NEW ISSUE -- Book Entry

In the opinion of Bond Counsel, assuming continued compliance by the Authority with certain covenants, interest on the 2016C Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and judicial decisions. Interest on the 2016C Bonds is not an item of tax preference in computing the alternative minimum taxable income of individuals or corporations. Interest on the 2016C Bonds will, however, be included in the computation of certain taxes including alternative minimum tax for corporations. See "TAX MATTERS" for a description of certain other federal income tax consequences to certain recipients of interest on the 2016C Bonds. The 2016C Bonds and the interest thereon will be exempt from all State, county, municipal and school district and other taxes or assessments imposed within the State of South Carolina, except estate, transfer and certain franchise taxes.

$52,400,000

South Carolina Public Service Authority

Revenue Obligations, 2016 Tax-Exempt Refunding Series C

Dated: Date of Delivery **Due:** As shown on the inside cover

Interest on the Revenue Obligations, 2016 Tax-Exempt Refunding Series C (the "2016C Bonds") is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2017. The 2016C Bonds will be issued only as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the 2016C Bonds under a book-entry only system as described herein, pursuant to which principal and interest payments on the 2016C Bonds will be made. Individual purchases of beneficial interests may be made in book-entry only form, in the principal amount of $5,000 or any integral multiple thereof for the 2016C Bonds. Beneficial owners of the 2016C Bonds will not receive physical delivery of bond certificates.

The 2016C Bonds are subject to optional redemption prior to maturity as described herein.

The 2016C Bonds are payable solely from, and secured by a lien upon and pledge of, the Revenues and moneys in the Revenue Fund of the South Carolina Public Service Authority (the "Authority") on a parity with the lien and pledge securing Revenue Obligations heretofore and hereafter issued pursuant to the Revenue Obligation Resolution.

For a discussion regarding the delayed delivery of the 2016C Bonds, certain conditions to the Underwriters' obligation to purchase the 2016C Bonds and certain risks to purchasers of beneficial interests in the 2016C Bonds resulting from the delayed delivery thereof, see "DESCRIPTION OF THE 2016C FORWARD DELIVERY BOND PURCHASE AGREEMENT."

The 2016C Bonds are being issued to refinance a portion of the outstanding debt of the Authority and to pay costs of issuance of the 2016C Bonds. See "REFUNDING PLAN".

The 2016C Bonds are not indebtedness of the State of South Carolina (the "State"), nor of any political subdivision thereof, and neither the State nor any of its political subdivisions shall be liable thereon, nor shall they be payable from any funds other than the Revenues of the Authority pledged to the payment thereof.

The 2016C Bonds are offered when, as and if issued and accepted by the Underwriters pursuant to the terms of a Forward Delivery Bond Purchase Agreement, subject to the approval of legality by Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, Bond Counsel. Certain legal matters will be passed upon for the Authority by J. Michael Baxley, Sr., its Senior Vice President and General Counsel. Certain legal matters will be passed upon for the Underwriters by the McNair Law Firm, P.A., Columbia, South Carolina, Counsel to the Underwriters. It is expected that delivery of the 2016C Bonds will be made on or about October 13, 2016.

Barclays **BofA Merrill Lynch**

Goldman, Sachs & Co. **Morgan Stanley**

J.P. Morgan **US Bancorp** **Wells Fargo Securities**

October 6, 2016

$52,400,000
South Carolina Public Service Authority
Revenue Obligations, 2016 Tax-Exempt Refunding Series C

Due Dec. 1,	Amount	Interest Rate	Price or Yield	CUSIP
2022	$2,040,000	5.00%	1.57%	837151RX9
2023	2,140,000	5.00	1.74	837151RY7
2024	2,245,000	5.00	1.88	837151RZ4
2025	2,360,000	5.00	2.03	837151SA8
2026	2,475,000	5.00	2.16	837151SB6
2027	2,600,000	5.00	2.27*	837151SC4
2028	2,730,000	5.00	2.38*	837151SD2
2029	2,865,000	5.00	2.43*	837151SE0
2030	3,010,000	5.00	2.46*	837151SF7
2031	3,160,000	5.00	2.50*	837151SG5
2032	3,320,000	4.00	2.81*	837151SH3
2033	3,450,000	5.00	2.61*	837151SJ9
2034	3,625,000	5.00	2.65*	837151SK6
2035	12,015,000	5.00	2.66*	837151SL4
2036	4,365,000	3.00	96.756	837151SM2

*Yield to December 1, 2026 call date.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY
One Riverwood Drive
Moncks Corner, South Carolina 29461
(843) 761-8000

ADVISORY BOARD

Governor NIKKI HALEY

Attorney General ALAN WILSON

State Treasurer CURTIS M. LOFTIS, JR.

Comptroller General RICHARD ECKSTROM

Secretary of State MARK HAMMOND

DIRECTORS

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WILLIAM A. FINN, *First Vice Chairman*	PEGGY H. PINNELL
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MERRELL W. FLOYD	DAVID F. SINGLETON
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EXECUTIVE MANAGEMENT

LONNIE N. CARTER	PRESIDENT AND CHIEF EXECUTIVE OFFICER
MARC R. TYE	EXECUTIVE VICE PRESIDENT, COMPETITIVE MARKETS AND GENERATION
JEFFREY D. ARMFIELD	SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
J. MICHAEL BAXLEY, SR.	SENIOR VICE PRESIDENT AND GENERAL COUNSEL
MICHAEL R. CROSBY	SENIOR VICE PRESIDENT, NUCLEAR ENERGY
DOM MADDALONE	SENIOR VICE PRESIDENT, INFORMATION SYSTEMS AND CHIEF INFORMATION OFFICER
ARNOLD R. SINGLETON	SENIOR VICE PRESIDENT, POWER DELIVERY
PAMELA J. WILLIAMS	SENIOR VICE PRESIDENT, CORPORATE SERVICES

TRUSTEE

The Bank of New York Mellon Trust Company, N.A. — Jacksonville, Florida

BOND COUNSEL

Haynsworth Sinkler Boyd, P.A. — Charleston, South Carolina

FINANCIAL ADVISOR

Public Financial Management, Inc. — Charlotte, North Carolina

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No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters to give any information or to make any representations with respect to the 2016C Bonds other than the information and representations contained in this Official Statement, and, if given or made, such other information or representations may not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2016C Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the Authority and other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE 2016C BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2016C BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE 2016C BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the Authority from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the 2016C Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the Authority.

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Official Statement
relating to
$52,400,000
South Carolina Public Service Authority

Revenue Obligations, 2016 Tax-Exempt Refunding Series C

INTRODUCTION

General

The purpose of this Official Statement is to set forth information concerning the South Carolina Public Service Authority (the "Authority") Revenue Obligations, 2016 Tax-Exempt Refunding Series C (the "2016C Bonds) offered hereby.

The summary of the Revenue Obligation Resolution (hereinafter defined) herein contained is made subject to all of the provisions of such document, and such summary does not purport to be complete statements of such provisions. Reference is hereby made to such document for further information in connection therewith. Copies of such document may be examined at the main office of the Authority in Moncks Corner, South Carolina, and at the office of Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina. The REPORT OF THE COMPANY'S FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS is attached as Appendix I to this Official Statement.

Defined terms not herein defined are defined in Appendix II -- "SUMMARY OF CERTAIN PROVISIONS OF THE REVENUE OBLIGATION RESOLUTION."

The Authority

The Authority is a body corporate and politic created by Act No. 887 of the Acts of the State of South Carolina (the "State") for 1934 and acts supplemental thereto and amendatory thereof (Code of Laws of South Carolina 1976, as amended -- Sections 58-31-10 through 58-31-450) (the "Act"), which, among other things, authorizes the Authority to produce, distribute and sell electric power and to acquire, treat, transmit, distribute and sell water at wholesale within the counties of Berkeley, Calhoun, Charleston, Clarendon, Colleton, Dorchester, Orangeburg and Sumter, South Carolina. The Authority owns and operates the Lake Moultrie Regional Water System and the Lake Marion Regional Water System. Under current State law and by contract, each of the regional water systems is required to be self supporting. The Authority began electric power operations in 1942. The commercial operation of the Lake Moultrie Regional Water System began in October 1994 and the Lake Marion Regional Water System began commercial operation in May 2008.

Authorization of 2016C Bonds

The 2016C Bonds are issued pursuant to a resolution adopted by the Authority's Board of Directors on April 26, 1999, as amended and supplemented from time to time (the "Revenue Obligation Resolution"). The 2016C Bonds now being offered and all obligations heretofore and hereafter issued pursuant to the Revenue Obligation Resolution (collectively, the "Revenue Obligations") are on a parity with each other. The Revenue Obligations are secured by a lien upon and pledge of the Revenue Fund and the revenues of the Authority's System and other moneys paid into the Revenue Fund (the "Revenues"). See "SECURITY FOR THE 2016C BONDS." By supplemental resolution duly adopted, the Authority authorized the issuance of the 2016C Bonds.

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Indebtedness of the Authority

Revenue Obligations. Pursuant to the Act, the Board of Directors of the Authority adopted the Revenue Obligation Resolution providing for the issuance of the Authority's Revenue Obligations. As of August 31, 2016 there was outstanding approximately $7,820,000,000 aggregate principal amount of Revenue Obligations.

Commercial Paper Notes. In addition, the Authority has issued indebtedness evidenced by commercial paper notes (the "Commercial Paper Notes"). As of August 31, 2016 there was outstanding $490,056,000 of Commercial Paper Notes. The lien and pledge of Revenues securing such Commercial Paper Notes is junior to that securing the Revenue Obligations.

The Board of Directors of the Authority has by resolution authorized the issuance of Commercial Paper Notes not to exceed the lesser of (i) 20% of the aggregate Authority debt outstanding as of the last day of the most recent fiscal year for which audited financial statements of the Authority are available or (ii) the aggregate unused commitment of the Banks (hereinafter defined) (i.e., the commitment minus any loans outstanding under the revolving credit agreements) under any revolving credit agreements the Authority may enter into to obtain funds to repay the Commercial Paper Notes. The Commercial Paper Notes are secured by a lien upon and pledge of Revenues junior to the lien and pledge securing (i) Revenue Obligations and (ii) expenses of operating and maintaining the System, but prior to the payments into the Capital Improvement Fund.

To obtain funds, if needed to repay the Commercial Paper Notes, the Authority has entered into Revolving Credit Agreements (the "Commercial Paper Notes Revolving Credit Agreements") with U.S. Bank National Association, Wells Fargo Bank, National Association, JP Morgan Chase Bank, National Association, Bank of America, N.A., and TD Bank, N.A. (collectively, the "Banks") for an aggregate amount of $750,000,000. The agreement with U.S. Bank National Association allows the Authority to borrow up to $150,000,000 and expires on August 18, 2017. The agreement with JP Morgan Chase Bank, National Association allows the Authority to borrow up to $200,000,000 and expires on August 18, 2017. The agreement with Wells Fargo Bank, National Association allows the Authority to borrow up to $150,000,000 and expires on August 18, 2017. The agreement with Bank of America, N.A. allows the Authority to borrow up to $100,000,000 and expires on September 21, 2018. The agreement with TD Bank, N.A. allows the Authority to borrow up to $150,000,000 and expires on November 27, 2018.

To obtain funds, if needed, the Authority has entered into a Revolving Credit Agreement ("Direct Purchase Revolving Credit Agreement") with Barclays Bank PLC. The agreement with Barclays Bank PLC allows the Authority to borrow up to $200,000,000 and expires on November 27, 2019. In August 2016, the Authority secured a $100,000,000 loan under the Direct Purchase Revolving Credit Agreement to pay off $100,000,000 of Commercial Paper Notes.

The Authority's obligation to repay loans advanced under the Commercial Paper Notes Revolving Credit Agreements or the Direct Purchase Revolving Credit Agreement is secured by a lien upon and pledge of Revenues *pari passu* with the lien upon and pledge of Revenues securing the Commercial Paper Notes.

Purpose of the 2016C Bonds

The 2016C Bonds are being issued to refinance a portion of the outstanding debt of the Authority and to pay costs of issuance of the 2016C Bonds. See "REFUNDING PLAN".

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ESTIMATED SOURCES AND USES OF FUNDS

Set forth below are the estimated sources and uses of proceeds from the 2016C Bonds.

Sources	
Par Amount	$52,400,000.00
Net Premium	10,110,011.40
Total	$62,510,011.40
Uses	
Escrow Deposits	$62,218,912.50
Cost of Issuance(1)	291,098.90
Total	$62,510,011.40

(1) Includes Underwriters' Discount and Issuance Costs

LONG-TERM CAPITAL STRUCTURE PLAN

Traditionally, the Authority has amortized its debt taking into consideration the potential termination of the Central Agreement hereafter defined, and the expected lives of its capital assets. See "CUSTOMER BASE - Wholesale - Central." In light of the May 20, 2013 extension of the earliest possible termination date of the Central Agreement from 2030 to 2058, the Authority is in the process of extending the average life of its debt in order to better align its debt amortization to the expected lives of its capital assets. The Authority expects to achieve this alignment through a combination of selling longer dated debt for a portion of the Authority's capital needs, and restructuring to extend the maturity of a portion of its existing debt. While the size and scope of this restructuring program will evolve over time, the Authority estimates that it has substantially completed the restructuring portion of the program, by refinancing and extending approximately $650 million of its existing debt.

FINANCING PLAN FOR SUMMER NUCLEAR UNITS 2 AND 3

As of June 30, 2016, the Authority's construction budget associated with a 45% ownership interest in the Virgil C. Summer Nuclear Generating Station Units 2 and 3 ("Summer Nuclear Unit 2" and "Summer Nuclear Unit 3" and together "Summer Nuclear Units 2 and 3") is approximately $6.2 billion including approximately $220 million for transmission and approximately $139 million for the initial fuel core and the remaining $5.9 billion for construction of the units. See "CAPITAL IMPROVEMENT PROGRAM - Summer Nuclear Units 2 and 3 - *October 2015 Amendment to the EPC Agreement*." To date, the Authority has financed approximately $4.2 billion for construction from proceeds of issues sold beginning in 2008. The Authority intends to fund the remaining construction with the proceeds of additional bond sales projected in calendar years 2017 through 2020 and proceeds from the sale of a 5% project ownership interest in Summer Nuclear Units 2 and 3 to South Carolina Electric & Gas ("SCE&G"). See "CAPITAL IMPROVEMENT PROGRAM - Summer Nuclear Units 2 and 3 - *Ownership Agreements*." While the Authority expects to fund the remaining construction of Summer Nuclear Units 2 and 3 with Revenue Obligations and Commercial Paper Notes, it also has a pending application with the Department of Energy ("DOE") for a loan guarantee to fund construction should it be beneficial to do so.

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REFUNDING PLAN

A portion of the proceeds of the 2016C Bonds will be used to redeem on January 1, 2017 at par the following Revenue Obligations:

2006 Refunding Series C

$ 9,205,000 5.00% due January 1, 2018	$10,710,000 5.00% due January 1, 2021
$ 9,685,000 5.00% due January 1, 2019	$11,260,000 5.00% due January 1, 2022
$10,180,000 5.00% due January 1, 2020	$ 9,685,000 4.50% due January 1, 2036

DESCRIPTION OF THE 2016C BONDS

General

The 2016C Bonds will be issued in the aggregate principal amount of $52,400,000, will be dated the date of their delivery, will bear interest from that date at the rate per annum set forth on the inside cover page hereof, payable semiannually on June 1 and December 1 of each year commencing June 1, 2017 and will mature on the date and in the principal amount set forth on the inside cover page hereof.

The 2016C Bonds will be issued in fully registered form in denominations of $5,000 or any integral multiple amount thereof. The 2016C Bonds when issued will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). See Appendix V -- "DESCRIPTION OF BOOK-ENTRY ONLY SYSTEM." The 2016C Bonds may be transferred only on the books of the Authority at the corporate trust office of The Bank of New York Mellon Trust Company, N.A. in East Syracuse, New York (the "Trustee"), as Bond Registrar (the "Bond Registrar"). Interest on any 2016C Bonds will be paid to the person in whose name such 2016C Bonds is registered at the close of business on the applicable record date, which is May 15th for the interest due on June 1 and November 15th for the interest due on December 1. Interest will be payable by check of The Bank of New York Mellon Trust Company, N.A. as paying agent (the "Paying Agent") mailed by first class mail to the registered owners. Except as otherwise provided in the Revenue Obligation Resolution with respect to 2016C Bonds held in book-entry form, the principal and redemption price, if any, of all 2016C Bonds will be payable upon presentation and surrender of such 2016C Bonds at the corporate trust office of the Paying Agent in East Syracuse, New York.

Redemption

Optional Redemption of the 2016C Bonds. The 2016C Bonds are redeemable at the option of the Authority, on or after December 1, 2026, in whole or in part at any time in any order of maturity to be redeemed by the Authority, at par plus accrued interest, if any, to the redemption date.

Selection of 2016C Bonds to be Redeemed. Any 2016C Bonds subject to optional redemption shall be redeemed in any order of maturity and in any principal amount within a maturity as designated by the Authority. If less than all the 2016C Bonds of a maturity shall be called for redemption, the particular 2016C Bonds to be redeemed shall be selected by lot (provided that so long as the 2016C Bonds shall remain immobilized at DTC, such 2016C Bonds shall be selected in such manner as DTC shall determine). For purposes of selection by lot within a maturity, each $5,000 of principal amount of a 2016C Bond shall be considered a separate 2016C Bond .

Notice of Redemption. Notice of redemption shall be given by first-class mail by the Trustee to the holders of any 2016C Bond designated for redemption in whole or in part not less than 20 nor more than 60 days prior to the redemption date. Each notice of redemption shall state the redemption date, the redemption place and the redemption price, and shall designate the series and numbers of the 2016C Bond to be redeemed, shall (in the case of any 2016C Bond called for redemption in part only) state the portion of the principal amount thereof which is to be redeemed, and shall state that the interest thereon or portions thereof designated for redemption shall cease to accrue from and after such redemption date and that on such redemption date there will become due and payable on each of the 2016C Bond or portions thereof designated for redemption the redemption price thereon. The failure to mail such notice with respect to any 2016C Bond shall not affect the validity of the proceedings for the redemption of any other 2016C Bond with respect to which notice was so mailed.

Any notice of optional redemption of Revenue Obligations given pursuant to the Revenue Obligation Resolution may state that it is conditioned upon receipt by the Trustee of moneys sufficient to pay the redemption price of such Revenue Obligations or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to affected owners of Revenue Obligations as promptly as practical upon the failure of such condition or the occurrence of such event.

DESCRIPTION OF THE 2016C FORWARD DELIVERY BOND PURCHASE AGREEMENT

Certain Delayed Delivery Considerations

The Authority has entered into a forward delivery bond purchase agreement dated July 22, 2016 (the "2016C Forward Delivery Bond Purchase Agreement") with Barclays Capital Inc., as representative (the "Representative") on its own behalf and on behalf of, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., Morgan Stanley & Co, LLC, J. P. Morgan Securities LLC, US Bancorp and Wells Fargo Bank, National Association, (collectively, the "Underwriters"). Subject to the terms of the 2016C Forward Delivery Bond Purchase Agreement, the Authority expects to issue and deliver the 2016C Bonds on October 13, 2016, or on such later date as is mutually agreed upon by the Authority and the Representative ("Settlement Date"). The following is a description of certain provisions of the 2016C Forward Delivery Bond Purchase Agreement. The following description is not to be considered a full statement of the terms of the 2016C Forward Delivery Bond Purchase Agreement and accordingly is qualified by reference thereto and is subject to the full text thereof.

Settlement

The issuance of the 2016C Bonds and the Underwriters' obligations under the 2016C Forward Delivery Bond Purchase Agreement to purchase, accept delivery of and pay for the 2016C Bonds on the Settlement Date are conditioned upon the performance by the Authority including, without limitation, the delivery of opinions, dated the Settlement Date, of Bond Counsel, substantially in the form and to the effect as set forth in Appendix IV - "FORM OF 2016C OPINION OF HAYNSWORTH SINKLER BOYD, P.A."to this Official Statement, together with a reliance letter from Bond Counsel addressed to the Underwriters, and the delivery of evidence satisfactory to the Representative that, as of the Settlement Date, Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and Fitch Ratings ("Fitch") have rated the 2016C Bonds. The issuance of the 2016C Bonds is further contingent upon the delivery of certain certificates and legal opinions, and the satisfaction of other conditions as of the Settlement Date. The Underwriters have the right to terminate their obligations under the 2016C Forward Delivery Bond Purchase Agreement, by notifying the Authority of their election to do so, if:

(a) At any time subsequent to the preliminary closing date on the 2016C Bonds (the "Preliminary Closing Date") which is expected to be August 3, 2016 and on or prior to the Settlement Date, legislation shall have been enacted by the Congress of the United States, or recommended to the Congress for passage by the President of the United States or favorably reported for passage to either House of the Congress of the United States by any committee of such House, or passed by either House of the Congress, or a decision shall have been rendered by a court of the United States, or the United States Tax Court, or an order, ruling, regulation (final, temporary or proposed) shall have been made by the Treasury Department of the United States or the Internal Revenue Service (the "IRS"), with respect to the federal taxation of interest received on obligations of the general character of the 2016C Bonds, as a result of which, Bond Counsel does not expect to be able to issue an opinion on the Settlement Date either (i) substantially in the form attached hereto as Appendix IV (to the effect that interest on the 2016C Bonds is not (A) subject to inclusion in gross income for purposes of federal income taxation, or (B) included as a specific preference item for purposes of federal individual or corporate alternative minimum taxes) or (ii) notwithstanding a change in law from that existing on the Preliminary Closing Date which prevents Bond Counsel from issuing an opinion substantially in the form attached hereto as Appendix IV, to the effect that interest on the 2016C Bonds is not included in gross income for federal income tax purposes and is not included as a specific preference item for purposes of federal individual or corporate alternative minimum taxes;

(b) At any time subsequent to the Preliminary Closing Date and on or prior to the Settlement Date, legislation shall be enacted or actively considered for enactment with an effective date prior to the Settlement Date, or a decision of a court of the United States shall be rendered, the effect of which is, in the opinion of counsel to the Underwriters, that the 2016C Bonds are not exempt from registration or other requirements under the Securities Act of 1933, as amended and then in effect, or the Revenue Obligation Resolution is not exempt from qualification or other requirements under the Trust Indenture Act of 1939, as amended and then in effect, or the offering or sale of the 2016C Bonds would be in violation of the Securities Exchange Act of 1934, as amended and then in effect;

(c) At any time subsequent to the Preliminary Closing Date and on or prior to the Settlement Date, a stop order, ruling, regulation or official statement by the Securities and Exchange Commission or any other governmental agency having jurisdiction in the subject matter shall have been issued or made or any other event occurs the effect of which, in the opinion of counsel to the Underwriters, is that the offering, issuance or sale of the 2016C Bonds as contemplated hereby is or would be in violation of any provision of the federal securities laws, including without limitation the Securities Act of 1933, as amended and then in effect, the Securities Exchange Act of 1934, as amended and then in effect, or the Trust Indenture Act of 1939, as amended and then in effect; or

(d) At any time subsequent to the Preliminary Closing Date and on or prior to the Settlement Date, an Event of Default shall have occurred under the Revenue Obligation Resolution which has not been cured as of the Settlement Date.

