SANTEE COOPER

HIGHLY CONFIDENTIAL | MAY 5, 2005

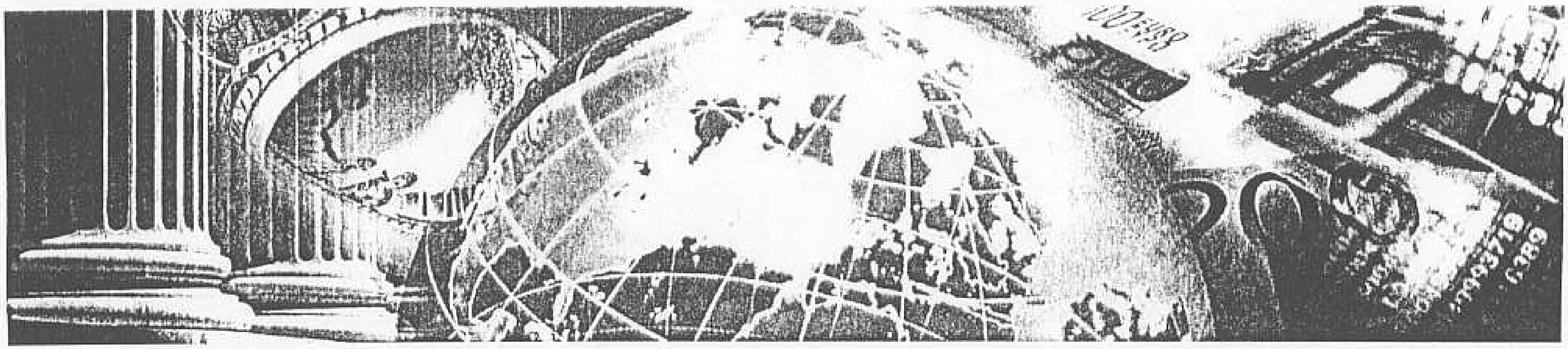
PRELIMINARY | SUBJECT TO FURTHER REVIEW AND EVALUATION

MATERIALS PREPARED FOR DISCUSSION INCLUDE ANALYSES BASED ON RECEIPT OF CONFIDENTIAL INFORMATION AS PROVIDED BY SANTEE COOPER AND SUBJECT TO CONFIDENTIALITY AGREEMENT

CREDIT SUISSE | FIRST BOSTON

Table of Contents

Foreword – Keith Munson Esq., Greenville, South Carolina



History and Analysis of Santee Cooper

In 1926, the Columbia Railway & Navigation Company obtained a license from the Federal Power Commission to construct a hydroelectric project in the lower part of South Carolina. After the stock market crashed in 1929, South Carolina entered the Great Depression with the rest of the country and progress stalled on this private hydroelectric project. In 1932, Franklin D. Roosevelt was elected president, and he had been a supporter of public power as the Governor of New York. Representatives of South Carolina began lobbying FDR's supporters and administration concerning the possibility of the federal government participating in making the Santee River/Cooper River hydroelectric power project a public power project. FDR's administration was receptive to participating in the completion of the Santee River/Cooper River hydroelectric project.

To facilitate the federal government's involvement, legislation was introduced in the South Carolina General Assembly in 1933 to create the South Carolina Public Service Authority for the purpose of undertaking the Santee Cooper hydroelectric power generating project. However, the bill was defeated and the South Carolina General Assembly refused to create the South Carolina Public Service Authority ("Santee Cooper") (see generally, *History of Santee Cooper 1934-1984* by Walter B. Edgar) (hereinafter "*History of Santee Cooper*"). The reasons for opposing the creation of the South Carolina Public Service Authority included the belief by many members of the General Assembly that the production of power should be left solely to the private sector. However, after the 1933 defeat, the ardent supporters of the project set out on a state-wide education campaign to drum up public support for the Santee Cooper hydroelectric power project. As a result, in 1934, the General Assembly passed legislation creating the South Carolina Public Service Authority.

Note: Keith Munson is Chairman of the Santee Cooper Legal Affairs Committee and attorney with Womble Carlyle Sandridge & Rice in Greenville, South Carolina.

History and Analysis of Santee Cooper

At the same time, in 1934, FDR's New Deal of public works projects was well underway and there was significant discussion among the states about getting their "fair share" of New Deal money. South Carolina averaged only $41.61 per capita, whereas the rest of the states in the Union averaged $57 per capita. Supporters of the Santee Cooper project used this discrepancy to help win federal support for the project, which brought South Carolina's average above the national average. (*History of Santee Cooper*, p. 5). Of course, this substantially took South Carolina out of the running for other New Deal money, and so in a very real sense, the state paid for the Santee Cooper project with its New Deal quota allotments (the federal government ultimately provided $21.7 million in grants and $26.5 million in federal loans [$48.2 million total] for the Santee Cooper project). (*Id*. at p. 7).

In July 1935, President Franklin D. Roosevelt approved the Santee Cooper project and wrote South Carolina's Senator James F. Burns to say that he was convinced that the project would significantly overcome the distress caused by unemployment in the area. Work camps were set up for some 6000 workers, who were drawn from the certified relief rolls of every county in South Carolina.

The driving force behind the Santee Cooper project was the generation of power "so that electricity could be provided for the rural areas of the state. In 1936, less than 2.5% of the farms in South Carolina had electricity." (*History of Santee Cooper*, p. 11). Overall, in 1934, only approximately 3% of South Carolina's rural residents had electricity. By 1944, more than 93% of South Carolina's rural residents had electrical power to light their homes.

Today, Santee Cooper's original predominant purpose to provide access to electricity for South Carolina residents has been universally achieved. In addition, most of the original secondary aspirations of Santee Cooper have also been achieved. These included: public works jobs during

History and Analysis of Santee Cooper

the Depression, eradication of malaria hazards, land reclamation, flood control in the low country and the provision of significant recreational facilities. In some respects, the Santee Cooper project is similar to another Franklin D. Roosevelt project – the National Foundation for Infantile Paralysis (i.e., the March of Dimes). In 1938, President Roosevelt began this grass-roots fundraising organization to defeat the then-raging epidemic of polio. By the 1960s, the polio vaccine and the efforts of the March of Dime had virtually eradicated polio in North America. This was a crossroads event for the March of Dimes and, instead of perpetuating its existence as a polio fighting organization, it redeployed its assets to address the significant problem of birth defect and prenatal care. Today, most people are likely to associate the March of Dimes with preventing birth defects, rather than its original mission to battle polio.

Santee Cooper is somewhat similarly situated. Its original predominant mission has been achieved. Consequently, its assets and equity have necessarily shifted to other objectives. Over time, its mission has migrated from providing initial access to needed electricity to merely providing marginally cheaper electricity to residents along the coast, electricity wholesalers and existing industry.(1) Because this evolution in mission occurred gradually and seamlessly over time, the current mission may not have been the result of a deliberative public policy process.

When the General Assembly passed the enabling act to create the South Carolina Public Service Authority, it set up the State as the sole owner of Santee Cooper.(2) Today, with assets approaching $5 billion, Santee Cooper is the largest single asset of the State of South Carolina. Consequently, a deliberative public policy discussion should occur on the appropriate utilization of the State's equity in Santee Cooper. In order to have a fully-informed public policy discussion, it is necessary to have an understanding of the value of the State's equity in Santee Cooper.

(1) In fairness, it should be noted that Santee Cooper's rate is not always the cheapest alternative.
(2) "The South Carolina Public Service Authority is a corporation, completed, owned by and to be operated for the benefit of the people of this State." (§ 58-31-110, S.C. Code)

History and Analysis of Santee Cooper

Consequently, a predominant purpose of this study is to value Santee Cooper under various alternatives and provide a mechanism for estimating the State's equity in Santee Cooper so that the appropriate public officials can have a policy discussion concerning the proper utilization of the State's limited resources.

This deliberative process should probably include discussion of several related matters. For example, although Santee Cooper receives no annual appropriations from the State, it does receive the benefit of tax exempt status which has been estimated to equate to approximately $50 million a year in lost property tax revenue to the State of South Carolina. To make up for this, the General Assembly required Santee Cooper pay to the State, ". . . all net earnings thereof not necessary or desirable for the prudent conduct and operation of its business . . . to the State Treasurer for the general funds of the State and shall be used to reduce the tax burdens of the people of this State." (§ 58-31-110, S.C. Code). According to the *History of Santee Cooper*, the amount distributed to the State was at one time calculated by "taking one half of the monies remaining in the Revenue Fund after all obligations have been met." (p. 19). For the past 15 years or so, the amount paid to the State has generally been limited to 1% of Santee Cooper's gross revenues. This is approximately $10 million, which is only about one fifth of the property taxes avoided by Santee Cooper's tax exempt status. This $40 million difference is significant and was unanticipated at the time that Santee Cooper was created. Almost immediately after the South Carolina Public Service Authority was created, private power companies brought suit before the South Carolina Supreme Court to have the enabling Act declared unconstitutional. One of their complaints was that the tax exempt status of the South Carolina Public Service Authority would create a shift in tax liability to other citizens of South Carolina. The South Carolina Supreme Court conditionally disagreed, specifically noting that " . . . it appears from the record that the Authority will pay into the State Treasury a portion of its revenues which will reasonably be expected to be equivalent to

History and Analysis of Santee Cooper

taxes paid by a private corporation in like situation." (*Clark v. South Carolina Public Service Authority*, 177 S.C. 427, 181 S.E. 481, 486 (1934)).(3) Consequently, it appears that the current practice of Santee Cooper to pay an amount equivalent to only approximately one fifth of the foregone property taxes is markedly lower than the expectation of the entities that created and validated the South Carolina Public Service Authority in the mid-1930s.

Another issue worthy of consideration in this deliberative process is the relationship among Santee Cooper, the electric cooperatives and ultimate users of Santee Cooper electricity in South Carolina. In 2004, Santee Cooper charged Central Electric Cooperative approximately 4.5¢ per kilowatt hour (for electricity). Central then resold the electricity to the individual electric cooperative who resold the electricity to their residential and commercial customers. The mark up by the time the electricity reached the residential customer was approximately 3.5¢ (to 8¢). For all of 2004, Central purchased 12,734,364,630 kilowatt hours of electricity from Santee Cooper, which were resold principally to residential customers of the individual co-ops. An average 3.5¢ per kilowatt mark up between Santee Cooper and the cooperative customer, would generate over $440 million in revenue (above the cost of electricity) for the cooperative system. The current contract between Central and Santee Cooper extends through the year 2023. Therefore, over the remaining life of the contract, the cooperative system can expect to generate more than $8 billion in revenue (in excess of its cost of electricity).(4) If efficiencies in the cooperative system could reduce the amount of revenue above the cost of electricity to $6 billion dollars, cooperative customers could save about 12.5% on their electricity bills for the next 18 years.(5)

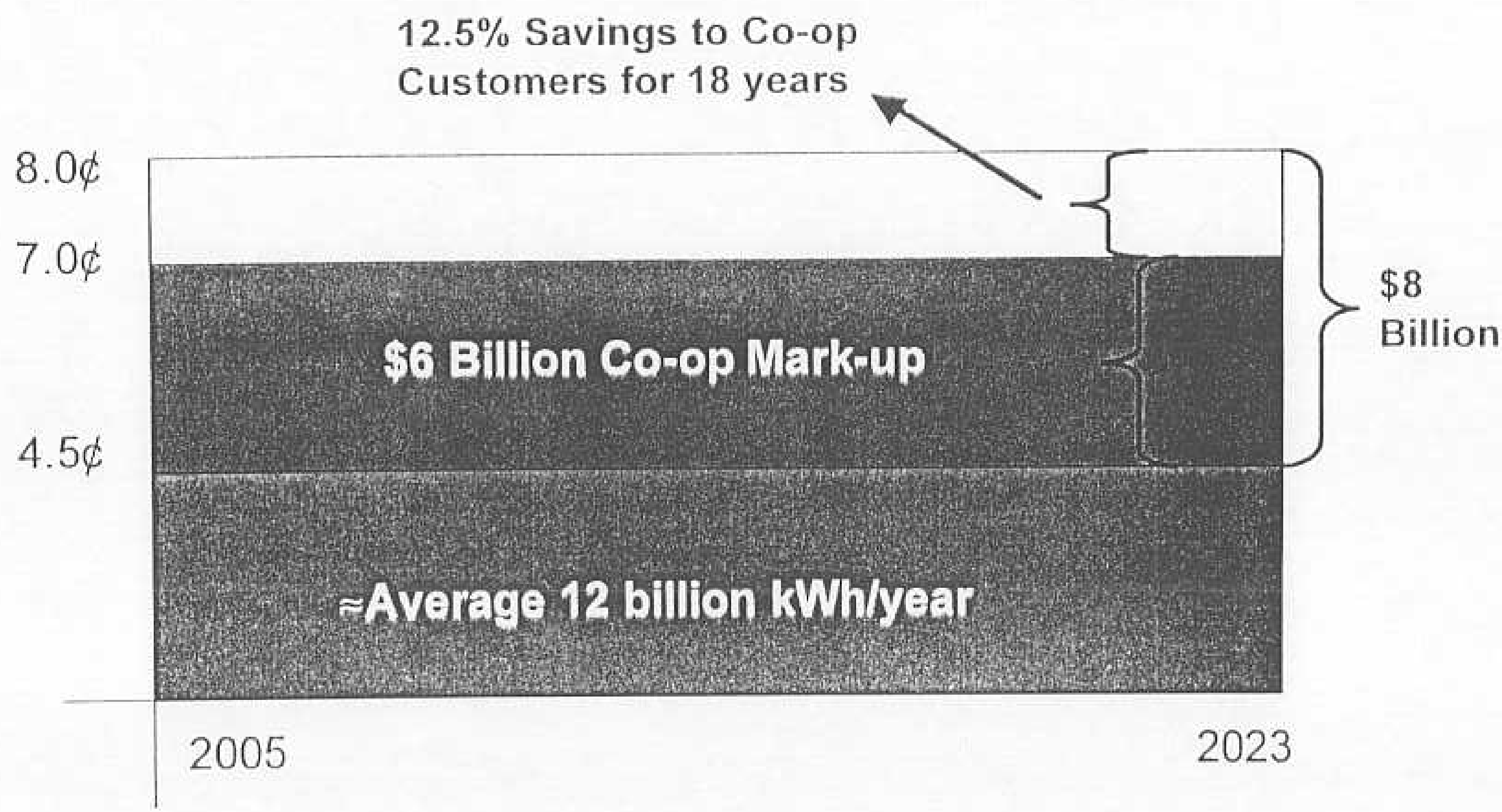
(3) Santee Cooper's payment of 1% of revenues to the state is well below the national median amount of 6.6% for large public power companies and 5.8% for all public power companies (American Public Power Association's 2005-06 Annual Directory & Statistical Report, p. 46). It is also well below the median amount of 5.1% paid by large investor-owned utilities. (APPA Statistical Report, p. 48). For 2003, Santee Cooper would have had to pay approximately $53 million to match similarly situated investor-owned utilities, approximately $60 million to match all public power companies, and approximately $68 million to match similarly sized public power companies. Even taking into account the additional $13 million payment to the state in 2004, Santee Cooper still paid less than half of the median percentage of each of these comparable power company categories.

(4) This is more than the value of all of Santee Cooper's assets and also exceeds the state's entire annual budget for fiscal year 2004.

(5) This would allow for an approximate 1¢ reduction in kilowatt hour cost: from approximately 8¢ to 7¢ (which is still slightly more than the average rate paid by Santee Cooper's direct serve residential customers). This equates to a 12.5% savings: 7¢ / 8¢ = 12.5% savings.

History and Analysis of Santee Cooper

Estimated Co-op System Revenue in Excess of Generation Cost Recovery Under Existing Contract with Santee Cooper



Note: Provided by Keith Munson, Chairman of the Santee Legal Affairs Committee

1. Executive Summary

Overview of Study

Credit Suisse First Boston ("CSFB") was engaged to undertake comprehensive financial analyses regarding Santee Cooper (the "Company") using various valuation and other methodologies and provide a view as to possible strategies to enhance the Company's value under its existing structure or any viable alternatives.

CSFB has performed various financial analyses of Santee Cooper based on confidential financial and other information provided by the management of Santee Cooper, comparable trading multiples of investor-owned utilities ("IOUs") and comparable acquisition multiples of corporate transactions. Each of these analyses is preliminary in nature and will require further interpretation to reflect Santee Cooper's possible value under a competitive environment.

CSFB has conducted a preliminary review of potential strategies which could include a sale of Santee Cooper's generation assets, a sale of Santee Cooper, or an initial public offering (an "IPO").

CSFB has analyzed Santee Cooper's possible value based on historical financials and confidential projections provided by management which provide a preliminary view as to possible value assuming no change in ownership or status. CSFB has not analyzed Santee Cooper under any potential transaction scenarios which may significantly impact the possible value of Santee Cooper. In the context of any transaction, potential value could be materially impacted by factors which we have not been able to fully diligence or quantify within the scope of our work. These factors include, but are not limited to, the treatment of the Company's tax exempt debt, any changes to Santee Cooper's contractual arrangements with the Central Cooperative provided by the Central Coordination Agreement, the impact of any change in rate setting mechanism, or a change in Santee Cooper's tax exempt status with respect to income and property taxes. Upon refinement of Santee Cooper and the State of South Carolina's objectives, the appropriate alternative strategy, if any, will require significant further diligence by financial, accounting/tax, legal, regulatory and other third-party advisors.

Current Strategic Themes in Utilities & Power

Corporate M&A has Begun to Return...

- 2004 began a revival for M&A
- Exelon / PSEG combination creates first North American utility major
- Pressure to avoid falling too far behind or to be recognized as an agent of change
- New management teams want to make their mark

Equity Values are Near All-Time Highs

- North American utility sector continues to trade at historically high levels, in part due to sector recovery, dividends, tax changes and today's low interest rates
- The S&P utilities index was up 19.6% for 2004 and another 7.5% year-to-date

Revival of Merchant Power

- Overcapacity situation in many markets; however, fundamentals of generation are improving, with 2-4 years to go until supply / demand balance in certain regions
- Highly competitive bidding for coal-fired assets: asset values have returned to 1999 - 2000 levels
- Interest in gas-fired assets is rebounding as confidence is returning to regional commodity outlooks

Financial Sponsors Activity

- Unlikely to be aggressive on traditional utility businesses
- Sentiment dampened by failed acquisitions of UniSource and Portland General
- Likely to focus on generation and transmission
- Sponsors still have significant capital to invest

M&A Outlook

- Strategics are taking advantage of stock currencies and low-cost financing
- PUHCA and executive structure still remain the biggest challenges
- Focus on low acquisition premia, synergies vs. premium, regulated vs. unregulated synergies, credit neutrality and earnings and dividend accretion

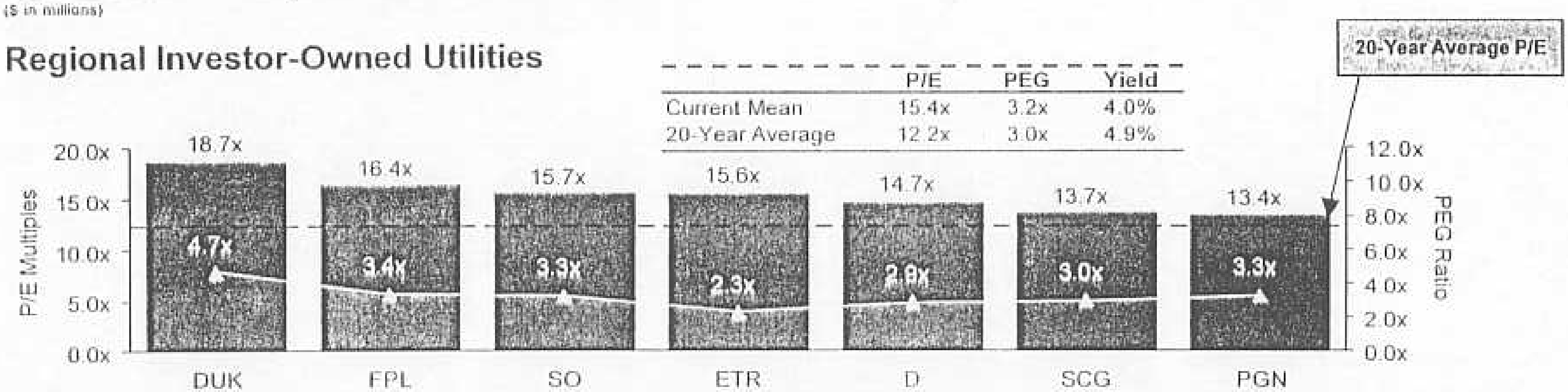
Utility Trading Landscape

2005E P/E Multiples and PEG Ratios

($ in millions)

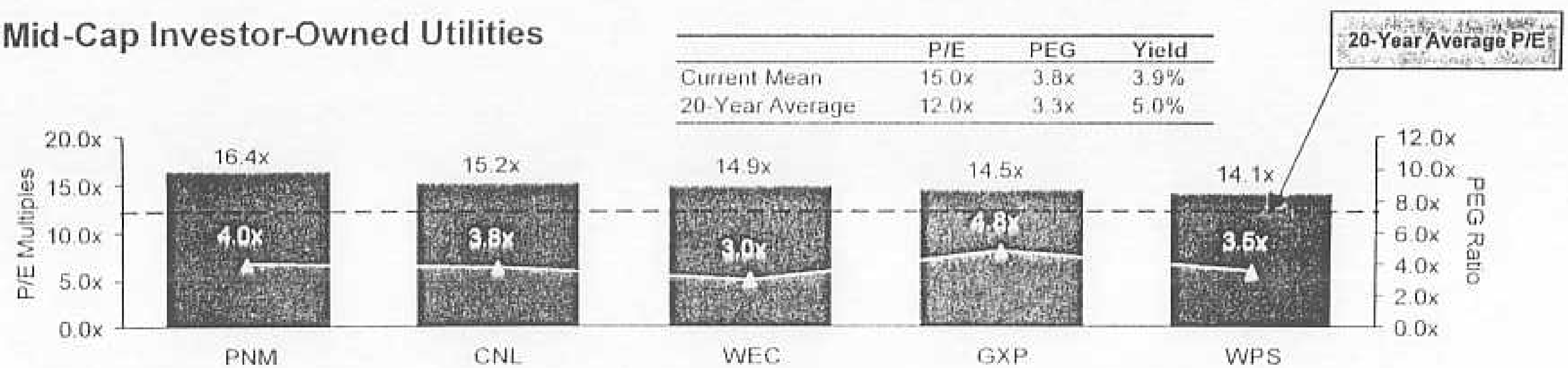
Regional Investor-Owned Utilities

	P/E	PEG	Yield
Current Mean	15.4x	3.2x	4.0%
20-Year Average	12.2x	3.0x	4.9%



Mid-Cap Investor-Owned Utilities

	P/E	PEG	Yield
Current Mean	15.0x	3.8x	3.9%
20-Year Average	12.0x	3.3x	5.0%



Note: As of April 22, 2005

Source: I/B/E/S, Factset, Wall Street Research.

