cooper under the State's Freedom of Information laws (in which case you will give us prompt notice). In addition, CSFB may not be otherwise referred to in any press release or other public announcement made by the Company without our prior written consent. If requested by CSFB, the Company shall include a mutually acceptable reference to CSFB in any press release or other public announcement made by the Company regarding the matters described in this letter.

Santee Cooper has agreed to fund, but did not engage, this study. However, CSFB's engagement hereunder may be terminated at any time by the Company or by CSFB, with or without cause, upon ten days' prior written notice thereof to the other party, *provided, however*, that no termination of CSFB's engagement hereunder shall affect the Company's obligation to pay the Fee, other fees and expenses, including indemnification, to the extent provided for herein.

CSFB is a full service securities firm engaged in securities trading and brokerage activities as well as investment banking and financial advisory services. In the ordinary course of our trading and brokerage activities, CSFB or its affiliates may hold positions, for its own account or the accounts of customers, in equity, debt or other securities of the Company or any other company that may be involved in the matters contemplated by this agreement. CSFB has adopted policies and procedures designed to preserve the independence of its research analysts whose views may differ from those of CSFB's investment banking division.

In connection with this engagement, CSFB is acting as an independent contractor and not in any other capacity. All aspects of the relationship created by this agreement

Lonnie N. Carter
November 10, 2004
Page 3

shall be governed by and construed in accordance with the laws of the State of New York, applicable to contracts made and to be performed therein.

We are delighted to have the opportunity to participate in this engagement and look forward to working with you on this assignment. Please confirm that the foregoing is in accordance with your understanding by signing and returning to us the enclosed duplicate of this letter.

Very truly yours,
CREDIT SUISSE FIRST BOSTON LLC

By: _____
Name: Mary Beth Mandanas
Title: Director of Investment Banking
11 Madison Avenue
New York, NY 10010-3629
(212) 325-0605
FAX: (212) 743-1433
marybeth.mandanas@csfb.com

Accepted and agreed to as of the date first written above:
SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: 
Name: Lonnie N. Carter
Title: President and Chief Executive Officer

ANNEX A

November 10, 2004

In further consideration of the agreements contained in our engagement letter dated the date hereof (the "engagement"), in the event that Credit Suisse First Boston LLC ("CSFB") or any of its affiliates, the respective directors, officers, partners, agents or employees of CSFB or any of its affiliates, or any other person controlling CSFB or any of its affiliates (collectively, "Indemnified Persons") becomes involved in any capacity in any action, claim, suit, investigation or proceeding, actual or threatened, brought by or against any person, in connection with or as a result of the engagement or any matter referred to in the engagement, the South Carolina Public Service Authority (the "Company") will reimburse such Indemnified Person for its reasonable and customary legal and other expenses (including without limitation the costs and expenses incurred in connection with investigating, preparing for and responding to third party subpoenas or enforcing the engagement) incurred in connection therewith as such expenses are incurred. The Company will also indemnify and hold harmless any Indemnified Person from and against, and the Company agrees that no Indemnified Person shall have any liability to the Company or its owners, parents, affiliates, security holders or creditors for, any losses, claims, damages or liabilities (including actions or proceedings in respect thereof) (collectively, "Losses") (A) related to or arising out of (i) the Company's actions or failures to act (including statements or omissions made or information provided by the Company or its agents) or (ii) actions or failures to act by an Indemnified Person with the Company's consent or in reliance on the Company's actions or failures to act or (B) otherwise related to or arising out of the engagement or CSFB's performance thereof, except that this clause (B) shall not apply to any Losses that are finally determined by a court or arbitral tribunal to have resulted primarily from the bad faith or gross negligence of such Indemnified Person. If such indemnification is for any reason not available or insufficient to hold an Indemnified Person harmless, the Company agrees to contribute to the Losses involved in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Company, on the one hand, and by CSFB, on the other hand, with respect to the engagement or, if such allocation is determined by a court or arbitral tribunal to be unavailable, in such proportion as is appropriate to reflect other equitable considerations such as the relative fault of the Company on the one hand and of CSFB on the other hand; *provided, however*, that, to the extent permitted by applicable law, the Indemnified Persons shall not be responsible for amounts which in the aggregate are in excess of the amount of all fees actually received by CSFB from the Company in connection with the engagement.

The Company will not, without CSFB's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding in respect of which indemnification may be sought hereunder (whether or not any Indemnified Person is a party thereto) unless such settlement, compromise, consent or termination includes a release of each Indemnified Person from any liabilities arising out of such action, claim, suit, investigation or proceeding. The Company will not permit any such settlement, compromise, consent or termination to include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an Indemnified Person, without such Indemnified Person's prior written consent. No Indemnified Person seeking indemnification, reimbursement or contribution under this agreement will, without the Company's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding referred to herein.

Prior to entering into any agreement or arrangement affecting all or most of its assets in one or a series of transactions or any significant recapitalization or reclassification of its outstanding securities that does not directly or indirectly provide for the assumption of the obligations of the Company set forth herein, the Company will notify CSFB in writing thereof (if not previously so notified) and, if requested by CSFB, shall arrange in connection therewith alternative means of providing for the obligations of the Company set forth herein, including the assumption of such obligations by another party, insurance, surety bonds or the creation of an escrow, in each case in an amount and upon terms and conditions satisfactory to CSFB.

The Company's obligations hereunder shall be in addition to any rights that any Indemnified Person may have at common law or otherwise. The Company acknowledges that in connection with the engagement CSFB is acting as an independent contractor and not in any other capacity with duties owing solely to the Company. This agreement and any other agreements relating to the engagement shall be governed by and construed in accordance with the laws of the State of New York, applicable to contracts made and to be performed therein and, in connection therewith, the parties hereto consent to the exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County or the United States District Court for the Southern District of New York and the respective appellate courts thereof. Notwithstanding the foregoing, solely for purposes of enforcing the Company's obligations hereunder, the Company consents to personal jurisdiction, service and venue in any court proceeding in which any claim subject to this agreement is brought by or against any Indemnified Person. CSFB HEREBY AGREES, AND THE COMPANY HEREBY AGREES ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS SECURITY HOLDERS, TO WAIVE ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM, COUNTER-CLAIM OR ACTION ARISING OUT OF THE ENGAGEMENT OR CSFB'S PERFORMANCE THEREOF.

The provisions of this agreement shall apply to the engagement (including related activities prior to the date hereof) and any modification thereof and shall remain in full force and effect regardless of the completion or termination of the engagement. If any term, provision, covenant or restriction herein is held by a court of competent jurisdiction to be invalid, void or unenforceable or against public policy, the remainder of the terms, provisions and restrictions contained herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By:



Name: Lonnie N. Carter
Title: President and CEO

Accepted and agreed to as of the date hereof:
CREDIT SUISSE FIRST BOSTON LLC

By:

Name: Mary Beth Mandanas
Title: Director

From: Lonnie Carter
To: kmunson@wcsr.com; marybeth.mandanas@csfb.com; mevans@gov.sc.gov
Date: 11/10/04 2:34PM
Subject: CSFB Funding Study

Attached is the executed letter and annex, which were faxed to you.

Ms. Mandanas, if you wish to place the letter on letterhead, I will sign another copy.

Thank you,

Lonnie



Lonnie N. Carter
President and
Chief Executive Officer

One Riverwood Drive
Moncks Corner, SC 29461-2901
(843) 761-4192
Fax: (843) 761-7037
P.O. Box 2946101
Moncks Corner, SC 29461-6101

November 10, 2004

Ms. Mary Beth Mandanas
Director of Investment Banking
11 Madison Avenue
New York, NY 10010-3629

Dear Ms. Mandanas:

Enclosed is the letter from you to me regarding CSFB's study. I understand that you have signed off on the text. I have signed the letter and the annex.

If this represents your understanding of the arrangement, please sign and fax the completed version of the letter and annex to me. Upon receipt of your fax, I will transmit the original to you along with the fee and expense retainer. If you would prefer to handle the logistics of execution differently, please advise.

By copy of this to the Governor's office, I am apprising that office of the status of the paperwork.

Regarding information to be requested from Santee Cooper, please communicate your information and data requests to me directly.

Please call me if you have any questions or concerns. I look forward to working with you.

Sincerely yours,

Lonnie N. Carter / jmc

Lonnie N. Carter

LNC:kays

Enclosure

cc: Keith D. Munson, Esquire
Marshall Evans

November 10, 2004

C O N F I D E N T I A L

Mr. Lonnie N. Carter
President and Chief Executive Officer
South Carolina Public Service Authority
Post Office Box 2946101
Moncks Corner, South Carolina 29461-6101

Dear Lonnie:

As you know, in 2003, Credit Suisse First Boston LLC conducted an overview analysis of aspects of the existing structure of The South Carolina Public Service Authority ("Santee Cooper", the "Company" or "you"), including a comparison of certain alternative organizational structures. In 2004, after learning of the 2003 overview analysis, the State asked us to expand this analysis as set forth herein. Therefore, this letter confirms our understanding that Credit Suisse First Boston LLC and its affiliates, successors and assigns, as appropriate ("CSFB", "we" or "us"), has been engaged to act as financial advisor with respect to undertaking comprehensive financial analyses regarding Santee Cooper using various valuation and other methodologies and provide our views as to possible strategies to maximize the Company's value under its existing structure or any viable alternatives. ("CSFB Engagement"). CSFB will perform its own financial analyses taking into account information provided by the Company.

In addition, CSFB will be available at your request to meet with your Board of Directors to discuss the results of the review.

In connection with CSFB's engagement, the Company will furnish CSFB with all information concerning the Company which CSFB reasonably deems appropriate and will provide CSFB with access to the Company's officers, directors, employees, accountants, and other representatives (collectively, the "Representatives"), it being understood that CSFB will rely solely upon such information supplied by the Company and its Representatives without assuming any responsibility for independent investigation or verification thereof. All non-public information concerning the Company which is given to CSFB in connection with this engagement will be used solely in the course of the performance of our services hereunder, will not be used for any other purpose or transaction and will be treated confidentially by it for so long as it remains non-public. Except as otherwise required by law or judicial or regulatory process, CSFB will not disclose this information to a third party without the Company's consent. At the completion of this engagement, CSFB, if requested, will return all non-public documents in any form provided to us and marked Confidential, except that CSFB may retain copies of such documents (including to the extent stored on electronic, magnetic or similar media) in accordance with policies and procedures implemented in order to comply with legal and regulatory requirements and to demonstrate CSFB's compliance with its obligations.

As compensation for CSFB's services hereunder, the Company agrees to pay CSFB a fee equal to \$100,000 ("Fee"). The Fee shall be payable upon the full execution of this agreement.

In addition, the Company agrees to reimburse CSFB for all expenses, including the fees and expenses of its legal counsel, if any, and any other advisor retained by CSFB up to and not to exceed \$50,000. Santee Cooper will provide a \$50,000 expense retainer upon the full execution of this agreement and CSFB will refund any amount of that retainer remaining at the completion of the CSFB Engagement. The Company will not reimburse expenses beyond \$50,000 without the prior written consent of the Company. All fees and expenses payable hereunder are net of all applicable withholding and similar taxes.

CSFB will not be prohibited from the opportunity to compete for the lead role in connection with any subsequent work or transactions that might follow this engagement, including without limitation, as appropriate, lead financial advisor, lead bookrunning underwriter or other applicable lead role.

The Company and CSFB agree to the indemnity provisions and other matters set forth in Annex A which is incorporated by reference into this agreement.

No advice rendered by CSFB, whether formal or informal, may be disclosed, in whole or in part, or summarized, excerpted from or otherwise referred to without our prior written consent or as required by court order or formal written opinion of counsel for Santee Cooper under the State's Freedom of Information laws (in which case you will give us prompt notice). In addition, CSFB may not be otherwise referred to in any press release or other public announcement made by the Company without our prior written consent. If requested by CSFB, the Company shall include a mutually acceptable reference to CSFB in any press release or other public announcement made by the Company regarding the matters described in this letter.

Santee Cooper has agreed to fund, but did not engage, this study. However, CSFB's engagement hereunder may be terminated at any time by the Company or by CSFB, with or without cause, upon ten days' prior written notice thereof to the other party, *provided, however*, that no termination of CSFB's engagement hereunder shall affect the Company's obligation to pay the Fee, other fees and expenses, including indemnification, to the extent provided for herein.

CSFB is a full service securities firm engaged in securities trading and brokerage activities as well as investment banking and financial advisory services. In the ordinary course of our trading and brokerage activities, CSFB or its affiliates may hold positions, for its own account or the accounts of customers, in equity, debt or other securities of the Company or any other company that may be involved in the matters contemplated by this agreement. CSFB has adopted policies and procedures designed to preserve the independence of its research analysts whose views may differ from those of CSFB's investment banking division.

In connection with this engagement, CSFB is acting as an independent contractor and not in any other capacity. All aspects of the relationship created by this agreement

shall be governed by and construed in accordance with the laws of the State of New York, applicable to contracts made and to be performed therein.

We are delighted to have the opportunity to participate in this engagement and look forward to working with you on this assignment. Please confirm that the foregoing is in accordance with your understanding by signing and returning to us the enclosed duplicate of this letter.

Very truly yours,
CREDIT SUISSE FIRST BOSTON LLC

By: _____
Name: Mary Beth Mandanas
Title: Director of Investment Banking
11 Madison Avenue
New York, NY 10010-3629
(212) 325-0605
FAX: (212) 743-1433
marybeth.mandanas@csfb.com

Accepted and agreed to as of the date first written above:
SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: Lonnie N. Carter
Name: Lonnie N. Carter
Title: President and Chief Executive Officer

ANNEX A

November 10, 2004

In further consideration of the agreements contained in our engagement letter dated the date hereof (the "engagement"), in the event that Credit Suisse First Boston LLC ("CSFB") or any of its affiliates, the respective directors, officers, partners, agents or employees of CSFB or any of its affiliates, or any other person controlling CSFB or any of its affiliates (collectively, "Indemnified Persons") becomes involved in any capacity in any action, claim, suit, investigation or proceeding, actual or threatened, brought by or against any person, in connection with or as a result of the engagement or any matter referred to in the engagement, the South Carolina Public Service Authority (the "Company") will reimburse such Indemnified Person for its reasonable and customary legal and other expenses (including without limitation the costs and expenses incurred in connection with investigating, preparing for and responding to third party subpoenas or enforcing the engagement) incurred in connection therewith as such expenses are incurred. The Company will also indemnify and hold harmless any Indemnified Person from and against, and the Company agrees that no Indemnified Person shall have any liability to the Company or its owners, parents, affiliates, security holders or creditors for, any losses, claims, damages or liabilities (including actions or proceedings in respect thereof) (collectively, "Losses") (A) related to or arising out of (i) the Company's actions or failures to act (including statements or omissions made or information provided by the Company or its agents) or (ii) actions or failures to act by an Indemnified Person with the Company's consent or in reliance on the Company's actions or failures to act or (B) otherwise related to or arising out of the engagement or CSFB's performance thereof, except that this clause (B) shall not apply to any Losses that are finally determined by a court or arbitral tribunal to have resulted primarily from the bad faith or gross negligence of such Indemnified Person. If such indemnification is for any reason not available or insufficient to hold an Indemnified Person harmless, the Company agrees to contribute to the Losses involved in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Company, on the one hand, and by CSFB, on the other hand, with respect to the engagement or, if such allocation is determined by a court or arbitral tribunal to be unavailable, in such proportion as is appropriate to reflect other equitable considerations such as the relative fault of the Company on the one hand and of CSFB on the other hand; *provided, however*, that, to the extent permitted by applicable law, the Indemnified Persons shall not be responsible for amounts which in the aggregate are in excess of the amount of all fees actually received by CSFB from the Company in connection with the engagement.