During the period of time between the date of this Official Statement and the Settlement Date (the "Delayed Delivery Period"), certain information contained in this Official Statement could change in a material respect. The Authority has agreed to amend or supplement this Official Statement with an Updated Official Statement not more than 10 days nor less than five days prior to the Settlement Date.

The Underwriters may not refuse to purchase the 2016C Bonds, and the purchasers may not refuse to purchase the 2016C Bonds pursuant to the hereinafter referred to Delayed Delivery Contracts, by reason of "general market or credit changes," including, but not limited to, (a) changes in the ratings of the 2016C Bonds, or (b) changes in the financial condition, operations, performance, properties or prospects of the Authority prior to the Settlement Date.

The Representative has advised the Authority that the 2016C Bonds will be sold only to investors who execute the Delayed Delivery Contracts in substantially the form included in Appendix VI attached hereto at the request and for the convenience of the Underwriters. The Authority will not be a party to the Delayed Delivery Contracts, and the Authority is not in any way responsible for the performance thereof or for any representations or warranties contained therein. The rights and obligations of the parties thereto under the 2016C Forward Delivery Bond Purchase Agreement are not conditioned or dependent upon the performance of any Delayed Delivery Contracts.

Additional Risks Related to the Delayed Delivery Period

During the Delayed Delivery Period, certain information contained in this Official Statement could change in a material respect. Any changes in such information will not permit the Underwriters to terminate the 2016C Delayed Delivery Contracts or release the purchasers of their obligation to purchase 2016C Bonds pursuant to the Delayed Delivery Contracts unless the change reflects an event described under "Settlement." In addition to the risks set forth above, purchasers of the 2016C Bonds are subject to certain additional risks, some of which are described below.

Ratings Risk. No assurances can be given that the ratings assigned to the 2016C Bonds on the Settlement Date will not be different from those currently assigned to the 2016C Bonds. Issuance of the 2016C Bonds and the Underwriters' obligations under the 2016C Forward Delivery Bond Purchase Agreement are not conditioned upon the assignment of any particular ratings for the 2016C Bonds or the maintenance of the initial ratings of the 2016C Bonds.

Secondary Market Risk. The Underwriters are not obligated to make a secondary market in the 2016C Bonds, and no assurances can be given that a secondary market will exist for the 2016C Bonds during the Delayed Delivery Period. Purchasers of the 2016C Bonds should assume that the 2016C Bonds will be illiquid throughout the Delayed Delivery Period.

Market Value Risk. The market value of the 2016C Bonds as of the Settlement Date may be affected by a variety of factors including, without limitation, general market conditions, the ratings then assigned to the 2016C Bonds, the financial condition and business operations of the Authority and federal income tax and other laws. The market value of the 2016C Bonds as of the Settlement Date could therefore be higher or lower than the price to be paid by the initial purchasers of the 2016C Bonds, and that difference could be substantial. Neither the Authority nor the Underwriters make any representation as to the expected market price of the 2016C Bonds as of the Settlement Date. Further, no assurance can be given that the introduction or enactment of any future legislation will not affect the market price for the 2016C Bonds as of the Settlement Date or thereafter or not have a materially adverse impact on any secondary market for the 2016C Bonds.

Tax Law Risk. Subject to the additional conditions of settlement described under "Settlement" above, the 2016C Forward Delivery Bond Purchase Agreement obligates the Authority to deliver and the Underwriters to acquire the 2016C Bonds if the Authority delivers an opinion of Bond Counsel with respect to the 2016C Bonds substantially in the form and to the effect as set forth in Appendix IV - "FORM OF 2016C OPINION OF HAYNSWORTH SINKLER BOYD, P.A." During the Delayed Delivery Period, new legislation, new court decisions, new regulations, or new rulings may be enacted, promulgated or interpreted that might prevent Bond Counsel from rendering its opinion in the form of Appendix IV or otherwise affect the substance of such opinion. Notwithstanding that the enactment of new legislation, new court decisions or the promulgation of new regulations or rulings might diminish the value of, or otherwise affect, the exclusion of interest on and the 2016C Bonds for purposes of federal income taxation payable on "state or local bonds," the Authority might be able to satisfy the requirements for the delivery of the 2016C Bonds if Bond Counsel is able to issue its opinion to the effect that interest on the 2016C Bonds is not included in gross income for federal income tax purposes and is not included as a specific preference item for purposes of federal individual or corporate alternative minimum taxes. In such event, the purchasers would be required to accept delivery of the 2016C Bonds. Prospective purchasers are encouraged to consult their tax advisors regarding the likelihood of any changes in tax law and the consequences of such changes to such purchasers.

Termination of 2016C Forward Delivery Bond Purchase Agreement. The Representative, on behalf of the Underwriters, may terminate the 2016C Forward Delivery Bond Purchase Agreement by notification to the Authority on or prior to the Settlement Date if any of the events described above in items (a) through (d) under "Settlement" occurs. The Underwriters may not waive any right to terminate their obligations under the 2016C Forward Delivery Bond Purchase Agreement pursuant to paragraphs (b), (c) and (d) under "Settlement" without the prior written consent of the Authority.

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DEBT SERVICE SCHEDULE(1)
(Thousands of Dollars)

The following table sets forth on an accrual basis the debt service due on outstanding Revenue Obligations and the 2016C Bonds, and the total debt service in each calendar year indicated. See "LONG-TERM CAPITAL STRUCTURE PLAN."

	Outstanding Revenue Obligations(2)(3)	2016C Bonds	Total Debt Service
2016	$470,331	$ 542	$470,873
2017	506,520	2,500	509,019
2018	517,199	2,500	519,699
2019	523,680	2,500	526,180
2020	517,105	2,500	519,605
2021	533,151	2,670	535,821
2022	496,621	4,539	501,160
2023	745,638	4,537	750,175
2024	437,196	4,536	441,732
2025	441,168	4,538	445,706
2026	431,982	4,535	436,517
2027	418,688	4,537	423,225
2028	441,101	4,536	445,637
2029	447,984	4,535	452,519
2030	409,639	4,537	414,176
2031	408,933	4,536	413,469
2032	374,213	4,538	378,751
2033	429,577	4,536	434,113
2034	419,327	5,222	424,549
2035	412,581	12,059	424,640
2036	427,481	4,121	431,602
2037	375,896		375,896
2038	345,528		345,528
2039	343,650		343,650
2040	347,556		347,556
2041	374,734		374,734
2042	368,459		368,459
2043	380,039		380,039
2044	387,332		387,332
2045	397,453		397,453
2046	418,415		418,415
2047	348,172		348,172
2048	343,121		343,121
2049	330,648		330,648
2050	268,302		268,302
2051	268,607		268,607
2052	272,869		272,869
2053	264,759		264,759
2054	207,050		207,050
2055	118,140		118,140
2056	39,767		39,767

(1) Does not include debt service on Commercial Paper Notes, which are junior to debt service on Revenue Obligations. Does not reflect puts subsequent to June 30, 2016 of Revenue Obligations subject to tender for elective purchase.
(2) Net of Subsidy Payment (hereinafter defined). Subject to the Authority's compliance with certain requirements under the American Recovery and Reinvestment Act of 2009 and the Internal Revenue Code of 1986, as amended (the "Code"), the Authority expects to receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the Revenue Obligations, 2010 Series C Bonds (the "2010C Bonds") (any such payment, a "Subsidy Payment"). Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions took place March 1, 2013. These required reductions include a reduction to refundable credits under section 6431 of the Internal Revenue Code applicable to certain qualified bonds. The sequestration reduction rate of 7.3% has been applied to the July 1, 2015 and January 1, 2016 Subsidy Payments respectively and the sequestration reduction rate of 6.8% has been applied to the July 1, 2016 and January 1, 2017 Subsidy Payments respectively. The debt service on Revenue Obligations in calendar year 2016 has been adjusted accordingly.
(3) Excludes debt service on bonds to be refunded by the 2016C Bonds. See "REFUNDING PLAN."

SECURITY FOR THE 2016C BONDS

General

The 2016C Bonds are payable solely from, and secured by a lien upon and pledge of, the Revenues on a parity with the lien and pledge securing Revenue Obligations heretofore and hereafter issued pursuant to the Revenue Obligation Resolution, senior to (i) payments required to be made from or retained in the Revenue Fund to pay expenses of operating and maintaining the System, and (ii) the payments into the Capital Improvement Fund heretofore established and continued under the Revenue Obligation Resolution. See "FINANCIAL INFORMATION." In the Revenue Obligation Resolution the Authority has covenanted not to incur any indebtedness senior to the lien of the Revenue Obligations.

The Revenue Obligations, including the 2016C Bonds, are not indebtedness of the State, nor of any political subdivision thereof, and neither the State nor any of its political subdivisions shall be liable thereon, nor shall they be payable from any funds other than the Revenues of the Authority pledged to the payment thereof.

Additional series of Revenue Obligations may be issued without limitation and without compliance with any additional bonds test, provided there is no default under the Revenue Obligation Resolution. In addition, no debt service reserve fund is established under the Revenue Obligation Resolution. See Appendix II - "SUMMARY OF CERTAIN PROVISIONS OF THE REVENUE OBLIGATION RESOLUTION."

Rate Covenant

The Revenue Obligation Resolution provides that the Authority shall establish, maintain and collect rents, tolls, rates and other charges for power and energy and all other services, facilities and commodities sold, furnished or supplied through the facilities of the System which shall be adequate to provide the Authority with Revenues sufficient: (a) to pay the principal of, premium, if any, and interest on the Revenue Obligations as and when the same shall become due and payable; (b) to make when due all payments which the Authority is obligated to make (i) into the Revenue Obligation Fund created under the Revenue Obligation Resolution, and (ii) into the Capital Improvement Fund pursuant to the Revenue Obligation Resolution; (c) to make all other payments which the Authority is obligated to make pursuant to the Revenue Obligation Resolution; (d) to pay all proper operation and maintenance expenses and all necessary repairs, replacements and renewals thereof; (e) to pay all taxes, assessments or other governmental charges lawfully imposed on the Authority or the Revenues thereof or payments in lieu thereof; and (f) to pay any and all amounts which the Authority may become obligated to pay from the Revenues of the System by law or by contract.

As required by the Act, the Authority makes distributions to the State and payments in lieu of taxes to local governments. Nothing in the Act prohibits the Authority from paying to the State each year up to 1% of its projected operating revenues, as such revenues would be determined on an accrual basis, from the combined electric and water systems. In 2016, distributions to the State and payments to local governments amounted to approximately $29,307,000.

There is no governmental or regulatory entity, other than the Authority's Board of Directors, having jurisdiction over the rates of the Authority.

Additional Indebtedness

The Revenue Obligation Resolution does not prohibit the issuance of obligations secured by a pledge of the Revenues junior and subordinate to the pledge securing the Revenue Obligations. In addition, the Authority may issue obligations secured by a pledge of revenues derived from separate utility systems not included in the System. See Appendix II - "SUMMARY OF CERTAIN PROVISIONS OF THE REVENUE OBLIGATION RESOLUTION -- Separate Systems."

Capital Improvement Fund Requirement

The Revenue Obligation Resolution requires, so long as any Revenue Obligations are outstanding, that the Authority deposit annually into the Capital Improvement Fund an amount which, together with the amounts deposited therein in the two immediately preceding Fiscal Years, will be at least equal to 8% of the Revenues required by the Revenue Obligation Resolution to be paid into the Revenue Fund in the three immediately preceding Fiscal Years. Permitted use of moneys in the Capital Improvement Fund includes but is not limited to payment of Capital Costs, as defined in the Revenue Obligation Resolution. See Appendix II -"SUMMARY OF CERTAIN PROVISIONS OF THE REVENUE OBLIGATION RESOLUTION."

ORGANIZATION AND MANAGEMENT OF THE AUTHORITY

The Act contains provisions governing the composition, qualifications, appointment and duties of the Authority's Board of Directors. The Governor appoints members, and the State Regulation of Public Utilities Review Committee ("PURC") screens appointees to determine whether they have the qualifications required by the Act. After successful screening, appointees must be confirmed by the State Senate. The Act describes the duties of directors and sets forth conditions by which a director may be held accountable for his actions or inactions as a director.

The Board consists of twelve members who reside in South Carolina as follows: one from each congressional district of the State; one from each of the counties of Berkeley, Horry and Georgetown who reside in the territory of the Authority and are customers of the Authority, and two from the State at large, one of whom shall be chairman. Two of the directors must have substantial work experience within the operations of electric cooperatives or substantial experience on an electric cooperative board, but must not serve as an employee or board member of an electric cooperative during their term as director of the Authority. One of the two must have substantial experience within the operations or board of a transmission or generation cooperative.

Directors serve for a term of seven years and until a successor has been appointed and found qualified. Directors appointed to fill a vacancy on the Board serve for the unexpired portion of the term and until a successor is appointed and found qualified. An individual appointed and found qualified by the PURC while the State Senate is not in session may serve as director in an interim capacity. Directors may be removed from office only for cause.

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Present directors are listed below:

Name	Business	Residence	Term Expires May
W. Leighton Lord III, Chairman	Attorney	Columbia	2018
William A. Finn, First Vice Chairman	Business Executive	Mt. Pleasant	2020
Barry D. Wynn, Second Vice Chairman	Business Executive	Spartanburg	2021
Alfred L. Reid, Jr.	Business Executive	Rock Hill	2016(1)
Kristofer D. Clark	Business Executive	Easley	2019
Merrell W. Floyd	Retired Business Executive	Conway	2019
Stephen H. Mudge	Business Executive	Clemson	2019
J. Calhoun Land IV	Attorney	Manning	2020
Peggy H. Pinnell	Business Executive	Moncks Corner	2021
Dan J. Ray	Business Executive	Pawleys Island	2022
Jack F. Wolfe, Jr.	Retired Business Executive	Chapin	2022
David F. Singleton	Business Executive	Myrtle Beach	2023

(1) Director Reid has been re-appointed but has not yet been screened by the PURC or confirmed by the Senate. Although his term has expired as indicated, directors may continue to serve until successors have been appointed and qualified.

The President and Chief Executive Officer of the Authority is appointed by the Authority's Board of Directors. The Authority's executive management is appointed by the President and Chief Executive Officer with the approval of the Authority's Board of Directors.

Authority executive management is:

Name	Position	Utility Experience
Lonnie N. Carter	President and Chief Executive Officer	34 years
Marc R. Tye	Executive Vice President, Competitive Markets and Generation	33 years
Jeffrey D. Armfield	Senior Vice President and Chief Financial Officer	33 years
J. Michael Baxley, Sr.	Senior Vice President and General Counsel	2 years
Michael R. Crosby	Senior Vice President, Nuclear Energy	31 years
Dom Maddalone	Senior Vice President, Information Systems and Chief Information Officer	0 years
Arnold R. Singleton	Senior Vice President, Power Delivery	25 years
Pamela J. Williams	Senior Vice President, Corporate Services	14 years

Lonnie N. Carter joined the Authority in 1982 as an employee in the Controller's Office. Since that time he has held various positions, including Manager of Corporate Forecasting, Vice President of Corporate Forecasting, Senior Vice President of Customer Service and Senior Vice President of Corporate Planning & Bulk Power. In 2004, he became President and Chief Executive Officer. In addition, in 1997, he served as the first President and Chief Executive Officer of The Energy Authority, Inc. ("TEA"), a joint power marketing alliance through a non-profit corporation, whereby the Authority can purchase or sell energy and/or capacity when available. He received a Bachelor of Science degree in Business Administration and a Masters in Business Administration from The Citadel.

Marc R. Tye joined the Authority in 1984 as an engineer. Since that time he has held various positions, including Manager of Corporate Analysis & Pricing, Manager of Wholesale Markets, and Senior Vice President of Customer Service. On August 24, 2015, he became Executive Vice President, Competitive Markets and Generation. He received a Bachelor of Science degree in Electrical Engineering and a Masters in Business Administration from The Citadel.

Jeffrey D. Armfield joined the Authority in 1983 as a Senior Auditor. Since that time he has held various positions, including Vice President, Fuels Strategy and Supply, Treasurer and Director of Financial Planning. He received a Bachelor of Science degree in Business and a Masters in Business Administration from The Citadel and is a Certified Public Accountant.

J. Michael Baxley, Sr. joined the Authority in April 2014 as Senior Vice President and General Counsel and a member of the executive management team. He practiced law in private practice from 1982 to 2000 and served as a judge of the South Carolina Circuit Court from 2000 to April 2014. He also served as a member of the South Carolina House of Representatives from 1987 to 1998. He received a Bachelor of Arts degree in Political Science from Clemson University and a Juris Doctor degree with honors from the University of South Carolina School of Law.

Michael R. Crosby became Senior Vice President, Nuclear Energy, on May 1, 2014. He joined the Authority in 1985 as an engineer. Since that time, he has held various positions, including Manager of Station Construction and Vice President, Nuclear Operations and Construction. He received a Bachelor of Science degree in Electrical Engineering from the University of South Carolina and a Masters in Business Administration from The Citadel.

Dom Maddalone became Senior Vice President, Information Systems and Chief Information Officer on June 20, 2016. Prior to joining the Authority he was employed as Vice President of IT Structure and Chief Technology Officer by Probuild, a nationwide lumber and building material supplier. He has past employment experience with Norgren, Johns Manville, and Great-West Healthcare. He received a Bachelor of Science degree in computer science from Drake University, a Master of Science in Information Systems from the University of Colorado and a Masters in Business Administration from the University of Colorado.

Arnold R. Singleton became Senior Vice President, Power Delivery, on November 7, 2015. Singleton joined the Authority in 2014 as Vice President, Administration. Prior to joining the Authority he was employed by Power Engineers, Inc., Southern Company, and the U.S. Army Corps of Engineers. He received a Bachelor of Science degree in Electrical Engineering from The Citadel and a Masters of Science in Administration/Human Resources from Central Michigan University.

Pamela J. Williams became Senior Vice President, Corporate Services on May 1, 2014. She joined the Authority in 2001 as Associate General Counsel for Corporate Affairs. In 2006, she took on the additional duties of corporate secretary. She moved to Vice President, Administration in 2011. Prior to joining the Authority she served as corporate counsel for The Clorox Company. She received a Bachelor of Science degree in Economics from the College of Charleston and a Juris Doctor degree from the University of Virginia School of Law.

The Authority had 1,757 employees as of August 31, 2016. Authority employees are members of a contributory state pension plan administered by the South Carolina State Retirement System.

The Act establishes an Advisory Board composed of the following officials of the State: the Governor, the Attorney General, the State Treasurer, the Comptroller General and the Secretary of State. The Advisory Board approves the hiring of the external auditors and sets the salary of the Authority's Board of Directors.

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CUSTOMER BASE

Service Area

The Authority's primary business operation is the production, transmission and distribution of electrical energy, both at wholesale and retail, to citizens of South Carolina. In 2015, the Authority's kilowatt-hour ("kWh") energy sales were comprised of 57.8% to wholesale customers, 27.7% to large industrial customers and 14.5% to residential, commercial and other customers. The Authority is one of the nation's largest municipal wholesale utilities, whose System serves directly or indirectly approximately 2 million South Carolinians in all 46 counties of South Carolina. The Authority serves directly and indirectly suburban areas outside Charleston, Columbia, Greenville and Spartanburg as well as the coastal areas of Myrtle Beach and the Grand Strand, Hilton Head Island, Kiawah Island and Seabrook Island. See "HISTORICAL SALES – Historical Demand, Sales and Revenues."

The Authority's direct customers currently include 26 large industrial customers, Central Electric Power Cooperative Inc. ("Central"), and two municipal electric systems, the City of Georgetown and the City of Bamberg. Central is an association of 20 electric distribution cooperatives, including the five electric distribution cooperatives that were formerly members of Saluda River Electric Cooperative, Inc. ("Saluda"). Central serves primarily residential, commercial and small industrial customers in all 46 counties of the State. Through Central and the two municipal electric systems, the Authority indirectly serves approximately 771,000 customers. See "CUSTOMER BASE - Wholesale - Central" and "CUSTOMER BASE - Wholesale - Other."

The Authority also serves directly approximately 176,000 residential, commercial and small industrial retail customers in its assigned retail service territory, which includes parts of Berkeley, Georgetown and Horry counties. See "CUSTOMER BASE - Direct Retail Service Area."

Under State law, the Authority has an exclusive right to serve within its assigned retail service territory, and it has the exclusive right to continue to serve the large industrial premises outside its assigned service territory that it is currently serving. If any customers, premises, or electric cooperatives located outside the present service area of the Authority and being served by the Authority, including any subsequent expansions or additions by such customers, premises, or cooperatives, cease or discontinue accepting electrical service from the Authority, the Authority may subsequently sell and furnish electrical service to new customers, premises, or electric cooperatives from its major transmission lines in an amount not exceeding the amount of power the sale of which was lost by reason of such discontinuation of service.

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Wholesale - Central

Central is a generation and transmission cooperative that provides wholesale electric service to each of the 20 distribution cooperatives (the “Central Cooperatives”) which are members of Central pursuant to long-term all requirements power supply agreements. The Central Cooperatives serve areas ranging from sparsely populated rural areas to heavily populated suburban areas. The table below lists each of the Central Cooperatives, the location of their headquarters, and the number of customers of each as of December 31, 2015.