U.S. utility sector continues to trade at historically high levels, in part due to sector recovery, dividends, tax changes and today's low interest rates.

Unique Characteristics of Santee Cooper

Santee Cooper has several characteristics unique to government owned enterprises that are not usually found in companies with public shareholdings

CATEGORY	SANTEE COOPER	TYPICAL PUBLICLY TRADED UTILITY
Regulation	▸ Cost of service methodology ▸ Certain exemptions from FERC regulation ▸ Not an "electrical utility" under PSC jurisdiction	▸ Regulated equity return (~10%-13%) ▸ FERC wholesale ratemaking and/or State Public Service Commission retail ratemaking
Dividends	▸ Projected payments to the State equate approximately 10% of 2005E reinvested earnings ▸ No dividend payments	▸ Dividend payout around 55%-60% of net income ▸ Dividend yield around 4%-5%
Capital Structure	▸ Debt to capitalization of approximately 70% as of 12/31/04 ▸ Borrows on a tax exempt basis	▸ Debt to capitalization in the 50%-60% range ▸ Stand alone investment grade credit rating (mid to high BBB) ▸ Moderate S&P business position (4-6)
Tax	▸ Exempt from certain Federal, state, and local taxes ▸ Payments in lieu of taxes (County taxes) (~$3-$4 million per year over 05E-08E) ▸ Private use borrowing subject to taxable debt	▸ Subject to Federal, state, and local taxes
Accounting	▸ Use of proprietary fund accounting applicable to government entities ▸ Use of FERC Uniform System of Accounts	▸ Accounts maintained in accordance with GAAP ▸ Compliance with SEC rules applicable to public companies
Corporate Governance	▸ Adopted best practices related to Sarbanes-Oxley	▸ Compliance with Sarbanes-Oxley requirements

Assessment of Alternatives

		Sale of Generation Assets(1)	Sale of Company(1)	IPO
Proceeds	[illegible]	• Least	• Greatest	• Discount to a sale of the Company
	[illegible]	• Some ongoing tax revenues	• Tax revenues dependent upon geography of operations	• Potentially greatest ongoing tax revenues
Impact on Existing Structure	[illegible]	• Potential to manage rate impact based on efficiencies in asset optimization. No increase in required return for T&D (remains state controlled)	• Potential to implement rate caps. Buyer economies of scale may minimize costs • Rates governed by South Carolina Public Service Commission ("SCPSC")	• Greatest. Will need to earn equity return at time of IPO with plan to earn market return within 3-5 years
	[illegible]	• Most manageable. Benefits from scale and systems can be shared with customers who are still serviced by familiar face of Santee Cooper T&D	• Manageable. Sale structure and transition agreements created in such a way to minimize near term impact on revenue requirements. Upside in services offered to customer	• Least manageable given pressure to earn equity return. Benefits to existing customers may be indirect through deployment of IPO proceeds in the state and through potential share ownership
	[illegible]	• Acquirer will likely retain management in the near to medium term • T&D businesses will continue under portion of existing management and Board	• Likely displacement of some management as not all required for retained businesses • Minimal involvement of existing Board in merged entity	• Existing management and Board likely to remain to run the Company in near-term • Potentially need to bring in additional management with public company expertise to successfully execute IPO
	[illegible]	• Adjustment in the relationship between S.C. and Central pursuant to their existing agreements or renegotiation thereof		
Ease of Execution	[illegible]	• Could be achieved quicker than a sale of the Company, possibly in as little as 3 months upon completion of appropriate accounting/legal/tax/regulatory review	• Minimum 4 month process from initiation to signing, following completion of appropriate accounting/legal/tax/ regulatory review	• Most lengthy process. Substantial time both to prepare Company and make SEC and other filings
	[illegible]	• Least • Substantial but nonetheless the least extensive	• Medium • Extensive time and commitment to process essential to consummate successfully, maximize proceeds and minimize customer disruption	• Greatest • Most extensive, given requirement of public listing

(1) CSFB was not asked and has not attempted to identify any potential buyers for any Santee Cooper assets or Santee Cooper as a whole.

Assessment of Alternatives (Cont'd)

		Sale of Generation Assets	Sale of Company	IPO
Capital Structure	[illegible]	• May be possible to keep in place a portion of tax-exempt debt related to non-generation (primarily T&D)	• Initial analysis indicates minimal ability to maintain any tax-exempt debt	• Initial analysis indicates minimal ability to maintain any tax-exempt debt
	[illegible]	• Strategic buyers will evaluate impact of acquisition on corporate credit ratings taking into account higher business risk of generation • Sale may require assumption of debt by Santee Cooper T&D or by the state	• Strategic buyers will evaluate impact of acquisition on corporate credit ratings	• Debt balance will need to be right-sized to position as successful company post-IPO – Debt to capitalization in the 55%-60% range – Standalone investment grade credit rating (mid to high BBB) – Moderate S&P business position
Other	[illegible]	• Expect minimal regulatory hurdles • Potential market power issues depending on buyer	• Acquiring company experience would cushion impact of public company regulatory regime. Legal challenges similar to other alternatives but will have potential additional market power issues depending on buyer	• Expect significant regulatory and legal issues as will have an entirely new regime to establish
	Opportunities Created	• Retain potential to monetize T&D	• Greatest ability to realize cost synergies, execute best practices and deliver enhanced and new products and services	• Opportunities for a new flagship South Carolina company to be listed on a public stock exchange • Enhanced access to capital and visibility • Can broaden equity ownership in the state
	Variations Considered	• Sale of select generation assets only	• Sale of non-electric assets, e.g., land, water • Sale of T&D assets	

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Assessment of Alternatives (Cont'd)

	Sale of Generation Assets	Sale of Company	IPO
[illegible]	▸ Will minimize disruption vis-à-vis alternative options – least changes ▸ Rates will reflect cost of power purchased to serve T&D customers	▸ Accountability – new regulatory / supervisory regime ▸ Rates governed by SCPSC	▸ Rates set by SCPSC pre and post IPO sufficient to earn required equity return ▸ Accountability – new regulatory / supervisory regime
[illegible]	▸ Rates will reflect cost of power purchased to serve their customers ▸ Minimal change to existing structure if sold to electric coops	▸ Rate impact – may be minimized if sold to existing coops ▸ Management influence reduced	▸ Rate impact (greatest) ▸ Management influence reduced
[illegible]	▸ Will substantially maintain existing management / employees for distribution / customer service ▸ Dependent on transfer of employment with assets	▸ Potential for equity ownership ▸ Pension and other pre- and post-retirement benefits transferred to private sector ▸ Employment security lessened	▸ Potential for owning a stake in privatized entity – ability to structure as part of IPO ▸ Pension and other pre- and post-retirement benefits transferred to private sector ▸ Employment security lessened
[illegible]	▸ Cash sale proceeds and long-term tax revenues ▸ Efficiency of private sector management and commitment of capital to generation supply	▸ Immediate cash injection and long-term tax revenues ▸ Likely to benefit from more efficient use of resources over the long run ▸ Loss of state control	▸ Immediate cash injection and long-term tax revenues for the state ▸ Consistent determination of electric rates across state ▸ Likely to benefit from more efficient use of resources over the long run ▸ Loss of state control

Status Quo Alternative: Evaluating Payments to Citizens of South Carolina

- The following analysis provides an analytical framework to compare hypothetical dividend and tax payments utilizing metrics of various investor-owned utility comparables to distributions made by Santee Cooper

Dividends

- Investor-owned utilities' group trading metrics[1]:
  - P/2005E EPS: 15.3x
  - Dividend payout: 59.7%
  - Dividend yield: 3.9%
- Based on these metrics, an equity value of $500 million equates to a dividend payment of approximately $20 million per year
  - The implied dividend varies by approximately $10 million for each $250 million increment in equity value

Implied Dividends
($ in millions)

ASSUMED EQUITY VALUE	$250	$500	$750	$1,000
Peer Group Average P/2005E EPS	15.3x	15.3x	15.3x	15.3x
Implied Net Income	$16	$33	$49	$66
Average Sector Payout Ratio	59.7%	59.7%	59.7%	59.7%
Implied Dividend	$10	$20	$29	$39
Implied Dividend Yield	3.9%	3.9%	3.9%	3.9%

(1) Peer group includes: SO, SCG, FPL, ETR, PGN, D, DUK, CNL, PNM, GXP, WPS, WEC

Taxes to State and Local Government

- Median payments nationally and in the Atlantic region (where Santee Cooper is located) were 4.9% and 5.6% of 2002 revenues respectively[1]

Net Taxes as % of 2002 Electric Operating Revenue

	NUMBER OF UTILITIES	MEDIAN	FIRST QUARTILE	THIRD QUARTILE
Northeast	32	4.4%	2.8%	6.2%
Atlantic	18	5.6%	4.2%	7.2%
East North Central	27	4.2%	3.2%	6.2%
East South Central	8	3.2%	NA	NA
West North Central	14	5.5%	4.4%	7.0%
West South Central	12	5.0%	3.7%	5.9%
Mountain	NA	NA	NA	NA
Pacific Northwest	5	3.4%	NA	NA
Pacific Southwest	7	5.1%	NA	NA
	123	**4.9%**	**3.2%**	**6.7%**

Implied Net Taxes
($ in millions)

MEDIAN	NATIONAL	ATLANTIC REGION
2004 Electric Revenues	$1,136	$1,136
Median Net Taxes as % of 2002 Electric Revenues	4.9%	5.6%
Implied Net Taxes	$56	$64

Source: American Public Power Association. Quartiles not provided for fewer than 9 responses. Hawaii is included in totals, but not in any of the regions.

(1) Estimates based on a survey conducted by the American Public Power Association for 126 investor owned distribution utilities.

Potential implied Santee Cooper dividend and tax payments range from an aggregate of $66-$103 million. In 2004, Santee Cooper's distribution to the State was $24 million, including an additional non-recurring special contribution of $13 million.

Status Quo Alternative: Evaluating Payments to the Citizens of South Carolina (Cont'd)

- The following analysis provides an analytical framework to compare hypothetical dividend payments made by public power utilities to distributions made by Santee Cooper

In 2002, the median amount of public power utilities' payments and contributions to state and local government was 5.8% of electric operating revenues

- Payments considered include property like taxes, payments in lieu of taxes and transfers to general funds
- Median contributions in Santee Cooper's revenue class and region are 6.6% and 7.0% respectively

Net Payments and Contributions as % of 2002 Electric Operating Revenue

By Revenue Class
($ in millions)

	NUMBER OF UTILITIES	MEDIAN	FIRST QUARTILE	THIRD QUARTILE
Less than $2	62	6.2%	4.0%	12.0%
$2-$5	56	5.2%	3.2%	9.7%
$5-$10	67	5.0%	2.6%	7.4%
$10-$20	139	5.6%	3.2%	8.4%
$20-$50	147	5.8%	3.1%	7.7%
$50-$100	55	6.4%	3.2%	8.6%
$100 or More	47	6.6%	4.4%	8.8%
	573	5.8%	3.2%	8.5%

By Region
($ in millions)

	NUMBER OF UTILITIES	MEDIAN	FIRST QUARTILE	THIRD QUARTILE
Northeast	51	3.3%	1.8%	6.2%
Atlantic	66	7.0%	2.8%	10.7%
East North Central	92	3.5%	2.5%	4.9%
East South Central	101	6.5%	6.0%	7.4%
West North Central	134	5.7%	3.6%	9.1%
West South Central	43	8.8%	4.6%	12.8%
Mountain	24	7.9%	4.7%	13.8%
Pacific Northwest	41	5.6%	3.9%	8.6%
Pacific Southwest	21	4.6%	2.7%	8.4%
	573	5.8%	3.2%	8.5%

Source: American Public Power Association (APPA). Estimates based on a survey conducted by the American Public Power Association for 573 public power utilities.

Implied Payments to State and Local Government

($ in millions)

	BY REVENUE CLASS	BY REGION
2004 Electric Revenues	$1,136	$1,136
Median Payments and Contributions as % of 2002 Electric Revenues	6.6%	7.0%
Implied State Contribution	$75	$80

Potential implied Santee Cooper payments to State and local government based on revenue class and regional medians are $75-$80 million; in 2004, Santee Cooper's distribution to the State of South Carolina was approximately $24 million, including an additional non-recurring special contribution of $13 million.

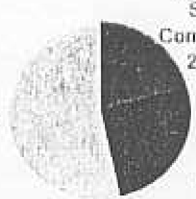
2. Business Overview

Santee Cooper Business Overview

Electric – 98.7% of 2004 Revenues

Customers

- 32 large industrial customers
- 141,000 residential, commercial and small industrial customers (Direct Retail Service)
- 4 Major wholesale customers
  - Central and Saluda Cooperatives
    - Approximately 50% of revenues
  - Cities of Georgetown and Bamberg
    - Approximately 3% of revenues



2004 Revenues - $1,136 million[1]

Assets

- 4,499 MW of summer generating capacity and 586 MW of contractual supply
- Forecasted 1,200 MW of additional base load generation, and 292 MW of additional peaking generation through 2014
- Over 60% of current governing capacity is coal fired
- Approximately 4,418 miles of transmission lines
- Interconnected with other major regional utilities including SCE&G, Progress Energy, Southern Company, Duke Power and Southeastern Power Authority
- Investment in The Energy Authority for dispatching, asset management and hedging purposes (financial exposure limited to $72.4MM)

(1) Revenue breakdown by customer category based on 2004 revenues

Water – 0.4% of 2004 Revenues

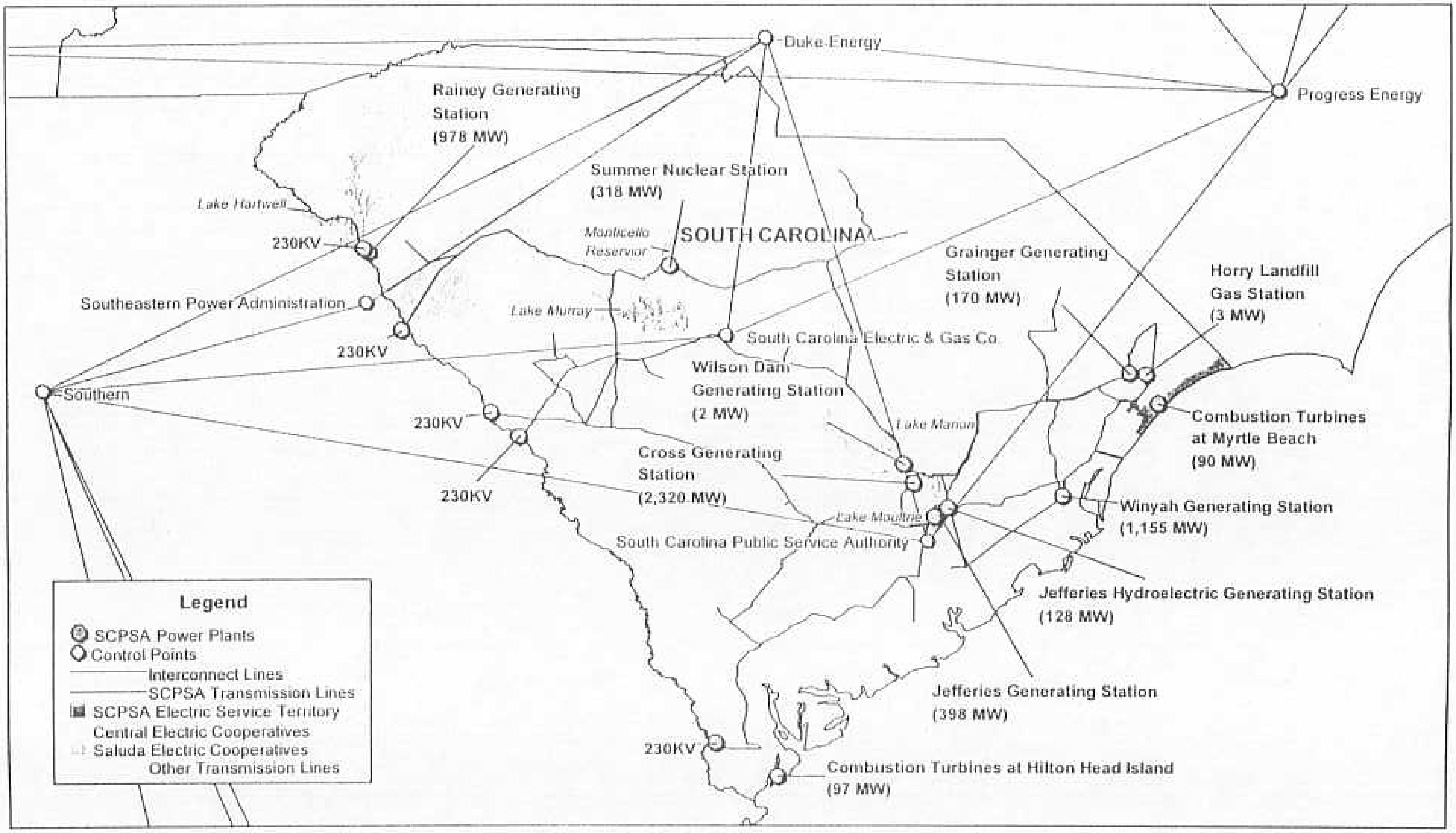
- 116,000 customers (water sourced from Lake Moultrie)
- 756 billion gallons of water in Lakes Marion and Moultrie combined
- Treatment plant capacity of 31 million gallons per day
- 26 miles of water mains

Property & Other – 0.9% of 2004 Revenues

- Approximately 200,000 acres of land owned of which approximately 20,000 acres could potentially be sold
- Overton Park (14-acre swimming area on Lake Moultrie)
- Boat-launching facility at Bonneau beach in Berkeley County
- Ash recovery system (500,000 tons of ash treated annually)

Service Territory

Santee Cooper.



Source: POWERdat.