The Company will not, without CSFB's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding in respect of which indemnification may be sought hereunder (whether or not any Indemnified Person is a party thereto) unless such settlement, compromise, consent or termination includes a release of each Indemnified Person from any liabilities arising out of such action, claim, suit, investigation or proceeding. The Company will not permit any such settlement, compromise, consent or termination to include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an Indemnified Person, without such Indemnified Person's prior written consent. No Indemnified Person seeking indemnification, reimbursement or contribution under this agreement will, without the Company's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding referred to herein.



Lonnie N. Carter
President and
Chief Executive Officer

One Riverwood Drive
Moncks Corner, SC 29461-2901
(843) 761-4192
Fax: (843) 761-7037
P.O. Box 2946101
Moncks Corner, SC 29461-6101

November 17, 2004

Ms. Mary Beth Mandanas
Director
Credit Suisse First Boston LLC
11 Madison Avenue
New York, New York 10010-3629

Dear Ms. Mandanas:

Attached are the changes I need in order to execute the agreement you mailed me earlier. Marshall Evans in Governor Sanford's office asked me to send these to you. He will call you to discuss them. If they are satisfactory, please send me a revised executed copy for signature.

Sincerely,

A handwritten signature in cursive script that reads 'Lonnie N. Carter'.

Lonnie N. Carter

LNC: sbg

Attachment

cc: Marshall Evans
Keith Munson

bcc: John West

CREDIT SUISSE FIRST BOSTON

CREDIT SUISSE FIRST BOSTON LLC

Eleven Madison Avenue
New York, NY 10010-6629

Tel: 1 312 528 2000
www.csfb.com

November 10, 2004

CONFIDENTIAL

Mr. Lonnie N. Carter
President and Chief Executive Officer
South Carolina Public Service Authority
Post Office Box 2946101
Moncks Corner, South Carolina 29461-6101

Dear Lonnie:

~~The South Carolina Public Service Authority ("Santee Cooper", the "Company" or "you") has advised Credit Suisse First Boston LLC (together with its affiliates, successors and assigns, as appropriate "CSFB", "we" or "us") that the State has requested that CSFB be engaged to perform analyses as set forth herein. This letter confirms our understanding that CSFB has been engaged to undertake comprehensive financial analyses regarding Santee Cooper using various valuation and other methodologies and provide our views as to possible strategies to maximize the Company's value under its existing structure or any viable alternatives. CSFB will perform its own financial analyses taking into account information provided by the Company.~~

In addition, CSFB will be available at your request to meet with your Board of Directors to discuss the results of the review.

In connection with CSFB's engagement, the Company will furnish CSFB with all information concerning the Company which CSFB reasonably deems appropriate and will provide CSFB with access to the Company's officers, directors, employees, accountants, and other representatives (collectively, the "Representatives"), it being understood that CSFB will rely solely upon such information supplied by the Company and its Representatives without assuming any responsibility for independent investigation or verification thereof. All non-public information concerning the Company which is given to CSFB in connection with this engagement will be used solely in the course of the performance of our services hereunder, will not be used for any other purpose or transaction and will be treated confidentially by it for so long as it remains non-public. Except as otherwise required by law or judicial or regulatory process, CSFB will not disclose this information to a third party without the Company's consent. At the completion of this engagement, CSFB, if requested, will return all non-public documents provided to us and marked Confidential, except that CSFB may retain copies of such documents (including to the extent stored on electronic, magnetic or similar media) in accordance with policies and procedures implemented in order to comply with legal and regulatory requirements and to demonstrate CSFB's compliance with its obligations.

As compensation for CSFB's services hereunder, the Company agrees to pay CSFB a fee equal to \$100,000 ("Fee"). The Fee shall be payable in full upon the execution of this agreement by the Company and CSFB.

CREDIT SUISSE FIRST BOSTON

In addition, the Company agrees to reimburse CSFB for all expenses, including the fees and expenses of its legal counsel, if any, and any other advisor retained by CSFB. The Company will not reimburse expenses beyond \$50,000 without the prior written consent of the Company, not to be unreasonably withheld; provided that the foregoing limitation shall not affect the Company's obligations under Annex A. All fees and expenses payable hereunder are net of all applicable withholding and similar taxes.

CSFB will not be prohibited from the opportunity to compete for the lead role in connection with any subsequent work or transactions that might follow this engagement, including without limitation, as appropriate, lead financial advisor, lead bookrunning underwriter or other applicable lead role.

As further consideration for entering into this letter, the Company and CSFB agree to the indemnity provisions and other matters set forth in Annex A which is incorporated by reference into this agreement.

No advice rendered by CSFB, whether formal or informal, may be disclosed, in whole or in part, or summarized, excerpted from or otherwise referred to without our prior written consent or as required by court order or formal written opinion of counsel of Santee Cooper under the State's Freedom of Information laws (in which case you will give us prompt notice). In addition, CSFB may not be otherwise referred to in any press release or other public announcement made by the Company without our prior written consent. If requested by CSFB, the Company shall include a mutually acceptable reference to CSFB in any press release or other public announcement made by the Company regarding the matters described in this letter.

Sert A or Sert B n Attached
10/2/84

CSFB's engagement hereunder may be terminated at any time by the Company or by CSFB, with or without cause, upon ten days' prior written notice thereof to the other party, provided, however, that no termination of CSFB's engagement hereunder shall affect the Company's obligation to pay the Fee, other fees and expenses, to the extent provided for herein, and to satisfy its obligations under Annex A.

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In connection with this engagement, CSFB is acting as an independent contractor and not in any other capacity, ~~with duties owed to no party other than you.~~ All aspects of the relationship created by this agreement shall be governed by and construed in accordance with the laws of the State of New York, applicable to contracts made and to be performed therein.

We are delighted to have the opportunity to participate in this engagement and look forward to working with you on this assignment. Please confirm that the foregoing is in

INSERT A

Santee Cooper has agreed to fund but did not engage this study.

INSERT B

Santee Cooper has agreed to fund but is not initiating or directing these analyses.

CREDIT SUISSE FIRST BOSTON

accordance with your understanding by signing and returning to us the enclosed duplicate of this letter.

Very truly yours,
CREDIT SUISSE FIRST BOSTON LLC

By: Mary Beth Mandanas

Name: Mary Beth Mandanas
Title: Director
11 Madison Avenue
New York, NY 10010-3629
(212) 325-0505
FAX: (212) 743-1433
marybeth.mandanas@csfb.com

Accepted and agreed to as of the date first written above;
SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: _____
Name: Lonnie N. Carter
Title: President and Chief Executive Officer

CREDIT SUISSE FIRST BOSTON

ANNEX A

November 10, 2004

In further consideration of the agreements contained in our engagement letter dated the date hereof (the "engagement"), in the event that Credit Suisse First Boston LLC ("CSFB") or any of its affiliates, the respective directors, officers, partners, agents or employees of CSFB or any of its affiliates, or any other person controlling CSFB or any of its affiliates (collectively, "Indemnified Persons") becomes involved in any capacity in any action, claim, suit, investigation or proceeding, actual or threatened, brought by or against any person, in connection with or as a result of the engagement or any matter referred to in the engagement, the South Carolina Public Service Authority (the "Company") will reimburse such Indemnified Person for its reasonable and customary legal and other expenses (including without limitation the costs and expenses incurred in connection with investigating, preparing for and responding to third party subpoenas or enforcing the engagement) incurred in connection therewith as such expenses are incurred. The Company will also indemnify and hold harmless any Indemnified Person from and against, and the Company agrees that no Indemnified Person shall have any liability to the Company or its owners, parents, affiliates, security holders or creditors for, any losses, claims, damages or liabilities (including actions or proceedings in respect thereof) (collectively, "Losses") (A) related to or arising out of (i) the Company's actions or failures to act (including statements or omissions made or information provided by the Company or its agents) or (ii) actions or failures to act by an Indemnified Person with the Company's consent or in reliance on the Company's actions or failures to act or (B) otherwise related to or arising out of the engagement or CSFB's performance thereof, except that this clause (B) shall not apply to any Losses that are finally determined by a court or arbitral tribunal to have resulted primarily from the bad faith or gross negligence of such Indemnified Person. If such indemnification is for any reason not available or insufficient to hold an Indemnified Person harmless, the Company agrees to contribute to the Losses involved in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Company, on the one hand, and by CSFB, on the other hand, with respect to the engagement or, if such allocation is determined by a court or arbitral tribunal to be unavailable, in such proportion as is appropriate to reflect other equitable considerations such as the relative fault of the Company or the one hand and of CSFB on the other hand; provided, however, that to the extent permitted by applicable law, the Indemnified Persons shall not be responsible for amounts which in the aggregate are in excess of the amount of all fees actually received by CSFB from the Company in connection with the engagement.

The Company will not, without CSFB's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding in respect of which indemnification may be sought hereunder (whether or not any Indemnified Person is a party thereto) unless such settlement, compromise, consent or termination includes a release of each Indemnified Person from any liabilities arising out of such action, claim, suit, investigation or proceeding. The Company will not permit any such settlement, compromise, consent or termination to include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an Indemnified Person, without such Indemnified Person's prior written consent. No Indemnified Person seeking indemnification, reimbursement or contribution under this agreement will, without the Company's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding referred to herein.

Prior to entering into any agreement or arrangement affecting all or most of its assets in one or a series of transactions or any significant recapitalization or reclassification of its outstanding securities that does not directly or indirectly provide for the assumption of the obligations of the Company set forth herein, the Company will notify CSFB in writing thereof (if not previously so notified) and, if requested by CSFB, shall arrange in connection therewith alternative means of providing for the obligations of the Company set forth herein, including the assumption of such obligations by another party, insurance, surety bonds or the creation of an escrow, in each case in an amount and upon terms and conditions satisfactory to CSFB.

The Company's obligations hereunder shall be in addition to any rights that any Indemnified Person may have at common law or otherwise. The Company acknowledges that in connection with the engagement CSFB is acting as an independent contractor and not in any other capacity with duties owing solely to the Company. This agreement and any other agreements relating to the engagement shall be governed by

CREDIT SUISSE FIRST BOSTON

and construed in accordance with the laws of the State of New York, applicable to contracts made and to be performed therein and, in connection therewith, the parties hereto consent to the exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County or the United States District Court for the Southern District of New York and the respective appellate courts thereof. Notwithstanding the foregoing, solely for purposes of enforcing the Company's obligations hereunder, the Company consents to personal jurisdiction, service and venue in any court proceeding in which any claim subject to this agreement is brought by or against any Indemnified Person. CSFB HEREBY AGREES, AND THE COMPANY HEREBY AGREES ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS SECURITY HOLDERS, TO WAIVE ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM, COUNTER-CLAIM OR ACTION ARISING OUT OF THE ENGAGEMENT OR CSFB'S PERFORMANCE THEREOF.

The provisions of this agreement shall apply to the engagement (including related activities prior to the date hereof) and any modification thereof and shall remain in full force and effect regardless of the completion or termination of the engagement. If any term, provision, covenant or restriction herein is held by a court of competent jurisdiction to be invalid, void or unenforceable or against public policy, the remainder of the terms, provisions and restrictions contained herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: _____
Name: Lonnie N. Carter
Title: President and CEO

Accepted and agreed to as of the date hereof:
CREDIT SUISSE FIRST BOSTON LLC

By: Mary Beth Mandanas
Name: Mary Beth Mandanas
Title: Director

C

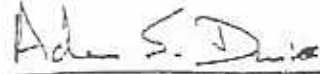
Telefax

To	Lonnie N. Carter President & CEO Santee Cooper	Telefax	843 761 7037
Sender	Adam Davies	Direct line	212 325 5851
		Telefax	212 743 2027
Date	November 15, 2004	Pages (including this page)	6
Re	CSFB Engagement		

Message

Please find attached a copy of CSFB's engagement letter as discussed with Mary Beth Mandanas.

Kind regards,


Adam S. Davies

Should there be any difficulty with this transmission, please notify the sender at the telephone number given above.

This telefax is intended only for the individual or entity to whom it is addressed and may contain information which is privileged and confidential. If the reader of this message is not the intended recipient or an employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone and return the original message to us by mail.

November 10, 2004

C O N F I D E N T I A L

Mr. Lonnie N. Carter
President and Chief Executive Officer
South Carolina Public Service Authority
Post Office Box 2946101
Moncks Corner, South Carolina 29461-6101

Dear Lonnie:

The South Carolina Public Service Authority ("Santee Cooper", the "Company" or "you") has advised Credit Suisse First Boston LLC (together with its affiliates, successors and assigns, as appropriate "CSFB", "we" or "us") that the State has requested that CSFB be engaged to perform analyses as set forth herein. This letter confirms our understanding that CSFB has been engaged to undertake comprehensive financial analyses regarding Santee Cooper using various valuation and other methodologies and provide our views as to possible strategies to maximize the Company's value under its existing structure or any viable alternatives. CSFB will perform its own financial analyses taking into account information provided by the Company.

In addition, CSFB will be available at your request to meet with your Board of Directors to discuss the results of the review.

In connection with CSFB's engagement, the Company will furnish CSFB with all information concerning the Company which CSFB reasonably deems appropriate and will provide CSFB with access to the Company's officers, directors, employees, accountants, and other representatives (collectively, the "Representatives"), it being understood that CSFB will rely solely upon such information supplied by the Company and its Representatives without assuming any responsibility for independent investigation or verification thereof. All non-public information concerning the Company which is given to CSFB in connection with this engagement will be used solely in the course of the performance of our services hereunder, will not be used for any other purpose or transaction and will be treated confidentially by it for so long as it remains non-public. Except as otherwise required by law or judicial or regulatory process, CSFB will not disclose this information to a third party without the Company's consent. At the completion of this engagement, CSFB, if requested, will return all non-public documents provided to us and marked Confidential, except that CSFB may retain copies of such documents (including to the extent stored on electronic, magnetic or similar media) in accordance with policies and procedures implemented in order to comply with legal and regulatory requirements and to demonstrate CSFB's compliance with its obligations.