Central Cooperatives	Headquarters	Customers
Aiken Electric Cooperative, Inc.	Aiken	46,432
Berkeley Electric Cooperative, Inc.	Moncks Corner	91,204
Black River Electric Cooperative, Inc.	Sumter	31,911
Blue Ridge Electric Cooperative, Inc.(1)	Pickens	64,381
Broad River Electric Cooperative, Inc.(1)	Gaffney	20,755
Coastal Electric Cooperative, Inc.	Walterboro	11,628
Edisto Electric Cooperative, Inc.	Bamberg	19,936
Fairfield Electric Cooperative, Inc.	Winnsboro	27,882
Horry Electric Cooperative, Inc.	Conway	73,879
Laurens Electric Cooperative, Inc.(1)	Laurens	55,477
Little River Electric Cooperative, Inc.(1)	Abbeville	14,116
Lynches River Electric Cooperative, Inc.	Pageland	20,742
Marlboro Electric Cooperative, Inc.	Bennettsville	6,460
Mid-Carolina Electric Cooperative, Inc.	Lexington	54,550
Newberry Electric Cooperative, Inc.	Newberry	12,703
Palmetto Electric Cooperative, Inc.	Ridgeland	69,423
Pee Dee Electric Cooperative, Inc.	Darlington	30,423
Santee Electric Cooperative, Inc.	Kingstree	43,688
Tri-County Electric Cooperative, Inc.	St. Matthews	17,825
York Electric Cooperative, Inc.(1)	York	50,720

(1) Former members of Saluda (“Former Saluda Members”).

The Authority supplies the total power and energy requirements of the Central Cooperatives less amounts which Central purchases directly from Southeastern Power Administration (the “SEPA”) and amounts provided by Duke Energy Carolinas under the September 2009 Agreement referenced below, and small amounts purchased from others.

The Authority serves Central under the terms of an agreement between the Authority and Central which became effective in January 1981 (as subsequently amended or revised, the “Central Agreement”). In 2015, revenues pursuant to the Central Agreement amounted to approximately 57.6% of revenues from sales. The Authority and Central adopted an amendment to the Central Agreement in January 1988 which included a number of revisions to the cost of service methodology, established that the Authority would supply the total power and energy requirements of the Central Cooperatives (with some limited exceptions) and provided that the Central Agreement would have a perpetual duration with a 35 year initial term ending March 31, 2023 and an automatic renewal for successive 35 year periods, subject to the right of either party to terminate the Central Agreement on any date on or after the end of such initial 35 year term, upon giving at least 10 years’ notice.

September 2009 Agreement. In September 2009 Central and the Authority entered into an agreement (the “September 2009 Agreement”) that, among other things, provided that neither party would exercise its right to terminate the Central Agreement effective on or before December 31, 2030. The Authority agreed in the September 2009 Agreement to allow Central to transition the purchase of the portion of the power and energy requirements of the five Former Saluda Members directly connected to the transmission system of Duke Energy Carolinas, LLC (“Duke Energy Carolinas”) (the “Upstate Load”) to another supplier and in January 2013, Central began transitioning the Upstate Load to Duke Energy Carolinas, a subsidiary of Duke Energy Corporation (“Duke”). The September 2009 Agreement provides for approximately 15% of the Upstate Load to transition to Duke annually between 2013 - 2018, with the remaining 10% of the Upstate Load transitioning to Duke in 2019. This will amount to approximately 900 Megawatts (“MW”). Nothing would preclude the Authority serving this load when the Duke agreement ends on December 31, 2030.

May 2013 Revision to the Central Agreement. The Authority and Central adopted an amendment to the Central Agreement on May 20, 2013 (the "May 2013 Revision") that better aligns their future interests, formalizes how they will jointly plan for new resources, and defers their rights to terminate the agreement until December 31, 2058. Under the Central Agreement's 10 year rolling notice provisions, for a termination date of December 31, 2058, a party must give notice of termination no later than December 31, 2048. Central has entered into requirements agreements with all 20 of its member cooperatives that extend through December 31, 2058 and obligated those members to pay their share of Central's costs, including costs paid under the Central Agreement.

Rates under the Central Agreement continue to be developed under a cost of service methodology and to be adjusted automatically on a monthly basis to reflect actual fuel cost and to be adjusted on an annual basis to reflect actual non-fuel cost, including O&M, debt service and a Capital Improvement Fund charge. Modifications to the cost of service methodology include allocating debt service and Capital Improvement Fund charges to the cost categories based on plant balances and allocating production related costs in a manner that reflects the nature of the generating resources.

Under the May 2013 Revision, the requirements provisions of the Central Agreement are retained. Central will continue to pay for its pro-rata share of the existing system resources, including Summer Nuclear Units 2 and 3. The May 2013 Revision formalizes the resource planning process and outlines how the parties will jointly plan and determine the need for new resources. The May 2013 Revision also contains provisions that allow Central to decide to participate or not participate in major new resources which were not completed or under construction as of January 1, 2013. If Central decides to participate in a resource, the costs for the new resource are included and shared under the Central Agreement. If Central decides not to participate in a proposed resource, the parties will obtain their own resources based on their pro-rata share of the proposed resource and each party will be responsible for the cost of its own non-shared resources.

The May 2013 Revision provides certainty to the planning process and, with the earliest termination date deferred to December 2058, will allow the Authority to align its existing and future debt service with the useful lives of its assets and its future revenue stream.

Palmetto Economic Development Corporation. Central and the Authority have joined together to form a joint economic development effort, known as the Palmetto Economic Development Corporation, to benefit the State, the Authority and Central. Formed in September 1988, it works to more effectively recruit new industries and to increase job opportunities throughout the State. The joint operation is governed by an eight-member board of directors, four named by Central and four named by the Authority. In February 2012, the Authority and Central announced economic development rates for new and expanded large industrial loads to further enhance their economic development efforts and expanded those efforts with additional economic development rates in 2014. See "CUSTOMER BASE - Business Growth Initiatives."

Wholesale - Other

In addition to Central, the Authority provides wholesale electric service to the City of Georgetown, the City of Bamberg, the City of Seneca and SCE&G pursuant to long-term contracts. New service agreements were executed in 2013 with the City of Georgetown and the City of Bamberg for 10 years and 20 years, respectively. The Authority executed a service agreement to provide wholesale electric service to the City of Seneca beginning July 1, 2015. Power generated by the Authority is being delivered to Seneca through the Authority and Blue Ridge Electric Cooperative, who has joined the contract as an additional electric provider to Seneca. Sales to these customers and off-system sales to other utilities and power marketers during 2015 represented approximately 2.8% of revenues from sales.

Additionally, the Town of Waynesville, NC ("Waynesville") has entered into a long-term purchase agreement with the Authority to receive wholesale electric service beginning January 1, 2017 for a term of 10 years.

The Authority has a long-term power agreement with Piedmont Municipal Power Agency ("PMPA") pursuant to which the Authority provides PMPA its supplemental electric power and energy requirements (ranging from approximately 200 MW to 300 MW) above its current resources. This agreement commenced on January 1, 2014, for a term of no less than 12 years.

The Authority also has an agreement pursuant to which it provides Alabama Municipal Electric Authority 50 MW unit-contingent capacity and associated energy (25 MW - 50 MW). This agreement commenced on January 1, 2014, for a term of 10 years.

Direct Retail Service Area

The Authority owns distribution facilities and serves in two non-contiguous areas covering portions of Berkeley, Georgetown and Horry Counties. These service areas include 2,841 miles of distribution lines. The following table presents retail customer growth from 2011 through 2015 in these areas.

Retail Customers

Year	Residential	Commercial and Small Industrial	Total	Annual Increase %
2011	136,047	28,600	164,647	0.6
2012	138,353	28,456	166,809	1.3
2013	140,126	28,687	168,813	1.2
2014	142,663	28,904	171,567	1.6
2015	145,208	28,815	174,023	1.4

Sales to residential, commercial, small industrial customers and certain other customers are made pursuant to rate schedules established from time to time by the Authority. The vast majority of such rate schedules include monthly automatic fuel adjustment and demand sales adjustment clauses. Sales to this customer group represented approximately 20.5% of revenues from sales in 2015.

Large Industrial Contracts

Sales to large industrial customers are made pursuant to long-term contracts. The Authority offers a large power rate schedule prepared on a cost of service basis for large industrial customers which contract for a minimum of 1,000 kilowatts (“kW”). The Authority requires that such customers enter into contracts for initial periods of not less than five years. All contracts contain rate provisions of the demand and energy type, and include monthly automatic fuel adjustment and demand sales adjustment clauses, minimum demand charges and other provisions generally used in large industrial power rate schedules. The average cost per kWh varies depending upon the customer's usage and load factor.

Sales to large industrial customers during 2015 represented approximately 19.1% of revenues from sales, which includes 7.2% for Century Aluminum of South Carolina, Inc. (“Century Aluminum”), formerly Alumax of South Carolina, Inc., 4.9% for Nucor Corporation (“Nucor”), and 4.6% for the next eight largest industrial customers, of which no one customer represents more than 1.4% of sales. Of the 19.1% of revenues from sales, approximately 63.0% represents fuel cost recovery.

Power Contract with Century Aluminum. The Authority executed a new contract with Century Aluminum on January 27, 2016, that became effective on February 1, 2016, and extends until December 31, 2018. Century Aluminum has reduced its facility capacity by 50%, requiring approximately 200 MW of power. Approximately 25% of the load is served under the Authority’s firm industrial rate schedule, with the remainder served under the Authority’s customer-supplied power schedule with Century providing an off-system resource for the power and the Authority transmitting the power. In addition to its standard termination provisions, the contract contains a provision that allows for early termination by Century Aluminum upon 60 days prior written notice.

Long-Term Power Contract with Nucor. The Authority has a long-term power contract with Nucor which extends through April 30, 2019 and provides for two year rollover terms thereafter. Under the notice provisions of the Authority’s large light and power service, Nucor must provide four years notice to bring its load to zero. Such notice has not been given. The contract currently provides for delivery of approximately 300 MW of power, the majority of which is provided under the interruptible rate schedule.

Business Growth Initiatives

The Authority's business growth initiatives revolve around four strategic initiatives – marketing, product development, project management, and competitive rates. The Authority is marketing industrial and commercial properties that are served directly by the Authority and its cooperative and municipal customers. Product development activities include the creation and/or improvement of industrial properties, the acquisition of property, expansion of infrastructure into industrial properties, and/or constructing buildings for industrial uses. Since June 2012, the Authority has invested over $49 million throughout South Carolina in product development through a low-interest revolving loan pool to public entities. In addition, the Authority has created two additional funds to further improve the readiness of industrial sites in cooperative and municipal customers' territories, which have committed more than $15 million in local site investment since 2014. The Authority also offers the Experimental Large Light and Power Economic Development Service Tiered Rider. The purpose of this rider is to attract new and expanding industrial loads and is available to the Authority's direct served industrial customers as well as industrial customers indirectly served through its wholesale customers located in South Carolina.

In May 2015, Swedish automaker Volvo announced that it will build its first U.S. factory in Berkeley County, S.C., spending up to $500 million on a plant with an initial capacity of 100,000 vehicles a year. Volvo's announcement stated the first vehicles should roll off the line in 2018. The Authority worked with the State, Berkeley County and the electric cooperatives to recruit Volvo to this site. The manufacturing site will be served by Edisto Electric Cooperative, one of the Central Cooperatives. The Authority owns approximately 3,900 acres adjacent to the Volvo site and is currently master planning the property as an industrial park to serve Volvo suppliers and other industries. The Volvo project, as well as the industrial park development, are proceeding as planned. The Authority expects this Central customer load to be approximately 100,000 MWh annually once the plant commences operation.

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RATES AND RATE COMPARISON

Rates

The Authority's Board of Directors is empowered and required to set rates as necessary to provide for expenses, including debt service, of the Authority. The Authority monitors rates and management recommends adjustments as necessary. On December 7, 2015, the Authority's Board of Directors approved a series of two base rate adjustments for its retail, industrial and municipal customers. The adjustments will increase total charges for customers an average of 3.7% each year for a total increase of 7.4%. The first adjustment took effect April 1, 2016 and the second will take effect on April 1, 2017.

The Authority has developed and offers time-of-use, non-firm and off-peak rates to its direct-served commercial and industrial customers to encourage them to reduce their peak demand. As of December 31, 2015, the Authority had 785 MW of non-firm power under contract. The Authority also has seasonal energy charges for most rates affecting residential, commercial, and industrial customers. Seasonal energy charges reflect higher charges during the summer months when higher energy costs are incurred. The Authority's rate schedules include monthly automatic fuel adjustment clauses which provide for increases or decreases to the basic rate schedules to cover increases or decreases in the cost of fuel to the extent such costs vary from a predetermined base cost. The Authority's rate schedules also include a demand sales adjustment clause which provides for increases or decreases to the basic rate schedules to reflect increases or decreases in demand revenues from non-firm sales (such as supplemental curtailable, interruptible and economy power rate schedules and riders) and off-system sales to the extent such revenues vary from predetermined amounts included as credits to firm base rates.

Rates under the Central Agreement are determined in accordance with the cost of service methodology contained in the Central Agreement. Under the Central Agreement, Central initially pays for its power supply based on the Authority's projected costs and loads. The charges are then adjusted, on an annual basis, to reflect actual costs and load and Central is charged or credited the difference between the amounts paid based on projected rates and the amounts due based on actual rates. For a more detailed discussion of the Central Agreement see "CUSTOMER BASE - Wholesale - Central."

During 2015 revenues from sales to wholesale requirements customers averaged 7.33 cents per kWh, revenues from sales to large industrial customers averaged 4.83 cents per kWh, and revenues from sales to residential, commercial, small industrial and other customers averaged 9.90 cents per kWh based on the then current rates which included fuel adjustments and credits for demand sales adjustments.

Rate Comparison

The Authority has seasonal rates for the majority of its residential, commercial, and industrial customers. Comparisons of the Authority's average monthly bills or average cost per kWh for firm service at selected usage levels with the average monthly bills of the three investor-owned utilities that serve the State based on rates on file with the South Carolina Public Service Commission (the "PSC") as of January 31, 2016 and July 31, 2016 are set forth on the following page.

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As of January 31, 2016 (Non-Summer)

	Residential Electric Service			
	500 kWh	**1,000 kWh**	**2,000 kWh**	**3,000 kWh**
Authority	$58.41	$102.81	$191.62	$280.43
Duke Energy Carolinas	59.17	110.05	217.87	325.68
Duke Energy Progress	56.01	103.52	192.54	281.56
SCE&G	79.70	148.27	282.08	415.89

	Commercial Electric Service		
	3,000 kWh	**5,000 kWh**	**7,500 kWh**
Authority	$256.83	$416.05	$615.08
Duke Energy Carolinas	279.79	461.75	675.23
Duke Energy Progress	313.85	474.79	675.97
SCE&G	424.25	673.49	985.04

	Industrial Electric Service			
	1,000 kW 500,000 kWh	**2,000 kW 1,000,000 kWh**	**9,000 kW 5,000,000 kWh**	**40,000 kW 25,000,000 kWh**
Authority	6.83¢	6.53¢	5.97¢	5.60¢
Duke Energy Carolinas	6.77	6.46	6.10	5.93
Duke Energy Progress	7.56	7.52	7.19	6.78
SCE&G	8.95	8.75	8.27	7.92

As of July 31, 2016 (Summer)

	Residential Electric Service			
	500 kWh	**1,000 kWh**	**2,000 kWh**	**3,000 kWh**
Authority	$73.67	$130.33	$243.66	$356.99
Duke Energy Carolinas	59.17	110.05	217.87	325.68
Duke Energy Progress	54.73	102.96	199.42	295.88
SCE&G	72.39	145.93	293.01	440.09

	Commercial Electric Service		
	3,000 kWh	**5,000 kWh**	**7,500 kWh**
Authority	$337.89	$549.15	$813.23
Duke Energy Carolinas	279.79	461.75	675.23
Duke Energy Progress	306.41	462.39	657.37
SCE&G	406.28	679.72	1,021.52

	Industrial Electric Service			
	1,000 kW 500,000 kWh	**2,000 kW 1,000,000 kWh**	**9,000 kW 5,000,000 kWh**	**40,000 kW 25,000,000 kWh**
Authority	8.42¢	7.91¢	7.13¢	6.69¢
Duke Energy Carolinas	6.77	6.46	6.10	5.93
Duke Energy Progress	7.31	7.27	7.01	6.78
SCE&G	8.36	8.75	8.27	7.92

POWER SUPPLY AND POWER MARKETING

Existing Generating Facilities

The Authority's generating facilities consist of the following:

Generating Facilities	Location	Initial Date in Service	Winter MCR(1) (MW)	Summer MCR(1) (MW)	Energy Source
Jefferies Hydroelectric Generating Station	Moncks Corner	1942	134	134	Hydro
Wilson Dam Generating Station	Lake Marion	1950	2	2	Hydro
Combustion Turbines Nos. 1 and 2	Myrtle Beach	1962	20	16	Oil/Gas
Combustion Turbines Nos. 3 and 4(2)	Myrtle Beach	1972	20	19	Oil
Combustion Turbine No. 5	Myrtle Beach	1976	25	21	Oil
Combustion Turbine No. 1	Hilton Head Island	1973	20	16	Oil
Combustion Turbine No. 2	Hilton Head Island	1974	20	16	Oil
Combustion Turbine No. 3	Hilton Head Island	1979	60	52	Oil
Winyah Generating Station	Georgetown				
No. 1		1975	280	275	Coal
No. 2		1977	290	285	Coal
No. 3		1980	290	285	Coal
No. 4		1981	290	285	Coal
Summer Nuclear Unit 1(3)	Jenkinsville	1983	322(4)	322(4)	Nuclear
Cross Generating Station	Cross				
Unit 1		1995	585	580	Coal
Unit 2(5)		1983	570	565	Coal
Unit 3		2007	610	610	Coal
Unit 4		2008	615	615	Coal
Horry Landfill Gas Station	Conway	2001	3	3	LMG(6)
Lee County Landfill Gas Station	Bishopville	2005	11	11	LMG
Richland County Landfill Gas Station	Elgin	2006	8	8	LMG
Anderson County Landfill Gas Station.	Belton	2008	3	3	LMG
Georgetown County Landfill Gas Station	Georgetown	2010	1	1	LMG
Berkeley County Landfill Gas Station	Moncks Corner	2011	3	3	LMG
Rainey Generating Station	Starr				
Unit 1		2002	520	460	Gas
Unit 2A		2002	180	146	Gas
Unit 2B		2002	180	146	Gas
Unit 3		2004	90	75	Gas
Unit 4		2004	90	75	Gas
Unit 5		2004	90	75	Gas
Total Capability			5,332	5,104	

(1) Maximum Continuous Ratings (“MCR”).
(2) Myrtle Beach Combustion Turbine No. 4 is currently unavailable until further notice.
(3) Virgil C. Summer Nuclear Generating Station Unit 1 (“Summer Nuclear Unit 1”).
(4) Represents the Authority's one-third ownership interest.
(5) The Authority recently implemented a plan to lower O&M expenses by idling Cross Unit 2 after March 1, 2017. Upon idling the unit, a return to service period of up to two years would be required to operate the unit.
(6) Landfill Methane Gas (“LMG”).

Existing Power Resources

The Authority plans for firm power supply from its own generating capacity and firm power contracts to equal its firm load, including a 15% summer reserve margin. The Authority's current total summer MCR of its owned generating capacity is set forth in the table below. The Authority presently receives 84 MW of firm supply from the U.S. Army Corps of Engineers (the "Corps") and 296 MW of firm hydroelectric power from SEPA. The SEPA allocation consists of 161 MW for wheeling to the SEPA preference customers served by the Authority and 135 MW purchased by the Authority for its customers. The Authority also receives 8 MW of dependable capability from the Buzzards Roost hydroelectric generating facility which it leases from Greenwood County, South Carolina and 74 MW of biomass capacity and associated energy under three power purchase agreements (the first commenced in September 2010 and the most recent in November 2013, with varying terms from 15 to 30 years). There is also an agreement to purchase the output from a 2.5 MW solar photovoltaic facility that started producing power in December of 2013 and has a 20 year term. The Authority has also entered into a purchase agreement with The Energy Authority ("TEA") for 250 MW for all on peak hours and 150 MW for all off peak hours of firm energy only began January 1, 2016 and continuing through December 31, 2016. The electric generation, transmission and distribution facilities owned by the Authority as well as certain transmission facilities leased from Central, are operated by the Authority as a fully integrated electric system. The Authority has direct interconnections with five entities, including all those with which the Authority has long-term power contracts for energy interchange. See "POWER SUPPLY AND POWER MARKETING - Interconnections and Interchanges."

The table below details the Authority's resources classified by energy source for the summer power supply peak capability.

Source of Power Supply	(MW)	% of Total
Coal	3,500	62.9
Natural Gas and Oil	1,117	20.1
Nuclear	322	5.8
Owned Hydro Generation	136	2.4
Landfill Methane Gas	29	0.5
Total MCR	5,104	91.7
Purchases	465	8.3
Total MCR and Purchases	5,569	100.0

The following table sets forth performance indicators for the Authority's coal-fired generation for the years 2013 through 2015.

	2013	2014	2015
Capacity Factor - %	43.6	54.3	41.8
Availability Factor - %	92.5	88.9	89.3
Forced Outage Rate - %	1.8	4.5	5.5
Net Heat Rate (BTU/kWh)	9,999	10,095	9,989

Performance monitoring systems are in place at the Authority's coal-fired generating stations and at its Rainey Generating Station to optimize each unit's operation while complying with environmental requirements.

All Authority operated units are maintained with computerized maintenance management systems and the use of preventive, predictive, and proactive maintenance practices to achieve high reliability and efficiency at low maintenance cost. In its maintenance program, the Authority utilizes technologies such as vibration analysis, oil analysis, thermography, laser alignment, and non-destructive testing. The Authority continues to implement equipment maintenance programs for the units including major unit components such as control systems, steam generators, and turbine generators. See "CAPITAL IMPROVEMENT PROGRAM."

The following table sets forth performance indicators for the Authority's combined cycle gas-fired generation for the years 2013 through 2015.

	2013	2014	2015
Net Capacity Factor - %	88.45	80.70	86.32
Availability Factor - %	97.20	95.47	93.36
Forced Outage Rate - %	1.33	0.79	0.21
Combined Cycle Net Heat Rate (BTU/kWh)	7,145	7,167	7,116

Summer Nuclear Unit 1. The Authority owns a one-third undivided interest in Summer Nuclear Unit 1 which has a pressurized water reactor with an MCR of 966 MW net. SCE&G owns the remaining two-thirds interest and operates and maintains Summer Nuclear Unit 1 on its own behalf and as the Authority's agent.

The following table sets forth certain performance indicators for Summer Nuclear Unit 1 for the years 2013 through 2015 and for the period of commercial operation, January 1, 1984 through December 31, 2015. The next refueling outage is scheduled for April 7, 2017.