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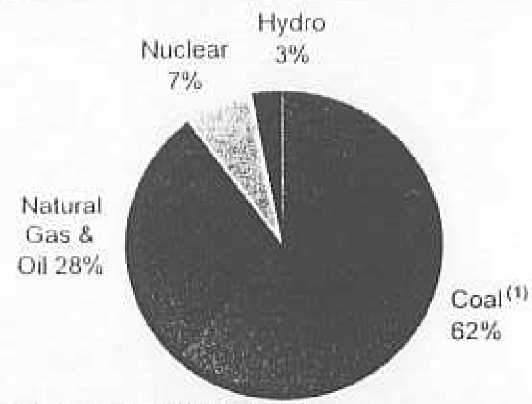
Generation Portfolio Summary

Generation Plant Summary

Generating Facilities	Location	Initial Date In Service	Summer Peak Capability (MW)	Energy Source
Jefferies Hydroelectric Generating Station	Moncks Corner	1942	128 MW	Hydro
Wilson Dam Generating Station	Lake Marion	1950	2	Hydro
Jefferies Generating Station	Moncks Corner			
Nos. 1 and 2		1954	92	Oil
Nos. 3 and 4		1970	306	Coal
Grainger Generating Station Nos. 1 and 2	Conway	1966	170	Coal
Combustion Turbines Nos. 1 and 2	Myrtle Beach	1962	20	Oil/Gas
Combustion Turbines Nos. 3 and 4	Myrtle Beach	1972	40	Oil
Combustion Turbine No. 5	Myrtle Beach	1976	30	Oil
Combustion Turbine No. 1	Hilton Head Island	1973	20	Oil
Combustion Turbine No. 2	Hilton Head Island	1974	20	Oil
Combustion Turbine No. 3	Hilton Head Island	1979	57	Oil
Winyah Generating Station	Georgetown			
No. 1		1975	295	Coal
No. 2		1977	295	Coal
No. 3		1980	295	Coal
No. 4		1981	270	Coal
Summer Nuclear Station(1)	Jenkinsville	1983	310(2)	Nuclear
Cross Generating Station	Cross			
Unit 1		1995	620	Coal
Unit 2		1983	540	Coal
Unit 3		2007(3)	580	Coal
Unit 4		2009(3)	580	Coal
Horry Landfill Gas Station	Conway	2001	3	Landfill Methane Gas
Rainey Generating Station	Starr			
Unit 1		2002	447	Gas
Unit 2A		2002	146	Gas
Unit 2B		2002	146	Gas
Unit 3		2004	74	Gas
Unit 4		2004	74	Gas
Unit 5		2004	74	Gas
Diesel Generating Units		2003(4)	17	Oil
Total Current Capacity			4,499 MW	
Total Capacity Including Planned Construction			5,659 MW	

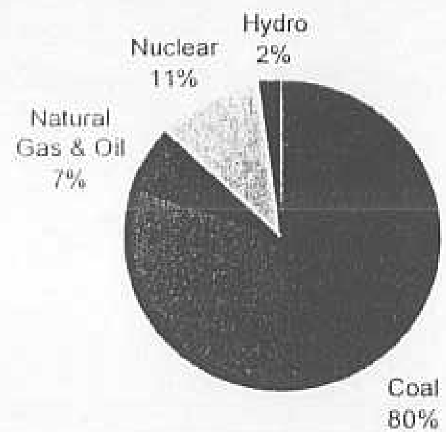
(1) Virgil C. Summer Nuclear Station ("Summer Nuclear Station")
(2) Represents the Authority's one-third ownership interest
(3) Estimated Commercial Operation Date
(4) Year Purchased by the Authority

Capacity by Fuel Source



(1) 70% including planned asset construction

Generation by Fuel Source



Source: 2004 Annual Report and Company Management.

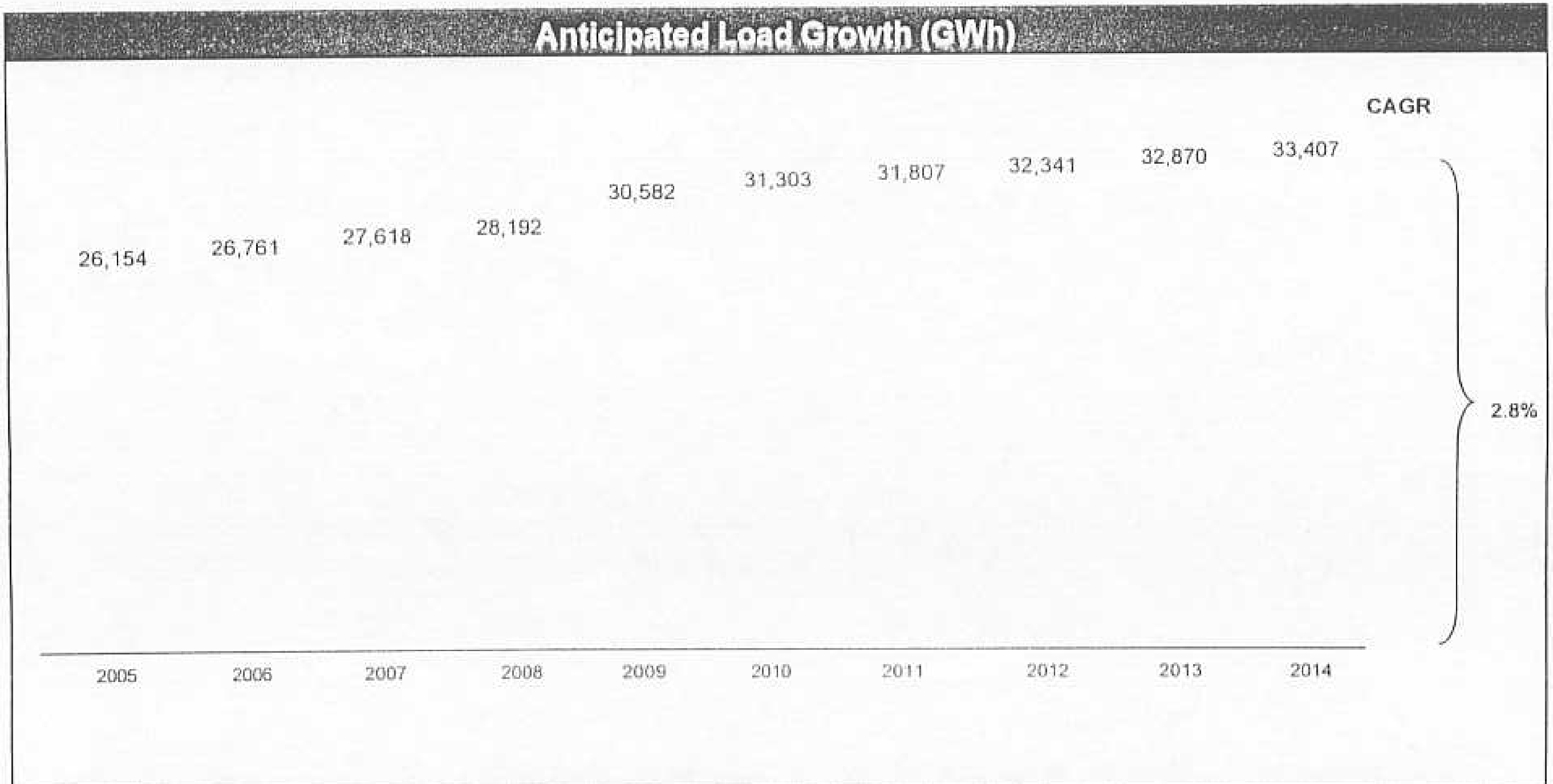
Overview of Transmission System

- Santee Cooper operates an integrated transmission system consisting of high, medium and low voltage transmission lines as well as transmission and distribution substations
  - Approximately 4,418 miles of transmission lines

VOLTAGE	MILES	PRIMARY FUNCTION
230 kV	1,008	Bulk power delivery
115 kV	1,598	Bulk power delivery and transmission service
69 kV and below	1,812	Transmission service to cooperative and industrial customers

  - 80 transmission substations and switching stations serving 72 distribution substations and 330 Central delivery points
- Santee Cooper also operates high voltage lines owned by Central and is ideally placed to continue to fulfill Central's generation needs with its combination of low-cost generation assets and interconnected transmission infrastructure
- Santee Cooper's transmission system is directly interconnected with other major electric utilities, including Duke Energy, Progress Energy, Southern Company and South Carolina Electric & Gas
- Santee Cooper is a party to the Virginia-Carolinas reliability agreement ("VACAR") and as a party to VACAR is also a member of SERC

Consistent Load Growth



Santee Cooper projects the majority of its load growth to result from its contract with Central Cooperative.

Source: Company Management

Cooperative and Industrial Customer Profile

Selected Major Customers of Santee Cooper

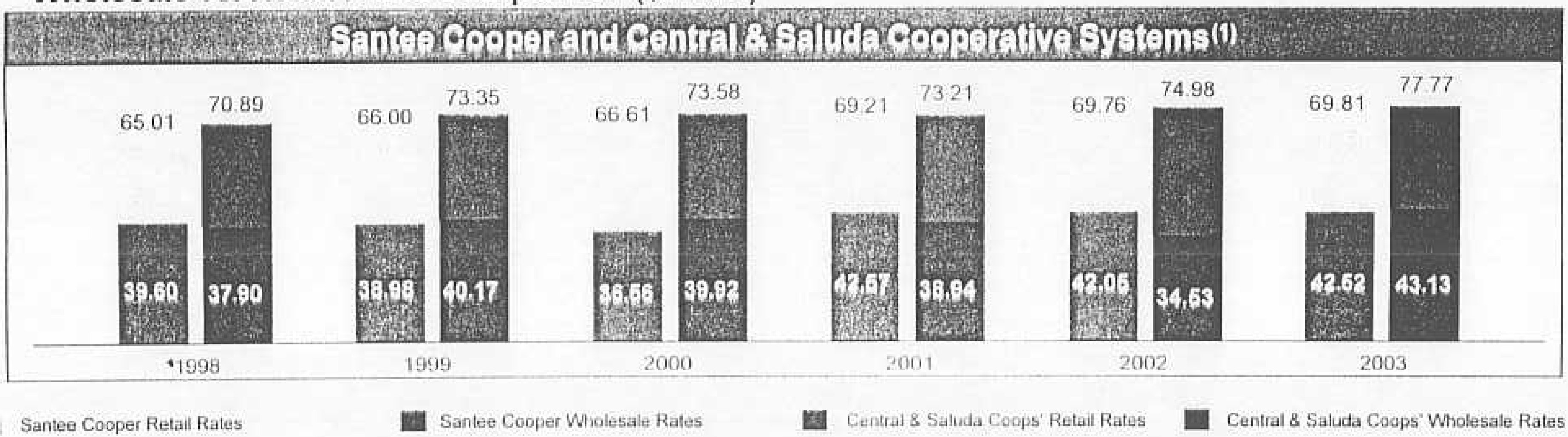
	CONTRACT CAPACITY	CONTRACT EXPIRATION	% OF TOTAL SALES	TYPE OF POWER	CREDIT RATINGS[1]
Central / Saluda Cooperatives[2]	NA	3/31/2023	49.5% [3]	Requirements Contract	NA/AA[4]
Alumax	400 MW	12/31/2015	10.3%	Partially Interruptible	Baa2 / A-
Nucor	250 MW	4/30/2007	6.3%	NA	A1 / A+
Georgetown Steel	120 MW	5/31/2006	1.9%	NA	Ba3 / BB[5]

Source: Santee Cooper filings and POWERdat.
Note: As of 12/31/03.
(1) Senior unsecured ratings.
(2) Under agreements between Central and Saluda, each of the Saluda Cooperatives becomes a member of Central at the earlier of (a) such time as Saluda ceases its corporate existence, and (b) January 31, 2009.
(3) Includes revenues from sales of electricity to Saluda. Subject to the terms of a wholesale power contract between Central and Saluda, Santee Cooper provides Saluda's power requirements above the load provided by the Catawba nuclear station and SEPA resources, under the Central Agreement.
(4) Issuer rating for Central. Saluda Cooperative is not rated.
(5) Senior unsecured ratings of International Steel Group, Inc., the parent of Georgetown Steel.

Central and Saluda River Cooperative Profile

PARTIES	ROLE	RELATIONSHIPS
Santee Cooper Southeastern Power Administration Catawba nuclear station Other	Generation Providers	▸ Santee Cooper supplies the total power requirements for Central and Saluda, less amounts supplied from other sources ▸ Central receives over 95% of its power supply requirements from Santee Cooper
Central Saluda	Wholesale Cooperatives	▸ Central and Saluda provide wholesale electric service to their members typically under long-term all-requirements supply agreements ▸ No later than February 2009, the members of Saluda are expected to become all requirements members of Central
Central members: 15 coops (465,868 customers) Saluda members: 5 coops (170,012 customers)	Distribution Cooperatives	

Wholesale vs. Retail Rates Comparison ($/MWh)



Santee Cooper -
Avg. Retail Rate / Avg. Wholesale Rate = 1.68x

Central & Saluda Cooperatives -
Avg. Retail Rate / Avg. Wholesale Rate = 1.89x

Source: POWERdat.
(1) Retail rates shown for Central and Saluda cooperative systems represent weighted average of rates charged by respective members

Central Coordination Agreement

Preliminary Review of Key Impacts Relative to Change in Santee Cooper Status

- Further legal due diligence is required to assess the implications of any change to Santee Cooper's existing business operation

ISSUE	IMPACT
Ownership change	▸ If generation is sold, Central may construct or acquire its own generating resources upon two years notice ▸ If Santee Cooper's bonds lose tax exempt status, Central may construct or acquire its own generation resources upon five years notice
Dispatch and operation of capacity	▸ Santee Cooper or any successor party will need to continue sole agent role of all third-party purchases to serve combined Santee Cooper / Central load
Successors and assigns	▸ Agreement may be assigned to a successor or assigned upon written consent of Central
Selling or leasing Santee Cooper system	▸ If generation and/or transmission is sold, Central has the right to repurchase a limited number of generation / transmission assets at net book value less outstanding principal. On current assumptions, the Grainger station and Hilton Head gas turbines could be purchased for approximately $11 million[(1)] ▸ Central has a right of first refusal with respect to a sale of Santee Cooper's system
Term	▸ If ownership, management or control of Santee Cooper or of all or a majority of its electric system assets is transferred, sold or leased to any person, corporation or other entity, Central shall be entitled to terminate the Agreement at any time upon 90 days written notice

(1) See calculation on page 28.

Analysis: Central's Cost to Purchase Generation Assets

- As outlined in the Central Agreement, the analysis provides a preliminary cost for Central to acquire its leased generation. Further legal due diligence is required

Central Leased Generation

	BOOK VALUE 11/30/04	ACCUMULATED DEPRECIATION	NET BOOK VALUE	DEBT OUTSTANDING [2]	NBV - DEBT
Grainger Generating Station [1]	$42,415,734	($34,149,836)	$8,265,898	$12,359	$8,253,539
Hilton Head Island Gas Turbines	$11,024,356	($8,032,132)	$2,992,224	$327,050	$2,665,174
Cost to Central to Purchase Assets					**$10,918,713**

(1) Note that these figures represent estimated book value on Santee Cooper's books for the assets listed. The Central/Santee Cooper Coordination and Integration Agreement Article XIV, Section F states a minimum annual depreciation rate for Steam Electric Generating Plant (i.e. Grainger). Therefore, the above Net Book Value may be overstated for purposes of determining how much Central would pay Santee Cooper for this asset.

(2) Pro forma debt ownership as of 1/31/05 based on original loan amounts. The debt will not be fully repaid until November 2008.

Rating Agencies' View

Moody's

- Rated: Aa2 (Revenue Bonds)
  Analyst: Dan Aschenbach
  Date: August 30, 2004

Strengths

- Financial results have been consistently sound while keeping its rates relatively low
- Below-average production costs and strong performance of its generation facilities
- Limited nuclear exposure
- Long-term power-sales contracts with major wholesale and retail customers at competitive prices locks up a major portion of existing revenue requirements

Challenges

- Customer concentration with Central Electric Power Cooperative Inc.
- Private-use restrictions could constrain using some generation assets in a retail-choice marketplace
- New units have not been completed, which opens the possibility of construction risk
- The state is still debating about electric-industry deregulation

Standard and Poor's

- Rated: AA- (Revenue Bonds), Stable Outlook
  Analyst: Dimitri Nikas
  Date: October 8, 2004

Strengths

- Strong competitive position characterized by efficient operations, low-fixed costs, and reasonable system-wide load factors
- Long-term contracts with wholesale and industrial customers mitigate competitive threats and provide considerable stability to revenues and cash flow
- A large, growing and diverse customer base covering about three quarters of S.C. Customer growth over the past few years has moderated, but still exceeds 2.0%, which is above industry averages
- Management's proactive efforts prudently increase and diversify owned generation capacity while maintaining adequate margins

Challenges

- Significant reliance on coal-fired generation is expected to lead to slightly higher average wholesale rates, reflecting the recent increases in coal prices
- The two senior obligations have closed liens and all new money must be issued under the revenue obligation resolution
- A measure of customer concentration and industrial exposure

Fitch

- Rated: AA, Negative Outlook
  Analyst: Hiran Cantu, Karl Pfeil
  Date: December 17, 2004

Strengths

- Competitive rates
- Experienced management
- Strong financial performance
- Low cost power supply
- Steady energy sales growth

Challenges

- Customer concentration
- Continued expansion of generation resources (coal units)
- Increasing fuel costs (coal)
- Financing a portion of long-term assets beyond primary wholesale contract
- Recent removal of the chairman of the Company's board of directors without cause, the resignation of another board member, and the reshuffling of the board of directors over the past four years. Uncertainties about the experience and leadership consistency with the Board can have negative credit consequences

3. Valuation and Financial Analysis

Proposed Approach to Valuation

Application of the below valuation approaches to Santee Cooper's historic financials and projections provided by management provide a view as to value *assuming no change in ownership*. A sale of the company, initial public offering or other corporate action may result in a new rate setting mechanism, taxable status and other factors which will impact valuation under these proposed corporate actions. *CSFB has not been provided and has not modeled a scenario under alternative ownership.*

Discounted Cash Flow Analysis ("DCF")

- Intrinsic, long-term theoretical value
- Value based on present value of future cash flows

Key Issues:

- Financial projections / sensitivities
- Discount rate
- Terminal value

Comparable Company Analysis ("Compco")

- 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 ("Compacq")

- 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.

Note: CSFB was not asked and has not attempted to identify any potential buyers for any Santee Cooper assets or Santee Cooper as a whole

Key Assumptions

- Financial projections have been provided by management and are based on the January 2005 financial forecast for calendar years 2005-2014, supplemented by additional financial information provided by management
  - Demand and energy requirements based on January 2004 load forecasts adjusted to reflect projected sales to TEA
  - Fuel and purchased power costs updated to reflect market conditions at time of forecast
  - Capex and O&M expenses based on a budget approved by the Board in December 2004
  - Projected construction expenditures and related debt service are based on the Company's current generation plan which projects requirements through 2014
  - An electric system retail rate reduction is projected for January 1, 2006
- 2005-2007 are budget years, with an escalator applied from 2008-2014 except where otherwise forecasted
- Potential real estate sales on page 38 derived from information and assumptions provided by the Company and various members of the Board of Santee Cooper

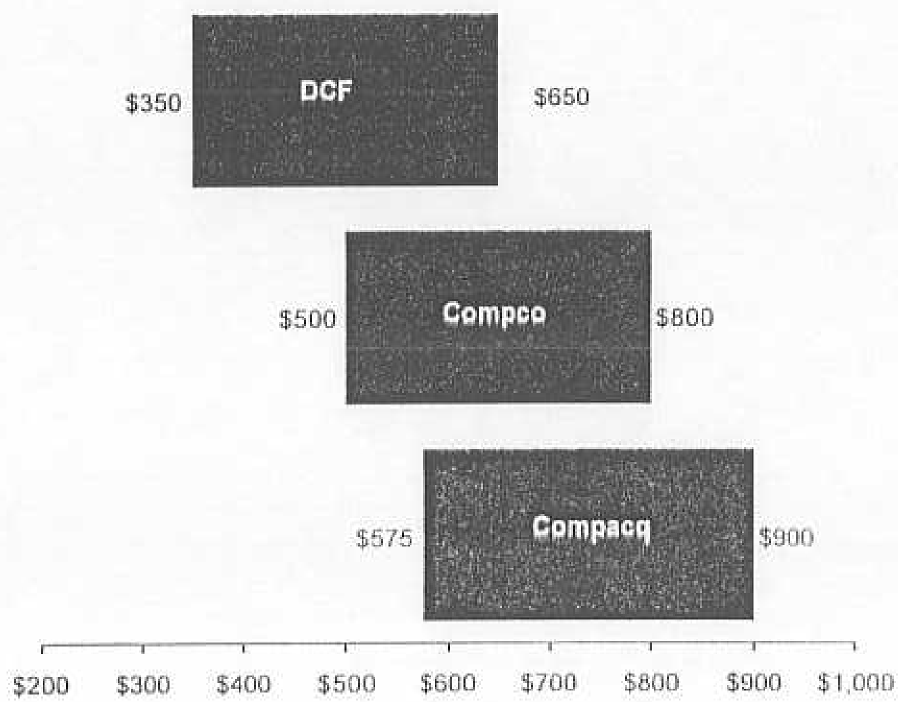
Summary Preliminary Financial Analysis

Notations:

- Readers should refer to CSFB's 'Overview of Study' on page 10, 'Proposed Approach to Valuation' on page 31 and 'Key Assumptions' on page 32 in conjunction with this page.
- Assumes current ownership / status of Santee Cooper.
- Analysis is preliminary in nature and will require further interpretation to reflect Santee Cooper's possible value under a competitive environment.
- Factors which could impact the above equity values include, but are not limited to, the treatment of the Company's tax exempt debt, any changes to Santee Cooper's contractual arrangements with the Central Cooperative provided by the Central Coordination Agreement, the impact of any change in rate setting mechanism, or a change in Santee Cooper's tax exempt status with respect to income and property taxes.
- Equity values include the present value of payments to the state.