As compensation for CSFB's services hereunder, the Company agrees to pay CSFB a fee equal to \$100,000 ("Fee"). The Fee shall be payable in full upon the execution of this agreement by the Company and CSFB.

In addition, the Company agrees to reimburse CSFB for all expenses, including the fees and expenses of its legal counsel, if any, and any other advisor retained by CSFB. The Company will not reimburse expenses beyond \$50,000 without the prior written consent of the Company, not to be unreasonably withheld; provided that the foregoing limitation shall not affect the Company's obligations under Annex A. All fees and expenses payable hereunder are net of all applicable withholding and similar taxes.

CSFB will not be prohibited from the opportunity to compete for the lead role in connection with any subsequent work or transactions that might follow this engagement, including without limitation, as appropriate, lead financial advisor, lead bookrunning underwriter or other applicable lead role.

As further consideration for entering into this letter, the Company and CSFB agree to the indemnity provisions and other matters set forth in Annex A which is incorporated by reference into this agreement.

No advice rendered by CSFB, whether formal or informal, may be disclosed, in whole or in part, or summarized, excerpted from or otherwise referred to without our prior written consent or as required by court order or formal written opinion of counsel of Santee Cooper under the State's Freedom of Information laws (in which case you will give us prompt notice). In addition, CSFB may not be otherwise referred to in any press release or other public announcement made by the Company without our prior written consent. If requested by CSFB, the Company shall include a mutually acceptable reference to CSFB in any press release or other public announcement made by the Company regarding the matters described in this letter.

CSFB's engagement hereunder may be terminated at any time by the Company or by CSFB, with or without cause, upon ten days' prior written notice thereof to the other party, *provided, however*, that no termination of CSFB's engagement hereunder shall affect the Company's obligation to pay the Fee, other fees and expenses, to the extent provided for herein, and to satisfy its obligations under Annex A.

CSFB is a full service securities firm engaged in securities trading and brokerage activities as well as investment banking and financial advisory services. In the ordinary course of our trading and brokerage activities, CSFB or its affiliates may hold positions, for its own account or the accounts of customers, in equity, debt or other securities of the Company or any other company that may be involved in the matters contemplated by this agreement. CSFB has adopted policies and procedures designed to preserve the independence of its research analysts whose views may differ from those of CSFB's investment banking division.

In connection with this engagement, CSFB is acting as an independent contractor and not in any other capacity, with duties owed to no party other than you. All aspects of the relationship created by this agreement shall be governed by and construed in accordance with the laws of the State of New York, applicable to contracts made and to be performed therein.

We are delighted to have the opportunity to participate in this engagement and look forward to working with you on this assignment. Please confirm that the foregoing is in

accordance with your understanding by signing and returning to us the enclosed duplicate of this letter. c

Very truly yours,

CREDIT SUISSE FIRST BOSTON LLC

By: Mary Beth Mandanas

Name: Mary Beth Mandanas

Title: Director

11 Madison Avenue

New York, NY 10010-3629

(212) 325-0605

FAX: (212) 743-1433

marybeth.mandanas@csfb.com

Accepted and agreed to as of the date first written above:

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: _____

Name: Lonnie N. Carter

Title: President and Chief Executive Officer

November 10, 2004

In further consideration of the agreements contained in our engagement letter dated the date hereof (the "engagement"), in the event that Credit Suisse First Boston LLC ("CSFB") or any of its affiliates, the respective directors, officers, partners, agents or employees of CSFB or any of its affiliates, or any other person controlling CSFB or any of its affiliates (collectively, "Indemnified Persons") becomes involved in any capacity in any action, claim, suit, investigation or proceeding, actual or threatened, brought by or against any person, in connection with or as a result of the engagement or any matter referred to in the engagement, the South Carolina Public Service Authority (the "Company") will reimburse such Indemnified Person for its reasonable and customary legal and other expenses (including without limitation the costs and expenses incurred in connection with investigating, preparing for and responding to third party subpoenas or enforcing the engagement) incurred in connection therewith as such expenses are incurred. The Company will also indemnify and hold harmless any Indemnified Person from and against, and the Company agrees that no Indemnified Person shall have any liability to the Company or its owners, parents, affiliates, security holders or creditors for, any losses, claims, damages or liabilities (including actions or proceedings in respect thereof) (collectively, "Losses") (A) related to or arising out of (i) the Company's actions or failures to act (including statements or omissions made or information provided by the Company or its agents) or (ii) actions or failures to act by an Indemnified Person with the Company's consent or in reliance on the Company's actions or failures to act or (B) otherwise related to or arising out of the engagement or CSFB's performance thereof, except that this clause (B) shall not apply to any Losses that are finally determined by a court or arbitral tribunal to have resulted primarily from the bad faith or gross negligence of such Indemnified Person. If such indemnification is for any reason not available or insufficient to hold an Indemnified Person harmless, the Company agrees to contribute to the Losses involved in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Company, on the one hand, and by CSFB, on the other hand, with respect to the engagement or, if such allocation is determined by a court or arbitral tribunal to be unavailable, in such proportion as is appropriate to reflect other equitable considerations such as the relative fault of the Company on the one hand and of CSFB on the other hand; *provided, however*, that, to the extent permitted by applicable law, the Indemnified Persons shall not be responsible for amounts which in the aggregate are in excess of the amount of all fees actually received by CSFB from the Company in connection with the engagement.

The Company will not, without CSFB's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding in respect of which indemnification may be sought hereunder (whether or not any Indemnified Person is a party thereto) unless such settlement, compromise, consent or termination includes a release of each Indemnified Person from any liabilities arising out of such action, claim, suit, investigation or proceeding. The Company will not permit any such settlement, compromise, consent or termination to include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an Indemnified Person, without such Indemnified Person's prior written consent. No Indemnified Person seeking indemnification, reimbursement or contribution under this agreement will, without the Company's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding referred to herein.

Prior to entering into any agreement or arrangement affecting all or most of its assets in one or a series of transactions or any significant recapitalization or reclassification of its outstanding securities that does not directly or indirectly provide for the assumption of the obligations of the Company set forth herein, the Company will notify CSFB in writing thereof (if not previously so notified) and, if requested by CSFB, shall arrange in connection therewith alternative means of providing for the obligations of the Company set forth herein, including the assumption of such obligations by another party, insurance, surety bonds or the creation of an escrow, in each case in an amount and upon terms and conditions satisfactory to CSFB.

The Company's obligations hereunder shall be in addition to any rights that any Indemnified Person may have at common law or otherwise. The Company acknowledges that in connection with the engagement CSFB is acting as an independent contractor and not in any other capacity with duties owing solely to the Company. This agreement and any other agreements relating to the engagement shall be governed by

and construed in accordance with the laws of the State of New York, applicable to contracts made and to be performed therein and, in connection therewith, the parties hereto consent to the exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County or the United States District Court for the Southern District of New York and the respective appellate courts thereof. Notwithstanding the foregoing, solely for purposes of enforcing the Company's obligations hereunder, the Company consents to personal jurisdiction, service and venue in any court proceeding in which any claim subject to this agreement is brought by or against any Indemnified Person. CSFB HEREBY AGREES, AND THE COMPANY HEREBY AGREES ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS SECURITY HOLDERS, TO WAIVE ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM, COUNTER-CLAIM OR ACTION ARISING OUT OF THE ENGAGEMENT OR CSFB'S PERFORMANCE THEREOF.

The provisions of this agreement shall apply to the engagement (including related activities prior to the date hereof) and any modification thereof and shall remain in full force and effect regardless of the completion or termination of the engagement. If any term, provision, covenant or restriction herein is held by a court of competent jurisdiction to be invalid, void or unenforceable or against public policy, the remainder of the terms, provisions and restrictions contained herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated.


SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By:

Name: Lonnie N. Carter
Title: President and CEO

Accepted and agreed to as of the date hereof:
CREDIT SUISSE FIRST BOSTON LLC

By:



Name: Mary Beth Mandanas
Title: Director



Lonnie N. Carter
President and
Chief Executive Officer

One Riverwood Drive
Moncks Corner, SC 29461-2901
(843) 761-4192
Fax: (843) 761-7037
P.O. Box 2946101
Moncks Corner, SC 29461-6101

November 17, 2004

Ms. Mary Beth Mandanas
Director
Credit Suisse First Boston LLC
11 Madison Avenue
New York, New York 10010-3629

Dear Ms. Mandanas:

Attached are the changes I need in order to execute the agreement you mailed me earlier. Marshall Evans in Governor Sanford's office asked me to send these to you. He will call you to discuss them. If they are satisfactory, please send me a revised executed copy for signature.

Sincerely,


Lonnie N. Carter

LNC: sbg

Attachment

cc: Marshall Evans
Keith Munson

bcc: John West

**CREDIT
SUISSE** | **FIRST
BOSTON**

CREDIT SUISSE FIRST BOSTON LLC

Eleven Madison Avenue
New York, NY 10010-3629Tel 1 212 326 2000
www.csfb.com

November 10, 2004

CONFIDENTIAL

Mr. Lonnie N. Carter
President and Chief Executive Officer
South Carolina Public Service Authority
Post Office Box 2946101
Moncks Corner, South Carolina 29461-6101

Dear Lonnie:

~~The South Carolina Public Service Authority ("Santee Cooper", the "Company" or "you") has advised Credit Suisse First Boston LLC (together with its affiliates, successors and assigns, as appropriate "CSFB", "we" or "us") that the State has requested that CSFB be engaged to perform analyses as set forth herein. This letter confirms our understanding that CSFB has been engaged to undertake comprehensive financial analyses regarding Santee Cooper using various valuation and other methodologies and provide our views as to possible strategies to maximize the Company's value under its existing structure or any viable alternatives. CSFB will perform its own financial analyses taking into account information provided by the Company.~~

In addition, CSFB will be available at your request to meet with your Board of Directors to discuss the results of the review.

In connection with CSFB's engagement, the Company will furnish CSFB with all information concerning the Company which CSFB reasonably deems appropriate and will provide CSFB with access to the Company's officers, directors, employees, accountants, and other representatives (collectively, the "Representatives"), it being understood that CSFB will rely solely upon such information supplied by the Company and its Representatives without assuming any responsibility for independent investigation or verification thereof. All non-public information concerning the Company which is given to CSFB in connection with this engagement will be used solely in the course of the performance of our services hereunder, will not be used for any other purpose or transaction and will be treated confidentially by it for so long as it remains non-public. Except as otherwise required by law or judicial or regulatory process, CSFB will not disclose this information to a third party without the Company's consent. At the completion of this engagement, CSFB, if requested, will return all non-public documents provided to us and marked Confidential, except that CSFB may retain copies of such documents (including to the extent stored on electronic, magnetic or similar media) in accordance with policies and procedures implemented in order to comply with legal and regulatory requirements and to demonstrate CSFB's compliance with its obligations.

As compensation for CSFB's services hereunder, the Company agrees to pay CSFB a fee equal to \$100,000 ("Fee"). The Fee shall be payable in full upon the execution of this agreement by the Company and CSFB.

CREDIT SUISSE FIRST BOSTON

In addition, the Company agrees to reimburse CSFB for all expenses, including the fees and expenses of its legal counsel, if any, and any other advisor retained by CSFB. The Company will not reimburse expenses beyond \$50,000 without the prior written consent of the Company, not to be unreasonably withheld; provided that the foregoing limitation shall not affect the Company's obligations under Annex A. All fees and expenses payable hereunder are net of all applicable withholding and similar taxes.

CSFB will not be prohibited from the opportunity to compete for the lead role in connection with any subsequent work or transactions that might follow this engagement, including without limitation, as appropriate, lead financial advisor, lead bookrunning underwriter or other applicable lead role.

As further consideration for entering into this letter, the Company and CSFB agree to the indemnity provisions and other matters set forth in Annex A which is incorporated by reference into this agreement.

No advice rendered by CSFB, whether formal or informal, may be disclosed, in whole or in part, or summarized, excerpted from or otherwise referred to without our prior written consent or as required by court order or formal written opinion of counsel of Santee Cooper under the State's Freedom of Information laws (in which case you will give us prompt notice). In addition, CSFB may not be otherwise referred to in any press release or other public announcement made by the Company without our prior written consent. If requested by CSFB, the Company shall include a mutually acceptable reference to CSFB in any press release or other public announcement made by the Company regarding the matters described in this letter.

Insert A or Insert B on Attached sheet

CSFB's engagement hereunder may be terminated at any time by the Company or by CSFB, with or without cause, upon ten days' prior written notice thereof to the other party, provided, however, that no termination of CSFB's engagement hereunder shall affect the Company's obligation to pay the Fee, other fees and expenses, to the extent provided for herein, and to satisfy its obligations under Annex A.

CSFB is a full service securities firm engaged in securities trading and brokerage activities as well as investment banking and financial advisory services. In the ordinary course of our trading and brokerage activities, CSFB or its affiliates may hold positions, for its own account or the accounts of customers, in equity, debt or other securities of the Company or any other company that may be involved in the matters contemplated by this agreement. CSFB has adopted policies and procedures designed to preserve the independence of its research analysts whose views may differ from those of CSFB's investment banking division.

In connection with this engagement, CSFB is acting as an independent contractor and not in any other capacity, with ~~duties owed to no party other than you.~~ All aspects of the relationship created by this agreement shall be governed by and construed in accordance with the laws of the State of New York, applicable to contracts made and to be performed therein.

We are delighted to have the opportunity to participate in this engagement and look forward to working with you on this assignment. Please confirm that the foregoing is in

INSERT A

Santee Cooper has agreed to fund but did not engage this study.

INSERT B

Santee Cooper has agreed to fund but is not initiating or directing these analyses.

CREDIT SUISSE | FIRST BOSTON

accordance with your understanding by signing and returning to us the enclosed duplicate of this letter.