	2013	2014(1)	2015(2)	January 1, 1984 - December 31, 2015
Net Generation - MWh	8,369,878	6,914,778	7,115,387	218,362,721
Capacity Factor - %	98.9	81.7	84.1	83.6
Availability Factor - %	97.0	80.8	83.3	85.1
Forced Outage Rate - %	0.0	4.4	0.0	2.4

(1) Spring 2014 - 57 days for scheduled refueling outage
(2) Fall 2015 - 61 days for scheduled refueling outage

Summer Nuclear Unit 1 reached an MCR of 966 MW by the end of 1999 due to improvements including a high pressure turbine upgrade, steam bypass reductions, and a new main step-up transformer. The Authority's share of the MCR is 322 MW.

The Nuclear Regulatory Commission (the "NRC") oversees plant performance through the Reactor Oversight Process ("ROP") assessment program. The ROP assessment program collects information from inspections and performance indicators ("PIs") which the NRC uses to objectively assess a facility's safety performance. The ROP consists of three key strategic performance areas: Reactor Safety, Radiation Safety, and Safeguards. Results for inspections and PIs are classified as green, yellow, white or red, with green being the most favorable. Through the second quarter of 2016, Summer Nuclear Unit 1 is in the Licensee Response Column of the ROP Action Matrix because all inspection findings had very low (i.e., green) safety significance, and all PIs indicated that performance was within the nominal, expected range (i.e., green). As a result of being in the Licensee Response Column, NRC oversight of Summer Nuclear Unit 1 is limited to baseline inspections.

In 2004, the NRC extended the operating license for Summer Nuclear Unit 1 to August 6, 2042, which was an additional twenty years.

Under the provisions of the Nuclear Waste Policy Act of 1982, on June 29, 1983 SCE&G and the Authority entered into a contract (the "Standard Contract") with the DOE for spent fuel and high level waste disposal for the operating life of Summer Nuclear Unit 1. The Nuclear Waste Policy Act and the Standard Contract required the DOE to accept and dispose of spent nuclear fuel and high-level radioactive waste beginning not later than January 31, 1998. To date, the DOE has not accepted any spent fuel from Summer Nuclear Unit 1 or any other utility, and has not indicated when it anticipates doing so.

Summer Nuclear Unit 1 has licensed on-site spent fuel storage capability until 2017 while still maintaining full core discharge capability. In 2013, construction began on a dry cask storage facility to accommodate the spent nuclear fuel output of Summer Nuclear Unit 1 through the operating license expiration date in 2042. The dry cask storage facility was completed in 2015 and began receiving spent fuel assemblies in March 2016. Because of DOE's failure to meet its obligation to dispose of spent fuel, SCE&G and the

Authority are being reimbursed by DOE for dry cask storage project costs. The Authority expects this reimbursement will equal approximately 75% of total project cost. Through August 31, 2016, reimbursements received from DOE equal 69% of total costs.

Unit Retirements. After evaluating the costs of complying with newly adopted federal regulations and the foreseeable generation resource needs for the Authority's system, management determined it would not be cost effective to implement the new environmental measures that would be necessary for continued operation of certain units. In 2012, the Authority's Board of Directors authorized retirement of six electric generating units: Grainger Generating Station Nos. 1 and 2, and Jefferies Generating Station Nos. 1, 2, 3 and 4. The Board authorized the President and CEO to develop and execute plans for an orderly retirement of the four coal and two oil units. Grainger Generating Station Nos. 1 and 2 and Jefferies Generating Station Nos. 3 and 4 ceased operations and were officially retired on December 31, 2012. Appropriate notifications were submitted to the federal Environmental Protection Agency (the "EPA") and The South Carolina Department of Health and Environmental Control (the "DHEC") to modify existing Title V air operating permits to reflect the cease operation of those units. Jefferies Generating Station Nos. 1 and 2 were retired October 1, 2015.

Renewable Energy Power Purchase Agreements. The Authority has purchase power agreements for approximately 25 MW of biogas-fueled energy from multiple facilities within the State. Commercial operations for these facilities are scheduled over the next two years.

Transmission

The Authority operates an integrated transmission system which includes lines owned and leased by the Authority as well as those owned by Central. The transmission system includes approximately 1,344 miles of 230 kilovolt ("kV"), 1,834 miles of 115 kV, 1,754 miles of 69 kV and 97 miles of 34 kV and below overhead and underground transmission lines. The Authority operates 105 transmission substations and switching stations serving 87 distribution substations and 455 Central Cooperative delivery points. Monitoring and control of integrated power system operations is supported by 91 primary communications sites. The Authority plans the transmission system to operate during normal and contingency conditions that are outlined in electric system reliability standards adopted by the North American Electric Reliability Corporation ("NERC") and to maintain system voltages that are consistent with good utility practice.

Interconnections and Interchanges

The Authority's transmission system is interconnected with other major electric utilities in the region. It is directly interconnected with SCE&G at eight locations; with Duke Energy Progress at eight locations; with Southern Company Services, Inc. ("Southern Company") at one location; and with Duke Energy Carolinas, at two locations. The Authority is also interconnected with SCE&G, Duke Energy Carolinas, Southern Company and SEPA through a five-way interconnection at SEPA's J. Strom Thurmond Hydroelectric Project, and with Southern Company and SEPA through a three-way interconnection at SEPA's R. B. Russell Hydroelectric Project. Through these interconnections, the Authority's transmission system is integrated into the regional transmission system serving the southeastern areas of the United States and the Eastern Interconnection. The Authority has separate interchange agreements with each of the companies with which it is interconnected which provide for mutual exchanges of power.

Reliability Agreements

The Authority is a party to the Virginia-Carolinas Reliability Agreement ("VACAR") which exists for the purpose of safeguarding the reliability of electric service of the parties thereto. Other parties to the VACAR agreement are SCE&G, Duke Energy Progress, Duke Energy Carolinas, APGI-Yadkin Division, Dominion Virginia Power, and Public Works Commission of the City of Fayetteville.

The Authority is also a member of the SERC Reliability Corporation, which is one of 8 regional entities under the NERC.

Distribution

The Authority owns distribution facilities in two service areas: the Berkeley District serving retail customers in St. Stephen, Bonneau Beach, Moncks Corner and Pinopolis; and the Horry-Georgetown Division serving retail customers in Conway, Myrtle Beach, North Myrtle Beach, Loris, Briarcliffe, Surfside Beach, Atlantic Beach, Pawleys Island, unincorporated areas along the Grand Strand and portions of rural Georgetown and Horry Counties. See "CUSTOMER BASE."

General Plant

The Authority owns a general plant consisting of office facilities; transportation and heavy equipment; computer equipment; and communication equipment necessary to support the Authority's operations. The Authority has seven customer service offices throughout its direct service territory and corporate headquarters located in Moncks Corner which includes a garage, maintenance facilities and warehouse facilities.

Fuel Supply

During 2015, the Authority's energy supply, including energy wheeled to SEPA preference customers, was derived as set forth in the following table.

Source of Power Supply	% of Total (MWh)
Coal	47.0
Natural Gas and Oil	22.8
Nuclear	8.7
Owned Hydro Generation	1.9
Purchases	19.3
Landfill Methane Gas	0.3
Total	100.0

Coal. The Authority has contracted for bituminous coal for its Winyah and Cross Generating Stations from a number of companies, and additional coal is acquired from spot market purchases. All of the Authority's suppliers have loading facilities for providing delivery of coal in unit train shipments. The Authority owns 1,711 coal cars and periodically supplements its fleet with cars provided by the railroad and through short term leases. Currently, the Authority does not have any cars on lease. The Authority's current rail transportation contract terms expire at the end of 2018 with an option to extend an additional year through 2019.

The Authority contracts for solid fuel from three primary coal basins: Central Appalachia, Northern Appalachia, and Illinois Basin. Considering quantity and quality requirements, the Authority uses a combination of these coal supplies with long-term and short-term contracts to meet its solid fuel needs. The Authority evaluates the fuel contracts based on the lowest delivered prices while ensuring and adapting to future needs.

The Authority uses a methodology that reflects the impact of coal to gas switching to calculate its coal days on hand. This methodology for calculating coal days on hand uses the annual amount of coal budgeted to be burned divided by 365. The annual burn budget uses projections based on gas prices and forward price curves available at the time the budget is developed and should therefore factor in coal to gas generation switching based on economics. Using this methodology, the Authority had 338 days of coal on hand as of August 31, 2016. In terms of tonnage, as of August 31, 2016, the Authority had approximately 5.07 million tons of coal on hand. Because of storage capability the Authority has the flexibility to build the coal pile to take advantage of favorable coal market conditions and gas switching capabilities. The Authority has a strategy in place to begin burning down the inventory piles in 2017 as legacy coal contracts begin to expire.

Sulfur dioxide ("SO_2") air emission limitations dictate the maximum amount of coal sulfur content that can be used by generating units. The sulfur content of coal received under existing contracts ranges from approximately 0.9% to 3.0%. The Authority believes it can obtain an adequate coal supply with sulfur content within acceptable ranges to meet foreseeable needs. See "REGULATORY MATTERS - Environmental Matters."

Gas. The Authority has contracted with Transcontinental Gas Pipeline Corporation to provide firm gas transportation in an amount approximately equal to the Rainey Generating Station combined cycle unit at full load. The fixed rate contract ended October 31, 2015; however, the service agreement for the same volume will remain intact on a year to year basis at the tariff rate.

Any additional gas transportation necessary to fuel the remaining needs of the simple cycle units at the station will be purchased on the spot market as needed.

The Authority purchases the majority of its natural gas on a daily or short-term basis and does not currently have any purchases under long term agreements. The Authority's natural gas risk is managed using a financial hedge strategy. See "POWER SUPPLY AND POWER MARKETING - Fuel Supply - *Commodity Risk Management*." All of the Authority's natural gas transactions are currently executed by TEA.

Commodity Risk Management. The Authority's Board of Directors has approved a policy that deals with the philosophy, framework and delegation of authority necessary to govern the activities related to the Authority's commodity risk management program. The Authority strives to mitigate variations in price with a combination of long-term and short-term contracts, a fuel commodity risk hedging program, and by taking advantage of market opportunities, such as purchasing and blending off-specification coal when the economics are favorable. The Authority has determined that all financial risk transactions executed under the policy will be executed through TEA.

Nuclear. Under the Joint Ownership Agreement for Summer Nuclear Unit 1, SCE&G acts for itself and as agent for the Authority in the operation of Summer Nuclear Unit 1 including the acquisition and management of nuclear fuel. Contracts are in place to supply uranium and conversion through 2020. Enrichment services will be met by contract through 2024.

The Energy Authority

The Authority is a member of TEA along with City Utilities of Springfield (Missouri), Gainesville Regional Utilities (Florida), JEA (Florida), Municipal Electric Authority of Georgia ("MEAG Power"), Nebraska Public Power District, Public Utility District No. 1 of Cowlitz County, Washington and American Municipal Power, Inc.

TEA markets wholesale power and coordinates the operation of the generation assets of its members to maximize the efficient use of electrical energy resources, reduce operating costs and increase operating revenues of its members. TEA is expected to accomplish the foregoing without impacting the safety and reliability of the electric system of each member. In addition, TEA purchases and sells natural gas relating to fuel for members' generation of electricity. TEA does not engage in the construction or ownership of generation or transmission assets.

The standards of conduct provisions of Order 717 of the Federal Energy Regulatory Commission (the "FERC") require that employees of a utility engaged in transmission system operations function independently of employees of the utility or any of its affiliates who are engaged in the wholesale merchant function. The Authority believes that the establishment of TEA assists in satisfying that requirement.

All of TEA's revenues and its costs are allocated to its members. The Authority's exposure relating to TEA is limited to the Authority's capital investments in TEA, any accounts receivable from TEA and trade guarantees provided to TEA by the Authority.

The current amount approved by the Authority to support TEA's trading and procurement activities is an amount not to exceed approximately $84.5 million. If payment is required to be made, it will be treated as an operation and maintenance expense.

CAPITAL IMPROVEMENT PROGRAM

General

The Authority regularly reviews and updates its capital improvement program to reflect currently projected capital projects and expenditures. Total cost of the capital improvement program for 2016 through 2019 is estimated to be approximately $3,903,000,000, which includes approximately $451,000,000 for environmental compliance expenditures, approximately $665,000,000 for general improvements to the System and approximately $2,787,000,000 for Summer Nuclear Units 2 and 3 based on 45% ownership. The expenditures for these two units include additional costs that would be incurred if the Authority and SCE&G successfully exercise an option to fix the cost of the project. See "FINANCING PLAN FOR SUMMER NUCLEAR UNITS 2 AND 3" and "CAPITAL IMPROVEMENT PROGRAM - Summer Units 2 and 3 - *Ownership Agreements and Engineering, Procurement and Construction Agreement*" for further details. The Authority typically finances generation resources and large capital projects with long-term borrowed funds while utilizing the capital improvement fund for other resources such as general improvements to the System and equity to reduce taxable borrowings. The cost of the capital improvement program will be provided from Revenues of the Authority, additional Revenue Obligations, and Commercial Paper Notes and other short-term obligations of the Authority, as determined by the Authority. The Authority plans to issue approximately $1.9 billion of debt in 2017 through 2019.

Long-Term Power Supply Plan

The Authority's overall power supply objective is to continue to satisfy the electric power and energy needs of its customers with economical and reliable service. As part of this objective the Authority strives to have in place a diverse power supply that utilizes a variety of fuel sources. The Authority reviews, from time to time, its power resources and requirements and considers the need for the possible addition of new power resources, the retirement of existing resources and other modifications to its resource plan. In January 2008, the Authority's Board of Directors approved a generation resource plan that included, among other things, a 45% ownership interest in Summer Nuclear Units 2 and 3. At a 45% ownership, these units are projected to increase the percentage of power generated from nuclear resources from approximately 10% to approximately 40% after both units are completed. Nuclear power stations have higher capital costs, but they have very low fuel costs, which have already proven to be stable and competitive, to balance out the capital expense. Nuclear power is an emissions free, non-greenhouse gas emitting resource and, therefore is not subject to regulation and legislation typically associated with fossil fired resources such as those targeting carbon and SO_2 emissions.

The Authority has evaluated its capital improvement program and long-term power supply plan in light of the softer economy, the reduction in previously anticipated sales to Central, as described under "CUSTOMER BASE - Wholesale," and new EPA regulations which increase the operating costs of coal-fired generating units/sites as described under "REGULATORY MATTERS -- Environmental Matters." As a result, the Authority has retired a total of 6 electric generating units (See "POWER SUPPLY AND POWER MARKETING - Existing Power Resources - *Unit Retirements*.") and plans to idle a unit after March 1, 2017 (See "POWER SUPPLY AND POWER MARKETING - Existing Power Resources.") Additionally, the Authority entered into an agreement, subject to regulatory approvals including the PSC and the NRC, whereby SCE&G will purchase from the Authority an additional 5% ownership interest in Summer Nuclear Units 2 and 3. Under the terms of the agreement, SCE&G will own 60% of the new nuclear units and the Authority, 40%. See "CAPITAL IMPROVEMENT PROGRAM - Summer Nuclear Units 2 and 3 - *Ownership Agreements*."

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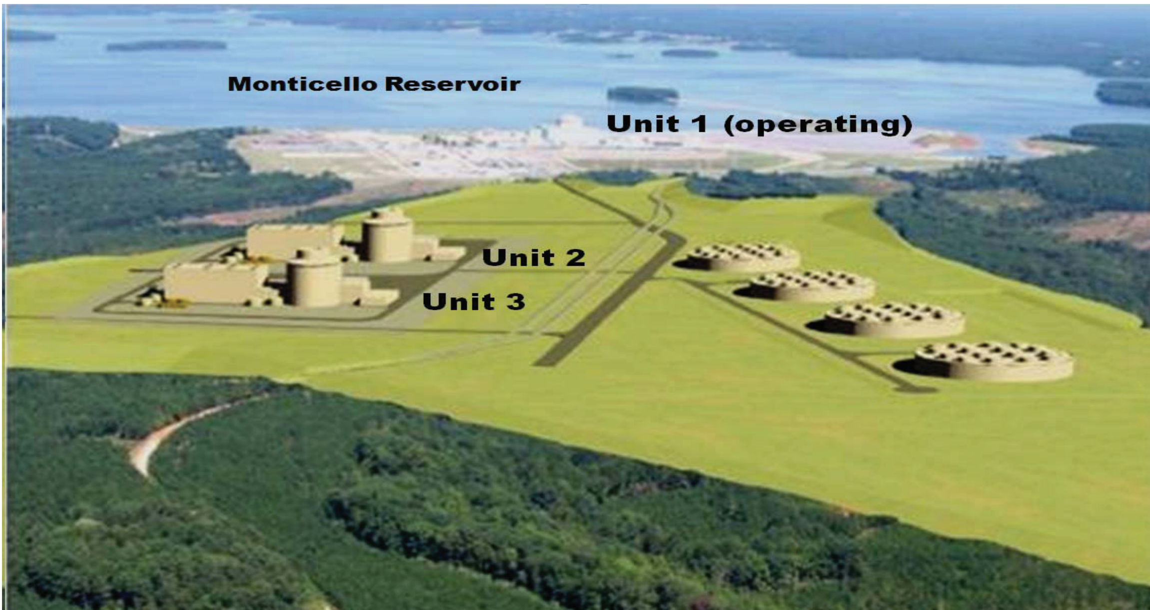
Summer Nuclear Units 2 and 3

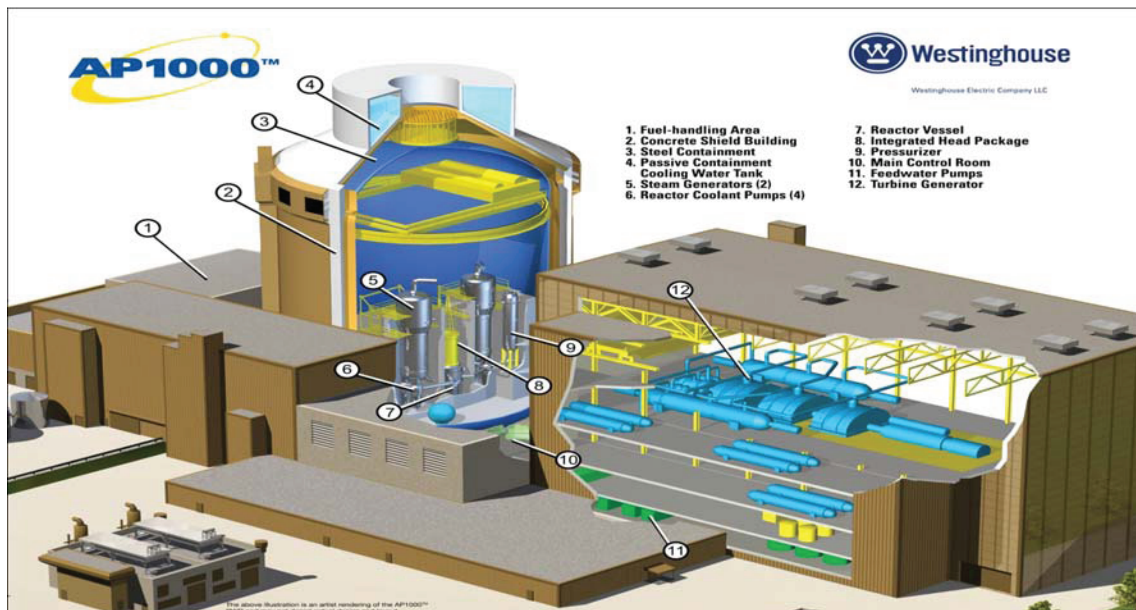
Technology. Summer Nuclear Units 2 and 3 will consist of two Westinghouse Electric Company, LLC ("Westinghouse") AP1000 nuclear reactors, four low profile sixteen-cell mechanical draft cooling towers, intake and discharge structures, a 230 kV switchyard for transmission access, and numerous ancillary structures supporting the power generation process.



On January 27, 2006, the NRC approved the AP1000 standard plant design and issued its original AP1000 Design Certification Rule ("DCR") which incorporated Revision 15 of the AP1000 Design Control Document ("DCD").

On December 30, 2011, the NRC amended its regulations to certify an amendment to the AP1000 standard plant design incorporated in DCD Revisions 16 through 19. The amendment replaces the combined license information items and design acceptance criteria ("DAC") with specific design information, addresses the effects of the impact of a large commercial aircraft, incorporates design improvements, and increases standardization of the design.

The AP1000 is the first and only reactor in its class of technological development, referred to as "Generation III+", to receive certification from the NRC.



The AP1000 is a pressurized water reactor with passive safety systems which, according to Westinghouse, in case of design basis accidents are designed to achieve a safe shutdown without operator action, AC power, or pumps.

Licensing. In March 2008, the Authority and SCE&G submitted to the NRC an application for Combined Construction and Operating Licenses ("COLs") for Summer Nuclear Units 2 and 3. On March 30, 2012, the NRC concluded its mandatory hearing process for the application and found the NRC staff's review adequate to make the necessary regulatory safety and environmental findings, clearing the way for the formal issuance of the COLs. The COLs were issued by the NRC and received by SCE&G and the Authority on March 30, 2012.

The NRC's findings concluding the mandatory hearing process imposed two conditions on the COLs, with the first requiring inspection and testing of squib valves, important components of the reactor's passive cooling system. The second requires the development of strategies to respond to extreme natural events resulting in the loss of power at the new reactors. The NRC also directed the Office of New Reactors to issue to SCE&G and the Authority, simultaneously with the COLs, an Order requiring enhanced, reliable spent fuel pool instrumentation, as well as a request for information related to emergency plant staffing.

In August 2013, the Authority and SCE&G submitted an overall integration plan for Summer Nuclear Units 2 and 3 for meeting these conditions. That plan is currently under review by the NRC. The Authority and SCE&G do not anticipate any additional regulatory actions as a result of that review, but the Authority cannot predict future regulatory activities or how such initiatives would impact construction or operation of Summer Nuclear Units 2 and 3.

Ownership Agreements. On October 20, 2011, the Authority and SCE&G entered into a Design and Construction Agreement specifying an Authority ownership interest of 45% in each of Summer Nuclear Unit 2 and Summer Nuclear Unit 3. Among other things, the Design and Construction Agreement allows either or both parties to withdraw from the project under certain circumstances. Also on October 20, 2011, the Authority and SCE&G entered into an Operating and Decommissioning Agreement with respect to the two units. Both the Design and Construction Agreement and the Operating and Decommissioning Agreement define the conditions under which the Authority or SCE&G may convey an undivided ownership interest in the units to a third party.