Equity Reference Range for Santee Cooper on a standalone basis as of 1/01/05

(US$ in millions)



Implied Multiples

Methodology	EV/EBITDA [1]
DCF	6.7x– 7.5x
Compco	7.1x– 7.9x
Compacq	7.3x– 8.1x

Note: Based on 2005E EBITDA of $396 million and 12/31/04 net debt of $2,322 million

(1) 2005E EBITDA

Preliminary DCF Analysis – Assumes No Change of Ownership

($ in millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EBITDA	$396.1	$385.3	$421.0	$425.2	$451.3	$455.8	$460.9	$464.4	$468.9	$478.9
- Depreciation & Amortization	(154.0)	(161.7)	(188.7)	(195.7)	(224.4)	(228.7)	(233.0)	(238.9)	(244.5)	(249.0)
EBIT	$242.1	$223.6	$232.3	$229.5	$226.9	$227.2	$227.9	$225.5	$224.4	$229.8
+ Depreciation & Amortization	$154.0	$161.7	$188.7	$195.7	$224.4	$228.7	$233.0	$238.9	$244.5	$249.0
+ Other - Duke Interconnection Reimbursement	–	–	–	17.4	–	–	–	–	–	–
- Capital Expenditure	(498.4)	(470.5)	(447.2)	(311.8)	(131.2)	(143.5)	(197.2)	(195.4)	(161.3)	(166.2)
- Working Capital	–	–	–	–	–	–	–	–	–	–
- Difference in Fuel Inventory	(2.6)	2.8	0.9	0.2	(1.2)	(0.1)	(0.6)	0.7	(0.4)	(1.1)
- Adjustment to O&M (Cash Basis)	(1.9)	(2.6)	4.9	(2.5)	(2.6)	4.6	(2.9)	(3.0)	4.2	(3.3)
Unlevered Free Cash Flow	($106.9)	($84.9)	($20.4)	$128.5	$316.3	$316.8	$260.2	$266.6	$311.4	$308.3
EBITDA Growth %		*(2.7%)*	*9.3%*	*1.0%*	*6.2%*	*1.0%*	*1.1%*	*0.8%*	*1.0%*	*2.1%*

TERMINAL VALUE METHOD — EBITDA MULTIPLE

WACC[1]		7.25x	7.50x	7.75x	8.00x	8.25x
7.00%	PV of FCF	$1,021	$1,021	$1,021	$1,021	$1,021
	PV of Terminal Value	1,765	1,826	1,887	1,947	2,008
	Enterprise Value	$2,786	$2,847	$2,908	$2,969	$3,030
	Equity Value	465	525	586	647	708
7.25%	PV of FCF	$1,003	$1,003	$1,003	$1,003	$1,003
	PV of Terminal Value	1,724	1,784	1,843	1,903	1,962
	Enterprise Value	$2,728	$2,787	$2,846	$2,906	$2,965
	Equity Value	406	465	525	584	644
7.50%	PV of FCF	$986	$986	$986	$986	$986
	PV of Terminal Value	1,684	1,743	1,801	1,859	1,917
	Enterprise Value	$2,670	$2,728	$2,787	$2,845	$2,903
	Equity Value	349	407	465	523	581
7.75%	PV of FCF	$969	$969	$969	$969	$969
	PV of Terminal Value	1,646	1,703	1,759	1,816	1,873
	Enterprise Value	$2,614	$2,671	$2,728	$2,785	$2,841
	Equity Value	293	350	406	463	520

(1) Please refer to Appendix A for WACC calculation

(2) Terminal year free cash flow adjusted to assume that Santee Cooper's long-run capital expenditures are approximately equal to its depreciation and amortization expense

Comparable Company Analysis – Assumes No Change of Ownership

Selected Comparable Companies

(in millions, except per share amounts)

COMPANY	PRICE[1]	EQUITY VALUE	ENTERPRISE VALUE	Credit Ratings	Dividend Yield	EV / EBITDA 2005E	EV / EBITDA 2006E	EV / EBIT 2005E	EV / EBIT 2006E	P / E 2005E	P / E 2006E
Dominion Resources Inc	$74.25	$25,358	$42,939	Baa1 / BBB+	3.6%	8.3x	7.9x	11.9x	11.0x	14.7x	13.7x
Duke Energy Corp	$28.95	$27,838	$45,542	Baa1 / BBB	3.8%	8.2x	8.0x	13.2x	12.6x	18.7x	17.0x
Entergy Corp	$72.35	$15,923	$23,008	Baa3 / BBB	3.0%	7.8x	7.5x	11.8x	11.3x	15.6x	14.3x
FPL Group Inc	$41.57	$16,267	$25,807	A2 / A	3.4%	8.9x	8.2x	15.3x	14.2x	16.4x	15.4x
Progress Energy Inc	$41.56	$10,329	$20,184	Baa2 / BBB-	5.5%	8.4x	8.2x	14.0x	13.6x	13.4x	12.9x
Scana Corp	$38.05	$4,369	$7,965	A3 / BBB+	4.1%	8.6x	8.3x	12.3x	11.9x	13.7x	13.1x
Southern Co	$33.00	$24,552	$38,598	A3 / A(2)	4.3%	9.6x	9.1x	13.0x	12.5x	15.7x	15.0x
				Mean	4.0%	8.6x	8.2x	13.1x	12.4x	15.4x	14.5x
				Median	3.8%	8.4x	8.2x	13.0x	12.5x	15.6x	14.3x

(1) As of 4/22/05
(2) Issuer credit rating

- The following analysis provides an analytical framework to possible valuation. Further management, accounting, and financial analysis is required to appropriately reflect EBITDA and EBIT values for Santee Cooper, if operated as an investor-owned utility, which would earn a return on assets and shareholders' equity.

Comparable Company Analysis

($ in millions)

	Value	Selected Multiple Range[1]			Enterprise Value			Equity Value		
EBITDA										
2005E	$396	7.5x	-	8.0x	$2,970	-	$3,168	$649	-	$847
2006E	385	7.25x	-	7.75x	2,794	-	2,986	472	-	665
EBIT										
2005E	$242	12.5x	-	13.0x	$3,026	-	$3,147	$704	-	$825
2006E	224	12.0x	-	12.5x	2,683	-	2,795	362	-	473

(1) Discount applied to comparable companies to reflect structural differences.

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Comparable Acquisition Analysis
– Assumes No Change of Ownership

Selected Electric Utility Transactions

Date			Equity	Adjusted	Purchase Price Premiums			Adjusted Purchase Price		Purchase Price Multiple of	
			Purchase	Purchase	Time Before Original Announc.			As a Multiple of LTM		LTM	Book
Announc.	Acquiror	Target	Price	Price	4 weeks	1 week	1 day	EBITDA	EBIT	Earnings	Value
12/20/2004	Exelon Corporation	PSEG	$12,880	$24,156	16.1%	13.6%	8.5%	9.9x	12.8x	16.8x	2.1x
7/27/2004	PNM Resources	TNP Enterprises	189	1,024	NA	NA	NA	9.6x	13.3x	NM	3.6x
2/3/04	Ameren Corporation	Illinois Power (Dynegy)	500	2,300	NA	NA	NA	7.4x	12.8x	23.1x	NM
9/15/03	Fortis Inc.	Aquila Networks Canada	506	1,009	NA	NA	NA	8.8x	14.7x	22.9x	1.5x
4/28/02	Ameren	CILCORP (AES)	540	1,382	NA	NA	NA	8.2x	14.3x	28.2x	1.0x
2/20/01	Energy East	RGS Energy Group	1,382	2,306	32.2%	19.4%	19.3%	7.0x	11.5x	15.0x	1.6x
10/2/00	Northwestern Corp	MTP Utility	602	1,090	NA	NA	NA	8.0x	13.5x	15.6x	1.3x
6/15/99	Energy East	CMP Group	957	1,569	42.2%	43.5%	47.0%	7.2x	9.7x	14.4x	1.8x
6/14/99	Indiana Energy	SIGCORP	713	1,078	(1.2%)	1.1%	2.0%	7.0x	12.5x	15.3x	1.9x
6/14/99	Dynegy	Illinova	1,894	4,775	1.5%	4.9%	7.0%	7.9x	14.4x	20.6x	1.5x
5/25/99	Investor Group	TNP Enterprises, Inc.	590	1,062	37.5%	33.6%	25.9%	7.8x	11.2x	24.4x	1.9x
		Mean	$1,760	$3,599	22.7%	20.8%	20.0%	7.9x	12.9x	20.0x	1.7x
		Median	713	1,569	30.8%	19.4%	19.3%	7.9x	12.8x	20.8x	1.6x

- The following analysis provides an analytical framework to possible valuation. Further management, accounting, and financial analysis is required to appropriately reflect EBITDA, EBIT and book values for Santee Cooper, if operated as an investor-owned utility, which would earn a return on assets and shareholders' equity.

Comparable Acquisition Analysis

($ in millions)

	Value	Selected Multiple Range			Enterprise Value			Equity Value		
EBITDA										
2004A	$385	7.5x	-	8.5x	$2,886	-	$3,271	$565	-	$949
EBIT										
2004A	241	12.0x	-	13.0x	2,896	-	3,137	575	-	816
Book Value										
2004A	1,201	1.2x[(1)]	-	1.7x	3,763	-	4,364	1,442	-	2,042

(1) Multiple assumes earning a return on assets.

4. Positioning and Peer Group Analysis

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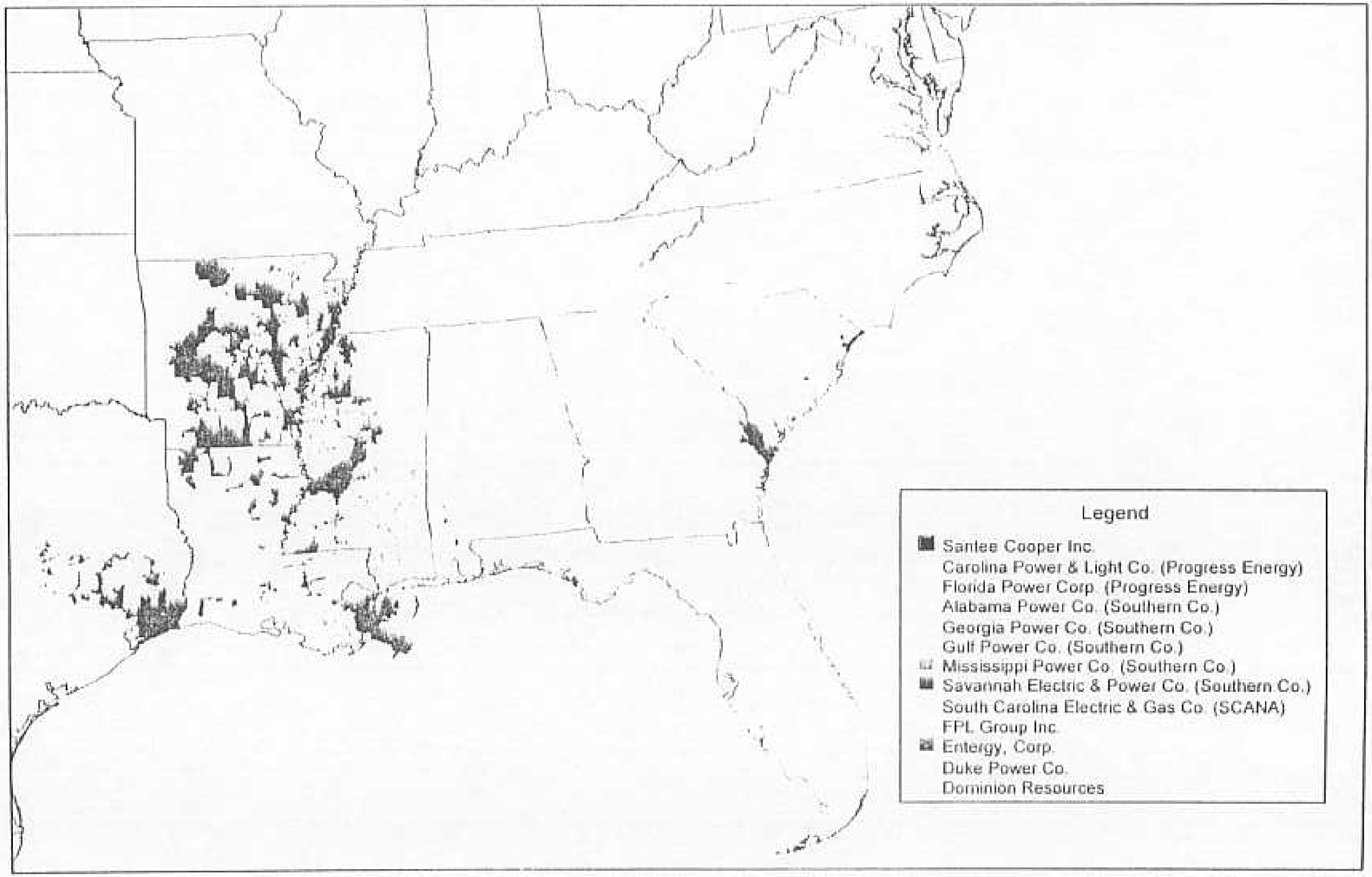
Regional Landscape - Electric

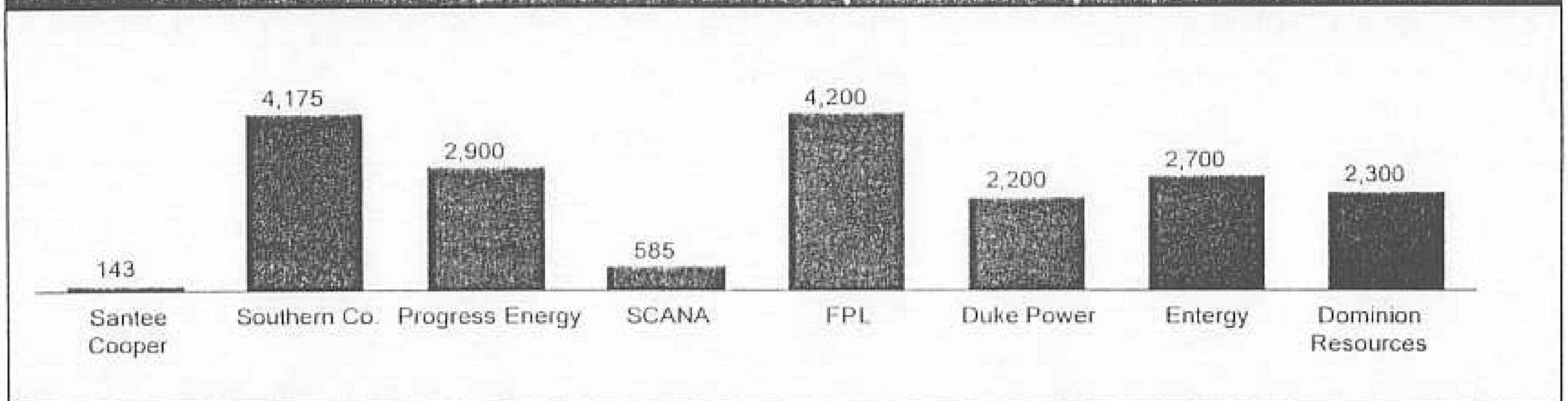
Santee Cooper



Source: POWERdat

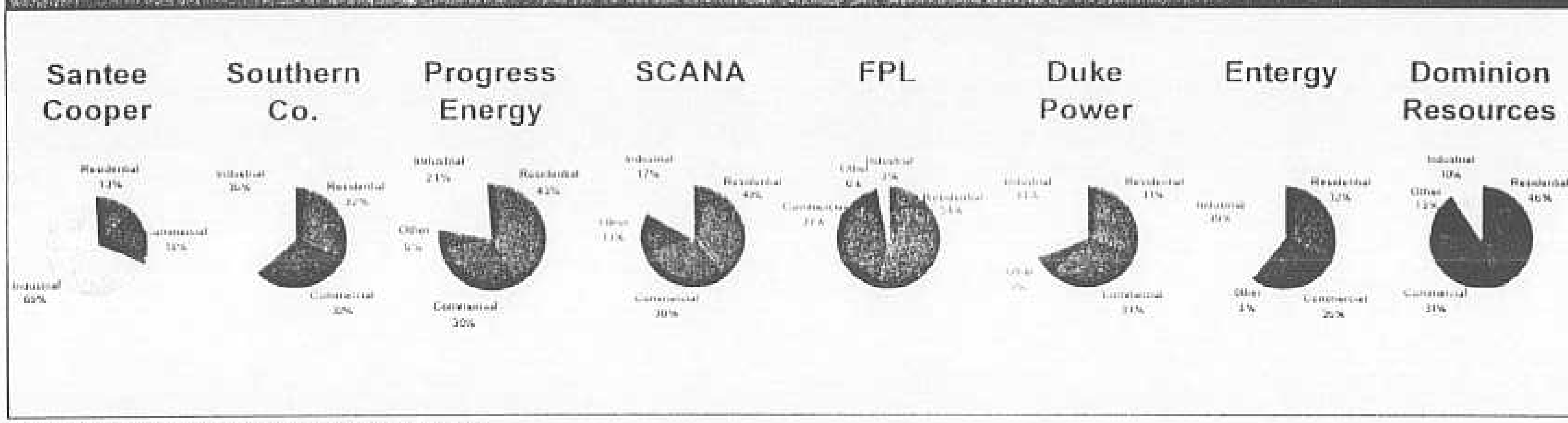
Relative Scale – Customers and Customer Mix

Number of Customers (in thousands)(1)



Note: Santee Cooper number of customers excludes end user customers of cooperatives

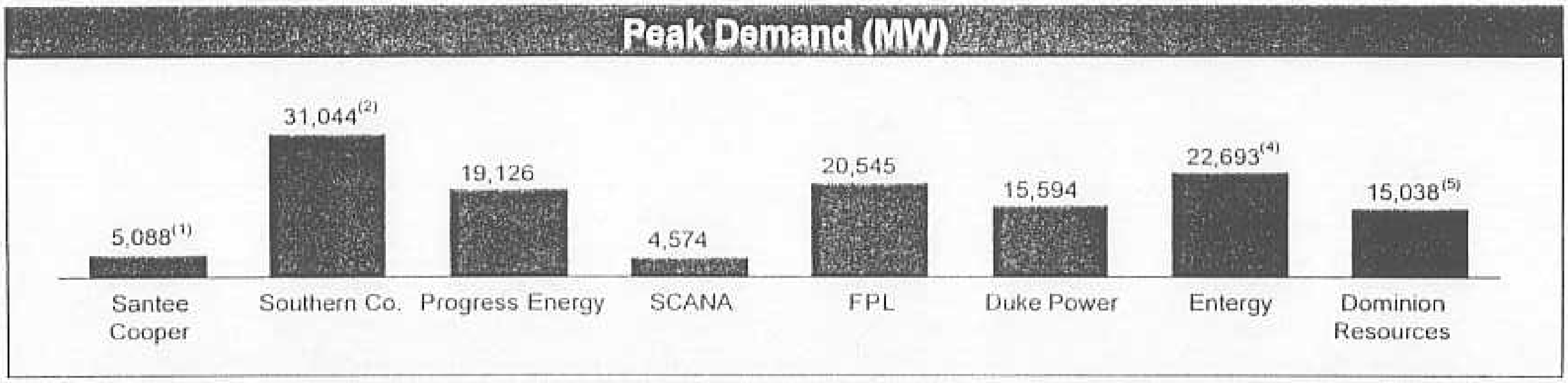
Customer Mix(1)

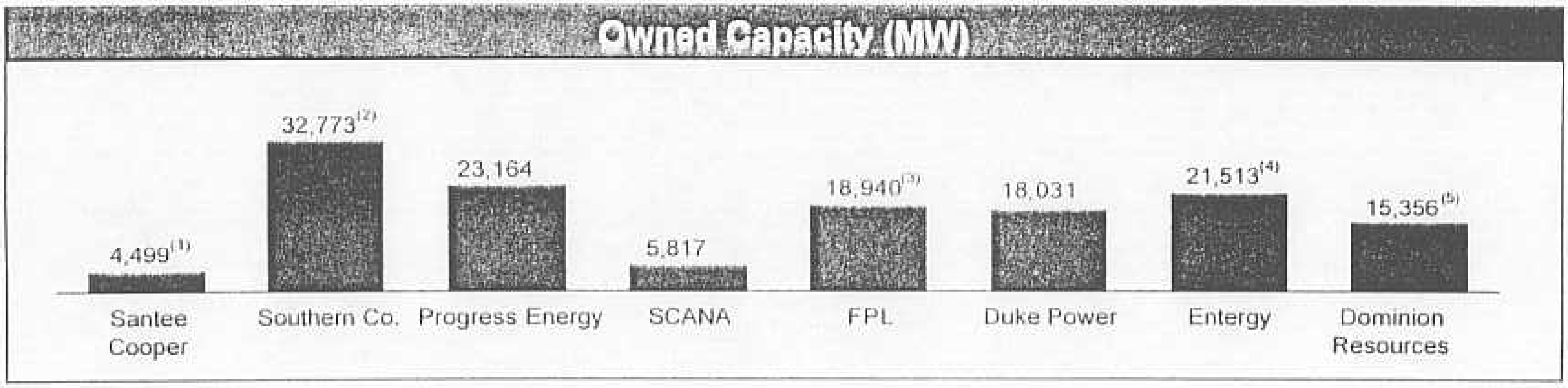


Source: SEC Filings and POWERdat and company reports.