Very truly yours,
CREDIT SUISSE FIRST BOSTON LLC

By: Mary Beth Mandanas

Name: Mary Beth Mandanas
Title: Director
11 Madison Avenue
New York, NY 10010-3629
(212) 325-0605
FAX: (212) 743-1433
marybeth.mandanas@csfb.com

Accepted and agreed to as of the date first written above:
SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: _____
Name: Lonnie N. Carter
Title: President and Chief Executive Officer

CREDIT SUISSE FIRST BOSTON

ANNEX A

November 10, 2004

In further consideration of the agreements contained in our engagement letter dated the date hereof (the "engagement"), in the event that Credit Suisse First Boston LLC ("CSFB") or any of its affiliates, the respective directors, officers, partners, agents or employees of CSFB or any of its affiliates, or any other person controlling CSFB or any of its affiliates (collectively, "Indemnified Persons") becomes involved in any capacity in any action, claim, suit, investigation or proceeding, actual or threatened, brought by or against any person, in connection with or as a result of the engagement or any matter referred to in the engagement, the South Carolina Public Service Authority (the "Company") will reimburse such Indemnified Person for its reasonable and customary legal and other expenses (including without limitation the costs and expenses incurred in connection with investigating, preparing for and responding to third party subpoenas or enforcing the engagement) incurred in connection therewith as such expenses are incurred. The Company will also indemnify and hold harmless any Indemnified Person from and against, and the Company agrees that no Indemnified Person shall have any liability to the Company or its owners, parents, affiliates, security holders or creditors for, any losses, claims, damages or liabilities (including actions or proceedings in respect thereof) (collectively, "Losses") (A) related to or arising out of (i) the Company's actions or failures to act (including statements or omissions made or information provided by the Company or its agents) or (ii) actions or failures to act by an Indemnified Person with the Company's consent or in reliance on the Company's actions or failures to act or (B) otherwise related to or arising out of the engagement or CSFB's performance thereof, except that this clause (B) shall not apply to any Losses that are finally determined by a court or arbitral tribunal to have resulted primarily from the bad faith or gross negligence of such Indemnified Person. If such indemnification is for any reason not available or insufficient to hold an Indemnified Person harmless, the Company agrees to contribute to the Losses involved in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Company, on the one hand, and by CSFB, on the other hand, with respect to the engagement or, if such allocation is determined by a court or arbitral tribunal to be unavailable, in such proportion as is appropriate to reflect other equitable considerations such as the relative fault of the Company on the one hand and of CSFB on the other hand; *provided, however*, that, to the extent permitted by applicable law, the Indemnified Persons shall not be responsible for amounts which in the aggregate are in excess of the amount of all fees actually received by CSFB from the Company in connection with the engagement.

The Company will not, without CSFB's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding in respect of which indemnification may be sought hereunder (whether or not any Indemnified Person is a party thereto) unless such settlement, compromise, consent or termination includes a release of each Indemnified Person from any liabilities arising out of such action, claim, suit, investigation or proceeding. The Company will not permit any such settlement, compromise, consent or termination to include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an Indemnified Person, without such Indemnified Person's prior written consent. No Indemnified Person seeking indemnification, reimbursement or contribution under this agreement will, without the Company's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding referred to herein.

Prior to entering into any agreement or arrangement affecting all or most of its assets in one or a series of transactions or any significant recapitalization or reclassification of its outstanding securities that does not directly or indirectly provide for the assumption of the obligations of the Company set forth herein, the Company will notify CSFB in writing thereof (if not previously so notified) and, if requested by CSFB, shall arrange in connection therewith alternative means of providing for the obligations of the Company set forth herein, including the assumption of such obligations by another party, insurance, surety bonds or the creation of an escrow, in each case in an amount and upon terms and conditions satisfactory to CSFB.

The Company's obligations hereunder shall be in addition to any rights that any Indemnified Person may have at common law or otherwise. The Company acknowledges that in connection with the engagement CSFB is acting as an independent contractor and not in any other capacity with duties owing solely to the Company. This agreement and any other agreements relating to the engagement shall be governed by

**CREDIT
SUISSE** | **FIRST
BOSTON**

and construed in accordance with the laws of the State of New York, applicable to contracts made and to be performed therein and, in connection therewith, the parties hereto consent to the exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County or the United States District Court for the Southern District of New York and the respective appellate courts thereof. Notwithstanding the foregoing, solely for purposes of enforcing the Company's obligations hereunder, the Company consents to personal jurisdiction, service and venue in any court proceeding in which any claim subject to this agreement is brought by or against any Indemnified Person. CSFB HEREBY AGREES, AND THE COMPANY HEREBY AGREES ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS SECURITY HOLDERS, TO WAIVE ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM, COUNTER-CLAIM OR ACTION ARISING OUT OF THE ENGAGEMENT OR CSFB'S PERFORMANCE THEREOF.

The provisions of this agreement shall apply to the engagement (including related activities prior to the date hereof) and any modification thereof and shall remain in full force and effect regardless of the completion or termination of the engagement. If any term, provision, covenant or restriction herein is held by a court of competent jurisdiction to be invalid, void or unenforceable or against public policy, the remainder of the terms, provisions and restrictions contained herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

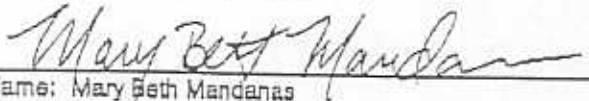
SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By:

Name: Lonnie N. Carter
Title: President and CEO

Accepted and agreed to as of the date hereof:
CREDIT SUISSE FIRST BOSTON LLC

By:



Name: Mary Beth Mandanas
Title: Director

Telefax

To	Lonnie N. Carter President and CEO Santee Cooper	Telefax	843 761 7037
Sender	Adam Davies	Direct line	212 325 5851
		Telefax	212 743 2027
Date	November 19, 2004	Pages (including this page)	6
Re	CSFB Engagement		

Message

Lonnie,

Please find attached for your attention a revised engagement letter reflecting comment received from you on November 17.

If the revised language is acceptable, please sign and fax back to CSFB for the attention of Mary Beth Mandanas on (212) 743-1433.

Kind regards,


Adam S. Davies

Should there be any difficulty with this transmission, please notify the sender at the telephone number given above.

This telefax is intended only for the individual or entity to whom it is addressed and may contain information which is privileged and confidential. If the reader of this message is not the intended recipient or an employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone and return the original message to us by mail.

November 19, 2004

C O N F I D E N T I A L

Mr. Lonnie N. Carter
President and Chief Executive Officer
South Carolina Public Service Authority
Post Office Box 2946101
Moncks Corner, South Carolina 29461-6101

Dear Lonnie:

We understand that the State of South Carolina has requested that Credit Suisse First Boston LLC (together with its affiliates, successors and assigns, as appropriate "CSFB", "we" or "us") be engaged to perform analyses as set forth herein. This letter confirms our understanding that CSFB has been engaged to undertake comprehensive financial analyses regarding The South Carolina Public Service Authority ("Santee Cooper", the "Company" or "you") using various valuation and other methodologies and provide our views as to possible strategies to maximize the Company's value under its existing structure or any viable alternatives. CSFB will perform its own financial analyses taking into account information provided by the Company.

In addition, CSFB will be available at your request to meet with your Board of Directors to discuss the results of the review.

In connection with CSFB's engagement, the Company will furnish CSFB with all information concerning the Company which CSFB reasonably deems appropriate and will provide CSFB with access to the Company's officers, directors, employees, accountants, and other representatives (collectively, the "Representatives"), it being understood that CSFB will rely solely upon such information supplied by the Company and its Representatives without assuming any responsibility for independent investigation or verification thereof. All non-public information concerning the Company which is given to CSFB in connection with this engagement will be used solely in the course of the performance of our services hereunder, will not be used for any other purpose or transaction and will be treated confidentially by it for so long as it remains non-public. Except as otherwise required by law or judicial or regulatory process, CSFB will not disclose this information to a third party without the Company's consent. At the completion of this engagement, CSFB, if requested, will return all non-public documents provided to us and marked Confidential, except that CSFB may retain copies of such documents (including to the extent stored on electronic, magnetic or similar media) in accordance with policies and procedures implemented in order to comply with legal and regulatory requirements and to demonstrate CSFB's compliance with its obligations.

As compensation for CSFB's services hereunder, the Company agrees to pay CSFB a fee equal to \$100,000 ("Fee"). The Fee shall be payable in full upon the execution of this agreement by the Company and CSFB.

In addition, the Company agrees to reimburse CSFB for all expenses, including the fees and expenses of its legal counsel, if any, and any other advisor retained by CSFB. The Company will not reimburse expenses beyond \$50,000 without the prior written consent of the Company, not to be unreasonably withheld; provided that the foregoing limitation shall not affect the Company's obligations under Annex A. All fees and expenses payable hereunder are net of all applicable withholding and similar taxes.

CSFB will not be prohibited from the opportunity to compete for the lead role in connection with any subsequent work or transactions that might follow this engagement, including without limitation, as appropriate, lead financial advisor, lead bookrunning underwriter or other applicable lead role.

As further consideration for entering into this letter, the Company and CSFB agree to the indemnity provisions and other matters set forth in Annex A which is incorporated by reference into this agreement.

No advice rendered by CSFB, whether formal or informal, may be disclosed, in whole or in part, or summarized, excerpted from or otherwise referred to without our prior written consent or as required by court order or formal written opinion of counsel of Santee Cooper under the State's Freedom of Information laws (in which case you will give us prompt notice). In addition, CSFB may not be otherwise referred to in any press release or other public announcement made by the Company without our prior written consent. If requested by CSFB, the Company shall include a mutually acceptable reference to CSFB in any press release or other public announcement made by the Company regarding the matters described in this letter.

Santee Cooper has agreed to fund but is not initiating or directing these analyses. CSFB's engagement hereunder may be terminated at any time by the Company or by CSFB, with or without cause, upon ten days' prior written notice thereof to the other party, *provided, however*, that no termination of CSFB's engagement hereunder shall affect the Company's obligation to pay the Fee, other fees and expenses, to the extent provided for herein, and to satisfy its obligations under Annex A.

CSFB is a full service securities firm engaged in securities trading and brokerage activities as well as investment banking and financial advisory services. In the ordinary course of our trading and brokerage activities, CSFB or its affiliates may hold positions, for its own account or the accounts of customers, in equity, debt or other securities of the Company or any other company that may be involved in the matters contemplated by this agreement. CSFB has adopted policies and procedures designed to preserve the independence of its research analysts whose views may differ from those of CSFB's investment banking division.

In connection with this engagement, CSFB is acting as an independent contractor and not in any other capacity. No persons or entities, other than the undersigned and the Indemnified Persons (as defined in Annex A, and such persons or entities other than the undersigned and the Indemnified Persons, "Third Parties"), shall have any rights hereunder, nor shall any duties be owed under this engagement or as a result of the services to be performed hereunder to any Third Parties. All aspects of the relationship created by this agreement shall be governed by and construed in accordance with the

laws of the State of New York, applicable to contracts made and to be performed therein.

We are delighted to have the opportunity to participate in this engagement and look forward to working with you on this assignment. Please confirm that the foregoing is in accordance with your understanding by signing and returning to us the enclosed duplicate of this letter.

Very truly yours,

CREDIT SUISSE FIRST BOSTON LLC

By: Mary Beth Mandanas

Name: Mary Beth Mandanas

Title: Director

11 Madison Avenue

New York, NY 10010-3629

(212) 325-0605

FAX: (212) 743-1433

marybeth.mandanas@csfb.com

Accepted and agreed to as of the date first written above:

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: Lonnie A. Carter

Name: Lonnie N. Carter

Title: President and Chief Executive Officer

ANNEX A

November 19, 2004

In further consideration of the agreements contained in our engagement letter dated the date hereof (the "engagement"), in the event that Credit Suisse First Boston LLC ("CSFB") or any of its affiliates, the respective directors, officers, partners, agents or employees of CSFB or any of its affiliates, or any other person controlling CSFB or any of its affiliates (collectively, "Indemnified Persons") becomes involved in any capacity in any action, claim, suit, investigation or proceeding, actual or threatened, brought by or against any person, in connection with or as a result of the engagement or any matter referred to in the engagement, the South Carolina Public Service Authority (the "Company") will reimburse such Indemnified Person for its reasonable and customary legal and other expenses (including without limitation the costs and expenses incurred in connection with investigating, preparing for and responding to third party subpoenas or enforcing the engagement) incurred in connection therewith as such expenses are incurred. The Company will also indemnify and hold harmless any Indemnified Person from and against, and the Company agrees that no Indemnified Person shall have any liability to the Company or its owners, parents, affiliates, security holders or creditors for, any losses, claims, damages or liabilities (including actions or proceedings in respect thereof) (collectively, "Losses") (A) related to or arising out of (i) the Company's actions or failures to act (including statements or omissions made or information provided by the Company or its agents) or (ii) actions or failures to act by an Indemnified Person with the Company's consent or in reliance on the Company's actions or failures to act or (B) otherwise related to or arising out of the engagement or CSFB's performance thereof, except that this clause (B) shall not apply to any Losses that are finally determined by a court or arbitral tribunal to have resulted primarily from the bad faith or gross negligence of such Indemnified Person. If such indemnification is for any reason not available or insufficient to hold an Indemnified Person harmless, the Company agrees to contribute to the Losses involved in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Company, on the one hand, and by CSFB, on the other hand, with respect to the engagement or, if such allocation is determined by a court or arbitral tribunal to be unavailable, in such proportion as is appropriate to reflect other equitable considerations such as the relative fault of the Company on the one hand and of CSFB on the other hand; *provided, however*, that, to the extent permitted by applicable law, the Indemnified Persons shall not be responsible for amounts which in the aggregate are in excess of the amount of all fees actually received by CSFB from the Company in connection with the engagement.

The Company will not, without CSFB's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding in respect of which indemnification may be sought hereunder (whether or not any Indemnified Person is a party thereto) unless such settlement, compromise, consent or termination includes a release of each Indemnified Person from any liabilities arising out of such action, claim, suit, investigation or proceeding. The Company will not permit any such settlement, compromise, consent or termination to include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an Indemnified Person, without such Indemnified Person's prior written consent. No Indemnified Person seeking indemnification, reimbursement or contribution under this agreement will, without the Company's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding referred to herein.

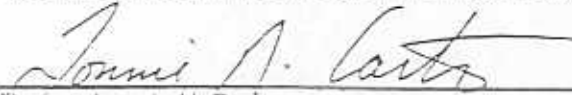
Prior to entering into any agreement or arrangement affecting all or most of its assets in one or a series of transactions or any significant recapitalization or reclassification of its outstanding securities that does not directly or indirectly provide for the assumption of the obligations of the Company set forth herein, the Company will notify CSFB in writing thereof (if not previously so notified) and, if requested by CSFB, shall arrange in connection therewith alternative means of providing for the obligations of the Company set forth herein, including the assumption of such obligations by another party, insurance, surety bonds or the creation of an escrow, in each case in an amount and upon terms and conditions satisfactory to CSFB.