In December 2015, the Authority and SEC&G executed a Purchase and Sale Agreement (the "PSA") whereby SCE&G will purchase from the Authority an additional 5% interest in the project, implementing a January 2014 binding letter agreement. Under the terms of the agreement, SCE&G will own 60% of the new nuclear units and the Authority, 40%. The 5% ownership interest will be acquired in three stages, with 1% to be acquired at the commercial operation date of the first new nuclear unit, an additional 2% to be acquired no later than the first anniversary of such commercial operation date and the final 2% to be acquired no later than the second anniversary of such commercial operation date. The sale is subject to regulatory approvals including the PSC and the NRC. The purchase price will be equal to a pro-rata share of the Authority's actual cost of the units and reimbursement of its financing costs based on the percentage conveyed as of the date of the conveyance. The total purchase price is estimated to be between $600 and $800 million. The agreement will not impact the payment obligation for the full 45% ownership during construction. Under the terms of agreement with SCE&G the Authority cannot enter into an agreement to sell an additional portion of its 40% ownership interest until both units have been completed. However, the Authority is free to explore power sale opportunities from the facility.

Engineering, Procurement, and Construction Agreement - History and Project Schedule. On May 23, 2008, SCE&G, acting for itself and as agent for the Authority, entered into an Engineering, Procurement, and Construction ("EPC") Agreement, with a Consortium consisting of Westinghouse and Stone & Webster, Inc. During the course of activities under the EPC Agreement issues have materialized that have impacted project budget and schedule. The parties to the EPC Agreement have established both informal and formal dispute resolution procedures to resolve issues that arise during the course of constructing a project of this magnitude.

The table below outlines approved and proposed modifications to the substantial completion dates, settlement agreements and EPC amendments resulting from dispute resolutions.

Summary of Substantial Completion Dates.

	Unit 2	**Unit 3**
Original EPC - May 2008	April 2016	January 2019
EPC - COL Delay - July 2012	March 2017 (+11 months)	May 2018 (-8 months)
Proposed - Module Delay - June 2013	December 2017 - March 2018 (+9 to +12 months)	March 2019 (+10 months)
Proposed - Rebaselined Schedule - August 2014	December 2018 - June 2019 (+12 to +15 months)	June 2020 (+15 months)
EPC - October 2015 Amendment	August 31, 2019 (+2 to +8 months)	August 31, 2020 (+2 months)

The most recent modification to the EPC was an amendment entered into on October 27, 2015. This amendment resolved outstanding disputes, modified the Consortium structure, modified key terms and included revised substantial completion dates. See "CAPITAL IMPROVEMENT PROGRAM - Summer Nuclear Units 2 and 3 - October 2015 Amendment to the EPC Agreement" for additional details.

EPC History. Pursuant to the May 23, 2008 EPC Agreement, the Consortium will supply, construct, test, and start up two 1,117 MW nuclear generating units utilizing Westinghouse's AP1000 standard plant design. Under the EPC Agreement, the Authority will pay, in proportion to its ownership interest, a contract price that is subject to certain fixed price escalations and adjustments, adjustments for change orders and bonuses, and adjustments for cost overruns. A majority of the EPC Agreement costs are fixed or firm. In addition to EPC Agreement costs, the Authority will pay, in proportion to its ownership interest, costs associated with ancillary project facilities, staffing, project management and oversight by SCE&G and the Authority. In 2012, the COL was issued and the Authority's Board of Directors approved a budget for construction costs associated with a 45% ownership interest of approximately $5.1 billion including related transmission and initial nuclear fuel cores.

The EPC Agreement provides the Authority and SCE&G are jointly and severally liable for obligations under the EPC Agreement, to the extent such joint and several liability does not conflict with State law applicable to the Authority. Current State law provides the Authority shall be severally liable, in proportion to its joint ownership interest, for the acts, omissions, obligations performed, omitted, or incurred by SCE&G acting as agent for the Authority in constructing, operating or maintaining the Summer Units, but is not otherwise liable, jointly or severally for SCE&G's acts or omissions.

The EPC Agreement provided for certain liquidated damages upon the Consortium's failure to comply with schedule guarantees, as well as certain bonuses payable to the Consortium for schedule performance. The Consortium's liability for liquidated damages and for warranty claims is subject to a cap. The payment obligations of Westinghouse are guaranteed by Toshiba Corporation. The Authority and SCE&G may, at any time, terminate the EPC Agreement for their convenience and without cause, provided that the Authority and SCE&G will pay certain termination costs and, at certain stages of the work, termination fees to the Consortium. The Consortium may terminate the EPC Agreement under certain circumstances, including (i) failure by either SCE&G or the Authority to make payment to the Consortium in accordance with the EPC Agreement requirements, (ii) breach by either SCE&G or the Authority of a material provision of the EPC Agreement, or (iii) insolvency of either SCE&G or the Authority unless the other of SCE&G or the Authority has provided security for payments that would be due from such insolvent entity.

In October 2015 the Authority and SCE&G executed an agreement with the Consortium to resolve certain disputed matters and amend the EPC contract. See "CAPITAL IMPROVEMENT PROGRAM - Summer Nuclear Units 2 and 3 – October 2015 Amendment to the EPC Agreement" for additional details.

EPC Project Schedule. As outlined in the table "Summary of Substantial Completion Dates" there have been several proposed and approved contractual schedule modifications. Claims specifically relating to COL delays, design modifications of the shield building and certain pre-fabricated structural modules and unanticipated rock conditions at the site resulted in assertions of contractual entitlement to recover additional costs to be incurred. On July 11, 2012, SCE&G, on behalf of itself and as agent for the Authority, agreed to a settlement with the Consortium which set the Authority's portion of the costs for these specific claims at approximately $113 million (in 2007 dollars). As a result of this settlement, the substantial completion dates for Summer Nuclear Units 2 and 3 changed from April 2016 and January 2019 (respectively) to March 2017 and May 2018.

Subsequent to July 2012, the Consortium continued to experience delays in the schedule for fabrication and delivery of sub-modules for the new units. After examination of this issue and consultation with the Consortium, in June 2013, SCE&G announced that the substantial completion of Summer Nuclear Unit 2 was expected to be delayed from March 2017 to late 2017 or the first quarter of 2018 and the substantial completion for Summer Nuclear Unit 3 was expected to be similarly delayed. The dates were not accepted as revised contractual substantial completion dates, and since August 2013 the Consortium has experienced additional delays.

During the fourth quarter of 2013, the Consortium began a full re-baselining of the Unit 2 and Unit 3 construction schedules to incorporate project delays associated with incomplete engineering and late submodule fabrication and deliveries. In early August 2014, SCE&G and the Authority received preliminary schedule information in which the Consortium indicated the substantial completion of Unit 2 was expected to occur in late 2018 or the first half of 2019 and that the substantial completion of Unit 3 may be approximately 12 months later.

Subsequent to receiving the August 2014 preliminary schedule information, SCE&G and the Authority received a preliminary cost estimate associated with the schedule delays. The estimate to achieve a late 2018 substantial completion date totaled $1.176 billion for non-firm and non-fixed scopes of work. In addition to delay-related costs, this figure included project scope modifications. This figure was presented as a total project cost in 2007 dollars subject to escalation and does not reflect consideration of the delay liquidated damages provisions of the EPC agreement which would partly mitigate any such delay-related costs.

SCE&G and the Authority have worked with Consortium executive management to evaluate this information. Based upon this evaluation, the Consortium has indicated that the Unit 2 substantial completion date was expected to occur by June 2019 and that the substantial completion date of Unit 3 may be approximately 12 months later. The dates were not accepted as revised contractual substantial completion dates.

October 2015 Amendment to the EPC Agreement. On October 27, 2015, the Authority's Board authorized the President and CEO of the Authority to execute a Limited Agency Agreement that appointed SCE&G to act as the Authority's agent in connection with an October 2015 Amendment to the EPC Agreement. The Limited Agency Agreement was executed by SCE&G and the Authority on October 27, 2015.

On October 27, 2015, the EPC Agreement was amended ("October 2015 Amendment"). The October 2015 Amendment became effective on December 31, 2015 upon the consummation of the acquisition by Westinghouse of the stock of Stone & Webster from Chicago Bridge and Iron Company ("CB&I"). Stone & Webster will continue to be a member of the Consortium as a subsidiary of Westinghouse instead of CB&I. Westinghouse has engaged Fluor Corporation as a subcontracted construction manager.

Among other things, the October 2015 Amendment (i) resolves by settlement and release substantially all outstanding disputes between SCE&G and the Authority (collectively "Owner") and the Consortium, in exchange for (a) an additional cost of $300 million (Authority's 45% portion being $135 million) paid by the Owner and an increase in the fixed component of the contract price by that amount, and (b) a credit to Owner of $50 million (Authority's 45% portion being approximately $23 million) applied to the target component of the contract price, (ii) revises the guaranteed substantial completion dates of Units 2 and 3 to August 31, 2019 and 2020, respectively, (iii) revises the delay-related liquidated damages computation requirements, including those related to the eligibility of the Units to earn Internal Revenue Code Section 45J production tax credits, and caps those aggregate liquidated damages at $463 million per Unit (Authority's 45% portion being

approximately $208 million per Unit), (iv) provides for payment to the Contractor of a completion bonus of $275 million per Unit (Authority's 45% portion being approximately $124 million per Unit) for each Unit placed in service by the deadline to qualify for production tax credits, (v) provides for the development of a revised construction payment milestone schedule, with the Owner making monthly payments of $100 million (Authority's 45% portion being $45 million) for each of the first five months following effectiveness, followed by payments made based on milestones achieved, and (vi) cancels the CB&I Parent Company Guaranty with respect to the Project. The payment obligations under the EPC Agreement are joint and several obligations of Westinghouse and Stone & Webster, and the October 2015 Amendment provides for Toshiba Corporation, Westinghouse's parent company, to reaffirm its guaranty of Westinghouse's payment obligations. See "CAPITAL IMPROVEMENT PROGRAM - Summer Nuclear Units 2 and 3 - *Other Project Developments"* for additional details.

In addition to the above, this October 2015 Amendment provides for an explicit definition of a Change in Law designed to reduce the likelihood of certain commercial disputes. As part of this, the Consortium also acknowledges and agrees that the Project scope includes providing the Owner with Units that meet the standards of the NRC approved Design Control Document Revision 19. The October 2015 Amendment also provides for establishment of a dispute resolution board ("DRB") process for certain commercial claims and disputes, including any dispute that might arise with respect to the development of the revised construction payment milestone schedule referred to above. The EPC Agreement is also revised to eliminate the requirement or ability to bring suit before substantial completion of the Project.

The October 2015 Amendment provides the Owner an irrevocable option ("Fixed Price Option"), until November 1, 2016 and subject to regulatory approvals, to further amend the EPC Agreement to fix the total amount to be paid to the Consortium for its entire scope of work on the Project (excluding an agreed upon list of items under review, and a limited amount of work within the time and materials component of the contract price) after June 30, 2015 at $6.082 billion (Authority's 45% portion being approximately $2.737 billion). This total amount to be paid would be subject to adjustment for amounts paid since June 30, 2015. Were this option to be exercised, the aggregate delay-related liquidated damages amount referred to in (iii) above would be capped at $338 million per Unit (Authority's 45% portion being approximately $152 million per Unit), and the completion bonus amounts referred to in (iv) above would be $150 million per Unit (Authority's 45% portion being approximately $68 million per Unit). SCE&G had previously informed the PSC that it had notified Westinghouse that it will elect the Fixed Price Option under the October 2015 Amendment, subject to formal concurrence by the Authority and the approval of the PSC. The Limited Agency Agreement dated October 27, 2015 provides that the Authority must give SCE&G its prior written consent before SCE&G may exercise the Fixed Price Option. On June 30, 2016, the Authority's Board of Directors adopted a resolution authorizing the President and CEO of the Authority to execute a Limited Agency Agreement with SCE&G that appoints SCE&G to act as the Authority's agent in connection with the exercise of the Fixed Price Option. In addition, the Board approved a $1.1 billion increase in the Authority's construction budget for the Project from the $5,148,948,000 approved by the Board on April 5, 2012 to $6,248,948,000. On July 1, 2016, SCE&G exercised, on behalf of the Owners, the Fixed Price Option in accordance with the requirements of Section 2 of the October 2015 Amendment. This option is still subject to approval by the PSC.

Finally, as noted above, the October 2015 Amendment provides for the development of a revised construction milestone payment schedule and establishes a DRB process for certain commercial claims and disputes, including any dispute that might arise with respect to the development of the revised construction milestone payment schedule. The Owner has been negotiating with the Consortium regarding the development of such schedule. To date, the parties have been unable to agree to the timing and amounts of various payments. Total estimated project costs and the guaranteed substantial completion dates are not at issue. The October 2015 Amendment provides that if the parties are unable to agree upon the revised construction milestone payment schedule by July 1, 2016, then, unless the parties agree or the process is otherwise delayed, the matter will be referred to the DRB. As a result of the failure to reach agreement, the Owner referred the matter to the DRB on August 1, 2016, and the DRB held a hearing on the dispute. The October 2015 Amendment provides that the DRB shall issue its report on the construction milestone payment schedule within 60 days and that for the 60-day period of DRB review, the Owner will pay the Consortium $100 million per month in lieu of all other payments (Authority's 45% portion being $45 million per month).

On September 30, 2016, the DRB issued an Order directing the parties to develop a milestone payment schedule subject to certain parameters. The DRB's Order also provides that the Owner shall pay to the Consortium for the months of October and November, 2016, the amounts of $133 million and $136.5 million,

respectively. In the event the Parties are unable to reach a full and final resolution of this dispute on or before November 8, 2016, the DRB shall conduct a further day of hearing in this matter and shall make its determination on or before November 30, 2016 based upon the record before it. The Owner is unable to predict the outcome of the DRB review.

Construction - Phase I. Phase I of the work consisted of the Consortium's engineering support and other services required by SCE&G and the Authority to support licensing efforts for Summer Nuclear Units 2 and 3 (including receipt of approvals from the PSC), continuation for design work, project management, engineering and administrative support to procure long lead time equipment, construction mobilization, site preparation, site infrastructure development, and installation of construction facilities. Phase I commenced May 23, 2008, with execution of the EPC Agreement, and was completed April 17, 2012 with SCE&G and the Authority's issuance of Full Notice to Proceed following receipt of the COLs.

Construction - Phase II. Phase II of the work consists of the remainder of the work required to supply, construct, test, and start up two AP1000 nuclear power plant units as is consistent with the AP1000 certified design. Phase II work is progressing and a number of key construction milestones have been achieved.

Summer Nuclear Unit 2	
Energized Switchyard	February 1, 2013
Placed Nuclear Island Basemat (First Nuclear Concrete)	March 11, 2013
Set Containment Vessel Bottom Head	May 22, 2013
Set Structural Module CA04 (Reactor Vessel Cavity)	September 27, 2013
Set Structural Module CA20 (Auxiliary Building Module)	May 9, 2014
Set Containment Vessel Ring 1	June 2, 2014
Set Structural Module CA05	December 6, 2014
Set Structural Module CA01(Steam Generator & Refueling Canal)	July 23, 2015
Placed Turbine Building First Bay Basemat Concrete	September 9, 2015
Placed Turbine-Generator Pedestal Concrete	December 20, 2015
Set Structural Module CA03 (IRWST)	July 20, 2016
Set Structural Module CA02 (IRWST/Pressurizer Wall)	August 5, 2016
Set Reactor Vessel	August 30, 2016

Summer Nuclear Unit 3	
Energized Switchyard	February 1, 2013
Placed Nuclear Island Basemat (First Nuclear Concrete)	November 4, 2013
Set Containment Vessel Bottom Head	May 21, 2014
Set Structural Module CA04 (Reactor Vessel Cavity)	June 29, 2015
Set Structural Module CA20 Subassemblies 3&4	March 12, 2016
Set Containment Vessel Ring 1	April 13, 2016
Set Structural Module CA05	May 2, 2016
Set Structural Module CA20 Subassemblies 1&2	August 16, 2016

Project Update. The following table sets forth the current status of the project components.

Project component	% Complete
Engineering	91%
Procurement	81%
Construction	28%

Other Project Developments. In addition to the above-described project issues, the Authority is also aware of financial difficulties that have been experienced by Mangiarotti S.p.A. ("Mangiarotti"), an Italy based supplier responsible for certain significant components of the project. Since first becoming aware of these financial difficulties, the Consortium has monitored the potential for disruptions in such equipment fabrication and possible responses. In September 2014, Westinghouse completed the acquisition of Mangiarotti, in order to secure this supplier. To date, ten components have been received on-site from Mangiarotti. The remaining two components are in fabrication and expected to be received on-site in 2016.

In late 2015, Toshiba's credit ratings declined to below investment grade following disclosures regarding its operating and financial performance and near-term liquidity. As a result, pursuant to the above-described terms of the EPC Contract, the Authority and SCE&G obtained payment and performance bonds from Westinghouse in the form of standby letters of credit totaling $45 million (or approximately $20 million for the Authority's 45% share). These standby letters of credit expire annually and automatically renew for successive one-year periods until their final expiration date of August 31, 2020, unless the issuer provides a minimum 60-day notice that it will not renew. In the event that Westinghouse would be unable to meet its payment and performance obligations under the EPC Contract, it is anticipated this funding would provide a source of liquidity to assist in an orderly transition and in enabling construction activities to continue. In addition, the EPC Contract provides that upon the request of the Authority and SCE&G, the Consortium must escrow certain intellectual property and software for the benefit of the Authority and SCE&G to enable completion of the Summer Nuclear Units 2 and 3. An escrow arrangement and a schedule for deposit of intellectual property and software are being developed. While there have been no indications to date that Westinghouse will not meet its obligations under the EPC Contract, the Authority and SCE&G cannot predict the outcome of these matters, and continue to monitor developments for potential impacts to both the construction schedule and costs.

Nuclear Construction - Risk Factors. The construction of large generating plants such as Summer Nuclear Units 2 and 3 involves significant financial risk. Delays or cost overruns may be incurred as a result of risks such as (a) inconsistent quality of equipment, materials and labor, (b) work stoppages, (c) regulatory matters, (d) unforeseen engineering problems, (e) unanticipated increases in the cost of materials and labor, (f) performance by engineering, procurement, or construction contractors, and (g) increases in the cost of debt. Moreover, no nuclear plants have been constructed in the United States using advanced designs such as the Westinghouse AP1000 reactor. Therefore, estimating the cost of construction of any new nuclear plant is inherently uncertain.

To mitigate risk, SCE&G, acting for itself and as agent for the Authority, provides project oversight for Summer Nuclear Units 2 and 3 through its New Nuclear Deployment (“NND”) business unit. The Authority provides dedicated on-site personnel to monitor and assist NND with the daily oversight of the project. The managerial framework of the NND group is comprised of in-house nuclear industry veterans who lead various internal departments with expertise in: nuclear operations, engineering, construction, maintenance, quality assurance and nuclear regulations. This expertise is dispatched locally to monitor on-site construction as well as domestically (and abroad) to provide surveillance at all major equipment manufacturers. In addition, NND representatives make frequent visits and work closely with the Consortium to monitor progress and issues (engineering, labor, supplier issues, etc.) associated with the AP1000 nuclear power units currently under construction in China, as well as the AP1000 units currently under development at nearby Plant Vogtle in Waynesboro, Georgia.

In addition to the NND, the terms of the amended EPC agreement provide additional risk mitigation. Additional cost of the Owners resulting from delays is mitigated by increased delay related liquidated damages, and the Fixed Price Option. Finally, the Authority has sufficient generating capacity to manage delays of units coming online and the ability to pass fuel cost differentials to its customers through its existing rates. In addition, O&M costs associated with Summer Nuclear Units 2 and 3, currently in the Authority’s rate forecast, will not be incurred during any delay period.

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HISTORICAL SALES

Historical Demand, Sales and Revenues

The following table sets forth the territorial peak demand including firm off-system sales to other utilities, if any, on the Authority's System as well as the million kWh ("GWh") sales and electric revenues of the Authority for the years 2006 through 2015. See "CUSTOMER BASE - Wholesale - Central

	Peak Demand(1)		Sales		Revenue From Sales		
	MW	Annual Increase (Decrease)	GWh	Annual Increase (Decrease)	Amount (Dollars in Thousands)	Annual Increase (Decrease)	Cents Per kWh
2006	5,218	(3.2)	25,422	1.4	1,396,252	4.6	5.49
2007	5,584	7.0	27,221	7.1	1,448,327	3.7	5.32
2008	5,672	1.6	26,687	(2.0)	1,568,618	8.3	5.88
2009	5,612	(1.1)	25,813	(3.3)	1,683,469	7.3	6.52
2010	5,762	2.7	28,182	9.2	1,875,263	11.4	6.65
2011	5,697	(1.1)	27,552	(2.2)	1,894,847	1.0	6.88
2012	5,407	(5.1)	26,756	(2.9)	1,868,808	(1.4)	6.98
2013	5,053	(6.6)	26,364	(1.5)	1,796,672	(3.9)	6.81
2014	5,696	12.7	27,353	3.8	1,975,851	10.0	7.22
2015	5,869	3.5	26,498	(3.1)	1,857,000	(6.0)	7.01
Annual Compound Growth Rate (2006-2015)		1.4		0.5		3.2	

(1) Includes firm off-system sales to other utilities.

The following tables set forth sales and revenues by customer class for the years 2011 through 2015.