(1) Based on statistics from regulated operations. Customer mix based on volumes sold (MWh) for Santee Cooper, Progress Energy, Entergy and Southern and on revenues for SCANA, FPL Group and Dominion Resources. Statistics are for 2004. Santee Cooper mix excludes volumes sold to wholesale customers.

Relative Scale – Peak Demand vs. Capacity

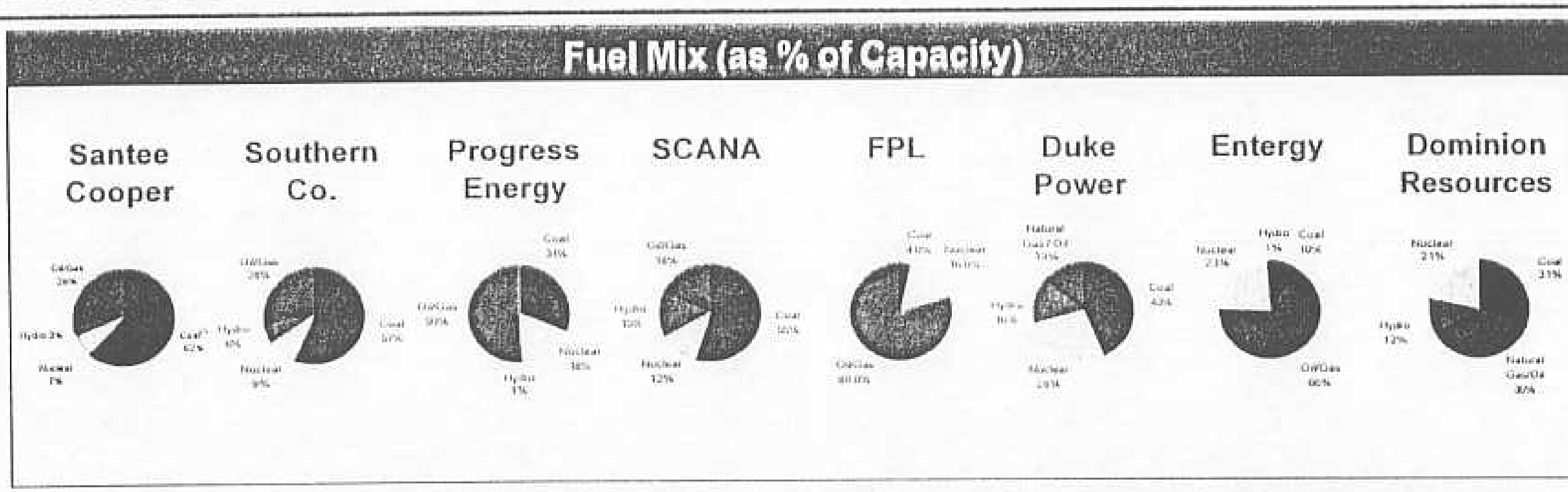


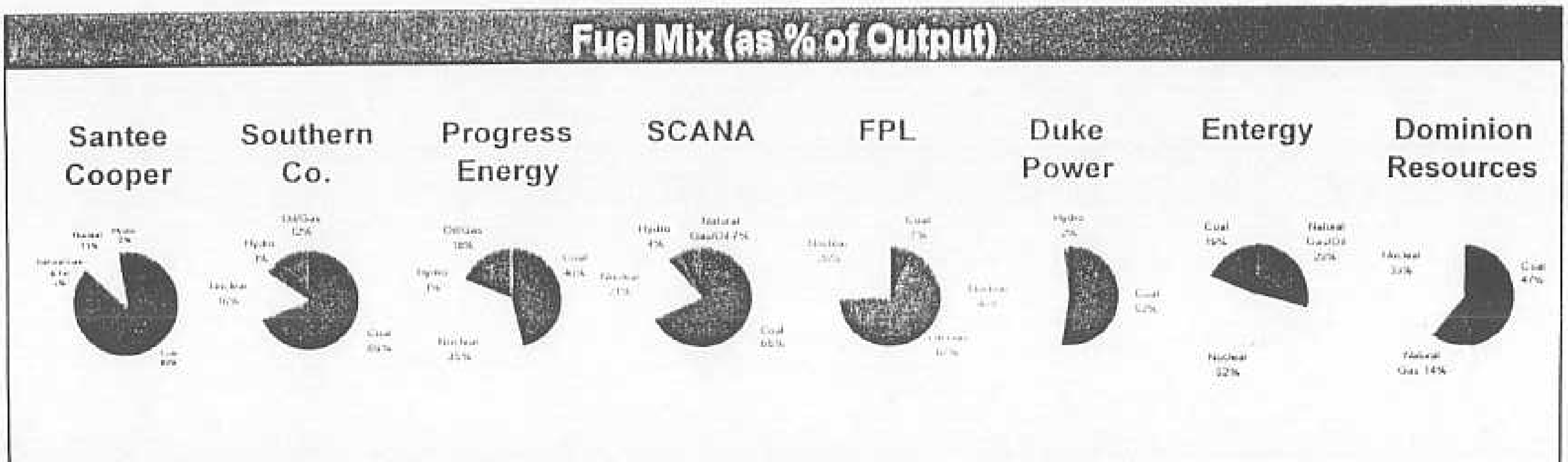


Source: SEC Filings, POWERdat and company reports.
Note: As of and for the period ended 12/31/04, unless otherwise stated.

(1) Territorial peak demand for 2004, per company report. In addition to its generation capability of 4,499 MW, Santee Cooper has access to 586 MW provided under various contracts.
(2) 2003 peak demand based on POWERdat. Total capacity based on Gulf Power, Alabama Power, Georgia Power, Mississippi Power and Savannah Electric.
(3) Resources for serving load consist of 22,412 MW of which 18,940 MW are from FPL-owned facilities and 3,472 MW are obtained through purchased power contracts.
(4) Peak load for 2003 based on POWERdat. Peak load is typically around 21,000 MW. Allowing for an adequate reserve margin, Entergy has typically been short 3,000 MW and has covered its short position entirely with spot market purchases.
(5) Peak load for 2003 based on POWERdat. Virginia Electric and Power Company has access to 3,081 MW of purchased power capacity.

Relative Scale – Fuel Mix/Generation Mix





Source: SEC Filings
Note: As of 12/31/04.
(1) Coal accounts for 70% including planned asset construction

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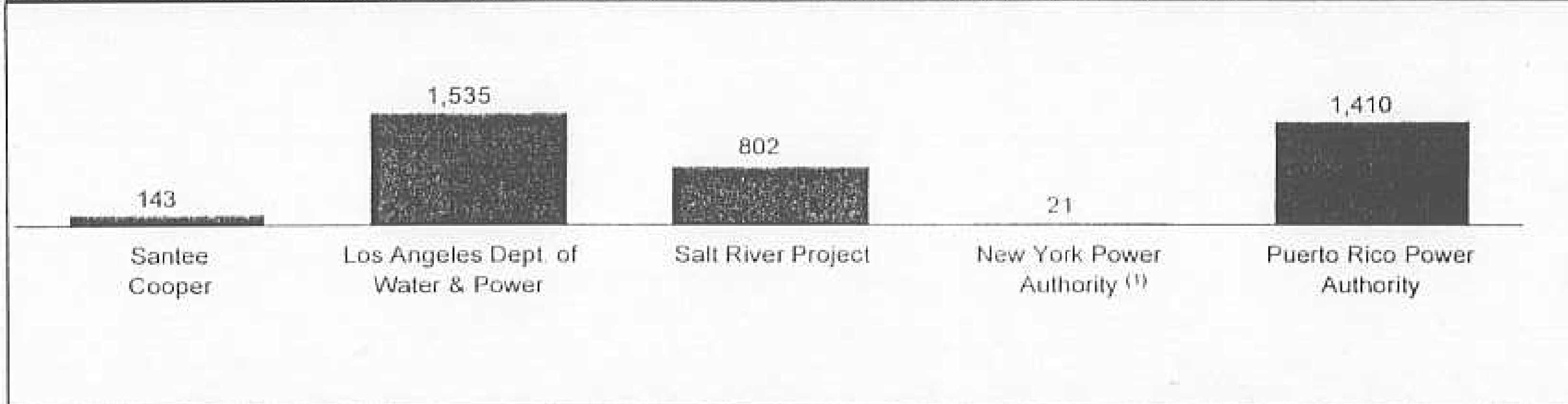
Public Utilities Relative Scale – Customers and Customer Mix

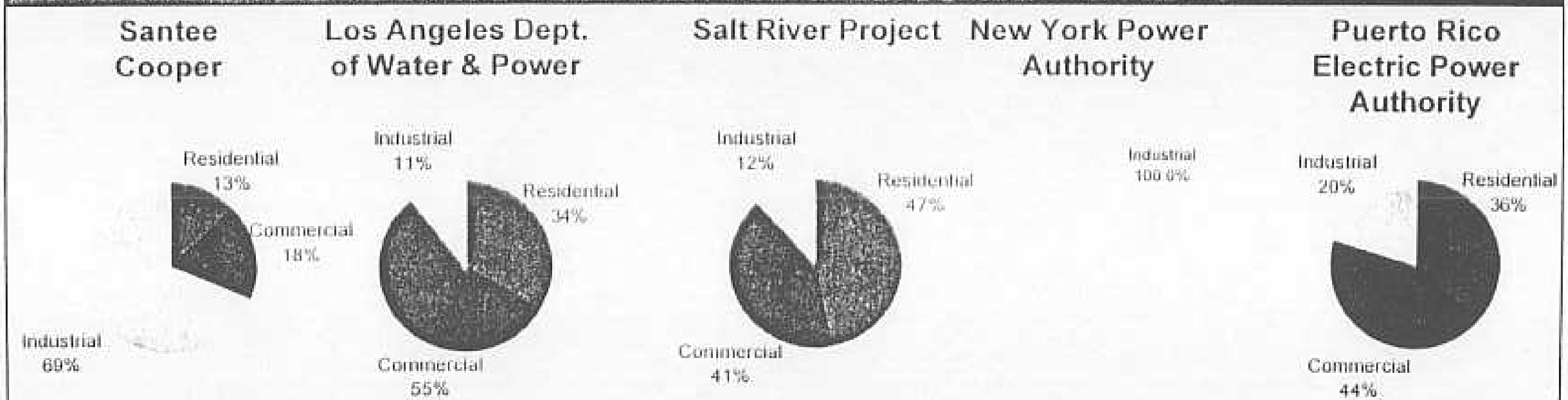
Number of Customers (In thousands)



Note: Number of customers as of 12/31/03 except Santee Cooper (2004). Santee Cooper number of customers excludes end user customers of cooperatives

(1) The majority of New York Power Authority's customers are municipal and rural cooperatives, investor owned utilities and high load factor industrial companies

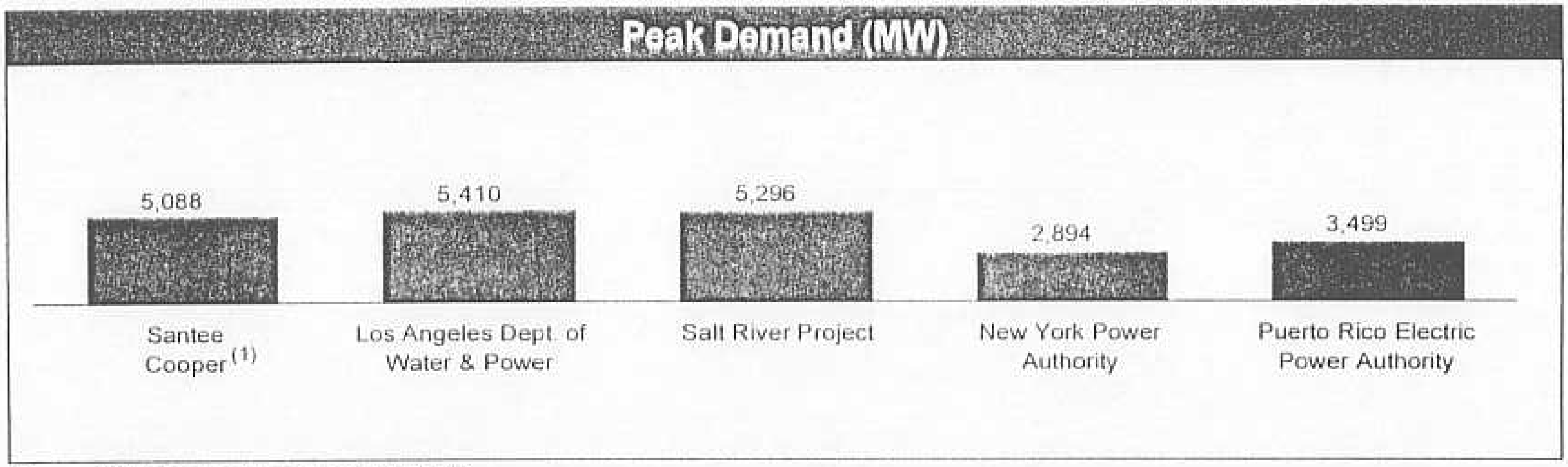
Customer Mix



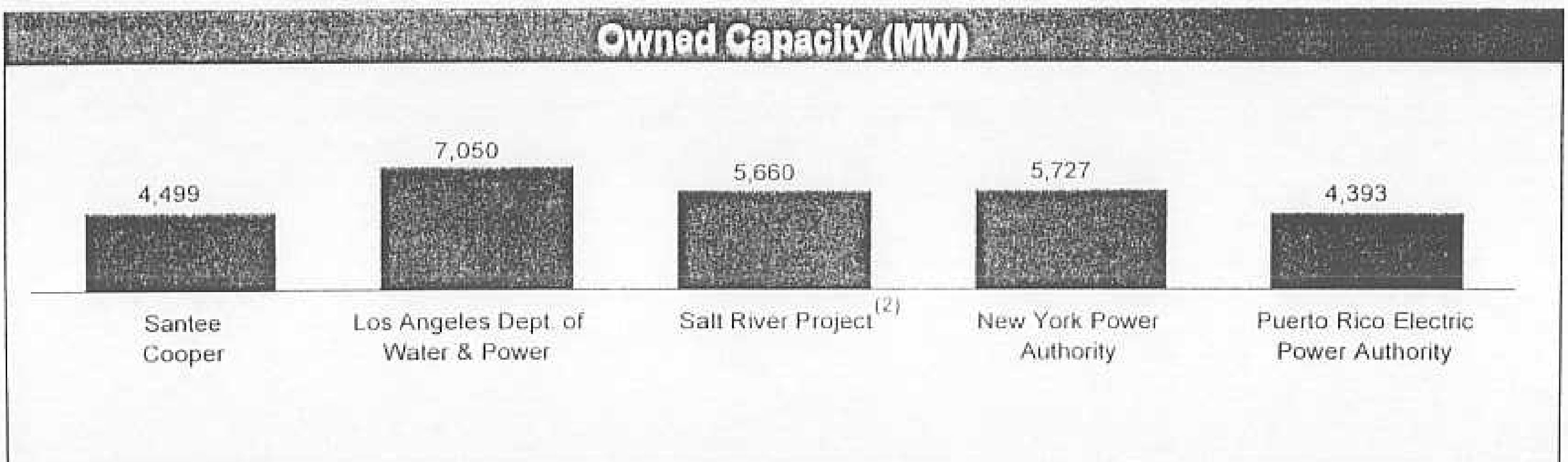
Source: SEC Filings and POWERdat

Note: Customer mix is based on 2003 total MWh sales except Santee Cooper (2004 projections). Santee Cooper customer mix excludes volumes sold to wholesale customers

Public Utilities Relative Scale – Peak Demand vs. Capacity



Source: POWERdat. For the year ended 12/31/03.



Source: SEC Filings and POWERdat.
Note: As of 12/31/03, unless otherwise stated.
(1) Territorial peak demand for 2004, per company report. In addition to its generation capability of 4,499 MW, Santee Cooper has access to 586 MW provided under various contracts.
(2) In addition to its own capacity, Salt River Project has access to an additional 1,479 MW to serve peak demand.

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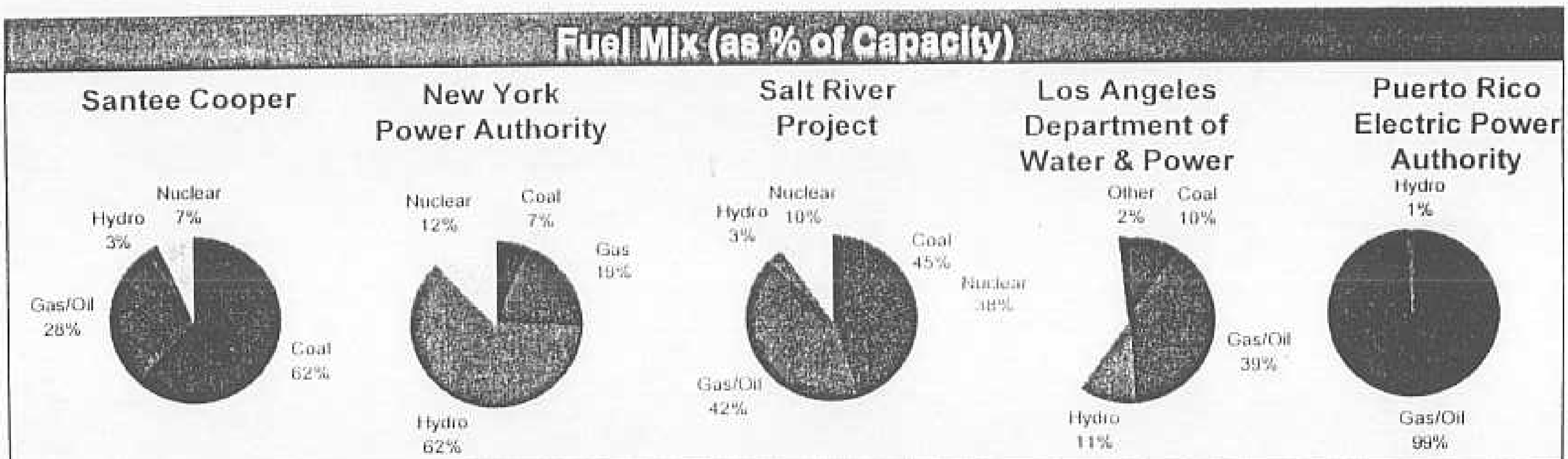
Public Utility Comparison

Five largest Public Power Utilities Ranked by Revenues

	Revenues	Fuel/Purchase Costs	Gross Profit	Gross Margin	Non-Fuel Costs	Non-Fuel Costs as a % of Revenue	Total Assets	Credit Ratings	How much contribution do they make to the state?	Do they manage other state owned property?	Does the governor have ability to replace the board	What type of planning horizon do they use?
Puerto Rico Electric Power Authority(1)	$2,514	$1,226	$1,288	51%	$650	26%	$6,209	A3 / A	NA	Yes	NA	One year budget plan
New York Power Authority	2,292	1,413	879	38%	617	27%	6,042	Aa2 / AA-	$52MM	No	Yes	Based on more service and less expansion
Los Angeles Department of Water & Power(1)	2,146	972	1,174	55%	675	31%	8,476	NA / NA	$210MM	No	No	Financially a 5 year planning horizon
Salt River Project	1,994	790	1,204	60%	604	30%	6,637	NA / AA	$3.3MM	Not Materially	No	Financially a 6 year planning horizon; sometimes 10
Santee Cooper	1,048	440	608	58%	234	22%	4,232	Aa2 / AA-	$12.3MM	Yes	Yes	3 year budget plus 7 years of projections

Note: As of 12/31/03 unless noted below.
(1) As of year end 6/30/03.



Source: Company Annual Reports and PowerDat.
Note: As of 12/31/03.