The Company's obligations hereunder shall be in addition to any rights that any Indemnified Person may have at common law or otherwise. The Company acknowledges that in connection with the engagement CSFB is acting as an independent contractor and not in any other capacity with duties owing solely to the Company. This agreement and any other agreements relating to the engagement shall be governed by

and construed in accordance with the laws of the State of New York, applicable to contracts made and to be performed therein and, in connection therewith, the parties hereto consent to the exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County or the United States District Court for the Southern District of New York and the respective appellate courts thereof. Notwithstanding the foregoing, solely for purposes of enforcing the Company's obligations hereunder, the Company consents to personal jurisdiction, service and venue in any court proceeding in which any claim subject to this agreement is brought by or against any Indemnified Person. CSFB HEREBY AGREES, AND THE COMPANY HEREBY AGREES ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS SECURITY HOLDERS, TO WAIVE ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM, COUNTER-CLAIM OR ACTION ARISING OUT OF THE ENGAGEMENT OR CSFB'S PERFORMANCE THEREOF.

The provisions of this agreement shall apply to the engagement (including related activities prior to the date hereof) and any modification thereof and shall remain in full force and effect regardless of the completion or termination of the engagement. If any term, provision, covenant or restriction herein is held by a court of competent jurisdiction to be invalid, void or unenforceable or against public policy, the remainder of the terms, provisions and restrictions contained herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: 
Name: Lonnie N. Carter
Title: President and CEO

Accepted and agreed to as of the date hereof:
CREDIT SUISSE FIRST BOSTON LLC

By: 
Name: Mary Beth Mandaras
Title: Director

Memorandum

To Lonnie Carter From Adam Davies

Date November 22, 2004

Re CSFB Engagement

Lonnie,

Thank you for signing and returning to CSFB by fax a copy of the CSFB engagement letter dated November 19, 2004. Enclosed is the original letter that we had faxed to you. Please can you sign this original and return it to me for our retention purposes.

Kind regards



Adam S. Davies

cc: John West
& File

Adam S. Davies
Vice President, Mergers & Acquisitions
22nd Floor
Credit Suisse First Boston
Eleven Madison Avenue
New York, NY 10010-3629

Sasi,
Please mail original back to
CSFB.
Thanks
Lonnie 11/23/04

Original Mailed
11/30/2004

Preliminary Due Diligence Request

- 1) Financial Results, Strategy and Outlook
 - a) [5] year financial plan / forecasts
 - i) Income statement, balance sheet and cash flow
 - ii) Segment information
 - iii) Accompanying management reports / commentary / underlying assumptions
 - b) A schedule of planned capital expenditures split by maintenance and expansion, and a schedule of prospective capital expenditures over the next [5] years, including ongoing expenditure related to the Cross Station expansion
 - i) Discuss additional material new development or acquisition plans (generation plant, major new T&D, etc.)
 - c) Detailed O&M breakdown for the forecast period
 - d) Breakdown of PP&E among distribution, transmission and generation
 - e) Current net pension and OPEB funding status attributable to the Company of both requirements related to V.C. Summer Nuclear Station and all other employees. Please further provide a schedule illustrating the magnitude of pension / benefits payments paid by the Authority on behalf of the Company
 - f) Current off balance sheet liabilities / arrangements (Letters of credit, leases, etc.)
 - g) Historic financial statements (2001 through 2003) in a format comparable to projected financials (I/S, C/F and B/S) – require detail equivalent to projections to enable comparison. To the extent that the projections are substantially similar to the audited financial statements available in annual reports, nothing is required
 - h) Review of customer mix for past two years and any anticipated changes (major customers)
 - i) Impairments and other special charges - does the Company expect to report any material adjustments, reserves or charges for 2004 that are not reflected in the Company's plan?
 - j) Please describe any divestiture activity (e.g. land), including status of current processes, if any
 - k) Fuel / purchased power: does the Company utilize any hedging strategies? Please describe fuel / power purchase policy / strategy and provide relevant documentation
- 2) Regulatory Matters
 - a) Discuss all regulatory matters which could materially impact the Company's results
 - b) Please describe rate setting mechanism and projected rates by customer class. Please provide information on end user rates as well as intermediate cooperatives
- 3) Commitments and Contingencies
 - a) Discuss material commitments and contingencies

4) Legal and Environmental Matters

- a) Please discuss material litigation, if any, beyond March 2004 settlement to resolve Clean Air Act violations
- b) Provide a schedule of environmental expenditures over the forecast period, including the \$400 million to be spent by 2012 on compliance with the 2004 settlement. Please indicate whether the expenditures are fully incorporated into the current plan. Please also provide detail of related penalties and expenditures to finance environmentally friendly projects to the extent not included in the Company's plan
- c) Have any recent environmental audits been performed for or on behalf of the Company which may result in contingent liabilities being recognized?

5) Other

- a) Copies of material contracts, e.g. fuel purchase, electric sales, etc.
- b) Copies of Indentures
- c) Copies of any current engineering / market consulting reports produced for the Company
- d) Review current status of labor/union relations
- e) Does the Company have adequate title or rights to all of its tangible and intangible property used or useful in its business?
- f) Please provide management's assessment of internal controls. Has the Company implemented or voluntarily follow the recommendations under Sarbanes-Oxley
- g) Discuss what management determines to be the most significant risks confronting the Company in the near to medium term
- h) Except as previously discussed, please discuss any other matters that the Company is aware of that could be material to an investor which we should be made aware of in the context of a transaction.



Suzanne H. Miller
Vice President
Corporate Planning & Bulk Power

One Riverwood Drive
Moncks Corner, SC 29461-2901
IS40) 761-4071
Fax: (843) 761-4110
P.O. Box 2946101
Moncks Corner, SC 29461-3101

November 29, 2004

CONFIDENTIAL

Ms. MaryBeth Mandanas
c/o Laetitia Dowd
19th Floor
Credit Suisse First Boston
Eleven Madison Avenue
New York, NY 10010-3629

Dear Ms. Mandanas:

We received CSFB's Preliminary Due Diligence Request related to the study of Santee Cooper being conducted by CSFB. We have collected much of the data requested and are in the process gathering the remainder of the information. In an effort to expedite the process, I am enclosing the information collected to date so that you can begin your review.

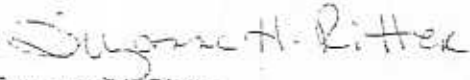
Much of the enclosed information is five-year projected data. Please note that this data comes from our latest published financial forecast that was prepared in May 2004. We have provided five year projections as requested, however, please note that our forecast is a ten-year study, therefore data for an additional five years is available upon request. Many of the projections have changed since this forecast was produced including fuel cost, capital expenditures, demand and energy projections, and cash flows. We are in the process of producing the 2005 Budget Forecast which is scheduled to go to our Board of Directors in December for their approval. This forecast will include updated projections. The revised projections should not significantly impact the type of study you are conducting.

You requested in item 1(g) that we provide historic data in a format comparable to the projected data. While the Reinvested Earnings Statements are comparable, we develop the projected Balance Sheet (or statements of Financial Condition) and Cash Flow Statements (or Statements of Cash Receipts and Disbursements) in different formats. I have discussed this with Adam Davies and pointed out the overall differences.

Ms. MaryBeth Mandanas
November 30, 2004
Page Two

The enclosed items are marked to indicate which question on your due diligence request they are in response to. We will forward you the remaining items on your request as the data becomes available. If you have any questions, please let me know.

Sincerely,



Suzanne H. Ritter

SHR:lct

Enclosures

cc: w/o attachments
Lonnie N. Carter
R.M. Singletary



Suzanne H. Ritter
Vice President
Corporate Planning & Bulk Power

One Riverwood Drive
Wendle Corner, SC 29481-2601
Phone: (843) 781-4071
Fax: (843) 781-4110
P.O. Box 2948101
Wendle Corner, SC 29481-4101

December 9, 2004

CONFIDENTIAL

Ms. MaryBeth Mandanas
c/o Laetitia Dowd
19th Floor
Credit Suisse First Boston
Eleven Madison Avenue
New York, NY 10010-3629

Dear Ms. Mandanas:

Enclosed is additional information in response to CSFB's Preliminary Due Diligence Request related to the study of Santee Cooper. Each item is marked to indicate which question on your due diligence request it is in response to. Still outstanding are items 4.b, 4.c, 5.c, 5.g and 5.h. Additional contracts in response to question 5.a are to be provided. Responses to these items will be forwarded as the data is gathered. In addition to Adam Davies' request, we will forward projected data for 2009 through 2013 in a subsequent mailing.

If you have any questions regarding this information, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Suzanne H. Ritter".

Suzanne H. Ritter

SHR:lct

Enclosures

cc: w/o attachments
Lonnie N. Carter
R.M. Singletary

December 9, 2004

Eleven Madison Avenue
New York, NY 10010-3629

Tel 1 212 325 2000
www.csfb.com

Mr. Lonnie N. Carter
President and Chief Executive Officer
South Carolina Public Service Authority
Post Office Box 2946101
Moncks Corner, South Carolina 29461-6101

Dear Lonnie:

Please find enclosed the invoice for the financial analyses regarding The South Carolina Public Service Authority ("Santee Cooper") per the engagement letter dated November 19, 2004.

We look forward to continue working with you on this assignment.

Very truly yours,

CREDIT SUISSE FIRST BOSTON LLC

By: Mary Beth Mandanas

Name: Mary Beth Mandanas

Title: Director

11 Madison Avenue

New York, NY 10010-3629

(212) 325-0605

FAX: (212) 743-1433

marybeth.mandanas@csfb.com

*Susie,
Please process for
payment.
Thanks
Joan 12/13/04*

cc: John W.

*Lonnie / Susie -
The additional
\$50K is for expenses
and will apparently
be separately invoiced.*

*Joan
12/13/04*

Invoice No.: SXKB

Date: 12/9/2004

Purpose of expenses: Expenses in relation to comprehensive financial analyses of Santee Cooper

Is this request for meal charges? No Yes

Charge to: Account Number Project/Task Both

Project	Task	Expenditure Type (resource description)	Today's Date	Organization Provider	Amount
107324	1.1	Contract Services - Other	12/14/2004	01000	\$100,000.00

Credit Suisse First Boston

\$100,000.00

Date check is needed: 12/17/2004

- Return check for transmittal
- Mail check directly to vendor -> -> ->
- Separate check for this invoice only
- Other check instructions (see Remarks)

Accounting Department
 Attn: Accounts Receivable - IBD
 11 Madison Avenue, 11th Floor
 New York, NY 10010

Social Security No.:

of

Federal ID No.:

Remarks:

Requested by: SUSAN GILLIANS Mail Code: M606 Emp. No.: 10496 Date: 12/14/2004

Expenditure Approval Level III or above is required. See Policy 6-05 for exceptions.

Approved by: *Jonni A. Cato* Emp. No.: 17814 Date: 12/14/2004

In account with The South Carolina Public Service Authority
Post Office Box 2946101
Moncks Corner, South Carolina 29461-6101

Attention: Lonnie N. Carter
President and Chief Executive Officer

Reference: SXKB
Date: 12/9/2004

Invoice for comprehensive financial analyses regarding The South Carolina Public Service Authority ("Santee Cooper") per the engagement letter dated November 19, 2004.

\$100,000

OK
LWC
12/13/04

Please remit via wire:

CITIBANK
111 Wall Street
New York, NY
For the Account of Credit Suisse First Boston
Account Number: 09253506
ABA Number: 021000089
Attn: Accounts Receivable Dept. - IBD
REF: PLEASE INCLUDE REF # ABOVE

Or by check:

Credit Suisse First Boston
Accounting Department
Attn: Accounts Receivable - IBD
11 Madison Avenue, 11th Floor
New York, NY 10010

From: "Davies, Adam" <adam.davies@csfb.com>
To: "Lonnie N. Carter (E-mail)" <lnrcarter@santescooper.com>
Date: Thu, Dec 16, 2004 1:01 PM
Subject: Diligence Discussion Outline

Please find attached a draft due diligence discussion outline in preparation for our meeting on Monday. We have kept many of the 'questions' as discussion areas rather than direct Q&A as we would like for the discussion to be interactive and to take direction from your team on the key issues which we have set out.

Please can you advise us who will be present with you from your team. I hope the attached will be helpful to you in having the appropriate people present and look forward to meeting with you.

Kind regards.

<<Diligence Discussion 12.20.04.doc>>

ADAM S. DAVIES
Vice President, Mergers & Acquisitions
Credit Suisse First Boston LLC
Eleven Madison Avenue, 22nd Floor
New York, NY 10010
+1 212 325 5851 Telephone
+1 212 743 2027 Telefax
+1 917 754 5471 Mobile
mailto:adam.davies@csfb.com

=====
This message is for the sole use of the intended recipient. If you received this message in error please delete it and notify us. If this message was misdirected, CSFB does not waive any confidentiality or privilege. CSFB retains and monitors electronic communications sent through its network. Instructions transmitted over this system are not binding on CSFB until they are confirmed by us. Message transmission is not guaranteed to be secure.
=====

CC: "Mandanas, MaryBeth" <marybeth.mandanas@csfb.com>, "Dowd, Laetitia" <laetitia.dowd@csfb.com>

From: Lonnie Carter
To: Davies, Adam
Date: 12/17/04 8:35AM
Subject: Re: Diligence Discussion Outline

Adam,

We will be ready to address your issues as best we can. Some of them may need some follow up. All of my executive management team and Suzanne Ritter will be available Monday.

- Bill McCall EVP and COO
- Elaine Peterson EVP and CFO
- John West EVP and CLO
- R.M. Singletary Sr VP Corporate Services
- Suzanne Ritter VP Corporate Planning and Bulk Power

If you need any assistance with directions, my assistant, Susie Gillians can help you. Look forward to meeting you Monday at 8:00.

Lonnie

>>> "Davies, Adam" <adam.davies@csfb.com> 12/16/04 01:01PM >>>
Please find attached a draft due diligence discussion outline in preparation for our meeting on Monday. We have kept many of the 'questions' as discussion areas rather than direct Q&A as we would like for the discussion to be interactive and to take direction from your team on the key issues which we have set out.

Please can you advise us who will be present with you from your team. I hope the attached will be helpful to you in having the appropriate people present and look forward to meeting with you.

Kind regards.