Sales (GWh)

Class of Customers	2011	% of Total	2012	% of Total	2013	% of Total	2014	% of Total	2015	% of Total
Wholesale	16,263	59.0	15,604	58.3	15,246	57.8	16,151	59.1	15,307	57.8
Large Industrial	7,443	27.0	7,509	28.1	7,421	28.1	7,343	26.8	7,339	27.7
Residential, Commercial, Small Industrial and Other	3,845	14.0	3,643	13.6	3,697	14.1	3,859	14.1	3,852	14.5
Total	27,551	100.0	26,756	100.0	26,364	100.0	27,353	100.0	26,498	100.0

Revenues (Dollars in Thousands)

Class of Customers	2011	% of Total	2012	% of Total	2013	% of Total	2014	% of Total	2015	% of Total
Wholesale	$1,129,445	59.6	$1,144,223	61.2	$1,058,943	58.9	$1,181,350	59.8	$1,121,325	60.4
Large Industrial	415,309	21.9	389,742	20.9	381,689	21.2	399,817	20.2	354,148	19.1
Residential, Commercial, Small Industrial and Other	350,093	18.5	334,843	17.9	356,040	19.9	394,683	20.0	381,527	20.5
Total	$1,894,847	100.0	$1,868,808	100.0	$1,796,672	100.0	$1,975,850	100.0	$1,857,000	100.0

FINANCIAL INFORMATION

Historical Operating Results

A summary of the Authority's revenues available for debt service, lease payments and other purposes for years 2011 through 2015 is set forth below:

	Calendar Year (Dollars in Thousands)				
	2015	2014	2013	2012	2011
Operating Revenues	$1,879,553	$1,997,347	$1,816,576	$1,887,797	$1,914,689
Other Income (1)	9,207	29,023	3,945	9,025	8,081
Total	1,888,760	2,026,370	1,820,521	$1,896,822	$1,922,770
Operating Expenses (2)	1,326,449	1,445,481	1,327,370	1,379,158	1,366,423
Revenues Available for Debt Service, Lease Payments and Other Purposes	562,311	580,889	493,151	517,664	556,347
Debt Service on Revenue Obligations (3)	387,066	377,620	325,420	356,852	342,621
Balance Available for Lease Payments and Other Purposes	175,245	203,269	167,731	160,812	213,726
Debt Service on Lease Payments (4)	0	220	939	1,346	1,559
Balance Available for Other Purposes	$ 175,245	$ 203,049	$ 166,792	$ 159,466	$ 212,167
Debt Service Coverage (5):					
Revenue Obligations and Lease Payments	1.45	1.53	1.51	1.44	1.61

(1) Years 2013 through 2015 include only interest and investment income. Years 2011 and 2012 include interest subsidy payments for the 2010 Build America Bonds ("BABs") and exclude gains on sale of leased lots or rail cars.
(2) Years 2013 through 2015 exclude depreciation only. Years 2011 and 2012 exclude depreciation and sums in lieu of taxes paid by Special Reserve Fund.
(3) The Revenue Obligation Resolution provides for debt service of Revenue Obligations to be paid from Revenues prior to payments for operating and maintenance expenses. See "SECURITY FOR THE 2016C BONDS - Rate Covenant."
(4) This category of debt is no longer outstanding.
(5) Calculation of coverage excludes debt service on Commercial Paper Notes and Other and is prior to the distribution to the State.

Management's Comments on Selected Financial Information

The following table sets forth selected financial information of the Authority for years 2015 and 2014.

Calendar Year 2015 Versus 2014

	Year			
	2015	2014	Variance	
		(Audited) (Dollars in Thousands)		%
Operating:				
Operating revenues	$ 1,879,553	$ 1,997,347	$ (117,794)	(6)
Operating expenses	1,502,488	1,619,224	(116,736)	(7)
Operating income	377,065	378,123	(1,058)	0
Non-operating revenues (expenses):				
Interest charges	(279,103)	(274,993)	4,110	1
Costs to be recovered from future revenue (expense)	(6,435)	19,798	26,233	133
Other non-operating revenues (expenses)	(37,012)	26,067	(63,079)	242
Income before transfers	54,515	148,995	(94,480)	(63)
Capital contributions and transfers	(20,116)	(20,659)	(543)	(3)
Change in net position	34,399	128,336	(93,937)	(73)
Total net position - beginning	2,168,463	2,040,127	128,336	6
Restatement for GASB 68 implementation	(261,072)	0	(261,072)	100
Total net position - ending	$ 1,941,790	$ 2,168,463	$ (226,673)	(10)

Operating revenues decreased $117.8 million or 6%. This resulted primarily from lower fuel rate revenues, 3% lower kWh sales and 2% lower demand usage. Partially offsetting the decreases were higher O&M rate revenues, energy related fixed cost rates, and impacts between the 2014 and 2015 Central Cost of Service adjustments.

Operating expenses decreased $116.7 million or 7%. Fuel and purchased power expenses decreased by $150.9 million due to lower kWh sales, higher commodity prices in the prior year and a shift in generation mix. Partially offsetting the decreases were the following: (1) non-fuel generation was higher by $27.6 million from labor, contract services, materials, and nuclear expenses; (2) transmission was higher by $2.4 million from a self-insurance claim, labor, benefits, contract services, and lower New Horizon Electric Cooperative reimbursements; (3) sales promotion expense was higher by $1.1 million due to higher accruals of a portion of economic development's Site Readiness grants; and (4) depreciation was higher by $2.1 million. The net change in other expense categories netted an increase of approximately $1.0 million.

Operating income decreased by $1.1 million as a result of the above variances.

Interest charges increased by $4.1 million or 1% due to the impact of 2014 and 2015 bond activity.

Costs to be recovered from future revenue ("CTBR") expense increased by $26.2 million due primarily to the net impact of approved accounting changes to the CTBR calculation methodology in 2015.

Other non-operating revenues decreased $63.1 million mainly due to the current year amortization of the remaining balance of the Pee Dee assets, reclassification of the Duke Energy good faith deposit in the prior year and higher interest income in the prior year from the Santee River case settlement.

The $543,000 variance in Capital contributions and transfers represents a decrease in dollars paid to the State. This payment is based on a percentage of total budgeted revenues which were lower in the 2015 budget compared to the 2014 budget.

The change in net position totaled $34.4 million, a $93.9 million or 73% decrease.

The required December 31, 2015 implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27) as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, resulted in a prior period adjustment that reduced the beginning total net position by $261.1 million.

As a result of the variances above, total net position was approximately $1.9 billion, a $226.7 million decrease.

The Six Months Ended June 30, 2016 Versus June 30, 2015

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015	Variance	
	(Unaudited) (Dollars in Thousands)			%
Operating:				
Operating revenues	$ 827,115	$ 945,082	$(117,967)	(12)
Operating expenses	658,785	764,050	(105,265)	(14)
Operating income	168,330	181,032	(12,702)	(7)
Non-operating revenues (expenses):				
Interest charges	(135,450)	(138,837)	(3,387)	(2)
Costs to be recovered from future revenue (expense)	(3,210)	12,384	15,594	126
Other non-operating revenues (expenses)	(11,275)	(17,001)	5,726	34
Income before transfers	18,395	37,578	(19,183)	(51)
Capital contributions and transfers	(10,439)	(9,678)	761	8
Change in net position	7,956	27,900	(19,944)	(71)
Total net position - beginning	1,941,790	2,168,463	(226,673)	(10)
Total net position - ending	$1,949,746	$2,196,363	$(246,617)	(11)

Operating revenues for the six months ended June 30, 2016 totaled approximately $827.1 million, a $118.0 million or 12% decrease. The primary drivers were 14% lower energy sales and 19% lower demand usage resulting from the reduction of load from industrial and wholesale customers in addition to milder weather. Lower fuel rate revenues also contributed to the reduction in revenues. Slightly offsetting these reductions were higher demand and energy-related fixed cost rates.

Operating expenses decreased $105.3 million or 14%. Fuel and purchased power was lower by $97.5 million due to lower kWh sales and higher commodity prices in the prior year. There were decreases of $5.0 million in net non-fuel generation due to contract services and materials and decreases of $4.3 million in sales promotion due to the reversal of prior accrued Site Readiness grants. The net change in other expense categories was an increase of approximately $1.5 million.

As a result of the above variances, operating income decreased $12.7 million or 7%.

Interest charges decreased by $3.4 million resulting from the 2015 and 2016 bond activity.

CTBR expense increased by $15.6 million from the net impact of 2015 approved accounting changes to the CTBR calculation methodology.

Other non-operating revenues increased approximately $5.7 million primarily due to higher interest income and an increase in the change in fair value of investments.

The $761,000 variance in Capital contributions and transfers represents an increase in dollars paid to the State. This payment is based on a percentage of total budgeted revenues for the corresponding periods.

The change in net position was $8.0 million, a $19.9 million decrease.

The Total net position-beginning amount for Year 2016 includes a $261.1 million reduction for the prior period adjustment for the required December 31, 2015 implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27) as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date.

As a result of the above variances, net position totaled approximately $1.9 billion, a $246.6 million decrease.

The Six Months Ended June 30, 2016 Compared to Budget for the Same Period

	Actual	Budget	Variance	
	(Unaudited) (Dollars in Thousands)			%
Operating:				
Operating revenues	$ 827,115	$ 874,995	$ (47,880)	(5)
Operating expenses	658,785	698,819	(40,034)	(6)
Operating income	168,330	176,176	(7,846)	(4)
Non-operating revenues (expenses):				
Interest charges	(135,450)	(135,826)	(376)	0
Costs to be recovered from future revenue (expense)	(3,210)	(246)	2,964	1205
Other non-operating revenues (expenses)	(11,275)	(10,358)	(917)	(9)
Income before transfers	18,395	29,746	(11,351)	(38)
Capital contributions and transfers	(10,439)	(8,752)	1,687	19
Change in net position	$ 7,956	$ 20,994	$ (13,038)	(62)

Operating revenues for the six months ended June 30, 2016 were lower than budgeted by $47.9 million primarily due to lower than expected energy sales and demand usage, along with lower fuel rate revenues and the net impacts from the Central Cost of Service adjustment.

Operating expenses were lower than projected by $40.0 million primarily due to underruns in: (1) fuel and purchased power ($11.2 million) due to lower than expected energy sales and shifts in commodity prices; (2) non-fuel generation ($2.8 million) from materials and fleet expense; (3) transmission ($1.9 million) from labor, materials, contract services, telecommunications, fleet and equipment expense, wheeling and New Horizon reimbursements; (4) distribution ($900,000) from labor, contract services and overheads; (5) sales promotion ($7.8 million) due to timing differences and updates between actual and budget for Site Readiness and other economic grants; (6) administrative and general expense ($9.2 million) resulting from labor, benefits overhead and contract services; and (7) depreciation ($5.4 million). The remaining expense categories netted a budget underrun of $800,000.

Operating income was $7.8 million or 4% lower than budgeted due to the above variances.

Interest charges were slightly below budget by $400,000 due to 2015 and 2016 bond activity.

CTBR expense was higher than budgeted by $3.0 million resulting from the net impact of approved accounting changes to the CTBR calculation methodology that was not reflected in the budget.

Other non-operating revenue was $900,000 lower than projected due mainly to the lower than projected interest income and loss on sale of coal.

Capital contributions and transfers were $1.7 million higher than budgeted due to timing differences. The actual amount represents a percentage of the last six months of budgeted revenues for 2015, while the budget includes a percentage of the first six months of budgeted revenues for 2016.

As a result of the variances noted above, the change in net position was $13.0 million lower than budgeted.

Combined Statements of Net Position
Periods Ended June 30, 2016 and December 31, 2015

	June 30, 2016	December 31, 2015
	(Unaudited)	(Audited)
	(Dollars in Thousands)	
ASSETS		
Current assets		
Unrestricted cash and cash equivalents	$ 145,574	$ 113,413
Unrestricted investments	465,959	531,120
Restricted cash and cash equivalents	103,497	168,930
Restricted investments	843,369	1,165,630
Receivables, net of allowance for doubtful accounts	227,510	175,931
Other current assets	968,793	1,000,247
Total current assets	$ 2,754,702	$ 3,155,271
Noncurrent assets		
Restricted cash and cash equivalents	$ 12,352	$ 205
Restricted investments	120,881	126,282
Utility plant	11,400,206	10,985,367
Accumulated depreciation	(3,555,499)	(3,476,246)
Investment in associated companies	6,581	7,001
Unamortized debt expenses	37,337	39,249
Costs to be recovered from future revenue	237,713	240,923
Regulatory asset - asset retirement obligation	718,180	699,748
Other noncurrent and regulatory assets	217,782	215,987
Total noncurrent assets	$ 9,195,533	$ 8,838,516
Total assets	$11,950,235	$11,993,787
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	$ 31,430	$ 31,430
Accumulated decrease in fair value of hedging derivatives	58,818	91,372
Unamortized loss on refunded and defeased debt	178,929	133,932
Total deferred outflows of resources	$ 269,177	$ 256,734
Total assets & deferred outflows of resources	$12,219,412	$12,250,521
LIABILITIES		
Long-term debt - net	$ 7,353,239	$ 7,306,469
Current liabilities	1,208,790	1,299,591
Noncurrent and other liabilities	1,456,925	1,469,189
Total liabilities	$10,018,954	$10,075,249
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	$ 17,424	$ 17,424
Accumulated increase in fair value of hedging derivatives	7,596	4,701
Nuclear decommissioning costs	225,692	211,357
Total deferred inflows of resources	$ 250,712	$ 233,482
NET POSITION		
Net investment in capital assets	$ 1,164,299	$ 1,195,402
Restricted for debt service	62,008	79,771
Restricted for capital projects	4,304	4,304
Unrestricted	719,135	662,313
Total net position	$ 1,949,746	$ 1,941,790
Total liabilities, deferred inflows of resources & net position	$12,219,412	$12,250,521

REGULATORY MATTERS

The Electric Utility Industry Generally

The electric utility industry in general has been affected by regulatory changes, market developments and other factors which have impacted, and will probably continue to impact, the financial condition and competitiveness of electric utilities and the level of utilization of facilities, such as those of the Authority. Such factors include, among others, (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (c) changes that might result from national energy policies, (d) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and strategic alliances of competing electric (and gas) utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of producing low cost electricity, (e) increased competition from independent power producers, marketers and brokers, (f) self-generation by certain industrial, commercial and residential customers, (g) issues relating to the ability to issue tax-exempt obligations, (h) restrictions on the ability to sell to nongovernmental entities electricity from projects financed with outstanding tax-exempt obligations, (i) changes from projected future load requirements, (j) increases in costs, and (k) shifts in the availability and relative costs of different fuels. Any of these factors (as well as other factors) could have an effect on the financial condition of any given electric utility, including the Authority, and likely will affect individual utilities in different ways.

The Authority cannot determine with certainty what effects such factors will have on its business operations and financial condition, but the effects could be significant. Extensive information on the electric utility industry is available from sources in the public domain, and potential purchasers of the 2016C Bonds should obtain and review such information.

Environmental Matters

Both the EPA and the South Carolina Department of Health and Environmental Control (the "DHEC") have imposed various environmental regulations and permitting requirements affecting the Authority's facilities. These regulations and requirements relate primarily to airborne pollution, the discharge of pollutants into waters and the disposal of solid and hazardous wastes. The Authority endeavors to ensure its facilities comply with applicable environmental regulations and standards; however, no assurance can be given that normal operations will not encounter occasional technical difficulties or that necessary permits and authorizations will be received. Federal and state standards and procedures that govern control of the environment and systems operations can change. These changes may arise from legislation, regulatory action, and judicial interpretations regarding the standards, procedures and requirements for compliance and issuance of permits. Therefore there is no assurance that units in operation, under construction, or contemplated will remain subject to the regulations that are currently in effect. Furthermore, changes in the clean air laws and environmental standards may result in increased capital and operating costs.

Air Quality

General Regulatory Requirements. The Authority is subject to a number of federal and state laws and regulations which address air quality. Pursuant to the Clean Air Act ("CAA"), as amended, the EPA promulgated primary and secondary national ambient air quality standards ("NAAQS") with respect to certain air pollutants, including particulate matter, SO_2 and nitrogen oxide ("NO_x"). These standards are to be achieved by the application of control strategies developed by the states and included in implementation plans which must be approved by the EPA to become effective. DHEC has adopted a State Implementation Plan ("SIP"), which has been approved by the EPA, generally designed to achieve the primary and secondary air quality standards. The EPA also promulgated the New Source Performance Standards ("NSPS") regulations establishing stringent emission standards for particulate matter, SO_2 and NO_x emissions for fossil-fuel fired steam generators, and revised these standards in 1979 and 2005. Congress has enacted comprehensive amendments to the 1990 CAA, including the addition of a federal Acid Rain program to deal with acid precipitation. The Authority is in compliance with these regulatory requirements.

Evolving Regulatory Requirements

Clean Air Interstate Rule and Cross State Air Pollution Rule. The federal Clean Air Interstate Rule (the "CAIR"), which addresses NO_x and SO_2 emissions, took effect July 11, 2005. The EPA issued a final replacement to the CAIR rule, the Cross-State Air Pollution Rule ("CSAPR"), on July 6, 2011, which was scheduled to take effect January 1, 2012. On December 30, 2011 the U.S. Court of Appeals for the D.C. Circuit issued its ruling to stay the CSAPR pending judicial review. On August 21, 2012, the U.S. Court of Appeals for the D.C. Circuit issued its ruling vacating CSAPR. The EPA appealed the Court's ruling but the appeal was denied by the U.S. Court of Appeals for the D.C. Circuit. The EPA appealed the U.S. Court of Appeals decision to the U.S. Supreme Court. On April 29, 2014, the U.S. Supreme Court reversed the Court of Appeals and remanded the case to the D.C. Circuit for further action. In June 2014, the EPA filed a motion with the U.S. Court of Appeals for the D.C. Circuit to lift the stay of the CSAPR, and on October 23, 2014, the court agreed to lift the stay. Emission budgets will apply on January 1, 2015 for the annual programs, and on May 1, 2015 for the ozone-season NOx program. On December 3, 2015, EPA published a proposed rule updating CSAPR. One of the updates would remove South Carolina from the CSAPR ozone-season NOx trading program. The existing rule and the proposed updates are not expected to negatively impact the Authority.

Mercury and Air Toxics Standard. Over the last several years EPA has been evaluating appropriate Maximum Achievable Control Technology ("MACT") standards for source categories and proposing various regulatory programs for mercury control for power plants. On April 16, 2012, the final rule, renamed the Mercury and Air Toxics Standard ("MATS"), became effective with a compliance deadline of April 16, 2015. Although somewhat less stringent than the earlier proposed MACT rule, MATS will have significant impacts on the Authority's coal-fired units. The Authority has evaluated the impact of this rule to its existing coal-fired fleet; and it was factored into the decision to retire six electric generating units. MATS will require use of additional control technology on the remaining eight coal-fired units at Cross and Winyah Generating Stations. The Authority received an extension of the compliance deadline until April 16, 2016 and has submitted notifications of compliance for individual units subject to MATs. Based on the existing rule, the Authority has estimated the capital costs for compliance not to exceed $55 million. See "CAPITAL IMPROVEMENT PROGRAM - General." On June 29, 2015, the U.S. Supreme Court remanded MATS to a lower court because EPA did not properly consider costs in the final rule. The rule has remained in effect during this court action.

Greenhouse Gases. On September 22, 2009, the EPA announced a final rule on the new GHG reporting program. This rule is commonly referred to as the Greenhouse Gas Mandatory Reporting Rule ("GHG-MRR"). Beginning January 1, 2010, the Authority was required to annually report GHG emissions data to the EPA for any of its facilities that emit 25,000 metric tons or more of CO_2 or equivalent per year. This reporting requirement applies to the Authority's larger generating facilities, and electrical transmission and distribution equipment. The Authority has filed annual reports in compliance with this requirement.

The EPA and Congress continue to consider strong measures that will reduce GHG emissions from major sources, including electric utilities, as well as implementation of other complementary measures to reduce GHG emissions. The EPA in 2009 found that by causing or contributing to climate change, GHGs endanger both the public health and the public welfare of current and future generations. Based on this finding, in March, 2012, the EPA first proposed new source performance standards for emissions of carbon dioxide ("CO_2") for new fossil fuel-fired electric utility generating units ("EGUs") constructed for the purpose of supplying more than 25MW net electric output. The EPA proposed these requirements because CO_2 is a greenhouse gas ("GHG") and fossil fuel-fired power plants are the country's largest anthropogenic stationary source emitters of GHGs.

This proposal was withdrawn in September 2013 and re-proposed on January 8, 2014. There were several changes from the 2012 proposal, but essentially, the controls EPA proposed for new units, particularly carbon capture and sequestration, could prohibit construction of new coal-fired power plants based on cost and technological limitations. The Authority submitted comments to the EPA as it relates to potential new generation for the Authority's fleet.

On June 18, 2014, EPA published proposed rules on existing and modified fossil-fired generating units, titled the "Clean Power Plan." Included in the proposed rule were state-by-state reduction targets. EPA's proposed target for South Carolina was very aggressive, mainly because of the inconsistent treatment of non-carbon emitting under-construction nuclear units. The Authority submitted extensive comments to the rules.

On August 3, 2015, EPA announced the final Clean Power Plan Rule for New, Existing and Modified and Reconstructed Electric Generating Units. This rule was published in the Federal Register on October 23, 2015 and was to become effective December 22, 2015. While the final rule now treats under-construction nuclear units consistently with other non-carbon emitting sources, the Authority is still evaluating the effect of this regulation. Numerous legal actions have been filed to challenge various aspects of this regulation and could delay implementation. On February 8, 2016, the U.S. Supreme Court issued a stay of the Clean Power Plan Rule, halting implementation of the rule pending the resolution of legal challenges. The Clean Power Plan is not in effect at this time. In addition, on August 3, 2015 the EPA also published a proposed Federal Plan and Model Trading Rule. The Authority submitted extensive comments. On June 16, 2016, EPA proposed design elements of the Clean Power Plan "Clean Energy Incentive Program ("CEIP")." The CEIP promotes early investment in clean energy to assist states with future Clean Power Plan compliance. The Authority is preparing comments to this proposal. The Authority will continue to evaluate the rule as well as monitor legal, regulatory and legislative developments associated with the Clean Power Plan. The Authority continues to work with other State stakeholders including DHEC and utilities to evaluate future Clean Power Plan compliance.

Ozone - National Ambient Air Quality Standards for Ozone, Proposed Rule. On November 26, 2014, the EPA completed the federally mandated 5-year review of the national ambient air quality standards ("NAAQS") for ozone and proposed a revised ground-level ozone standard range of 65 to 70 parts per billion. On October 1, 2015, EPA announced that the new NAAQS for ozone will be set at 70 parts per billion. This will apply to both the primary and secondary ozone standards. EPA projections, based on current monitoring networks, are that all counties in the State will meet the revised standard by 2025 without taking additional action to reduce emissions.

Water Quality

General Regulatory Requirements. The Authority is subject to a number of federal and state laws and regulations which address water quality. The Clean Water Act ("CWA") prohibits the discharge of pollutants, including heat, from point sources into waters of the United States, except as authorized in the National Pollutant Discharge Elimination System ("NPDES") permit program. The DHEC has been delegated NPDES permitting authority by the EPA and administers the program for the State. Industrial wastewater discharges from all stations and the regional water plants are governed by NPDES permits. The DHEC also has permitting authority for stormwater discharges and the Authority manages stormwater pursuant to the DHEC issued Industrial General Permits and Construction General Permits.