Public Utility Capital Structure Comparison

($ in millions, except per share data)

	Santee Cooper[1]	LA Dept. of Water & Power [2]	New York Power Authority	Puerto Rico Electric Power Authority[2]	Salt River Project
Cash and Cash Equivalents	$795.6	$1,251.2	$1,811.3	$372.7	$1,109.5
Short Term Debt	$274.3	$163.2	$282.1	$470.4	$260.4
Long-Term Debt	$2,600.7	$3,232.1	$2,264.0	$4,226.3	$2,809.6
Capital Leases	–	–	–	–	–
Convertible Debt	–	–	–	–	–
Trust Preferred / Other Debt-like Preferred	–	–	–	–	–
Other	–	–	–	–	–
Total Debt	$2,875.0	$3,395.3	$2,546.1	$4,696.7	$3,070.0
Shareholders' Equity	$1,201.2	$3,693.1	$1,756.0	$544.8	$2,203.9
Total Capitalization	$4,076.2	$7,088.3	$4,302.1	$5,241.5	$5,273.9
Net Debt	$2,079.4	$2,144.1	$734.8	$4,324.0	$1,960.5
Total Debt / Total Cap	70.5%	47.9%	59.2%	89.6%	58.2%
Net Debt / Net Capitalization	63.4%	36.7%	29.5%	88.8%	47.1%
Average Cost of Debt	5.1%	5.2%	3.7%	5.4%	4.3%
% Tax Exempt	93.3%	100.0%	64.9%	96.0%	87.8%
Credit Ratings					
Moody's	Aa2	NA	Aa2	A3	NA
S&P	AA-	NA	AA-	A-	AA

Note: As of 12/31/03 unless noted below
(1) Santee Cooper as of 12/31/04
(2) L.A Dept. of Water & Power and Puerto Rico Electric Power Authority as of 6/30/03

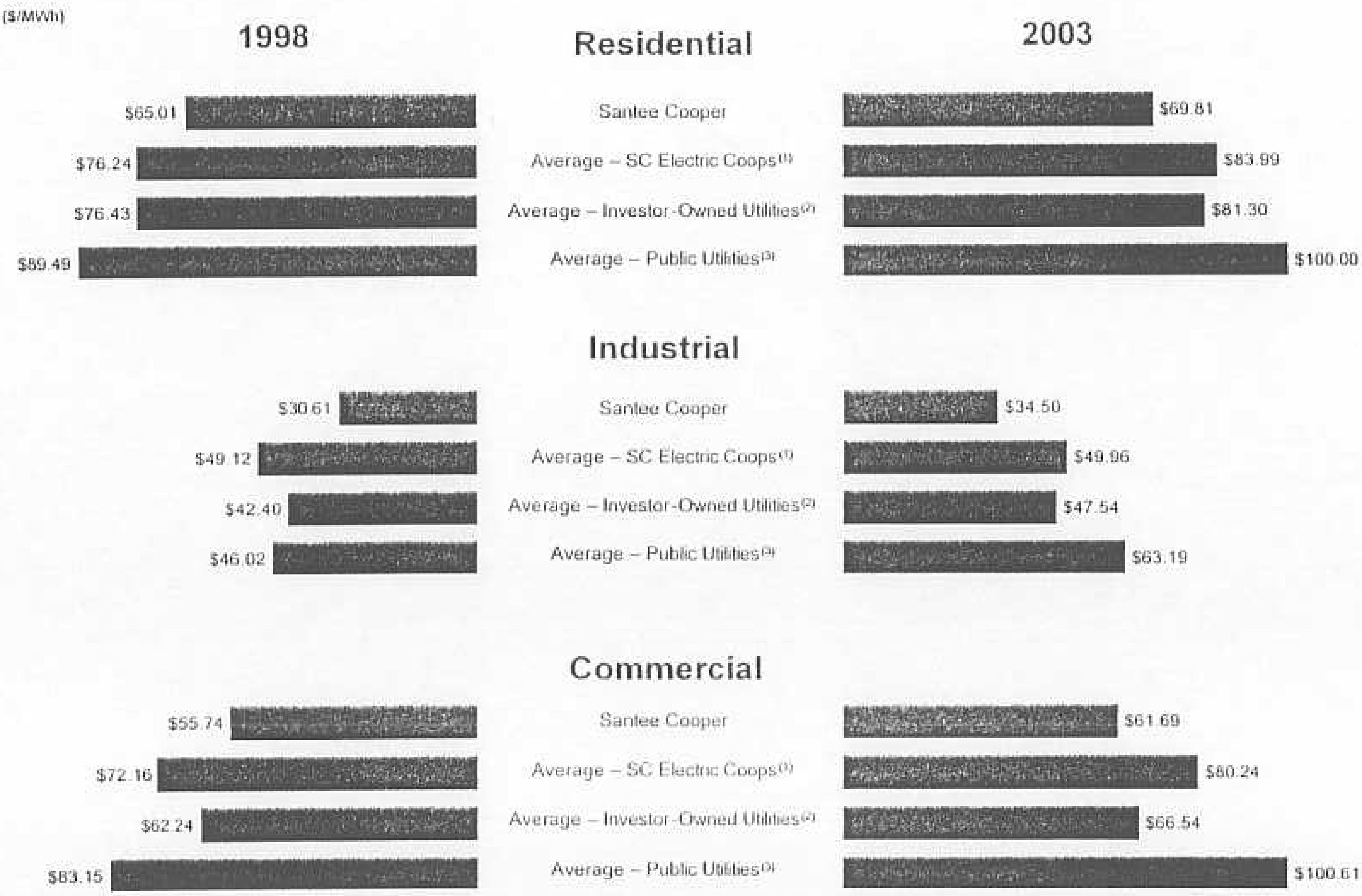
Capital Structure Comparison

($ in millions, except per share data)

	Dominion Resources	Duke Energy	Entergy	FPL Group	Progress Energy	SCANA	Southern
Cash and Cash Equivalents	$476.8	$1,978.2	$722.8	$669.0	$144.0	$120.0	$373.0
Short Term Debt	$1,941.0	$1,900.0	$492.6	$1,717.0	$349.0	$415.0	$1,409.0
Long-Term Debt	$15,859.5	$16,162.0	$7,016.8	$8,492.0	$9,521.0	$3,186.0	$12,449.0
Capital Leases	–	–	–	–	–	–	–
Convertible Debt	–	–	–	–	–	–	–
Trust Preferred / Other Debt-like Preferred	–	–	$17.4	–	–	$9.0	–
Other	–	–	–	–	–	–	–
Total Debt	$17,800.5	$18,062.0	$7,526.8	$10,209.0	$9,870.0	$3,610.0	$13,858.0
Preferred Stock	$257.0	$134.0	$280.7	–	$93.0	$106.0	$561.0
Minority Interest	–	$1,486.0	–	–	$36.0	–	–
Shareholder's Equity	$11,426.0	$17,211.0	$8,296.7	$7,537.0	$7,633.0	$2,451.0	$10,278.0
Total Capitalization	$29,483.5	$36,893.0	$16,104.1	$17,746.0	$17,632.0	$6,167.0	$24,697.0
Net Debt	$17,323.7	$16,083.8	$6,804.0	$9,540.0	$9,726.0	$3,490.0	$13,485.0
Total Debt / Total Cap	60.4%	49.0%	46.7%	57.5%	56.0%	58.5%	56.1%
Total Debt + Prfd / Total Cap	61.2%	49.3%	48.5%	57.5%	56.5%	60.3%	58.4%
Net Debt / Net Capitalization	59.7%	46.1%	44.2%	55.9%	55.6%	57.7%	55.4%
Average Cost of Debt	5.7%	6.2%	5.8%	4.9%	6.1%	6.2%	4.8%
% Tax Exempt	–	–	20.9%	–	9.2%	4.8%	19.1%
Credit Ratings							
Moody's	Baa1	Baa1	Baa3	A2	Baa2	A3	A3
S&P	BBB+	BBB	BBB	A	BBB-	BBB+	A[1]
S&P Business Position	7	7	6	6	6	4	4

Note: As of 12/31/04.
(1) Issuer credit rating.

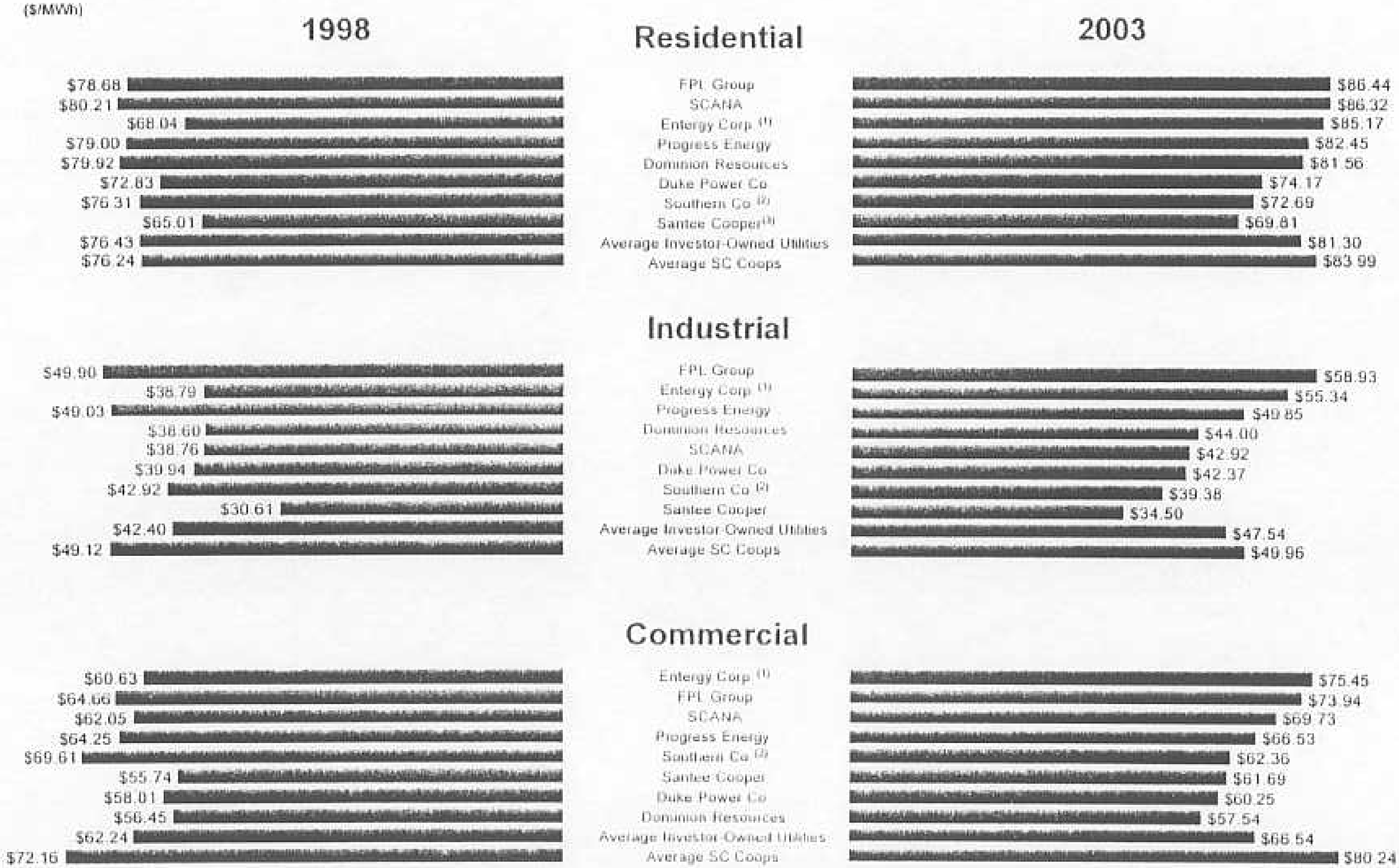
Summary: Rate Comparison



(1) See page 52 for details.
(2) See page 50 for details.
(3) See page 51 for details.

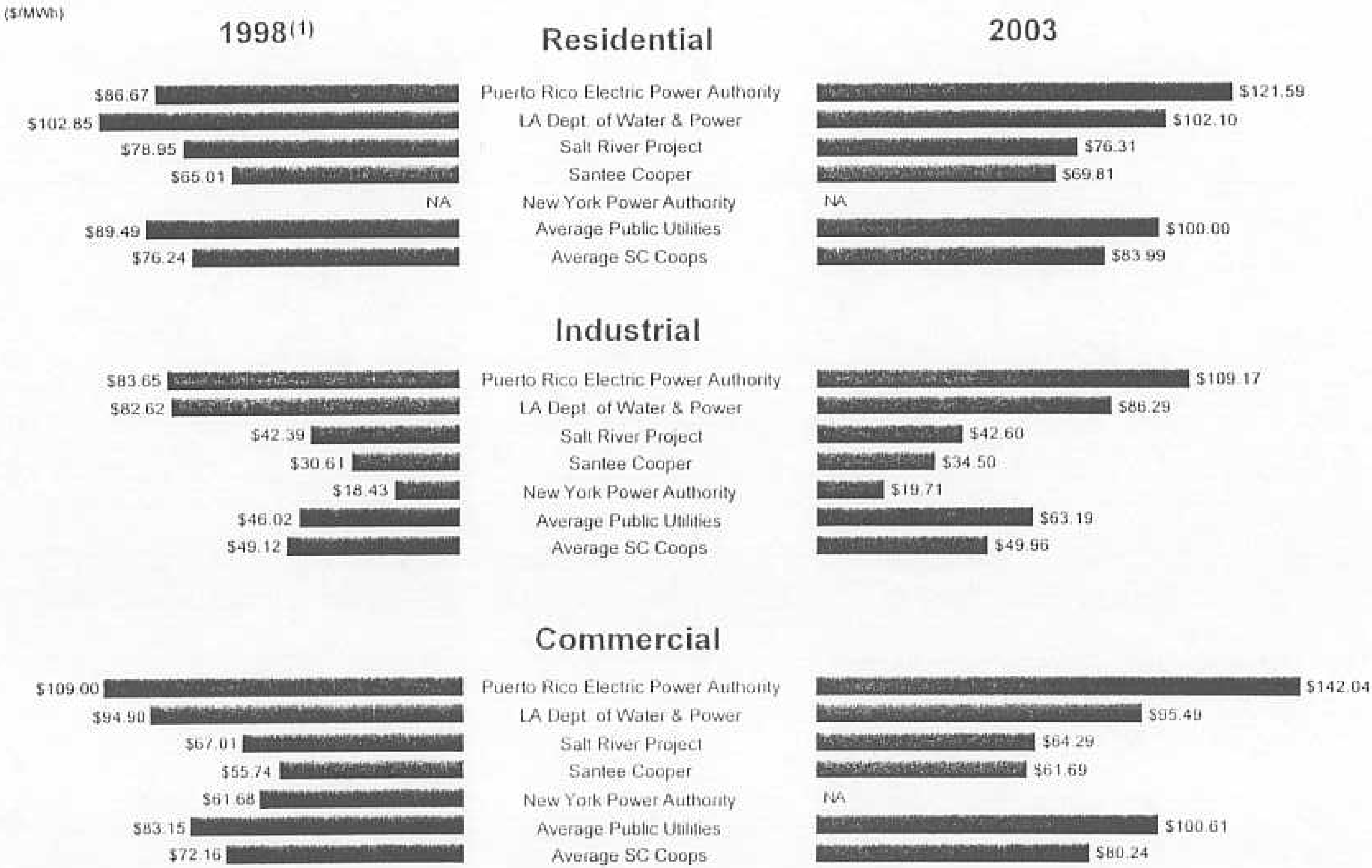
Investor-Owned Utilities Rate Comparison

($/MWh)



Source: POWERdat
(1) Rates of Entergy Gulf States
(2) Rates of Georgia Power
(3) Represents direct-serve customers only

Public Utility Rate Comparison



Source: POWERdat.
(1) Except Puerto Rico Electric Power Authority (1999).

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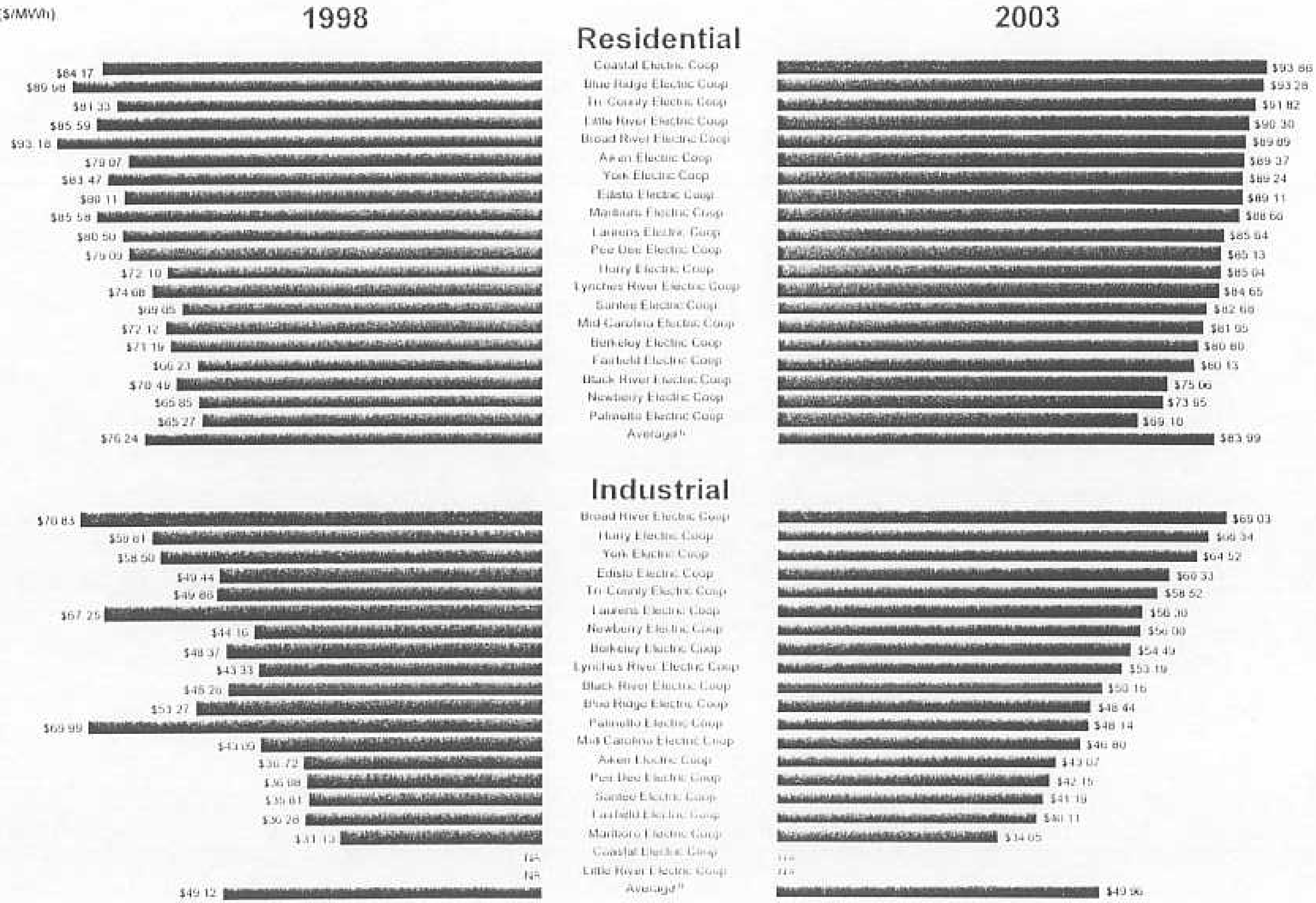
South Carolina Cooperative System Rate Comparison



Source: POWERdat.
(1) Customer based weighted average of cooperatives.