<<Diligence Discussion 12.20.04.doc>>

ADAM S. DAVIES
Vice President, Mergers & Acquisitions
Credit Suisse First Boston LLC
Eleven Madison Avenue, 22nd Floor
New York, NY 10010
+1 212 325 5851 Telephone
+1 212 743 2027 Telefax
+1 917 754 5471 Mobile
<mailto:adam.davies@csfb.com>

=====
 This message is for the sole use of the intended recipient. If you received this message in error please delete it and notify us. If this message was misdirected, CSFB does not waive any confidentiality or privilege. CSFB retains and monitors electronic communications sent through its network. Instructions transmitted over this system are not binding on CSFB until they are confirmed by us. Message transmission is not guaranteed to be secure.
 =====

CC: Dowd, Laetitia; Gillians, Susie; Mandanas, MaryBeth

SANTEE COOPER



PRELIMINARY FOLLOW-UP QUESTIONS

CONFIDENTIAL DECEMBER 20, 2004

DRAFT

Due Diligence Discussion

Market

- D* 1. Please discuss demand elasticity in the South Carolina market. How have customers reacted to previous rate changes?
- Louie*
R 2. Please discuss the existing working relationship with the cooperatives. How likely are they to cancel existing contracts, and under what circumstances? Are they any current or former material disputes?
- Louie* 3. Describe the role of the PEDC and the level of interaction / relationship with it. Does the role of the PEDC extend to economic development of generation / T&D facilities?
- Louie* 4. Please highlight existing growth potential.
- Bill*
A 5. Please highlight any transmission constraints between the South Carolina and surrounding markets.
- Suzanne* 6. Please discuss current and forecasted market peak and load shape.
- F* 7. Please provide any independent consultant reports prepared for the Company and support for future generation construction.
- Louie* 8. Please discuss the company's views on the increasing reach of the PJM market.

Operations

- Bill*
T 1. Please discuss operational interaction / independence of the cooperatives.
- Louie* 2. Please discuss interdependence between the Company's various business units.
- R* 3. Please discuss existing hedges and risk policies.
- Suzanne*
Louie 4. Please describe TEA's business and Santee Cooper's exposure to the entity. Please describe how revenues and expenses are allocated back to Santee Cooper. What type of governance agreement exists between Santee Cooper and TEA?
- Elaine* 5. Please discuss current levels of fuel inventories. How much does the company depend on spot market purchases? Is the Company on track with its 45-day coal inventory policy?
- Suzanne*
Bill 6. Given that Santee Cooper has access to a 5,085 MW summer power supply peak capability, the Company presumably purchased in the spot market to cover the 2003 peak of 5,373 MW? Is the cost of spot market purchases fully passed on to customers?
- Bill* 7. Please discuss current levels of plant operations, including the recent Summer Nuclear plant steam leak.
- Bill* 8. Please discuss gas transportation contracts.
- Bill* 9. What is the capacity factor of the gas / oil assets (how often are they dispatched)?

- Suzanne*
Elaine
Elaine
D
10. Please discuss the current status of the Georgetown steel (ISG) contract.
 11. Please discuss briefly current accounting systems and current controls. Have Santee Cooper's auditors recommended any additional control systems?
 12. Discuss implementation of best practices related to Sarbanes-Oxley adopted by the board.

Financials and Forecast

- Suzanne*
R
Suzanne
Lois
A
Suzanne
F
Lois
T
1. CSFB would like to review with the company the key underlying assumptions of its plan and understand the various drivers and forecasting methodologies and key sensitivities.
 2. Please reconcile the fuel and power prices reflected in the forecast to the hedges in place. Please explain the decision not to base the fuel and power purchases on market prices.
 3. Please explain the retail rate reduction projected for January 1, 2005.
 4. Please highlight the percentage of increased demand assumed met through power purchases vs. construction of generating units.
 5. Please explain the modeling of the economic dispatch of Santee Cooper's assets.
 6. Please provide a breakdown of the approximately \$700 million on the Company's balance sheet classified as investments.
 7. How does the company determine the ratio of cash / debt used to fund future generation construction

Regulation / Litigation

- Lois*
Suzanne
1. Please provide an overview of Santee Cooper's relationship with regulatory entities.
 2. What is the potential impact of the ongoing litigation with the DOE regarding nuclear waste programs.

Other

- Suzanne*
Suzanne
1. Please describe the status of the Company's planned property portfolio sales.
 2. Please provide detail of Santee Cooper's complete real estate portfolio, including assets not intended to be sold to meet the \$13 million state funding requirement, e.g. lakeside property.



Pamela J. Williams
Associate General Counsel -
Corporate Affairs

One Riverwood Drive
Post Office Box 2946101
Moncks Corner, SC 29461-6101
(843) 781-7043
FAX: (843) 781-4010

Via Fax 212-743-2027

December 27, 2004

Mr. Adam S. Davies
Vice President, Mergers & Acquisitions
Credit Suisse First Boston LLC
Eleven Madison Avenue, 22nd Floor
New York, NY 10010

Re: CSFB Engagement Letter Dated November 19, 2004

Dear Mr. Davies:

This letter is to confirm the series of voicemail and email messages we have traded over the past few days. Santee Cooper received a request from the Myrtle Beach Sun News for a copy of the above-referenced engagement letter pursuant to the South Carolina Freedom of Information Act (the "Act"). We have determined the Act requires that Santee Cooper disclose the engagement letter, and we plan to do so later this week.

Should you need further information or wish to discuss this matter, please contact me.

Very truly yours,

A handwritten signature in cursive script that reads 'Pamela J. Williams'.

Pamela J. Williams

PJW:bp

cc: Lonnie N. Carter

From: Kay Spann
To: Davis, Clarence
Date: 12/28/04 12:49PM
Subject: RE: Message from Lonnie Carter

Sorry for the delay. Attached is the document. Let me know if you have any problems with this.
Kay

>>> "Clarence Davis" <clarence.davis@nelsonmullins.com> 12/28/04 10:56AM >>>
Please send me a copy of the executed agreement by email, if possible. If not, by fax at 803 255-2005. Thanks.

-----Original Message-----

From: Kay Spann [mailto:KSPANN@santeecooper.com]
Sent: Tuesday, December 28, 2004 9:53 AM
To: paul.campbell@alcoa.com; drsanders1@charter.net; rcoen@coencapital.com; carl.falk@falk-griffinfoundation.org; dialdubose@nalleyproperties.com; Clarence Davis; jcland@sc.rr.com; pallen@sc.rr.com; querrv@screentight.com; kmunson@wcsr.com
Cc: Lonnie Carter; Pamela Williams
Subject: Message from Lonnie Carter

We have received three FOIA requests for a copy of the CSFB Engagement Letter - from the Myrtle Beach Sun News, Sen. Rankin and The Electric Cooperatives of South Carolina, Inc. We informed CSFB and the Governor's office of these requests, and we plan to provide copies as requested later today.

Lonnie

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November 19, 2004

60 Wall Street
New York, NY 10010-2802Tel: 1 212 858 0000
www.csfb.com

CONFIDENTIAL

Mr. Lonnie N. Carter
President and Chief Executive Officer
South Carolina Public Service Authority
Post Office Box 2946101
Moncks Corner, South Carolina 29461-8101

Dear Lonnie:

We understand that the State of South Carolina has requested that Credit Suisse First Boston LLC (together with its affiliates, successors and assigns, as appropriate "CSFB", "we" or "us") be engaged to perform analyses as set forth herein. This letter confirms our understanding that CSFB has been engaged to undertake comprehensive financial analyses regarding The South Carolina Public Service Authority ("Santee Cooper", the "Company" or "you") using various valuation and other methodologies and provide our views as to possible strategies to maximize the Company's value under its existing structure or any viable alternatives. CSFB will perform its own financial analyses taking into account information provided by the Company.

In addition, CSFB will be available at your request to meet with your Board of Directors to discuss the results of the review.

In connection with CSFB's engagement, the Company will furnish CSFB with all information concerning the Company which CSFB reasonably deems appropriate and will provide CSFB with access to the Company's officers, directors, employees, accountants, and other representatives (collectively, the "Representatives"), it being understood that CSFB will rely solely upon such information supplied by the Company and its Representatives without assuming any responsibility for independent investigation or verification thereof. All non-public information concerning the Company which is given to CSFB in connection with this engagement will be used solely in the course of the performance of our services hereunder, will not be used for any other purpose or transaction and will be treated confidentially by it for so long as it remains non-public. Except as otherwise required by law or judicial or regulatory process, CSFB will not disclose this information to a third party without the Company's consent. At the completion of this engagement, CSFB, if requested, will return all non-public documents provided to us and marked Confidential, except that CSFB may retain copies of such documents (including to the extent stored on electronic, magnetic or similar media) in accordance with policies and procedures implemented in order to comply with legal and regulatory requirements and to demonstrate CSFB's compliance with its obligations.

As compensation for CSFB's services hereunder, the Company agrees to pay CSFB a fee equal to \$100,000 ("Fee"). The Fee shall be payable in full upon the execution of this agreement by the Company and CSFB.

In addition, the Company agrees to reimburse CSFB for all expenses, including the fees and expenses of its legal counsel, if any, and any other advisor retained by CSFB. The Company will not reimburse expenses beyond \$50,000 without the prior written consent of the Company, not to be unreasonably withheld; provided that the foregoing limitation shall not affect the Company's obligations under Annex A. All fees and expenses payable hereunder are net of all applicable withholding and similar taxes.

CSFB will not be prohibited from the opportunity to compete for the lead role in connection with any subsequent work or transactions that might follow this engagement, including without limitation, as appropriate, lead financial advisor, lead bookrunning underwriter or other applicable lead role.

As further consideration for entering into this letter, the Company and CSFB agree to the indemnity provisions and other matters set forth in Annex A which is incorporated by reference into this agreement.

No advice rendered by CSFB, whether formal or informal, may be disclosed, in whole or in part, or summarized, excerpted from or otherwise referred to without our prior written consent or as required by court order or formal written opinion of counsel of Santee Cooper under the State's Freedom of Information laws (in which case you will give us prompt notice). In addition, CSFB may not be otherwise referred to in any press release or other public announcement made by the Company without our prior written consent. If requested by CSFB, the Company shall include a mutually acceptable reference to CSFB in any press release or other public announcement made by the Company regarding the matters described in this letter.

Santee Cooper has agreed to fund but is not initiating or directing these analyses. CSFB's engagement hereunder may be terminated at any time by the Company or by CSFB, with or without cause, upon ten days' prior written notice thereof to the other party, provided, however, that no termination of CSFB's engagement hereunder shall affect the Company's obligation to pay the Fee, other fees and expenses, to the extent provided for herein, and to satisfy its obligations under Annex A.

CSFB is a full service securities firm engaged in securities trading and brokerage activities as well as investment banking and financial advisory services. In the ordinary course of our trading and brokerage activities, CSFB or its affiliates may hold positions for its own account or the accounts of customers, in equity, debt or other securities of the Company or any other company that may be involved in the matters contemplated by this agreement. CSFB has adopted policies and procedures designed to preserve the independence of its research analysts whose views may differ from those of CSFB's investment banking division.

In connection with this engagement, CSFB is acting as an independent contractor and not in any other capacity. No persons or entities, other than the undersigned and the Indemnified Persons (as defined in Annex A, and such persons or entities other than the undersigned and the Indemnified Persons, "Third Parties"), shall have any rights hereunder, nor shall any duties be owed under this engagement or as a result of the services to be performed hereunder to any Third Parties. All aspects of the relationship created by this agreement shall be governed by and construed in accordance with the

laws of the State of New York, applicable to contracts made and to be performed therein.

We are delighted to have the opportunity to participate in this engagement and look forward to working with you on this assignment. Please confirm that the foregoing is in accordance with your understanding by signing and returning to us the enclosed duplicate of this letter.

Very truly yours,
CREDIT SUISSE FIRST BOSTON LLC

By: Mary Beth Mandanas
Name: Mary Beth Mandanas
Title: Director
11 Madison Avenue
New York, NY 10010-3629
(212) 325-0605
FAX: (212) 743-1433
marybeth.mandan@csfb.com

Accepted and agreed to as of the date first written above:
SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: Lonnie N. Carter
Name: Lonnie N. Carter
Title: President and Chief Executive Officer

ANNEX A

November 19, 2004

in further consideration of the agreements contained in our engagement letter dated the date hereof (the "engagement"). In the event that Credit Suisse First Boston LLC ("CSFB") or any of its affiliates, the respective directors, officers, partners, agents or employees of CSFB or any of its affiliates, or any other person controlling CSFB or any of its affiliates (collectively, "Indemnified Persons") becomes involved in any capacity in any action, claim, suit, investigation or proceeding, actual or threatened, brought by or against any person, in connection with or as a result of the engagement or any matter referred to in the engagement, the South Carolina Public Service Authority (the "Company") will reimburse such Indemnified Person for its reasonable and customary legal and other expenses (including without limitation the costs and expenses incurred in connection with investigating, preparing for and responding to third party subpoenas or enforcing the engagement) incurred in connection therewith as such expenses are incurred. The Company will also indemnify and hold harmless any Indemnified Person from and against, and the Company agrees that no Indemnified Person shall have any liability to the Company or its owners, parents, affiliates, security holders or creditors for, any losses, claims, damages or liabilities (including actions or proceedings in respect thereof) (collectively, "Losses") (A) related to or arising out of (i) the Company's actions or failures to act (including statements or omissions made or information provided by the Company or its agents) or (ii) actions or failures to act by an Indemnified Person with the Company's consent or in reliance on the Company's actions or failures to act or (B) otherwise related to or arising out of the engagement or CSFB's performance thereof, except that this clause (B) shall not apply to any Losses that are finally determined by a court or arbitral tribunal to have resulted primarily from the bad faith or gross negligence of such Indemnified Person. If such indemnification is for any reason not available or insufficient to hold an Indemnified Person harmless, the Company agrees to contribute to the Losses involved in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Company, on the one hand, and by CSFB, on the other hand, with respect to the engagement or, if such allocation is determined by a court or arbitral tribunal to be unavailable, in such proportion as is appropriate to reflect other equitable considerations such as the relative fault of the Company on the one hand and of CSFB on the other hand; provided, however, that, to the extent permitted by applicable law, the Indemnified Persons shall not be responsible for amounts which in the aggregate are in excess of the amount of all fees actually received by CSFB from the Company in connection with the engagement.

The Company will not, without CSFB's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding in respect of which indemnification may be sought hereunder (whether or not any Indemnified Person is a party thereto) unless such settlement, compromise, consent or termination includes a release of each Indemnified Person from any liabilities arising out of such action, claim, suit, investigation or proceeding. The Company will not permit any such settlement, compromise, consent or termination to include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an Indemnified Person, without such Indemnified Person's prior written consent. No Indemnified Person seeking indemnification, reimbursement or contribution under this agreement will, without the Company's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any action, claim, suit, investigation or proceeding referred to herein.

Prior to entering into any agreement or arrangement affecting all or most of its assets in one or a series of transactions or any significant recapitalization or reclassification of its outstanding securities that does not directly or indirectly provide for the assumption of the obligations of the Company set forth herein, the Company will notify CSFB in writing thereof (if not previously so notified) and, if requested by CSFB, shall arrange in connection therewith alternative means of providing for the obligations of the Company set forth herein, including the assumption of such obligations by another party, insurance, surety bonds or the creation of an escrow, in each case in an amount and upon terms and conditions satisfactory to CSFB.