Evolving Regulatory Requirements

316(b) Fish Protection Regulations. Section 316(b) of the CWA requires that NPDES permits for facilities with cooling water intake structures ensure that the structures reflect the Best Technology Available ("BTA") to minimize adverse environmental impacts from impingement and entrainment of fish and egg larvae. The EPA published the final 316(b) rule

on August 15, 2014, and the rule became effective October 15, 2014. The Authority has reviewed the rule to determine the potential impact to the Authority's applicable generating facilities. The Authority had estimated and budgeted cost of compliance of approximately $9.6 million through 2021 based on the rule. However, the retirement of Jefferies Units 1 and 2 will greatly reduce the cost of compliance with the 316(b) rule, and no changes are expected to be required to the existing Cross, Winyah, and Rainey intake structures. The DHEC may require testing at Winyah and Rainey Generating Stations.

Effluent Limitation Guidelines. The NPDES Steam Electric Effluent Limitation Guidelines rule became effective on January 4, 2016. It applies to all existing steam electric units greater than 50 MWs (other than oil-fired) and is to be phased in as soon as possible beginning November 1, 2018, but no later than December 31, 2023, via the reissuance of generating station NPDES Permits. New standards for new sources are also included. The guidelines propose stricter performance standards that will require upgrades and installation of additional wastewater treatment systems for certain facilities including Winyah and Cross Generating Stations. The Authority is currently reviewing compliance options and evaluating the cost of compliance of these options.

Waters of the U.S. ("WOTUS"). On June 29, 2015, the EPA and Corps published the final rule that defined WOTUS. The rule became effective August 28, 2015. On October 9, 2015, the U.S. Court of Appeals for the Sixth Circuit issued an order staying the WOTUS rule nationwide pending completion of the Court's review of the rule. The final rule expands the federal jurisdiction under the CWA. If the stay of the rule is lifted and the rule remains in place, it is expected that for new construction or expansion projects there will be more water features regulated as WOTUS, requiring additional permitting and mitigation. The Authority submitted comments to the proposed rule and continues to monitor the ongoing legal challenges and technical interpretations of the final rule. The Authority cannot fully estimate the potential cost of compliance due to the ongoing legal challenges and limited information from the Corps on implementation of the rule.

Drinking Water

The Authority continues to monitor for Safe Drinking Water Act regulatory issues impacting drinking water systems at the Authority's Regional Water Systems, generating stations, substations and other auxiliary facilities. DHEC has regulatory authority of potable water systems in the State. The State Primary Drinking Water Regulation, R.61-58, governs the design, construction and operational management of all potable water systems in the State subject to and consistent with the requirements of the Safe Drinking Water Act and the implementation of federal drinking water regulations.

Solid and Hazardous Waste and Hazardous Substances

General Regulatory Requirements. The Authority is subject to a number of federal and state laws and regulations which address hazardous substances and wastes. The Resource Conservation and Recovery Act ("RCRA"), under Subtitle C, is the overarching regulation which provides the framework for proper management of hazardous waste including hazardous waste identification, classification, generation, storage, transportation, and disposal. Additional regulations that impact solid and hazardous waste and substances are the CWA, which imposes substantial penalties for spills of oil or Federal EPA-listed hazardous substances into water and for failure to report such spills; the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") which provides for the reporting requirements to cover the release of hazardous substances generally into the environment, including water, land and air, and imposes liability upon any generators, transporters or arrangers of disposal of hazardous substances, and the CERCLA and Superfund Amendments and Reauthorization Act ("SARA"), which require compliance with programs for emergency planning and public information, and the Department of Transportation's ("DOT"), Hazardous Materials Transportation Act ("HMTA"), which governs the safe transportation of hazardous materials, substances, and waste. Additionally, the EPA regulations under the Toxic Substances Control Act impose stringent requirements for labeling, handling, storing

and disposing of polychlorinated biphenyls (“PCB”) and associated equipment. There are regulations covering PCB notification and manifesting, restrictions on disposal of drained electrical equipment, spill cleanup record-keeping requirements, etc. The Authority has a comprehensive PCB management program in response to these regulations.

Evolving Regulatory Requirements

Solid Waste – Coal Combustion Residual Rule. The Authority generates solid waste associated with the combustion of coal, the vast majority of which is fly ash, bottom ash, scrubber sludge and gypsum. These wastes, known as Coal Combustion Residuals (“CCRs”), have been exempt from hazardous waste regulation under the RCRA. On December 19, 2014, the EPA issued a rule to regulate CCRs under the solid waste provisions, Subtitle D of RCRA, as a nonhazardous waste. The final rule was published in the Federal Register on April 17, 2015 and became effective October 19, 2015. The rule regulates the CCRs as a RCRA Subtitle D, nonhazardous waste. The rule establishes criteria for existing and new CCR landfills and surface impoundments, including:

- Location restrictions
- Design and construction requirements;
- Operating criteria such as inspections, structural integrity evaluations, and fugitive dust controls;
- Groundwater monitoring and corrective action;
- Closure requirements and post-closure care;
- Record keeping, notifications, and internet posting requirements.

The CCR Rule was evaluated in conjunction with the draft ELG Rule because of the overlapping or coordinating requirements related to ash ponds. The estimated construction costs for compliance with these two Rules from 2016 through 2024 is $742 million.

Beneficial Use of Coal Combustion Products. Coal combustion products ("CCP"), which include fly ash, bottom ash, and flue gas desulfurization products such as gypsum, are produced when coal is burned to generate electricity. The Authority has entered into contracts for the beneficial use of CCPs and continually looks for new markets. The Authority provides synthetic gypsum to American Gypsum for their wallboard production requirements. Gypsum is also marketed to cement companies and ponded gypsum is reclaimed and marketed for agriculture on a limited basis. Additionally, ponded ash is reclaimed from the Authority's ash ponds for use in the cement industry, dry fly ash is recovered directly from the operating units for use in the cement industry, and bottom ash is beneficially used by concrete block manufacturers to produce concrete block.

Industrial Solid Waste Landfills. At Cross Generating Station, dry CCRs which are not beneficially used, are disposed of into an industrial Class 3 solid waste landfill. Construction was completed on this Class 3 landfill in 2015 and it was placed into operation on January 1, 2016. The Class 2 landfill at Cross Station ceased operations on December 31, 2015, and closure was completed in accordance with state and federal regulations and with DHEC approval. At Winyah Generating Station, permitting is ongoing for a Class 3 landfill. Both the Cross and Winyah Class 3 landfills are part of our CCR and ELG compliance strategy.

Plant and Pond Closures

The Authority is closing ash ponds at Grainger, Winyah and Jefferies generating stations due to unit retirements. Closure is through excavation and beneficial use of the ash in the cement industry. A closure plan for the Grainger Generating Station ash ponds has been approved by DHEC and closure through beneficial use is in progress. Over 550,000 tons of ash have been removed from the Grainger ponds and beneficially used to produce cement since 2014. An ash pond closure plan for Jefferies which involves excavation and beneficial use was submitted to DHEC on May 16, 2016. Beneficial use of the ash at Jefferies is in progress. A pond closure plan for Winyah Generating Station's Unit 2 Slurry Pond and West Ash Pond was submitted to DHEC and was conditionally

approved on October 15, 2015. Both ponds are being closed through excavation and removal for beneficial use.

FERC Hydro Licensing

The Authority operates its Jefferies Hydro Station and certain other property, including the Pinopolis Dam on the Cooper River and the Santee Dam on the Santee River, which are major parts of the Authority's integrated hydroelectric complex, under a license issued by the FERC pursuant to the Federal Power Act ("FPA"). The project is currently undergoing relicensing and a Notice of Intent ("NOI") to relicense was filed with the FERC on November 13, 2000. The final license application was submitted March 12, 2004. Due to a number of Additional Information Requests, the relicensing process has extended beyond the license expiration date. The FERC has issued a standing annual license renewal until a final license is issued.

The FERC issued its Final Environmental Impact Statement ("EIS") in October 2007. The South Carolina Department of Natural Resources, the U.S. Fish and Wildlife Service, and the Authority have jointly signed and filed a settlement agreement with the FERC that among other things, identifies fish passage and outflow guidelines during the term of the next license. The National Marine Fisheries Service ("NMFS") chose not to join in the settlement agreement and has submitted mandatory fishway conditions under §18 of the FPA and flow recommendations under §10 of that Act that are inconsistent with the settlement agreement.

In November 2007, FERC requested that NMFS undertake an Endangered Species Act ("ESA") Section 7 consultation with regard to the relicensing project. In July of 2010, as a function of the required Section 7 consultation, NMFS submitted a draft biological opinion containing recommendations for the endangered shortnose sturgeon. The recommendations, if adopted, would result in substantial additional costs for operating the project. The Authority provided a response to those recommendations in September 2010. The Authority cannot predict when NMFS will issue a final biological opinion or the final outcome of the FERC relicensing process.

NERC Regulation

The NERC establishes and enforces reliability standards, including critical infrastructure protection operating and planning standards, for the bulk power system. Compliance with these standards is mandatory. The maximum penalty that may be levied for violating a NERC reliability standard is $1 million per violation, per day. The Authority has self-reported some violations of NERC reliability or critical infrastructure protections standards and paid the necessary fines. The Authority has formal programs, processes, and policies in place to promote compliance with these standards, including a NERC Compliance and Coordination Unit. However, it is not possible to predict whether the Authority will have future violations or what the fines for such violations might be.

Nuclear Matters

Summer Nuclear Unit 1 is subject to regulation by the NRC. SCE&G and the Authority were required to obtain liability insurance and a United States Government indemnity agreement for Summer Nuclear Unit 1 in order for the NRC operating license to be issued. This primary insurance and the retrospective assessment are to insure against the maximum liability under the federal Price-Anderson Act for any public claims arising from a nuclear incident. The Energy Policy Act of 2005 extends the Price-Anderson Act until 2025.

The NRC requires that a licensee of a nuclear reactor provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable NRC regulations, the Authority established an external trust to comply with the new regulations. The Authority began making deposits into the external decommissioning fund in September 1990.

In addition to providing for the minimum requirements imposed by the NRC, the Authority established in 1983 an internal decommissioning fund. Based on the most recent decommissioning cost estimates developed by SCE&G, both the internal and external funds, which had a combined market value of approximately $210 million at December 31, 2015, along with future deposits into the external trust and internal fund, investment earnings, and projected DOE reimbursement of spent fuel storage costs, are estimated to provide sufficient funds for the Authority's one-third share of the total estimated decommissioning cost.

NRC Interim Staff Guidance. In March 2011, a major earthquake and tsunami struck Japan and caused substantial damage to the nuclear generating units at the Fukushima Daiichi generating plant. The events in Japan have created uncertainties that may affect future costs for operating nuclear plants. Specifically, the NRC is performing additional operational and safety reviews of nuclear facilities in the U.S., which could potentially impact future operations and capital requirements. On March 12, 2012, the NRC issued three orders and a request for information based on the July 2011 NRC task force report recommendations that included, among other items, additional mitigation strategies for beyond-design-basis events, enhanced spent fuel pool instrumentation capabilities, hardened vents for certain classes of containment structures, site specific evaluations for seismic and flooding hazards, and various plant evaluations to ensure adequate coping capabilities during station blackout and other conditions. On August 29, 2012, the NRC staff issued the final interim staff guidance document, which offers acceptable approaches to meeting the requirements of the NRC's orders before the December 31, 2016 compliance deadline. The interim staff guidance is not mandatory, but licensees would be required to obtain NRC approval for taking an approach other than as outlined in the interim staff guidance. The final form and the resulting impact of any changes to safety requirements for nuclear reactors will be dependent on further review and action by the NRC and cannot be determined at this time; however, management does not currently anticipate that the associated compliance costs would have a material impact on the Authority's financial statements.

Legislation Matters

The Authority has been scheduled for review of its statutory compliance and strategic direction by a Joint Senate and House Oversight Committee pursuant to the South Carolina Restructuring Act of 2014, which requires the conduct of oversight studies of all state agencies at least every seven years. The Joint Oversight Committee held its initial meeting on January 5, 2016. The Authority's President and CEO Lonnie Carter gave an operational overview and responded to questions from committee members. The Joint Oversight Committee held two additional information gathering meetings in March 2016. The Authority will continue to assist the committee throughout the oversight process.

On January 12, 2016, a joint resolution (H.4541) was introduced in the South Carolina House of Representatives proposing a process for selling all or some non-controlling percentage ownership interest in the Authority. Similar bills have been filed in the past. No action was taken on this bill during the two year legislative session which ended on June 15, 2016.

In April 2016, legislation was introduced in the South Carolina House and Senate (H.5226 and S.1211, respectively) proposing a special service agreement for the Authority's industrial customers who use electrolytic processing. The committees of jurisdiction in each body held meetings to receive testimony on the legislation; however, the assigned subcommittees did not vote to advance the legislation. With June 2, 2016 being the statutory end of the current two year regular legislative session, the General Assembly has adjourned the regular session and all bills that did not pass during the regular session must be introduced again when the General Assembly returns in January 2017. No action was taken on this bill during the two year legislative session which ended on June 15, 2016.

LITIGATION

Except as noted below, there are no actions, suits, or governmental proceedings pending or, to the knowledge of the Authority, threatened before any court, administrative agency, arbitrator or governmental body which would, if determined adversely to the Authority, have a material adverse effect on its financial condition. However, even if determined adversely to the Authority, no such actions, suits, or governmental proceedings would have a material adverse effect on the Authority's ability to transact its business or meet its obligations under the Revenue Obligation Resolution.

Horry Electric Cooperative, Inc. ("Horry Co-op") Suit. In May 2013, Horry Co-op, a member of Central, sued the Authority seeking indemnification for claims in a class action lawsuit brought against Horry Co-op by certain of its customers. The customers allege mold damage to their homes was caused by vapor barriers installed in accordance with the Authority's energy efficiency recommendations. Horry Co-op's complaint alleges the Authority knew the vapor barrier could cause moisture problems but failed to disclose the information to Horry Co-op and failed to advise Horry Co-op that the vapor barrier should be a recommendation rather than a requirement. A settlement has been reached in the underlying class action lawsuit against Horry Co-op. The settlement provides for the establishment of two funds, totaling $6 million dollars, to pay the claims of the class members. The Authority has been informed that as of the deadline for filing claims, approximately $1.4 million in claims and attorneys fees were paid. The Authority filed a motion to dismiss the claims brought against it by Horry Co-op. On June 11, 2014, the Court dismissed the suit, ruling that the majority of the claims were dismissed with prejudice and that the claim for equitable indemnification was dismissed without prejudice. Horry Co-op has appealed the dismissal of the suit. The Authority cannot predict the outcome of the appeal. On October 20, 2014 the Authority was served with an additional complaint filed by Horry Co-Op in Horry County. The complaint alleges a single cause of action for indemnity arising out of the same underlying factual allegations as the original complaint filed in May of 2013. The Authority filed a motion to dismiss the complaint which was denied on May 17, 2016. The Authority filed an Answer to the Complaint on June 1, 2016. The Authority cannot predict the outcome of this lawsuit.

Purported Class Action. The Authority has received an unfiled complaint which asserts a purported class action on behalf of the Authority's retail customers. The complaint contains a number of causes of action and allegations related to the Authority's decisions to construct and then to cancel construction of a coal-fired generation project in Florence County, SC. The Authority is evaluating the claims.

UNDERWRITING

Pursuant to the provisions of a Forward Delivery Bond Purchase Agreement, Barclays Capital Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., Morgan Stanley & Co. LLC, J. P. Morgan Securities LLC, US Bancorp and Wells Fargo Bank, National Association (the "Underwriters") have jointly and severally agreed, subject to certain conditions, to purchase the 2016C Bonds from the Authority at an Underwriters' discount of $210,246.32. The Underwriters will be obligated to purchase all of the 2016C Bonds if any are purchased. The public offering prices may be changed, from time to time, by the Underwriters.

The 2016C Bonds may be offered and sold to certain dealers (including Underwriters and other dealers depositing the 2016C Bonds into investment trusts) at prices lower than such public offering prices.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates currently provide, and may provide in the future, various financial services, including entering into revolving credit agreements relating to commercial paper notes, for the Authority, for which they received or will receive customary fees and expenses. See "INTRODUCTION – Indebtedness of the Authority - *Commercial Paper Notes*."

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Authority (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Authority. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments of the Authority.

Morgan Stanley. Morgan Stanley, the parent company of Morgan Stanley & Co. LLC, an underwriter of the 2016C Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC, in addition to other retail distribution channels. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of 2016C Bonds.

J.P. Morgan Securities LLC ("JPMS"). JPMS, one of the Underwriters of the 2016C Bonds, has entered into a negotiated dealer agreement (the "Dealer Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), CS&Co. and LPL will purchase 2016C Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2016C Bonds that such firm sells.

US Bancorp. US Bancorp is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is serving as one of the Underwriters of the 2016C Bonds.

Wells Fargo Securities. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association ("WFBNA"), has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the 2016C Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2016C Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the 2016C Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

FINANCIAL ADVISOR

The Authority has retained Public Financial Management, Inc., as Financial Advisor in connection with the issuance of the 2016C Bonds.

TAX MATTERS

The 2016C Bonds

Federal Income Tax Generally. On the date of issuance of the 2016C Bonds, Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina ("Bond Counsel"), expects to render its opinion that, assuming continuing compliance by the Authority with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations promulgated thereunder (the "Regulations") and further subject to certain considerations described in "Collateral Federal Tax Considerations" below, under existing statutes, regulations and judicial decisions, interest on the 2016C Bonds is excludable from the gross income of the registered owners thereof for federal income tax purposes. Interest on the 2016C Bonds will not be treated as an item of tax preference in calculating the alternative minimum taxable income of individuals or corporations; however, interest on the 2016C Bonds will be included in the calculation of adjusted current earnings in determining the alternative minimum tax liability of corporations. The Code contains other provisions that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of (i) ownership of the 2016C Bonds or (ii) the inclusion in certain computations of interest that is excluded from gross income.

The opinion of Bond Counsel will be limited to matters relating to the authorization and validity of the 2016C Bonds and the tax-exempt status of interest on the 2016C Bonds as described herein. Bond Counsel makes no statement regarding the accuracy and completeness of this Official Statement.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2016C Bonds for federal income tax purposes. Bond Counsel's opinion is based upon existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of a particular result and is not binding on the IRS or the courts; rather, such opinion represents Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

The opinion of Bond Counsel described above is subject to the condition that the Authority comply with all requirements of the Code and the Regulations, including, without limitation, certain limitations on the use, expenditure and investment of the proceeds of the 2016C Bonds and the obligation to rebate certain earnings on investments of proceeds to the United States Government, that must be satisfied subsequent to the issuance of the 2016C Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the 2016C Bonds in gross income for federal income tax purposes retroactive to their date of issuance. The opinion of Bond Counsel delivered on the date of issuance of the 2016C Bonds will be conditioned on compliance by the Authority with such requirements, and Bond Counsel has not been retained to monitor compliance with the requirements subsequent to the issuance of such 2016C Bonds.

Collateral Federal Tax Considerations. Prospective purchasers of 2016C Bonds should be aware that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The 2016C Bonds are not "qualified tax-exempt obligations" under Section 265(b)(3) of the Code. Bond Counsel expresses no opinion concerning such collateral income tax consequences, and prospective purchasers of 2016C Bonds should consult their tax advisors as to the applicability thereof.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the 2016C Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the 2016C Bonds. No prediction can be made concerning future legislation which if passed might adversely affect the tax treatment of interest on the 2016C Bonds. Prospective purchasers of 2016C Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the 2016C Bonds. Bond Counsel’s engagement with respect to the 2016C Bonds ends with their issuance, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the owners of the 2016C Bonds regarding the tax-exempt status thereof in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and their appointed counsel, including the owners of 2016C Bonds, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2016C Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2016C Bonds, and may cause the Authority or the owners of the 2016C Bonds to incur significant expense, regardless of the ultimate outcome.

Original Issue Discount. The 2016C Bonds maturing December 1, 2036 (the "Discount Bonds") have been sold at an initial public offering price which is less than the amount payable at maturity. The difference between the initial public offering price to the public (excluding bond houses and brokers) at which price a substantial amount of the Discount Bonds is sold and the amount payable at maturity constitutes original issue discount, which will be treated as interest on such Discount Bonds and, to the extent properly allocable to particular owners who acquire such Discount Bonds at the initial offering thereof, will be excludable from gross income for federal income tax purposes to the same extent as stated interest on the 2016C Bonds.

A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability. Consequently, an owner of any Discount Bond that is a corporation should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of obligations such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial offering at the initial offering price at which a substantial amount of such Discount Bonds were sold should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners who may acquire 2016C Bonds that are Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such 2016C Bonds, other tax consequences of owning Discount Bonds and the state and local tax consequences of owning Discount Bonds.

Original Issue Premium. The 2016C Bonds maturing in the years 2022 through 2035 (the "Premium Bonds") have been sold at initial public offering prices which are greater than the amount payable at maturity. An amount equal to the excess of the purchase price of the Premium Bonds over their stated redemption price at maturity constitutes premium on such Premium Bonds. A purchaser of a Premium Bond must amortize any premium over the term of such Premium Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any 2016C Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such 2016C Bonds.

State Tax Exemption

Bond Counsel is of the further opinion that the 2016C Bonds and the interest thereon are exempt from all taxation by the State of South Carolina, its counties, municipalities and school districts except estate, transfer or certain franchise taxes. Interest paid on the 2016C Bonds is currently subject to the tax imposed on banks by Section 12-11-20, Code of Laws of South Carolina 1976, as amended, which is enforced by the South Carolina Department of Revenue as a franchise tax. The opinion of Bond Counsel is limited to the laws of the State of South Carolina and federal tax laws. No opinion is rendered by Bond Counsel concerning the taxation of the 2016C Bonds or the interest thereon under the laws of any other jurisdiction.

APPROVAL OF LEGAL PROCEEDINGS

Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, Bond Counsel to the Authority, expects to render an opinion with respect to the validity and tax treatment of the 2016C Bonds. Such opinion will be attached to the 2016C Bonds and will be in substantially the form set forth in Appendix IV. Certain legal matters will be passed upon on behalf of the Authority by J. Michael Baxley, Sr., its Senior Vice President and General Counsel.