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South Carolina Cooperative System Rate Comparison (Cont'd)

Source - POWERdat
(1) Customer based weighted average of cooperatives

Appendices

A. Discount Rate Analysis

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Discount Rate Analysis

Industry Statistics

($ in millions)

Company	Credit Ratings [4] S&P	Moody's	Beta [5]	Total Debt	Total Pref.	Market Equity	Debt / Mkt Equity	Tax Rate [6]	Levering Factor [7]	Unlevered Beta [8]
Dominion Resources	BBB+	Baa1	0.45	$17,801	$257	$25,358	70%	35%	1.46	0.31
Duke Energy	BBB	Baa1	0.63	18,062	134	27,838	65%	35%	1.42	0.44
Entergy	BBB	Baa3	0.40	7,527	281	15,923	47%	35%	1.31	0.31
FPL Group	A	A2	0.45	10,209	-	16,267	63%	35%	1.41	0.32
Progress Energy	BBB-	Baa2	0.47	9,870	93	10,329	96%	35%	1.62	0.29
SCANA	A3	BBB+	0.36	3,610	106	4,369	83%	35%	1.54	0.24
Southern	A3	A	0.42	13,858	561	24,552	56%	35%	1.37	0.30
	Average		0.45				69%	35%	1.45	0.32
	Median		0.45				65%	35%	1.42	0.31

Cost of Capital Analysis - Constant Unlevered Beta and Cost of Debt

Debt / Capital	Debt / Mkt Equity	Unlevered Beta	Levering Factor	Levered Beta [9]	Cost of Equity [10]	Cost of Debt [11] 4.0%	4.5%	5.0%	5.5%
50%	100%	0.32	200%	0.63	9.9%	6.9%	7.2%	7.4%	7.7%
55%	122%	0.32	222%	0.70	10.4%	6.9%	7.1%	7.4%	7.7%
60%	150%	0.32	250%	0.79	11.0%	6.8%	7.1%	7.4%	7.7%
65%	186%	0.32	286%	0.90	11.8%	6.7%	7.1%	7.4%	7.7%
70%	233%	0.32	333%	1.05	12.9%	6.7%	7.0%	7.4%	7.7%
75%	300%	0.32	400%	1.26	14.4%	6.6%	7.0%	7.3%	7.7%
80%	400%	0.32	500%	1.58	16.7%	6.5%	6.9%	7.3%	7.7%

Assumptions

Santee Cooper Marginal Tax Rate	-
Risk Free Rate ("RF") [1]	4.40%
Equity Risk Premium ("Erp") [2]	7.20%
Size Premium [3]	0.9%

Notes:

(1) Yield on 20-year US Treasury Bonds (as of May 2, 2005)

(2) Avg. historical spread between stocks and L-T bonds returns (Ibbotson Ass., 2004)

(3) 2004 Ibbotson Report

(4) Senior Unsecured ratings

(5) Barra US Equity Book predictions (as of April 1, 2005)

(6) Assumes marginal tax rate

(7) Levering Factor: 1+ [(1 - Tax Rate) * (Debt / Equity ratio)]

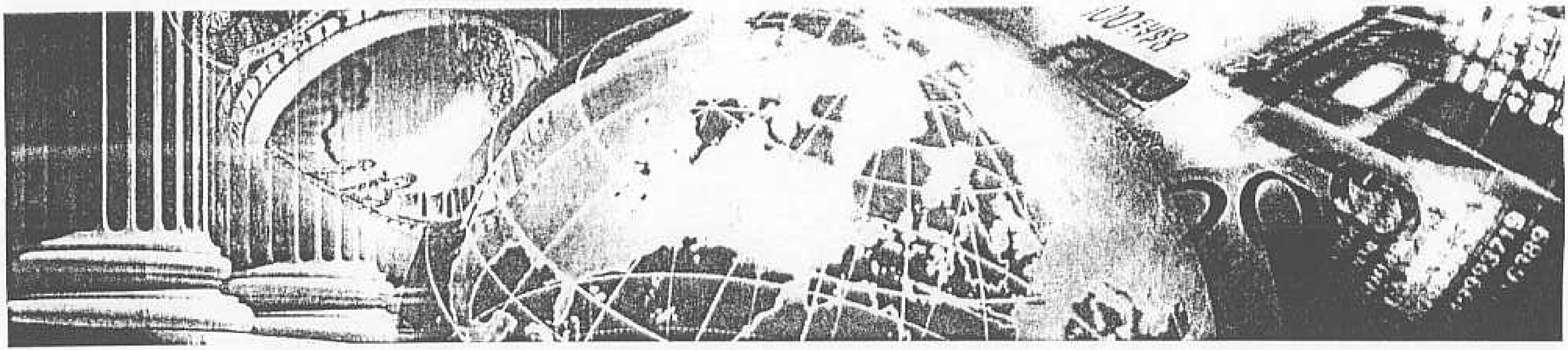
(8) Unlevered Beta: (Beta / Levering Factor)

(9) Levered Beta: (Beta * Levering Factor). Assumes Tax Rate = 0%

(10) Cost of Equity: Rf + B * Erp

(11) Post-tax cost of debt equal to pre-tax cost of debt

B. Comparable Company Analysis



Equity Market Trading Multiples: Regional Investor Owned Utilities

($ in millions, except per share data)

	SCANA	FPL Group	Entergy	Progress Energy	Southern	Dominion Resources	Duke Energy	Mean	Median
Stock Price (04/22/05)	$38.05	$41.57	$72.35	$41.56	$33.00	$74.25	$28.95		
Shares Outstanding[1]	114.8	391.3	220.1	248.5	744.0	341.5	961.6		
Market Capitalization	$4,369	$16,267	$15,923	$10,329	$24,552	$25,358	$27,838		
Net Debt	3,596	9,540	7,085	9,855	14,046	17,581	17,704		
Enterprise Value	$7,965	$25,807	$23,008	$20,184	$38,598	$42,939	$45,542		
Enterprise Value Multiples[2]									
2005E EBITDA	8.6x	8.9x	7.8x	8.4x	9.6x	8.3x	8.2x	8.6x	8.4x
2006E EBITDA	8.3x	8.2x	7.5x	8.2x	9.1x	7.9x	8.0x	8.2x	8.2x
2005E EBIT	12.3x	15.3x	11.8x	14.0x	13.0x	11.9x	13.2x	13.1x	13.0x
2006E EBIT	11.9x	14.2x	11.3x	13.6x	12.5x	11.0x	12.6x	12.4x	12.5x
Equity Multiples[2]									
2005E P/E	13.7x	16.4x	15.6x	13.4x	15.7x	14.7x	18.7x	15.4x	15.6x
2006E P/E	13.1x	15.4x	14.3x	12.9x	15.0x	13.7x	17.0x	14.5x	14.3x
P/BV	1.8x	2.2x	2.0x	2.9x	2.4x	3.6x	2.1x	2.4x	2.2x
Other Statistics									
Dividend Yield	4.1%	3.4%	3.0%	5.5%	4.3%	3.6%	3.8%	4.0%	3.8%
LT EPS Growth	4.5%	5.0%	7.0%	4.0%	5.0%	5.0%	4.0%	4.9%	5.0%
Debt/Capitalization	58.5%	57.5%	46.7%	56.0%	56.1%	60.4%	49.0%	55%	56%
Credit Ratings									
Moody's	A3	A2	Baa3	Baa2	A3	Baa1	Baa1		
S&P	BBB+	A	BBB	BBB-	A[4]	BBB+	BBB		
S&P Business Position[3]	4	6	6	6	4	7	7		

(1) Fully diluted shares includes in-the-money options and warrants.
(2) Earnings estimates based on IBES and First Call.
(3) Reflects business risk position for operating utility companies.
(4) Issuer credit rating.

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

($ in millions, except per share data)

	Cleco	PNM Resources	Great Plains	WPS Resources	Wisconsin Energy	Mean	Median
Stock Price (04/22/05)	$20.70	$26.92	$30.28	$53.10	$35.27		
Shares Outstanding[1]	49.3	61.0	74.4	37.8	119.1		
Market Capitalization	$1,021	$1,642	$2,254	$2,006	$4,201		
Net Debt	519	1,880	1,220	1,176	3,673		
Enterprise Value	$1,540	$3,522	$3,474	$3,182	$7,875		
Enterprise Value Multiples[2]							
2005E EBITDA	7.5x	NM	7.4x	9.9x	8.5x	8.3x	8.0x
2006E EBITDA	7.3x	NM	7.4x	9.5x	8.0x	8.0x	7.7x
2005E EBIT	10.7x	NM	10.4x	15.4x	12.9x	12.3x	11.8x
2006E EBIT	10.5x	NM	10.6x	14.1x	12.2x	11.8x	11.4x
Equity Multiples[2]							
2005E P/E	15.2x	16.4x	14.5x	14.1x	14.9x	15.0x	14.9x
2006E P/E	14.7x	14.3x	15.1x	14.0x	14.0x	14.4x	14.3x
Tangible Book Value	$541	$1,267	$1,055	$1,055	$2,051		
P/BV	1.9x	1.3x	2.1x	1.9x	2.0x	1.9x	1.9x
Other Statistics							
Dividend Yield	4.3%	2.7%	5.5%	4.2%	2.5%	3.9%	4.2%
LT EPS Growth	4.0%	4.1%	3.0%	4.0%	5.0%	4.0%	4.0%
Debt/Capitalization	52.3%	52.1%	52.7%	50.5%	59.3%	53.4%	52.3%
Credit Ratings							
Moody's	Baa3	Baa3	Baa2	A1	A3		
S&P	BBB-	BBB-	BBB	A	BBB+		
S&P Business Position[3]	6	6	7	5	5		

(1) Fully diluted shares includes in-the-money options and warrants
(2) Earnings estimates based on IBES and First Call
(3) Reflects business risk position for operating utility companies

C. Comparable Acquisition Analysis

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US Integrated Electric Utility – Comparable Acquisitions Analysis

($ in millions, except per share data)

Date Announc	Acquiror	Target	Equity Purchase Price	Adjusted Purchase Price	Adjusted Purchase Price as a multiple of LTM EBITDA	Adjusted Purchase Price as a multiple of LTM EBIT	Purchase Price as a multiple of LTM Earn to Com	Purchase Price as a multiple of Book Value
12/20/04	Exelon Corporation	PSEG	$12,860	$24,158	9.9x	12.8x	16.8x	2.1x
7/25/04	PNM Resources	TNP Enterprises	$189	$937	8.0x	10.6x	NM	3.6x
2/3/04	Ameren Corporation	Illinois Power (Dynegy)	$500	$2,300	7.5x	12.8x	23.1x	NM
1/13/04	Black Hills Corp	Cheyenne Light Fuel & Power (Xcel)	$57	$82	NA	NA	27.1x	NA
11/3/03	Exelon Corporation	Illinois Power (Dynegy)	$425	$2,225	7.4x	14.4x	NM	NM
9/15/03	Fortis Inc	Aquila Networks Canada	$500	$1,069	8.8x	14.7x	22.9x	1.5x
12/3/02	KKR / Trimaran Capital Partners	International Transmission Co. (DTE)	$610	$610	7.2x	NA	NA	1.8x
10/29/02	UniSource Energy	Arizona Gas & Electric (Citizens Utilities)	$230	$230	9.3x	NA	NA	0.7x
10/9/02	Trans Elect	Illinois Power Electric Transmission System	$239	$239	NA	NA	NA	1.6x
4/28/02	Ameren	CILCORP (AES)	$540	$1,382	8.2x	14.3x	28.2x	1.0x
3/6/02	Kauai Island Electric Co-op	Kauai Electric Co. (Citizens Utilities)	$215	$215	NA	NA	NA	NA
10/25/01	Trans Elect	Michigan Electric Transmission Co. (CMS)	$260	$260	7.3x	10.0x	15.0x	1.4x
10/8/01	Northwest Natural Gas	Portland General Electric (Enron)	$1,875	$3,002	7.7x	13.3x	17.0x	2.1x
7/4/01	AltaLink	TransAlta Electric Transmission System	$563	$563	6.5x	10.0x	NA	1.3x
2/20/01	Energy East	RGS Energy Group	$1,382	$2,396	7.0x	11.5x	15.0x	1.6x
2/12/01	PEPCO	Conectiv	$2,210	$5,402	7.3x	10.5x	12.5x	1.9x
11/9/00	Public Service Co. of New Mexico	Western Resources Electric Utility	$1,503	$4,442	8.4x	12.7x	17.2x	1.4x
10/2/00	Northwestern Corp	MTP Utility	$602	$1,090	8.0x	13.5x	15.6x	1.3x
9/5/00	National Grid plc	Niagara Mohawk	$3,048	$8,936	7.2x	9.6x	13.4x	1.1x
8/8/00	FirstEnergy Corp	GPU Inc	$4,428	$11,962	7.0x	11.0x	10.4x	1.2x
7/30/00	FPL Group	Entergy	$7,111	$13,975	6.7x	10.5x	11.9x	1.0x
7/17/00	AES	IPALCO	$2,250	$3,094	8.0x	11.2x	17.0x	3.5x
6/30/00	NS Power Holdings Inc	Bangor Hydro Electric Company	$224	$398	6.7x	13.8x	14.6x	1.7x
2/28/00	PowerGen	LG&E	$3,223	$5,096	7.0x	9.7x	12.1x	2.4x
2/15/00	Kauai Island Electric Co-op	Kauai Electric Co. (Citizens Utilities)	$270	$270	NA	NA	NA	NA
2/15/00	Cap Rock Energy	Citizens Utilities (AZ & VT Divisions)	$265	$265	NA	NA	NA	NA
10/25/99	Investor Group	MidAmerican Energy Holdings	$2,161	$6,993	7.9x	12.8x	16.1x	2.3x
				High	9.9x	14.7x	28.2x	3.5x
				Mean	7.6x	12.0x	17.5x	1.4x
				Median	7.4x	12.1x	16.8x	1.5x
				Low	5.7x	9.6x	10.4x	(4.0x)

US Generation Comparable Acquisitions

($ in millions)

Announce Date	Buyer	Seller	Price ($US MM)	Capacity (MW)	Price Per kW	Price to Book Value
01/13/05	Tenaska	TECO Energy	$89	315	$283	NA
12/02/04	Centrica plc	TECO Energy	$134	477	$281	NA
11/02/04	Dynegy	Exelon	$1,054	1,042	$1,012	NA
11/01/04	PNM / TEP / Phelps	Duke Energy	$150	570	$263	NA
09/28/04	ArcLight Capital Partners / Tyr Capital	Allegheny Energy	$175	672	$260	NA
09/04/05	LS Power	NRG	$451	1,160	$389	NA
09/01/04	Westmoreland Energy	LG&E	$250	236	$1,059	NA
09/07/04	Dominion Resources	USGen New England	$656	2,839	$231	NA
07/27/04	PSEG	TECO Energy	$231	1,000	$231	0.0x
06/23/04	Sierra Pacific Resources	Duke Energy	$558	1,200	$465	NA
06/04/04	Brownsville Public Utilities Board	AEP	$43	54	$792	2.1x
06/01/04	Texas Genco (13.2%) / City Public Service of Sar	AEP	$279	630	$442	0.2x
06/01/04	Pinnacle West	PPL Corp	$190	450	$422	NA
05/20/04	ORMAT	Caithness Energy	$20	13	$1,612	NA
05/18/04	Brascan Corporation	Reliant Energy	$900	769	$1,170	NA
05/17/04	Buckeye Power	Ohio Valley Electric Corp. (9% from Allegheny)	$139	203	$685	NA
05/17/04	Southern Nevada Water Authority	Pinnacle West	$100	143	$702	NA
05/06/04	Complete Energy Partners LLC	NRG Energy	$331	837	$395	NA
05/05/04	Georgia Pacific	Boralex, Inc.	$1	16	$75	NA
04/30/04	MatlinPatterson	Duke Energy	$475	5,325	$89	NA
04/28/04	TransCanada Power	Hydro Investment Corp	$118	56	$2,107	NA
04/22/04	ORMAT	Constellation Energy	$71	30	$2,367	NA
04/22/04	Centrica	FPL Energy	$143	543	$263	NA
04/21/04	FPL Energy	El Paso	$72	272	$265	0.6x
04/14/04	Calpine Power Income Fund	BAF Energy L.P.	$116	120	$968	NA
03/31/04	Calpine	Aquila	$95	293	$325	NA
03/29/04	TransCanada Power	TransCanada Corporation	$403	360	$1,118	NA
03/15/04	Sempra Energy / Carlyle/Riverstone Global Ener	AEP	$430	1,950	$221	1.6x
03/10/04	Bear Stearns	AEP	$315	277	$1,137	NA
03/08/04	Dominion	United American Energy	NA	132	NA	NA
03/01/04	Cameco Corp	AEP	$279	630	$442	0.2x
02/27/04	GE Structured Finance	Dynegy	NA	212	NA	NA
02/27/04	Delta Power / John Hancock	Dynegy	NA	62	NA	NA
02/27/04	Undisclosed	Dynegy	$6	13	$424	NA
02/18/04	Calpine	NRG Energy	$175	570	$307	NA
02/08/04	Delta Power / Morgan Stanley Capital Partners	Edison Mission Energy	$241	143	$1,687	NA
01/30/04	Golden Spread Electric Cooperative	AEP	$43	54	$792	2.1x

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US Generation Comparable Acquisitions (Cont'd)

($ in millions)

Announce Date	Buyer	Seller	Price ($US MM)	Capacity (MW)	Price Per kW	Price to Book Value
01/29/04	Lightyear Capital / Rockland Capital Energy Inves	Tractebel	$80	90	$889	NA
01/28/04	Entergy	Cleco Corp.	$170	725	$234	NA
01/27/04	Rockland Capital Energy Investments	Aquila	$10	33	$312	NA
01/16/04	AIG Highstar	El Paso	$1,683	1,850	$910	NA
12/22/03	GenTex Power Corp. (Lower Colorado River Auth	Calpine	$150	273	$550	NA
11/25/03	Constellation Energy	Rochester Gas & Electric	$401	495	$810	NA
11/22/03	ORMAT	Covanta Energy Corporation	$214	120	$1,783	NA
11/13/03	ArcLight Capital Partners	Aquila	$506	639	$792	NA
11/12/03	Northland Power Income Fund	Panda Energy	$112	78	$1,436	NA
11/07/03	Dominion	Wisconsin Public Service (59%) / Wisconsin Power & Light (41%)	$184	545	$337	NA
10/24/03	Duquesne Light	WPS Resources	$120	450	$267	NA
10/22/03	FPL Energy	Enron	$82	106	$775	NA
10/22/03	Puget Sound Energy	EPCOR	$76	124	$616	NA
10/20/03	Goldman Sachs	Cogentrix	$2,415	3,350	$721	NA
10/03/03	Exelon	AmerGen Energy (50% from British Energy)	$277	1,241	$223	NA
10/02/03	Delta Power / John Hancock	United American Energy	NA	132	NA	NA
10/02/03	Delta Power	United American Energy	NA	123	NA	NA
10/02/03	CSFB Private Equity	American Ref-Fuel (50% from United American Energy)	NA	189	NA	NA
09/24/03	Great Lakes Hydro Income Fund	Hafslund	$30	18	$1,667	NA
09/22/03	Tenaska	Dynegy	NA	132	NA	NA
09/03/03	ArcLight Capital Partners	Calpine	$88	105	$838	NA
08/26/03	Invenergy / GTCR Golder Rauner	TECO Energy	$218	370	$589	NA
08/19/03	OGE Energy	NRG Energy	$160	400	$399	NA
08/15/03	Kauai Island Utility Cooperative	Dominion	$40	26	$1,546	NA
08/12/03	Wabash Valley Power Assn.	Duke Energy	$44	160	$278	NA
08/04/03	Dominion	Calpine (50%) / Edison Mission Energy (50%)	$150	240	$625	NA
07/21/03	Union Light Heat & Power	Cincinnati Gas & Electric	$383	1,104	$347	NA
07/18/03	Delta Power	Gregg Enterprises	NA	150	NA	NA
07/18/03	Green Power Energy Holdings	Cogentrix	NA	38	NA	NA
			High	5,325	2,367	2.1x
			Mean	560	706	1.0x
			Median	272	550	0.6x
			Low	13	75	–

D. Key Provisions of Central Coordination Agreement

Central Coordination Agreement: Key Provisions

Coordination Agreement, December 31, 1980

Executive Committee (Article II (A))

- Executive Committee formed of one member of the board of directors of Santee Cooper, one member of the board of trustees of Central, the CEO of SC and the general manager of Central plus a secretary revolving on a two year basis chosen in an alternate fashion by each of Santee Cooper and Central. The Executive Committee shall meet at least semi-annually with the purpose of enforcing the provisions of the Central Agreement, resolving disputes, and any other matters as may be agreed.

Generating Resources (Article IV)

- It is the intent of both parties to preserve the all-requirements provision of the Agreement.
- It is Santee Cooper's responsibility to construct or otherwise acquire new generating resources as required to meet demand and energy requirements determined by a joint Santee Cooper / Central planning committee which meets at least annually to consider and agree a 20 year demand and energy forecast.

Dispatching and Operation of Capacity Resources and Transmission System (Article X)

- Santee Cooper shall be Central's sole agent for entering into short-term energy transactions with other utility systems. Accordingly, purchases of energy from others to serve the requirements of the Combined Santee Cooper-Central System shall be made by Santee Cooper.

Term (Article XIV (A))

- See Contract Amendment.

Central Coordination Agreement: Key Provisions (Cont'd)

Successors and Assigns (Article XIV (E))

- Agreement may be assigned to a successor or assign of either party upon written consent of the other, and shall be binding upon and apply to such successor and assigns as if original party to the Agreement.

Selling or Leasing of Santee Cooper System (Article XIV (F) & (G)) / Contract Amendment §12 (G)

- If Santee Cooper's system (generation and/or transmission) is sold or leased to another entity, Central has the right to terminate any existing leases of Central facilities to Santee Cooper. Central will pay Santee Cooper the excess of net book value of such system or part thereof over the principal remaining. To the extent principal remaining is greater than net book value, Santee Cooper will pay Central. Central has six months from receiving notice of sale or lease of assets to exercise its option to purchase.
- Additionally, Central has a right of first refusal to purchase Santee Cooper's system if it becomes available for sale during the term of the Agreement, subject to applicable law.
- Santee Cooper has a similar right of first refusal in the event of a sale of Central.

Governing Law (Article XIV (Q))

- The provisions of the Coordination Agreement shall be construed and governed in accordance with the laws of the State of South Carolina.

Allowance for Capital Improvements (Exhibit I, Appendix A (VI))

- Santee Cooper is able to include in its Cost of Service rate to Central an allowance for capital improvements, not to exceed 8.5% of Santee Cooper's operating revenues and other income. This amount may be increased above 8.5% to the extent required to maintain the level of debt service coverage, as defined in the Agreement.

Central Coordination Agreement: Key Provisions (Cont'd)

Contract Amendment – March 31, 1988

IV (B) (1)

- Central rescinded its rights to construct its own generating facilities or to acquire an ownership interest in any present or future generating facilities of Santee Cooper, except as provided in (2) below.

