



INTER-OFFICE COMMUNICATION

DATE: April 16, 2004

TO: Memo to File

FROM: Patrick C. Runey

SUBJECT: Meeting on February 6, 2004, with Drummond Coal, Maybank Shipping, and Santee Cooper, to discuss the transportation of imported coal

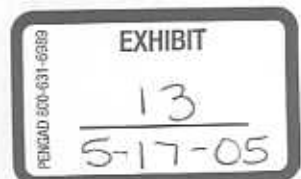
ATTENDEES: Drummond Coal - John McClellan
Maybank Shipping - Jack Maybank, Turner Fabian
Santee Cooper - Bill McCall, Pat Runey, Richard Coehn, Guerry Green

LOCATION: Sewee, S.C.

The purpose of the meeting was to discuss the economics of transporting and purchasing imported fuels to Santee Cooper's generating stations.

Jack Maybank, President of Maybank Shipping Company has indicated that they have received permits to establish a deep draft mid-stream dry bulk transfer facility in the Cooper River. This facility will allow South Carolina industries the ability to receive Panamax Ships (60,000 tons) of foreign coal that would be discharged at a mid-stream site in the Cooper River. The coal will then be transferred into river hopper barges up the Inter-coastal Waterway to Santee Cooper's power plant sites. Drummond Coal was present because it is a major importer of foreign coal and owns mining operations in Columbia, South America. Maybank Shipping and Drummond Coal are working together on this possible operation. Jack Maybank indicated that the operation would require approximately one million tons of coal annually and require the discharge of barged coal into Santee Cooper's railcars for delivery to the plant site. A barge-to-plant facility would need to be constructed at an unloading point near the plant site.

During November, 2003, Santee Cooper tested approximately 30,000 tons of Drummond's Columbia coal. The Drummond coal is a low-BTU (11,700 BTU) coal as compared to the typical coal purchased by Santee Cooper; however, Drummond believes this coal could help with the reduction of NOx emissions. The test did not provide the economic benefits nor reduction to NOx as expected, although Drummond



age 2
Memo to File
February 6, 2004

had doubts about the results of the test. The comments from Generation concerning this test are attached. Drummond believes another test of approximately 60,000 tons of coal would show different results and would like to be present during the testing period. Santee Cooper was receptive to another test and requested Drummond to submit a proposal for this test. Before the February meeting, Santee Cooper had not received a proposal from Drummond to retest their coal since market conditions had changed.

At the February meeting, John McClellan indicated that Drummond may have some coal production in the fourth quarter, 2004, for doing another test. Bill McCall stated that Santee Cooper was ready to re-test the Drummond Coal and would welcome Drummond's personnel to be present during the testing. Bill also suggested that Drummond Coal and Maybank Shipping consider the transportation of both imported coals and petcoke. These two products could provide the volume required by Maybank Shipping to run this operation. Santee Cooper plans to increase its purchase of petcoke in the future. The meeting ended with Drummond assigned to provide Santee Cooper a proposal for shipping coal for this test.

After the meeting, Bill indicated to Richard and Guerry that under a recent bid solicitation, Drummond's coal offer was \$2.65 per ton higher than the lowest domestic coal offer. Normally, imported coals have not been competitive with the domestic coal purchases and the imported fuels do not qualify for the synfuel credits that are available thru 2007. Bill explained the synfuel credits with Richard and Guerry.

Pat Runey met with Dennis Steul of Drummond Coal on February 20, 2004, who indicated that Drummond did not have coal production to do a re-test this year. On March 8, 2004, Jack Maybank called Pat Runey and indicated that Drummond Coal would like to provide an offer to supply coal in 2005.

On March 23, 2004, Santee Cooper received a spot coal proposal from Drummond Coal for 2005 and 2006. The offer is attached. Based on our coal price forecasts for domestic coal in 2005, the offer from Drummond Coal would be higher than the spot market by approximately \$9.00/ton. The offer was only valid for six (6) days! Santee Cooper did not

Page 3
Memo to File
February 6, 2004

accept the proposal from Drummond. Santee Cooper would welcome a retest of the Drummond Coal in 2005, but the delivery date will depend upon the market.



P.O. Box 2946101, Moncks Corner, South Carolina 29461-2901 843/761-7007

Facsimile Communication

DATE: May 12, 2005

TO: Mike Couick 803/212-6606

FROM: James E. Brogdon, Jr., Senior Vice President and General Counsel
Phone: 843/761-7007
Fax Number: 843/761-7037

SENDING: 3 Pages (including cover)

Attached for your information is the letter we have just faxed to CSFB.

Jim

JEBjr:kays

Attachment