The Company's obligations hereunder shall be in addition to any rights that any Indemnified Person may have at common law or otherwise. The Company acknowledges that in connection with the engagement CSFB is acting as an independent contractor and not in any other capacity with duties owing solely to the Company. This agreement and any other agreements relating to the engagement shall be governed by

and construed in accordance with the laws of the State of New York, applicable to contracts made and to be performed therein and, in connection therewith, the parties hereto consent to the exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County or the United States District Court for the Southern District of New York and the respective appellate courts thereof. Notwithstanding the foregoing, solely for purposes of enforcing the Company's obligations hereunder, the Company consents to personal jurisdiction, service and venue in any court proceeding in which any claim subject to this agreement is brought by or against any Indemnified Person. CSFB HEREBY AGREES, AND THE COMPANY HEREBY AGREES ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS SECURITY HOLDERS, TO WAIVE ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM, COUNTER-CLAIM OR ACTION ARISING OUT OF THE ENGAGEMENT OR CSFB'S PERFORMANCE THEREOF.

The provisions of this agreement shall apply to the engagement (including related activities prior to the date hereof) and any modification thereof and shall remain in full force and effect regardless of the completion or termination of the engagement. If any term, provision, covenant or restriction herein is held by a court of competent jurisdiction to be invalid, void or unenforceable or against public policy, the remainder of the terms, provisions and restrictions contained herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: Lonnie N. Carter
Name: Lonnie N. Carter
Title: President and CEO

Accepted and agreed to as of the date hereof:
CREDIT SUISSE FIRST BOSTON LLC

By: Mary Beth Mandarins
Name: Mary Beth Mandarins
Title: Director



Suzanne H. Ritter
Vice President
Corporate Planning & Bulk Power

December 29, 2004

One Riverwood Drive
Milledgeville, SC 29461-2001
Phone: (843) 791-4071
Fax: (843) 791-4110
P.O. Box 29461-0117
Milledgeville, SC 29461-3101

CONFIDENTIAL

Ms. MaryBeth Mandanas
c/o Laetitia Dowd
19th Floor
Credit Suisse First Boston
Eleven Madison Avenue
New York, NY 10010-3629

Dear Ms. Mandanas:

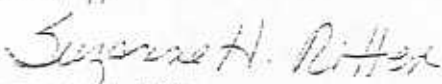
Enclosed are additional responses to questions 4(b) and 4(c) of CSFB's Preliminary Due Diligence Request related to the study of Santee Cooper. As discussed with Adam Davies when you were here on December 20, I am enclosing a list of material contracts. Once you have had an opportunity to review this list, please let me know which agreements you would like copies of. You already received copies of some of the contracts in previous mailings. Also based on my discussion with Mr. Davies, I understand that questions 5(g) and 5(h) were adequately responded to during our meeting.

In addition to responses to the Preliminary Due Diligence Request, I am enclosing some additional information as follow-up to questions that arose during our meeting. This includes information on fund balances, the net book value of generating units leased from Central Electric Power Cooperative, Inc. and information on the additional cost to retire certain revenue bonds.

I will forward you information related to question 5(c) next week. In addition, I will send you year end balances as well as financial projections updated with the latest approved budgeted information when they become available.

If you have any questions please let me know.

Sincerely,


Suzanne H. Ritter

SHR:lct

Enclosures

cc: Lonnie Carter
R.M. Singletary

From: Suzanne Ritter
To: Davies, Adam
Date: Mon, Jan 3, 2005 12:23 PM
Subject: Contact Information

Privileged and Confidential

Adam,
Hope you had a great holiday. It wasn't exactly a white Christmas here, but at least it was cold enough for a fire in the fireplace.

When we met a couple of weeks ago we provided you with copies of our latest load forecasts and indicated that we would provide you with the contact information for John Hutts with GDS Associates, the firm that assists us with the preparation of this forecast. That contact information is listed below. Mr. Hutts is aware that you may be giving him a call to get some information on projected customer growth, demographics, and load projections. I have also copied him on this e-mail.

If you need anything else please let me know.

Thanks,

John W. Hutts
Principal
GDS Associates, Inc.

1850 Parkway Place, Suite 800
Marietta, GA 30067
phone 770-425-8100
fax 770-426-0303
cell 678-640-5681
john.hutts@gdsassociates.com

Suzanne H. Ritter
Vice President Corporate Planning & Bulk Power
(843) 761-4071
snritter@santaecooper.com

CC: Dowd, Laetitia: john.hutts@gdsassociates.com



Suzanne H. Ritter
Vice President
Corporate Planning & Bulk Power

One Riverwood Drive
Moncks Corner, SC 29461-2901
(843) 761-4071
Fax: (843) 761-4110
P.O. Box 2946101
Moncks Corner, SC 29461-6101

January 7, 2005

CONFIDENTIAL

Ms. MaryBeth Mandanas
c/o Laetitia Dowd
19th Floor
Credit Suisse First Boston
Eleven Madison Avenue
New York, NY 10010-3629

Dear Ms. Mandanas:

In response to question 5(c) of CSFB's preliminary due diligence request, I am enclosing a copy of the 2001 Board of Engineers Report. An additional report in response to this question will be forwarded to you by Terry Blackwell, Senior Vice President of Power Delivery.

As I mentioned to Ms. Dowd during a phone conversation earlier this week, we hope to have updated financial forecast information as well as year end balances by the middle of January.

If you have any questions, please let me know.

Sincerely,

Suzanne H. Ritter

cc: Lonnie Carter
R.M. Singletary

From: Suzanne Ritter
To: Dowd, Laetitia
Date: Fri, Jan 7, 2005 10:07 AM
Subject: Exhibits

Privileged and Confidential

Laetitia,

Attached are the electronic files with the Financial Forecast FF0401 exhibits. All Exhibits were copied as values, therefore no formulas are showing. In addition, our Combined System and Electric models are in Lotus and had to be converted to Excel. We lost formatting in the process and in order to expedite getting the files to you we did not go back and add underlines, bold print, etc. which makes locating subtotal and total lines a little more difficult. You have the hard copy to go by.

If you need anything else let me know.

Thanks,

Suzanne H. Ritter
Vice President Corporate Planning & Bulk Power
(843) 761-4071
shritter@santaecooper.com



Terry L. Blackwell, P.E.
Senior Vice President, Power Delivery

One Riverwood Drive
Wando Corner, SC 29481-2901
(843) 731-4060
Fax: (843) 731-4017
P.O. Box 2948101
Wando Corner, SC 29481-8101

January 10, 2005

Ms. Laetitia Dowd
Credit Suisse First Boston
19th Floor
Eleven Madison Avenue
New York, NY 10010-3629

Dear Ms. Dowd:

I received a call from Suzanne Ritter last week regarding a study being done by Credit Suisse First Boston. In preparation for the study, you had sent Suzanne a Preliminary Due Diligence Request outlining the information necessary for your study. In particular, Question 5(c) was seeking our last engineering study of the transmission system. A draft copy of our 2004 transmission study is enclosed for your use. This is the final draft of the study and should not have any significant changes when finalized in the next couple of weeks. The transmission study contains competitively sensitive data, is marked 'Confidential', and is intended for your use only.

I understand that Suzanne is your contact person for this study and would normally handle all data requests; however, due to requirements of the Federal Energy Regulatory Commission's Standards of Conduct for Transmission Providers, I am providing this study directly to you. I am sending a copy of this transmittal letter only to Suzanne as documentation for her records. Please coordinate any additional requests for transmission data through Suzanne.

Sincerely,

A handwritten signature in cursive script that reads "Terry L. Blackwell".

Terry L. Blackwell, P. E.
Senior Vice President
Power Delivery

TLB:gb

Enclosure

Copy to: Ms. Suzanne Ritter
Mr. Steve Pelcher

Telefax

To	Suzanne Ritter	Telefax	843 761 4110
Sender	Laetitia Dowd	Direct line	212 325 2347
Date	January 11, 2005	Pages (including this page)	2
Re	Santee Cooper Electric System Cash Flow		

Message

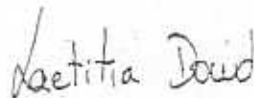
Suzanne,

Per our discussion, please find attached the Cash Flow schedule we have derived from the financials you provided us.

Whenever convenient for you, please look over the line items and amounts listed on this schedule, and let me know if you believe that we are missing an major item. This really is nothing more than a first draft, so please do not hesitate to make any comment at all.

Thank you so much for your precious help,

Kind regards,



Laetitia Dowd

Should there be any difficulty with this transmission, please notify the sender at the telephone number given above.

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Santee Cooper - Electric System
Cash Flow Schedule

\$ in millions

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating Revenues	\$1,133.7	\$1,155.3	\$1,189.9	\$1,177.7	\$1,245.7	\$1,310.7	\$1,357.5	\$1,401.2	\$1,438.2	\$1,469.0
Franchise Taxes	3.4	3.8	3.6	3.6	3.7	3.8	3.9	4.1	4.2	4.3
Interest and Miscellaneous Income	12.2	16.7	25.8	16.0	15.0	13.2	13.4	14.2	15.6	13.8
Total Receipts	\$1,149.3	\$1,175.5	\$1,213.4	\$1,197.3	\$1,264.4	\$1,327.7	\$1,369.8	\$1,418.5	\$1,457.8	\$1,487.1
Operation and Maintenance Expense	(\$735.7)	(\$759.0)	(\$803.2)	(\$761.2)	(\$622.1)	(\$664.1)	(\$602.2)	(\$590.2)	(\$600.9)	(\$1,010.3)
Starts in Lieu of Franchise Taxes ⁽¹⁾	(6.4)	(8.8)	(8.8)	(6.7)	(7.0)	(7.3)	(7.5)	(7.8)	(8.0)	(8.2)
Inventory	(15.6)	(2.4)	2.9	(1.5)	(0.0)	(1.7)	(0.5)	0.5	(0.5)	(0.5)
Working Capital ⁽⁴⁾	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
Adjustment to O&M (Cash Basis)	4.8	(2.7)	(2.0)	5.2	(0.8)	(0.7)	0.3	(0.9)	(0.6)	5.4
Cash From Operations Before Distribution to State	\$418.2	\$397.7	\$426.4	\$455.1	\$556.5	\$675.9	\$687.0	\$687.3	\$688.0	\$495.8
One Time Payment to State, Distribution to State and to Counties	(\$27.2)	(\$14.5)	(\$14.8)	(\$14.8)	(\$15.6)	(\$16.4)	(\$16.9)	(\$17.5)	(\$18.8)	(\$18.4)
Cash From Operations After Distribution to State	\$391.0	\$383.2	\$411.5	\$440.3	\$540.9	\$659.4	\$670.0	\$669.8	\$669.2	\$477.2
Cash Construction	(\$438.5)	(\$448.5)	(\$383.5)	(\$451.4)	(\$288.2)	(\$128.8)	(\$123.3)	(\$102.2)	(\$201.4)	(\$130.5)
Cash From Investments	(\$438.5)	(\$448.5)	(\$383.5)	(\$451.4)	(\$288.2)	(\$128.8)	(\$123.3)	(\$102.2)	(\$201.4)	(\$130.5)
Total Debt Service - Long Term Debt ⁽²⁾	(\$215.4)	(\$215.1)	(\$235.8)	(\$246.0)	(\$253.2)	(\$264.4)	(\$287.3)	(\$258.7)	(\$289.0)	(\$323.2)
Total Debt Service - Commercial Paper ⁽³⁾	(197.7)	(28.5)	(88.1)	(53.4)	(250.6)	(72.5)	(53.6)	(49.8)	(128.0)	(18.7)
Revenue from Bond Proceeds ⁽⁴⁾	477.0	-	382.2	-	382.1	-	-	-	177.1	-
Proceeds from Commercial Paper ⁽⁴⁾	74.8	88.5	36.5	220.1	22.0	20.0	12.0	55.0	-	5.0
Lease Payments	(3.7)	(3.6)	(3.4)	(3.3)	(3.0)	(2.7)	(1.9)	(1.6)	(1.3)	(1.0)
Interest on encumbrance Deposits	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Cash From Financing	\$134.8	(\$164.8)	\$83.4	(\$76.7)	(\$122.9)	(\$319.6)	(\$311.0)	(\$256.2)	(\$241.3)	(\$338.0)
Starting Cash Balance⁽⁵⁾	\$256.5	342.9	112.7	224.1	136.3	186.1	177.1	212.8	234.3	263.7
Net Increase (Decrease) in Cash Equivalents	87.3	(230.1)	114.4	(87.8)	29.8	11.0	35.8	21.4	29.3	(8.4)
Ending Cash Balance	\$342.9	\$112.7	\$224.1	\$136.3	\$166.1	\$177.1	\$212.9	\$234.3	\$263.7	\$263.3

(1) Per 2003 Annual Report, change in payables and receivables between 2002 and 2003.
 (2) Based on Electric System schedule 5, includes interest and Debt Repayment.
 (3) Based on Electric System schedule 8, includes interest and Debt Repayment.
 (4) Based on Electric System Exhibit XII (Construction Funds).
 (5) 2004 Starting Balance based on 2003 Cash Balance as reported in the Annual Report.

From: Suzanne Ritter
To: Dowd, Laetitia
Date: Wed, Jan 19, 2005 1:16 PM
Subject: Meeting Dates

Laetitia,

When we spoke yesterday you indicated that your team would like to come back to Moncks Corner to complete additional due diligence. I understand that you will provide a preliminary agenda to aid us in determining who would need to be available for you to speak to during this visit. I have checked the calendars of several folks that you may need to speak to and would ask that you tentatively consider February 3 and 4. The next best alternative would be February 16 and 17.

We will tentatively hold these dates and once we receive the proposed agenda we can better determine who needs to be in attendance and which dates work best.

Thanks,

Suzanne H. Ritter
Vice President Corporate Planning & Bulk Power
(843) 761-4071
shritter@santeecooper.com

From: "Dowd, Laetitia" <laetitia.dowd@csfb.com>
To: "Suzanne Ritter" <SHRITTER@santeecooper.com>
Date: Wed, Jan 19, 2005 1:20 PM
Subject: RE: Meeting Dates

Suzanne,

Thank you so much. I will follow up with the list shortly.

Regards,

Laetitia Dowd

-----Original Message-----

From: Suzanne Ritter [mailto:SHRITTER@santeecooper.com]
Sent: Wednesday, January 19, 2005 1:17 PM
To: laetitia.dowd@csfb.com
Subject: Meeting Dates

Laetitia,

When we spoke yesterday you indicated that your team would like to come back to Moncks Corner to complete additional due diligence. I understand that you will provide a preliminary agenda to aid us in determining who would need to be available for you to speak to during this visit. I have checked the calendars of several folks that you may need to speak to and would ask that you tentatively consider February 3 and 4. The next best alternative would be February 16 and 17.