IV (B) (2)

- (a) if ownership, management or control of Santee Cooper or of all or a majority of its electric system assets is transferred, sold or leased to any person, corporation, or other entity (other than an agency of the State Government), Central may construct or acquire generating resources subject to two years notice. If Santee Cooper's bonds lose their tax exempt status, Central may similarly construct or acquire generating resources subject to five years notice. Central's rights provided by this section (2) shall be forfeited if it supports or promotes such change in Santee Cooper's status.

IV (B) (3)

- Central agrees not to participate in or support, by corporate action, the sale, transfer, or lease to any person, firm, corporation or other entity, the ownership or control of Santee Cooper, or of all or a majority of its electric system assets.

V (F)

- Whenever Santee Cooper offers any industrial rate to any new or expanded direct service customer, Santee Cooper must offer the same wholesale rate to Central for any new or expanded load served by Central, provided that such load, if it were the load of a direct service customer of Santee Cooper, would qualify for such industrial rate.

Term (§10 (A))

- The Agreement shall remain in full force and effect for an initial term of 35 years commencing upon the effective date of the Contract Amendment, and will automatically renew for consecutive 35 year terms.
- The Agreement can be terminated upon written notice by either party at the end of the initial term subject to at least 10 years prior notice and at any time subsequent time subject to at least 10 years prior notice.
- If ownership, management or control of Santee Cooper or of all or a majority of its electric system assets is transferred, sold or leased to any person, corporation or other entity, Central shall be entitled to terminate the Agreement at any time upon 90 days written notice.

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Date: November 3, 2003

Re: Santee Cooper Privatization Analysis

Introduction and Executive Summary

According to the Authority's preliminary analysis, with the assistance of its outside experts, it will be difficult for the Authority to achieve an attractive valuation under any reasonable scenario, particularly given the additional costs that the Authority would incur as a private company. For example, under the most aggressive assumptions, the state could clear $1.3 billion in cash proceeds through an IPO only if the rates increase by at least 30%. That would lead to an accumulated $1.8 billion increase in Santee Cooper customer charges in the first five years alone. Although the privatized entity would likely pay slightly more ($84 million) in state taxes over this five-year period, as a result of the earnings from the increased rates, the initial cash proceeds and state tax revenues would not cover the increased utility costs to the state's citizens. Moreover, the rates are expected to continue at levels $250 million - $300 million per year above the Authority's rate projections for the foreseeable future. Figure 1 graphically depicts the rate increases that would be required under this scenario.

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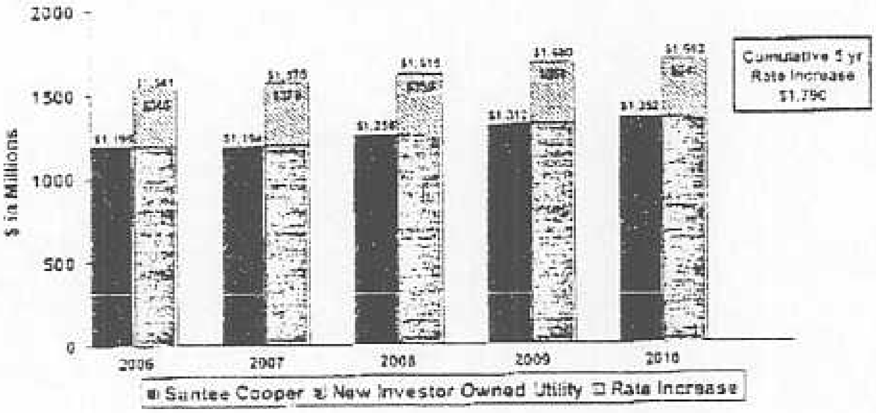
Figure 1

Revenue Requirements 2006 - 2010



The Authority's experts analyzed the costs and benefits of privatization. Any benefits South Carolina might be able to enjoy primarily would be based on: (1) cash proceeds from a one-time sale of the Authority and (2) the tax revenues that the state and local governments would derive as a result of the Authority's loss of its tax exempt status, less the Authority's current payments in lieu of taxes.

In order to gain these benefits, however, South Carolina residents and businesses would pay increased electric rates to the privatized utility to support: (1) the profit that a privatized utility would need to earn in order to attract investors; (2) the increased cost of debt to reflect both a higher risk profile and loss of tax exempt financing; and (3) taxes, including federal corporate income taxes that a privatized utility would need to pay, among other things.

In addition, there are significant costs associated with the privatization process itself. Because the Authority's debt cannot be assumed by an other entity, the state would have to call and retire all of the Authority's debt and incur the associated costs, estimated in the range of $220-300 million over the amount of the Authority's projected outstanding debt ($3.1 billion, of

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which 85% is tax-exempt) plus other substantial transaction costs (including professional fees and the cost of obtaining required federal and state regulatory approvals and any related litigation).

Special Risk Factors That Influence Valuation

Prospective buyers of the Authority would analyze the stability of the privatized utility's long-term revenue stream. As shown by the following charts (Figures 2 and 3), the Authority's total electric sales and revenues are dominated by concentrated load within the industrial class and sales to one large customer, the Central Electric Power Cooperative ("Central"), which in turn supplies power to all 20 electric cooperatives in the state:

Figure 2

Energy Sales By Customer Type (Gwh)
2002

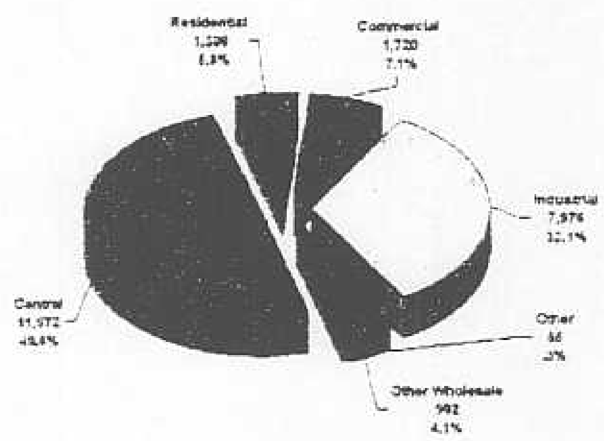

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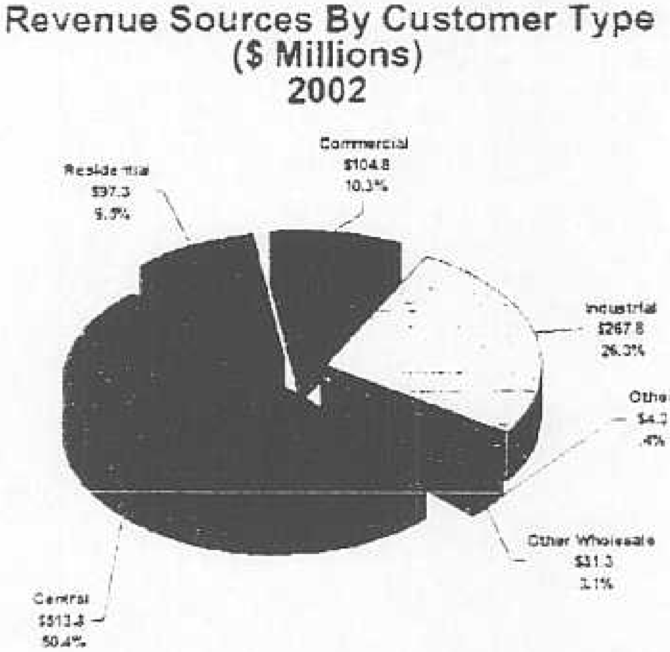
Figure 3



Besides normal factors that challenge a process of such a large scale, privatization of the Authority may be further complicated by its wholesale power contract with Central (the "Coordination Agreement"). The Coordination Agreement provides for Central to purchase all of its power requirements from the Authority. Central – which represents approximately 50% of the Authority's electricity sales – has the right to terminate the contract if the ownership, management or control of the Authority is substantially changed.

If Central were to terminate the Coordination Agreement with the Authority, the privatized utility would need to market the generating capacity it currently sells to Central in the competitive wholesale market. The privatized utility's potential merchant risk will certainly be taken into consideration by investors as they value the Authority as a private company.

The Valuation

It is unlikely that the Authority could close a privatization transaction for two to three years because of legal and regulatory prerequisites. Accordingly, for purposes of this analysis, we have assumed that such a transaction would take place on January 1, 2006. We used the

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Authority's official ten-year financial forecast which covers the period January 1, 2004 through December 31, 2013, to conduct our analysis. The Authority must make approximately $1.0 billion in capital investments between 2003 and 2007 to reliably serve its retail customers, satisfy its obligations to Central, and meet environmental requirements (regardless of whether privatization occurs). These required investments and the debt issued to fund them significantly influence the valuation. Consequently, it is critical to use the right data as the starting point for the analysis.

The Authority, with the assistance of its outside experts, used four widely-accepted methods to estimate the value of the Authority and thus, the price that prospective investors or purchasers would be willing to pay for the Authority:

- discounted cash flow analysis;
- sum of the parts analysis, based on separate valuations of the Authority's generation, transmission and distribution businesses;
- valuation based upon public comparables, which are trading levels of investor-owned-utilities with some similar attributes ("Public Comparables"); and
- valuation based on acquisition comparables, which are pricing metrics achieved in historical acquisitions of utilities with some similar attributes ("Acquisition Comparables").

These approaches rely on a multiplier to attempt to interpolate values of the Authority. Financial valuation experts, use each company's earnings before interest, taxes, depreciation and amortization ("EBITDA") to interpolate. For example, the Authority's financial experts determined how many times each utility's value (aggregate market capitalization and debt) exceeded its EBITDA. With this analysis, the Authority's financial expert developed multiples to apply to the Authority's EBITDA to arrive at a range of possible values.

The four methods described above provide useful reference ranges for the valuation of the Authority. The last two methodologies produced similar valuation ranges, which exceeded the ranges under the first two methodologies. The following Figure 4 outlines the results of the valuation ranges using these methodologies and shows the net impacts on the state of each case. In conducting the analysis, the Authority focused on three cases (with low, high and medium rate impacts). Figure 4 shows (a) the net sales proceeds and state taxes less (b) the cumulative rate

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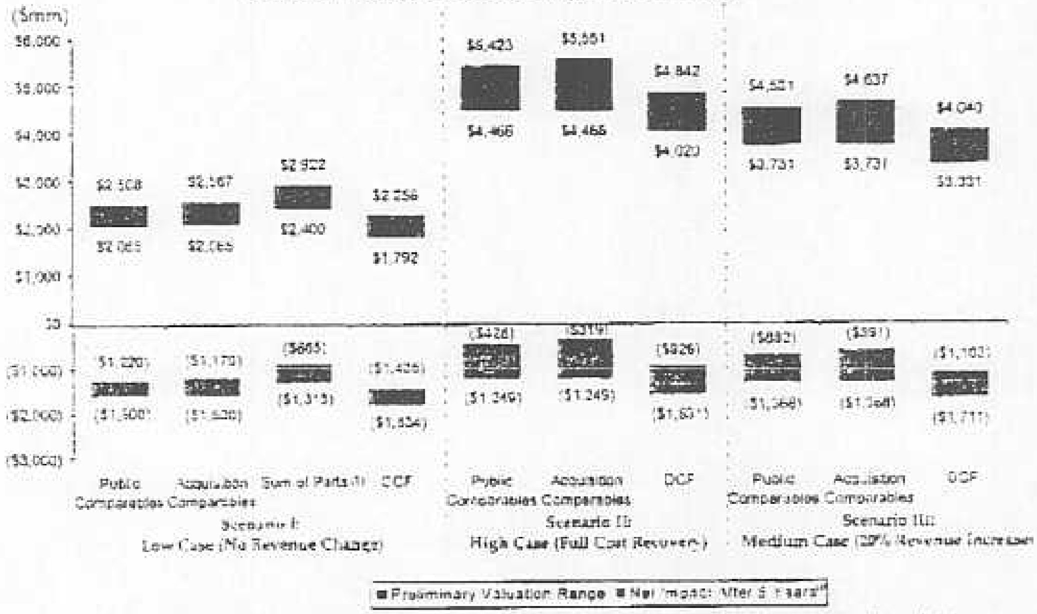
increase, both over five years. While the valuation ranges are positive, the overall impacts on the state are negative. As demonstrated, the state would be between $300 million and $1.8 billion worse off at the end of five years, and the increased rates would continue.

Figure 4
Valuation Ranges and Net Impact to the State



(1) The sum of the parts valuation ranges are essentially the same for all three scenarios as a result of using (similar) multiples, which do not change with the financial measures. Therefore, for illustrative purposes, these numbers are only shown under Scenario I.
(2) The net impact to the State is calculated as Net Proceeds to the State from an IPO after the IPO Discount, Gross Spread and Retirement of the Authority's Debt + Cumulative State Taxes after 5yrs (excluding local taxes) – Cumulative Revenues from Rate Increases after Five Years.

The Authority chose to present valuation based on Public Comparables in this report. An IPO of the state's 100% interest would result in an estimated 20%-30% discount to the equity valuation to reflect (a) additional risks associated with a newly privatized company given its lack of track record and (b) current market conditions in which IPOs are not fairing as well as they were in prior, though recent, history. In calculating the size of the equity discount, the Authority assumed a 50/50 debt/equity ratio for the post-IPO entity as consistent with the requirement for a desirable credit rating. Additionally, transaction costs associated with underwriting and legal services customarily run 6-7% of the total proceeds that the IPO raises. This is customarily referred to as the "Gross Spread" which equals the percentage of the gross proceeds from an IPO paid to the underwriters to cover the management fees, selling commissions and underwriting

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concessions associated with the IPO. The first scenario (the low case) assumes that the Authority is privatized but its electric rates are held at the levels currently reflected in the Authority's official financial forecasts. This scenario allows the state to see the value it could derive from privatizing the Authority without requiring its customers to pay more for electricity. Under this scenario the state would not recover enough from the transaction to cover the cost of retiring the Authority's existing debt and the associated transaction costs. Specifically, all the valuation ranges based on the above-described analysis fall below the approximately $3.4 billion cost to defease the Authority's debt.

Table 1
Scenario 1 (Low Case) Results
($ in Millions)

EBITDA Multiples	7.00x	7.75x	8.50x
Enterprise Value (1)	$2,065	$2,256	$2,508
IPO Discount and Gross Spread (2)	$(295)	$(327)	$(358)
Cost to Retire Authority's Outstanding Debt	$(3,370)	$(3,370)	$(3,370)
Net Proceeds to the State	$(1,600)	$(1,411)	$(1,220)

(1) Based on Public Comparables
(2) Assumed IPO Discount and Gross Spread of 25.0%

The second scenario (high case) assumes that the state and federal governments will allow the privatized utility to increase its electric rates to South Carolina customers to a level sufficient to recover all of its costs and to make sufficient returns for the equity investors. The results of this case are outlined in Table 2 below. Under this scenario and assuming a 25% IPO discount at the midpoint of the valuation ranges, the state would net $0.9 billion in proceeds from the sale. Over the first five years, the privatized utility would also pay $0.5 billion in state and local taxes. The Authority's experts estimate that the privatized utility would have to increase rates by 25.5% over the Authority's rates or by $1.8 billion for 2006-2010 alone, well above the revenues the state would derive through privatization. The rates would remain higher by $250 million to $300 million per year for the foreseeable future.

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Table 2
Scenario 2 (High Case) Results
($ in Millions)

EBITDA Multiples	7.00x	7.75x	8.50x
Enterprise Value (1)	$4,466	$4,945	$5,423
IPO Discount and Gross Spread (2)	$(638)	$(707)	$(775)
Cost to Retire Authority's Outstanding Debt	$(3,370)	$(3,370)	$(3,370)
Net Proceeds to the State from the IPO	$458	$868	$1,278

Cumulative (5yr) State Tax Benefit -- $84
Cumulative (5yr) Local Tax Benefit -- $365
Average Rate Increase 2006-2010 -- 28.5%
Cumulative (5yr) Increase in Amounts Paid By Customers -- $1,791
Effective Return on Equity -- 12.50%

(1) Based on Public Comparables
(2) Assumed IPO Discount and Gross Spread of 25.0%

Figure 5 shows the breakdown of the increase in rates of the privatized utility (reflected in Figure 1 above), including the amount of money flowing out of state in federal taxes, profits and increased interest expense:

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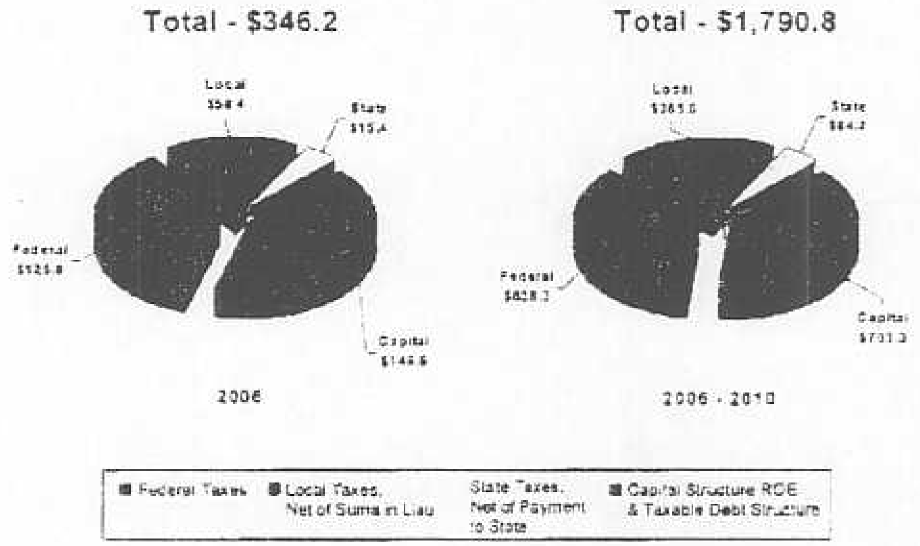
Figure 5

Components of Revenue Requirements Differential $ in Millions



A third scenario (the medium case) assumes that the privatized utility is authorized to raise rates by 20% over the Authority's rates during the 2006 through 2010 period. This scenario supports a value range between $3.7 and $4.5 billion. The net proceeds to the state after transaction costs associated with an IPO and retiring the Authority's debt would be between a $172 million shortfall and $513 million. However, a 20% rate increase would cost consumers an additional $1.3 billion for the 2006 through 2010 period. The rates would remain on average about $200 million per year higher for the foreseeable future. Again, costs far outweigh benefits under this scenario.

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Table 3
Scenario 3 (Medium Case) Results
($ in Millions)

EBITDA Multiples	7.00x	7.75x	8.50x
Enterprise Value (1)	$3,731	$4,131	$4,531
IPO Discount and Gross Spread (2)	$(533)	$(590)	$(648)
Cost to Retire Authority's Outstanding Debt	$(3,370)	$(3,370)	$(3,370)
Net Proceeds to the State from the IPO	$(172)	$171	$513

Cumulative (5yr) State Tax Benefit -- $57
Cumulative (5yr) Local Tax Benefit -- $365
Average Rate Increase 2006-2010 -- 20.0%
Cumulative (5yr) Increase in Amounts Paid By Customers -- $1,253
Effective Return on Equity -- 9.00%

(1) Based on Public Comparables
(2) Assumed IPO Discount and Gross Spread of 25.0%

In addition to the objective numbers, the state would also place at risk benefits that are not reflected in a valuation analysis. The Authority provides a number of benefits as a result of its status as an instrument of the state. For example, the Authority has proven ability to facilitate economic development and job growth among electricity-intensive industries. One of the Authority's goals is to be a leader in economic development. Since 1988 the Authority, in conjunction with the state's electric cooperatives and the Palmetto Development Corporation, has been involved in the addition of 226 new industrial locations and the expansion of 135 existing industrial locations representing $5.5 billion in capital investments and over 27,000 new jobs.

The Authority directly serves over 30 large industrial customers representing more than 10,000 South Carolina jobs. Those jobs are generally high-skilled, high-paying jobs. In addition, the electric cooperatives (whose rates would also increase if the Authority were privatized) serve over 100 industrial customers representing thousands of additional jobs. The following are some examples of the large industrial customers that are currently served by the Authority and Central:

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Authority:

- Aloca - Mt. Holly
- Nucor Steel
- Showa Denko
- M.G. Industries
- Praxair
- BOC Gases
- BP/Amoco

Central:

- Shaw Industries
- Carolina Particle Board
- Caterpillar
- Honda
- Weyerhaeuser
- Nanya
- Wellman Industries

Conclusion

The Authority has analyzed privatization as objectively as possible and with the assistance of independent experts. Under any realistic scenario, privatization will not produce a gain for South Carolina. Any potential one-time payment to the state is offset within a very few years by the higher rates paid by customers. The Authority remains committed to facilitating state policy by providing reliable and cost-effective service and retaining and attracting industrial customers that provide economic growth for the state.

In the interest in being prompt and responsive, by definition this analysis provides a rough approximation of the potential benefits and costs of privatizing the Authority. Of course, if the state legislature were to decide to further evaluate privatization as an option, additional and more extensive analyses would be needed. The Authority is available to discuss this analysis and to assist the State in answering questions regarding Santee Cooper.