We will tentatively hold these dates and once we receive the proposed agenda we can better determine who needs to be in attendance and which dates work best.

Thanks,

Suzanne H. Ritter
Vice President Corporate Planning & Bulk Power
(843) 761-4071
shritter@santeecooper.com

Confidentiality Notice:

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=====

From: Suzanne Ritter
To: Dowd, Laetitia
Date: Thu, Jan 27, 2005 4:47 PM
Subject: Updated Projections

Privileged and Confidential

Laetitia,

Attached are the Electronic files with updated financial projections. These projections include our latest O&M and Capital Budgets approved by our Board in December. They include updated projections for demand and energy requirements, debt service, actual debt issued since March 2004, depreciation projections, interest rates, etc.

Please note that we have issued Mini-Bonds since we published Financial Forecast 0401 in April. A portion of these bonds are classified as short-term due to call provisions. Consequently we have added two additional detailed schedules and changes the title of an existing schedule to accommodate this change. For your convenience I have listed those changes/additions below. All changes apply to the Electric System.

1. Schedule 4 was re-titled. The previous title was "Interest paid from Revenue" and is now "Interest paid from Revenue for Long-Term Debt".
2. Two new schedules were inserted after Schedule 4. The new Schedule 5 is "Retirement of Short term Bonds". The new Schedule 6 is "Interest Paid from Revenue for Short Term Debt".
3. Subsequent schedules were renumbered to reflect this change.

I will fed-ex you a hard copy of the Forecast tomorrow, including updated assumptions. I will also include the more detailed breakdown of Construction & Capital Equipment cost which backs up numbers in this forecast. As we discussed, I will send the preliminary Un-Audited 2004 Balance sheet the end of next week and the preliminary Un-Audited Earnings and Cash Flow statements the following week. All of these statements will be in the same format as the 2003 Audited Statements and are prepared in accordance with FASB 34.

If you have any questions give me a call. I will be out of the office between 10:00 and 2:30 tomorrow. I will be in Saturday between 9:30 and 12:00 if you want to try to catch me then.

Regards,

Suzanne H. Ritter
Vice President Corporate Planning & Bulk Power
(843) 761-4071
shritter@santeecooper.com

CC: Carter, Lonnie; Singletary, R.M.

From: "Dowd, Laetitia" <laetitia.dowd@csfb.com>
To: "Suzanne Ritter" <SHRITTER@santeecooper.com>
Date: Thu, Jan 27, 2005 4:58 PM
Subject: RE: Updated Projections

Suzanne,

Thank you so much. I will look at them and get an agenda ready.

Laetitia

-----Original Message-----

From: Suzanne Ritter [mailto:SHRITTER@santeecooper.com]
Sent: Thursday, January 27, 2005 4:47 PM
To: laetitia.dowd@csfb.com
Cc: Lonnie Carter, R.M. Singletary
Subject: Updated Projections

Privileged and Confidential

Laetitia,

Attached are the Electronic files with updated financial projections. These projections include our latest O&M and Capital Budgets approved by our Board in December. They include updated projections for demand and energy requirements, debt service, actual debt issued since March 2004, depreciation projections, interest rates, etc.

Please note that we have issued Mini-Bonds since we published Financial Forecast 0401 in April. A portion of these bonds are classified as short-term due to call provisions. Consequently we have added two additional detailed schedules and changes the title of an existing schedule to accommodate this change. For your convenience I have listed those changes/additions below. All changes apply to the Electric System.

1. Schedule 4 was re-titled. The previous title was "Interest paid from Revenue" and is now "Interest paid from Revenue for Long-Term Debt".
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 3. Subsequent schedules were renumbered to reflect this change.
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Regards,

Suzanne H. Ritter
Vice President Corporate Planning & Bulk Power
(843) 761-4071
shritter@santeecooper.com

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Suzanne H. Ritter
Vice President
Corporate Planning & Bulk Power

January 28, 2005

One Riverwood Drive
Moncks Corner, SC 29461-2601
(843) 761-4071
Fax: (843) 761-4110
P.O. Box 2946101
Moncks Corner, SC 29461-6101

CONFIDENTIAL

Ms. MaryBeth Mandanas
c/o Laetitia Dowd
19th Floor
Credit Suisse First Boston
Eleven Madison Avenue
New York, NY 10010-3629

Dear Ms. Mandanas:

Enclosed is a copy of Santee Cooper's Financial Forecast 9501. This forecast includes the O&M and Capital Budgets approved by our Board of Directors in December. Financial Forecast 9501 reflects updates to other assumptions and data including updated projections for demand and energy requirements (Load Forecast 9401), future debt service, actual debt issued since March 2004, depreciation projections and interest rates. Also enclosed is additional detail of construction and capital equipment.

We plan is to forward our preliminary un-audited 2004 year end balance sheet by Friday, February 4. We will send the preliminary earnings statement and cash flow statement the following week. As I mentioned to Ms. Dowd, we were unable to send these statements in January, as originally anticipated, because we were in the process of completing a bond refunding.

I have held January 16 and 17 for your next visit to Moncks Corner. We look forward to receiving your proposed agenda for this meeting.

If you have any questions, please let me know.

Sincerely,

Suzanne H. Ritter

cc: w/o Attachments
Lonnie Carter
R.M. Singletary

From: Suzanne Ritter
To: laetitia.dowd@csfb.com
Date: Fri, Feb 4, 2005 1:53 PM
Subject: Balance Sheet

PRIVILEGED AND CONFIDENTIAL

Laetitia,

Attached is an electronic copy of the Preliminary Draft Unaudited 2004 Balance Sheet. The Income Statement and Cash Flow Statements should be ready next week.

I will call you if I have any questions regarding the agenda. Ask for me when you get to the front desk on Monday.

Thanks,

Thanks,

Suzanne H. Ritter
Vice President Corporate Planning & Bulk Power
(843) 761-4071
shritter@santeecooper.com

From: "Dowd, Laetitia" <laetitia.dowd@csfb.com>
To: "Suzanne Ritter" <SHRITTER@santeecooper.com>
Date: Fri, Feb 4, 2005 2:08 PM
Subject: Santee Cooper - January 2005 Due Diligence

<<Santee Cooper - January 2005 Due Diligence_v1.DOC>>
Suzanne,

Please find attached the due diligence list. It is not necessarily exhaustive, and generally, the idea is that we discuss the underlying data of the financials, and make sure we understand how to link all the financials you kindly provided to us.

Our plane will land in Charleston at 11am on Monday, February 7th. on Tuesday, we will have to catch flights around 4pm.
I am looking forward to talking with you,

Kind regards

Laetitia Dowd
CREDIT | FIRST
SUISSE | BOSTON
Eleven Madison Avenue, 20th Floor
New York, NY 10010
Phone: (212) 325-2347
Mobile: (404) 210-3574
Fax: (646) 935-8196 (desktop)
email: laetitia.dowd@csfb.com

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CC: "Mandanas, MaryBeth" <marybeth.mandanas@csfb.com>, "Davies, Adam" <adam.davies@csfb.com>, "O'Meally, Lauren" <lauren.o'meally@csfb.com>

From: Suzanne Ritter
To: Dowd, Laetitia
Date: Mon, Feb 14, 2005 5:45 PM
Subject: Privileged and Confidential

Privileged and Confidential

Laetitia,

Attached are electronic versions of several pieces of information you requested when you were here last week. The three documents are as follows: (1) COOPLOAN is additional information regarding the Central Leases; (2) Alloc_05COS are the ratios used to allocate Debt Service in accordance with the Central Coordination Agreement. These percentages are based on the original use of the debt proceeds. As we have noted, our debt is secured by our revenues and not by our debt; and (3) Santee Cooper's preliminary unaudited Reinvested Earnings Statements. As we noted when we met these numbers are preliminary, confidential and have not been released.

I believe the indication was that it would take quite a bit of time to pull together the information on the Leased Transmission Facilities. I will verify and get back to you on that.

If you have any questions please let me know.

Thanks,

Suzanne H. Ritter
Vice President Corporate Planning & Bulk Power
(843) 761-4071
shritter@santeecooper.com

From: "Dowd, Laetitia" <laetitia.dowd@csfb.com>
 To: "Suzanne Ritter" <SHRITTER@santeecooper.com>
 Date: Mon, Feb 14, 2005 6:26 PM
 Subject: RE: Privileged and Confidential

Thanks you so much for the information Suzanne.

Laetitia

-----Original Message-----

From: Suzanne Ritter [mailto:SHRITTER@santeecooper.com]
 Sent: Monday, February 14, 2005 5:46 PM
 To: laetitia.dowd@csfb.com
 Subject: Privileged and Confidential

Privileged and Confidential

Laetitia,

Attached are electronic versions of several pieces of information you requested when you were here last week. The three documents are as follows: (1) COOPLOAN is additional information regarding the Central Leases; (2) Alloc_05COS are the ratios used to allocate Debt Service in accordance with the Central Coordination Agreement. These percentages are base on the original use of the debt proceeds. As we have noted, our debt is secured by our revenues and not by our debt; and (3) Santee Cooper's preliminary unaudited Reinvested Earnings Statements. As we noted when we met these numbers are preliminary, confidential and have not been released.

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If you have any questions please let me know.

Thanks,

Suzanne H. Ritter
 Vice President Corporate Planning & Bulk Power
 (843) 761-4071
 shritter@santeecooper.com

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From: Suzanne Ritter
To: Dowd, Laetitia
Date: Tue, Feb 15, 2005 10:50 AM
Subject: Privileged and Confidential

Privileged and Confidential

Laetitia,

Following is the paragraph from our latest draft Official Statement regarding industrial customers. I believe that this gives you the information you needed.

Sales to large industrial customers during 2004 represented approximately 22.8% of revenues from sales, which includes 10.4% for Alumax of South Carolina, Inc ("Alumax"), 6.5% for Nucor Corporation ("Nucor"), and 5.90% for the next eight largest industrial customers, of which no one customer represents more than 1.8% of sales.

I believe that you also requested the % for Georgetown Steel in you voice mail. They ceased operations and filed for bankruptcy in the fall of 2003. Their assets were purchased by International Steel Group in June and ISC began operations at the end of July. As such they ranked lower than 3rd for industrial revenues in 2004 and, therefore, I have not included a % for them.

When you were here last week Adam mentioned that your report would likely be completed early March. We understood from MaryBeth they you would be presenting, or providing a copy of the report, to us for comments prior to releasing it. If your plan is to come here to present the report I would ask that you get with me as early as possible to arrange a date and time. Our calendars fill up rather quickly, particularly at the Executive Management level, so the sooner we settle on a date the better.

If you need anything else let me know.

Thanks,

Suzanne H. Ritter
Vice President Corporate Planning & Bulk Power
(843) 761-4071
shritter@santatecooper.com

CC: Davies, Adam

From: "Dowd, Laetitia" <laetitia.dowd@csfb.com>
To: "Suzanne Ritter" <SHRITTER@santeecooper.com>, "Dowd, Laetitia" <laetitia.dowd@csfb.com>
Date: Tue, Feb 15, 2005 10:52 AM
Subject: RE: Privileged and Confidential

Thanks a lot Suzanne. I will follow up with the team here and call you to coordinate

Laetitia

-----Original Message-----

From: Suzanne Ritter [mailto:SHRITTER@santeecooper.com]
Sent: Tuesday, February 15, 2005 10:50 AM
To: laetitia.dowd@csfb.com
Cc: adam.davies@csfb.com
Subject: Privileged and Confidential

Privileged and Confidential

Laetitia,

Following is the paragraph from our latest draft Official Statement regarding industrial customers. I believe that this gives you the information you needed.

Sales to large industrial customers during 2004 represented approximately 22.8% of revenues from sales, which includes 10.4% for Alumax of South Carolina, Inc ("Alumax"), 6.5% for Nucor Corporation ("Nucor"), and 5.90% for the next eight largest industrial customers, of which no one customer represents more than 1.8% of sales.

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If you need anything else let me know.

Thanks,

Suzanne H. Ritter
Vice President Corporate Planning & Bulk Power

(843) 761-4071
shritter@santeecooper.com

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CC: "Davies, Adam" <adam.davies@csfb.com>

From: Suzanne Ritter
To: Davies, Adam; Dowd, Laetitia
Date: Thu, Feb 24, 2005 11:28 AM
Subject: Privileged and Confidential

Privileged and Confidential

Attached in the preliminary unaudited 2004 Cash Flow Statement. I believe that this is the last piece of information we were getting for you but if I have overlooked something let me know.

Laetitia, I have enjoyed working with you. Good luck to you in your new endeavour. I sure that it will go well.

Thanks,

Suzanne H. Ritter
Vice President Corporate Planning & Bulk Power
(843) 761-4071
shritter@santeecooper.com

From: Suzanne Ritter
To: Dowd, Laetitia
Date: Fri, Feb 18, 2005 2:16 PM
Subject: Privileged and Confidential

Privileged and Confidential

Laetitia,

The net book value for Leased Transmission Facilities is \$15,839,270. Of this about \$6.9 million is land. This figure does not include capital additions to the leased facilities. Pulling this information would take a significant amount of time since we do not track capital additions on the leased transmission assets separately from other transmission assets.

The information I sent on leased generating facilities included both original leased facilities and capital additions.

We hope to have the 2004 Cash Flow Statement to you soon.

Thanks,

Suzanne H. Ritter
Vice President Corporate Planning & Bulk Power
(843) 761-4071
shritter@santeecooper.com

From: Suzanne Ritter
To: Mandanas, MaryBeth
Date: Tue, Mar 22, 2005 2:44 PM
Subject: Privileged and Confidential

Privileged and Confidential

MaryBeth,

I was hoping to get an update on the status of the study your group is in the process of preparing. Adam indicated when your team was here to meet with us in early February that the study might be completed in early March. I would like to give our CEO an update on the status. In addition, you had indicated when you were here in December that it was your intent to allow us to review and comment on the results of the study prior to final publication. As I mentioned to Laetitia, if you plan to come here to present those results we will need as much advance notice as possible since our Executive Management team's calendars fill up rather quickly.

Any information you can provide would be appreciated.

Sincerely,

Suzanne H. Ritter
Vice President Corporate Planning & Bulk Power
(843) 761-4071
shritter@santeecooper.com

CC: Davies, Adam; Williams, Pamela

DISCLAIMER

This study was not requested or directed by Santee Cooper. Santee Cooper did not establish the scope of the work by Credit Suisse First Boston or the objectives of the study.

Santee Cooper has not reviewed the study or verified the accuracy of the data contained in this document. Further, the opinions expressed by Credit Suisse First Boston and those contained in the foreword do not represent the opinions of Santee Cooper, its Board or Management and Santee Cooper does not warrant the accuracy of the factual assumptions, calculations or conclusions contained in the document.

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