CONTINUING DISCLOSURE

Except as described in this paragraph, the Authority represents that it has not failed to comply, in any material respect, with any previous undertaking in a written contract or agreement entered into under Rule 15c2-12 of the Securities and Exchange Commission ("the Rule"). In March 2014, the Authority inadvertently failed to timely file a notice of upgrade by Standard & Poor's of the ratings of Assured Guaranty Municipal Corp. (formerly Financial Security Assurance Inc.) ("AGM") from "AA-" to "AA". Such notice was filed on May 29, 2014. In 2014, the Authority inadvertently failed to file the notice of call for the 2013 Taxable Series D (LIBOR Index Bonds). These bonds were called December 1, 2014. Such notice was filed on March 24, 2015.

Pursuant to a Continuing Disclosure Agreement dated August 3, 2016 ^ (the "Continuing Disclosure Agreement"), the Authority has covenanted for the benefit of the Holders and the "Beneficial Owners" (as hereinafter defined) of the 2016C Bonds to provide certain financial information and operating data relating to the System by not later than six months (presently, by each June 30) after the end of each of the Authority's fiscal years, commencing with the report for the fiscal year ending December 31, 2015 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events with respect to the 2016C Bonds. The Annual Report will be filed by or on behalf of the Authority with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") and with the State Information Depository, if any, established by the State. The notices of such enumerated events will be filed by or on behalf of the Authority with the Municipal Securities Rulemaking Board and with such State Information Depository, if any. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the Continuing Disclosure Agreement, which is included in its entirety in Appendix III. These covenants have been made in order to assist the Underwriters in complying with the Rule.

As provided in the Continuing Disclosure Agreement, failure by the Authority to comply with any provision of the Continuing Disclosure Agreement does not constitute an event of default under the Revenue Obligation Resolution; however, any Holder or "Beneficial Owner" of the 2016C Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority to comply with its obligations under the Continuing Disclosure Agreement. "Beneficial Owner" is defined in the Continuing Disclosure Agreement to mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2016C Bonds (including persons holding 2016C Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2016C Bonds for federal income tax purposes. If any person seeks to cause the Authority to comply with its obligations under the Continuing Disclosure Agreement, it is the responsibility of such person to demonstrate that it is a "Beneficial Owner" within the meaning of the Continuing Disclosure Agreement.

MISCELLANEOUS

The agreements of the Authority with the owners of the 2016C Bonds are fully set forth in the Revenue Obligation Resolution. This Official Statement is not to be construed as a contract with the purchasers of the 2016C Bonds. Any statements herein involving matters of opinion or estimates, whether or not expressly so stated, are intended merely as such and not as representations of fact. This Official Statement has been approved by the Board of Directors of the Authority.

South Carolina Public Service Authority

/s/Lonnie N. Carter
President and Chief Executive Officer

AUDIT COMMITTEE CHAIRWOMAN'S LETTER

The Audit Committee of the Board of Directors is comprised of independent directors Peggy H. Pinnell – Chairwoman, William A. Finn, Merrell W. Floyd, Dan J. Ray, Alfred L. Reid Jr. and Jack F. Wolfe Jr.

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

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

Periodic financial statements and reports pertaining to operations and representations were received from management and the internal auditors. In fulfilling its responsibilities, the committee also reviewed the overall scope and specific plans for the respective audits by the internal auditors and the independent public accountants. The committee discussed the company's financial statements and the adequacy of its system of internal controls. The committee met with the independent public accountants and with the General Auditor to discuss the results of the audit, the evaluation of Santee Cooper's internal controls, and the overall quality of Santee Cooper's financial reporting.

Peggy H. Pinnell
Chairwoman
2015 Audit Committee

Notes:
Director Catherine E. Heigel resigned her at-large seat on June 4, 2015. Director Alfred L. Reid Jr. was appointed to the board on June 4, 2015, and rotated onto the committee at that time.

MANAGEMENT'S DISCUSSION AND ANALYSIS
of Financial Condition and Results of Operations

INTRODUCTION

The South Carolina Public Service Authority (the Authority or Santee Cooper) is a component unit of the State of South Carolina (the State), created by the State in 1934 for the purpose of providing and aiding interstate commerce, navigation, electric power and wholesale water to the people of South Carolina. The statute under which it was created provides that the Authority will establish rates and charges so as to produce revenues sufficient to provide for payment of all expenses, the conservation, maintenance and operation of its facilities and properties and the payment of the principal and interest on its notes, bonds, or other obligations. Provided, however, that prior to putting into effect any increase in rates the Authority shall give at least a sixty day notice of such increase to all customers who will be affected.

The Authority's assets include wholly owned and ownership interests in a variety of coal, natural gas, nuclear, hydro, biomass, landfill and solar generating units totaling 5,093 megawatts (MW) of summer power supply peak capability. This consists of 3,500 MW of coal-fired capacity, 1,117 MW of natural gas and oil capacity, 318 MW of nuclear capacity, 129 MW of hydro capacity and 29 MW of landfill methane gas capacity. In addition, the Authority may purchase from, sell to or exchange with other bulk electric suppliers additional capacity and energy in order to maximize the efficient use of generating resources, reduce operating costs and increase operating revenues.

The Authority and South Carolina Electric & Gas (SCE&G) are parties to a joint ownership agreement to own and operate the Virgil C. Summer Nuclear Plant (Summer Nuclear) Unit 1 with undivided interests of 33 1/3 and 66 2/3 percent, respectively. In order to further diversify its fuel mix, the Authority has an ownership interest in two 1,117 MW, net nuclear generating units under construction at Summer Nuclear. The Authority also operates an integrated transmission system which includes lines owned by the Authority as well as those owned by Central Electric Power Cooperative (Central), the Authority's largest cost of service customer.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Glenda Gillette, Vice President and Controller, South Carolina Public Service Authority, P.O. Box 2946101, Moncks Corner, SC 29461-6106.

OVERVIEW OF THE COMBINED FINANCIAL STATEMENTS

This discussion serves as an introduction to the basic combined financial statements of the Authority to provide the reader with an overview of the Authority's financial position and operations. As discussed in the notes to the Combined Financial Statements (Note 1 - B "System of Accounts"), the combined financial statements include the accounts of the Lake Moultrie Water Agency and Lake Marion Regional Water Agency.

The Combined Statements of Net Position summarize information on the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

The operating results of the Authority are presented in the Combined Statements of Revenues, Expenses and Changes in Net Position. Revenues represent billings for electricity sold and fuel expense (see Note 1 - O, "Revenue Recognition and Fuel Costs"), as well as wholesale water sales. Expenses primarily include operating costs and debt service related charges.

The Combined Statements of Cash Flows are presented using the direct method. This method provides broad categories of cash receipts and cash disbursements related to cash provided by or used in operations, non-capital related financing, capital related financing and investing activities.

The Notes are an integral part of the Authority's basic combined financial statements and provide additional information on certain components of these statements.

FINANCIAL CONDITION OVERVIEW

The Authority's Combined Statements of Net Position as of December 31, 2015, 2014 and 2013 are summarized below:

	2015	2014	2013
		(Thousands)	
ASSETS & DEFERRED OUTFLOWS OF RESOURCES			
Capital assets	**$ 7,509,121**	$ 6,917,786	$ 6,375,051
Current assets	**3,155,271**	2,837,902	2,808,713
Other noncurrent assets	**1,329,395**	1,248,905	1,384,597
Deferred outflows of resources	**256,734**	203,638	139,235
Total assets & deferred outflows of resources	**$ 12,250,521**	$ 11,208,231	$ 10,707,596
LIABILITIES & DEFERRED INFLOWS OF RESOURCES			
Long-term debt - net	**$ 7,306,469**	$ 6,639,162	$ 6,456,379
Current liabilities	**1,299,591**	1,031,382	892,044
Other noncurrent liabilities	**1,469,189**	1,160,723	1,125,051
Deferred inflows of resources	**233,482**	208,501	193,995
Total liabilities & deferred inflows of resources	**$ 10,308,731**	$ 9,039,768	$ 8,667,469
NET POSITION			
Net invested in capital assets	**$ 1,195,402**	$ 957,835	$ 895,969
Restricted for debt service	**79,771**	108,457	92,662
Restricted for capital projects	**4,304**	6,515	0
Unrestricted	**662,313**	1,095,656	1,051,496
Total net position	**$ 1,941,790**	$ 2,168,463	$ 2,040,127
Total liabilities, deferred inflows of resources & net position	**$ 12,250,521**	$ 11,208,231	$ 10,707,596

2015 COMPARED TO 2014

The primary changes in the Authority's combined financial condition as of December 31, 2015 and 2014 were as follows:

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Total assets and deferred outflows of resources increased $1,042.3 million during 2015 due to increases of $591.3 million in capital assets, $317.4 million in current assets, $80.5 million in other noncurrent assets and $53.1 million in deferred outflows of resources.

The increase in capital assets of $591.3 million was due to net construction work in progress increases of $624.5 million partially offset by a net decrease in utility plant and other physical property of $33.2 million. The increase resulted primarily from additions associated with Summer Nuclear Units 2 and 3, which are not currently in service.

The increase in current assets of $317.4 million was due to net additions of $209.4 million in restricted cash, cash equivalents and investments resulting from the 2015 bond activity impact, construction payments and debt service payments. Fossil fuel inventory increased $174.1 million due to increased coal purchases in 2015 to take advantage of spot market pricing combined with a reduction in coal generation this year. Prepaid expenses and other current assets decreased $32.7 million primarily due to the current year amortization of a portion of the remaining balance of assets from a cancelled coal-fired generation project in Florence County, S.C. Nuclear fuel inventory increased $11.4 million due to additional purchases of fuel. The remaining $44.8 million was a decrease resulting from the net change in unrestricted cash, cash equivalents, investments, receivables, materials inventory and interest receivable.

The increase in other noncurrent assets of $80.5 million resulted from $23.5 million additions of new economic development loans and $18.5 million in deferred interest from the sale of five percent of the Summer Nuclear Units 2 & 3. Further increases of $39.6 million were provided by the asset retirement obligation due to accretion and depreciation on nuclear and ash pond assets. Other items with a net decrease of $1.1 million are due to the residual changes in the other accounts in this category.

The increase in deferred outflows of resources of $53.1 million was largely due to the Authority reporting $31.4 million of its share of pension deferrals associated with the 2015 GASB 68 implementation, as well as an accumulated decrease in fair value of hedging derivatives of $21.4 million. The higher reduction in accumulated decrease in fair value of hedging derivatives was due to increased mark-to-market losses driven by lower natural gas prices during 2015. Further increases were provided by higher unamortized loss on refunded and defeased debt of $0.3 million.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION

Liabilities & deferred inflows of resources increased $1,269.0 million due to increases of $667.3 million in long-term debt-net, $268.2 million in current liabilities, $308.5 million in other noncurrent liabilities and $25.0 million in deferred inflows of resources.

Net long-term debt increased $667.3 million due mainly to net additions of $561.9 million in total long-term debt and $105.4 million in unamortized debt discounts and premiums. The increase in long-term debt was mainly due to additions of $1,442.9 million from the 2015 bond activity. Offsetting this was a decrease of $262.5 million for transfers to current portion of long-term debt, $44.9 million for transfers from other long-term obligations to a current liability and $573.6 million due to defeasance and/or refunding activity. Unamortized debt discounts and premiums increased due to net additions of $143.5 million from the 2015 bond activity. Offsetting this were decreases of $27.9 million for amortization of discounts and premiums and $10.2 million for removals from refunding bond activity.

The increase in current liabilities of $268.2 million was due to $187.4 million for commercial paper and $102.0 million for additional accruals primarily associated with Summer Nuclear Units 2 and 3 construction and other generating station outages. Additional changes were caused by increases in the current portion of long-term debt of $23.2 million and a reduction in accrued interest on long-term debt of $11.7 million. Further reductions of $32.7 million were provided mainly by the Central Cost of Service (COS) adjustment between the periods.

Other noncurrent liabilities increased $308.5 million primarily from booking a net pension liability of $286.3 million associated with the 2015 implementation of GASB 68. Further increases were due to higher gas hedging transactions of $21.5 million as well as changes in the asset retirement obligation liability of $2.4 million due to accretion on nuclear and ash pond liabilities. Net decreases of $1.7 million among the remaining accounts make up the residual variance.

Deferred inflows of resources increased $25.0 million mainly due to booking pension deferrals of $17.4 million associated with the 2015 GASB 68 implementation. Further increases were provided by the accumulated increase in fair value of hedging derivatives of $3.6 million as well as higher nuclear decommissioning costs of $4.0 million resulting from market value adjustments, amortization and interest accruals for decommissioning funds.

The decrease in net position of $226.7 million was mainly due to a reduction in unrestricted of $433.3 million from a prior period adjustment of $261.1 million associated with the 2015 GASB 68 implementation. The increase in net invested capital assets of $237.5 million was due to higher construction work in progress, and utility plant. Restricted for debt service decreased $28.7 million due to changes in accrued interest on long-term debt and reductions in the bond and debt service funds. A lower amount of non-borrowed funds for the Lake Moultrie Water Agency capacity upgrade of $2.2 million caused a decrease in restricted for capital projects.

2014 Compared to 2013

The primary changes in the Authority's combined financial condition as of December 31, 2014 and 2013 were as follows:

Assets and Deferred Outflows of Resources

Total assets and deferred outflows of resources increased $500.6 million during 2014 due to increases of $542.7 million in capital assets, $29.2 million in current assets and $64.4 million in deferred outflows of resources. Offsetting these increases were reductions in other noncurrent assets of $135.7 million.

The increase in capital assets was due to net construction work in progress and utility plant increases of $612.2 million and $156.4 million, respectively. These increases resulted from construction costs associated with Summer Nuclear Units 2 and 3 as well as construction projects at several generating facilities and on the transmission system. Offsetting these increases were retirements of $43.6 million. Further reductions were caused by accumulated depreciation increasing $182.1 million and a small reduction in other physical property.

The increase in current assets was due primarily to net additions of $180.1 million in restricted cash, cash equivalents and investments resulting from the 2014 bond activity impact, construction payments and debt service payments. Fossil fuel inventory decreased $113.4 million due to increased fossil generation and delays in coal transportation. Nuclear fuel inventory decreased $12.6 million due to amortization expense for fuel burned at Summer Nuclear Unit 1. The remaining $24.9 million was a decrease resulting from the net change in unrestricted cash, cash equivalents, investments, receivables, materials inventory, interest receivable and prepaid expenses and other current assets.

The decrease in other noncurrent assets was due to a reduction in other noncurrent and regulatory assets resulting from the receipt of $231.9 million from the Santee River Flooding case settlement. Further reductions resulted from a change in deferred interest receivable of $13.5 million related to the sale of five percent of Summer Nuclear Units 2 and 3. Offsetting these reductions was $7.9 million in net additions related to the transfer of Pee Dee costs as well as $8.4 million more in billable projects. The asset retirement obligation increased $56.5 million due to accretion and depreciation on nuclear and ash pond assets. Restricted cash, cash equivalents and investments rose $12.4 million resulting from investment income and market value adjustments. Further increases were provided by higher costs to be recovered from future revenues (CTBR) of $19.8 million from the 2014 bond activity and lower depreciation rates. The remaining variance was due to changes in the other accounts in this category.

The increase in deferred outflows of resources was due to a larger accumulated decrease in fair value of hedging derivatives and higher unamortized loss on refunded and defeased debt of $50.6 million and $13.8 million, respectively. The higher reduction in accumulated decrease in fair value of hedging derivatives was due to increased mark-to-market losses driven by lower natural gas prices during 2014. The larger unamortized loss on refunded and defeased debt was due to amortization, additions and removals from current year bond activity.

Liabilities, Deferred Inflows of Resources & Net Position

Liabilities & deferred inflows of resources increased $372.3 million due to increases of $182.8 million in long-term debt-net, $139.3 million in current liabilities, $35.7 million in other noncurrent liabilities and $14.5 million in deferred inflows of resources.

Long-term debt-net increased $182.8 million due to net additions of $85.6 million in total long-term debt and $97.2 million in unamortized debt discounts and premiums. The increase in long-term debt was due to additions of $1,420.9 million from the 2014 bond activity. Offsetting this was a decrease of $556.1 million for transfers to current portion of long-term debt and $779.2 million due to defeasance or refunding activity. Unamortized debt discounts and premiums increased due to net additions of $144.1 million from the 2014 bond activity. Offsetting this were decreases of $22.0 million for amortization of discounts and premiums and $24.9 million for removals from refunding bond activity.

The increase in current liabilities was due to $38.1 million for commercial paper, $36.8 million for natural gas hedging losses, additional manual accruals for Summer Nuclear Units 2 and 3 construction, Summer Nuclear Unit 1 fuel and other generating station outages of $42.1 million as well as a $26.5 million higher Central COS adjustment between the periods. Additional changes were caused by increases in the current portion of long-term debt of $16.0 million and a reduction in accrued interest on long-term debt of $21.1 million. Other smaller changes resulted in the residual variance.

Other noncurrent liabilities increased due to changes in the asset retirement obligation liability of $19.4 million due to accretion on nuclear and ash pond liabilities, as well as net noncurrent hedging losses of $11.7 million. Increases were also noted in Summer Nuclear pension and other post-employment benefits (OPEB) liabilities of $3.6 million, construction liabilities of $2.8 million, as well as deferred emission credit sales of $2.5 million. These increases were offset by a decrease in the noncurrent liability of $6.2 million for a maintenance agreement for the Rainey Generating Station. Net increases among the remaining accounts make up the residual variance.

Deferred inflows of resources increased due to higher nuclear decommissioning costs of $21.5 million resulting from market value adjustments, amortization and interest accruals for decommissioning funds. Offsetting this increase was $7.0 million reduction in accumulated increase in fair value of hedging derivatives caused by differing market conditions between the periods.

The main drivers for the overall increase in net position were higher net invested in capital assets and unrestricted of $61.9 million and $44.2 million, respectively. The increase in net invested in capital assets was due to higher construction work in progress, utility plant and the asset retirement obligation. Offsetting this increase was higher long-term debt and accumulated depreciation. Restricted for debt service also increased $15.8 million due to changes in accrued interest on long-term debt and reductions in the bond and debt service funds. An addition of non-borrowed funds for the Lake Moultrie Water Agency capacity upgrade of $6.5 million caused an increase in restricted for capital projects.

RESULTS OF OPERATIONS

Santee Cooper's Combined Statements of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2015, 2014 and 2013 are summarized as follows:

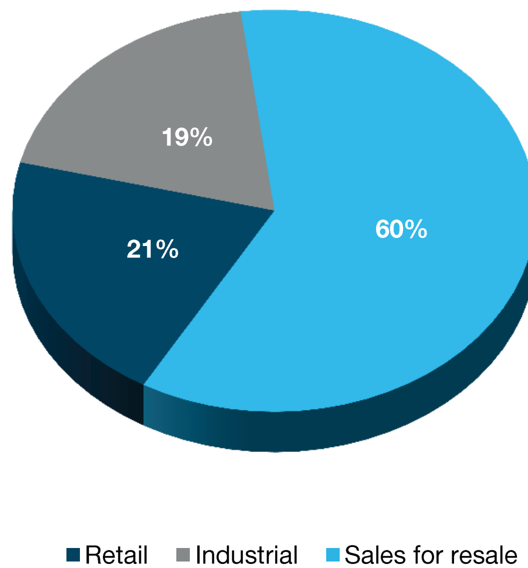
	2015	2014	2013
		(Thousands)	
Operating revenues	**$ 1,879,553**	$ 1,997,347	$ 1,816,576
Operating expenses	**1,502,488**	1,619,224	1,524,182
Operating income	**377,065**	378,123	292,394
Interest expense	**(279,103)**	(274,993)	(220,778)
Costs to be recovered from future revenue	**(6,435)**	19,798	7,396
Other income	**(37,012)**	26,067	6,926
Capital contributions & transfers	**(20,116)**	(20,659)	(20,394)
Change in net position	**$ 34,399**	$ 128,336	$ 65,544
Net position - beginning of period as previously reported	**2,168,463**	2,040,127	1,974,583
Restatement (Note 15)	**(261,072)**	0	0
Net position - beginning of period as restated	**1,907,391**	2,040,127	1,974,583
Ending net position	**$ 1,941,790**	$ 2,168,463	$ 2,040,127

2015 Compared to 2014

OPERATING REVENUES

As compared to 2014, operating revenues decreased $117.8 million (6%). The driver for this decrease was lower kWh sales (3%) and demand usage (2%). Partially offsetting this decrease was higher O&M rate revenues, energy related fixed cost rates and impacts between the 2014 and 2015 Central COS adjustments. Energy sales for 2015 totaled approximately 26.5 million megawatt hours (MWhs) as compared to approximately 27.4 million MWhs for 2014.

2015 Revenues from Sales of Electricity* by Customer Class

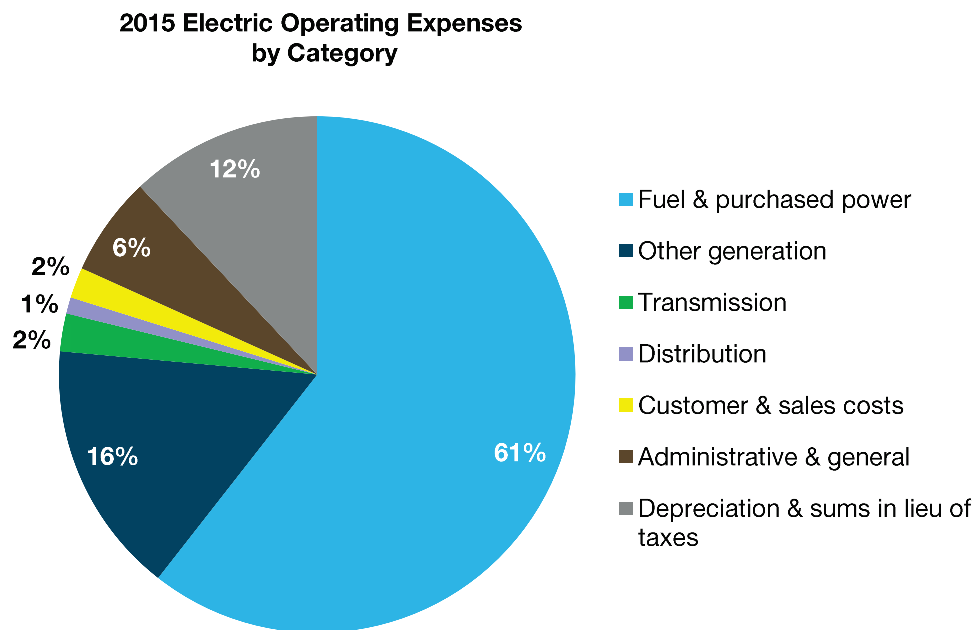


		2015		2014		2013
Revenues from Sales of Electricity*				(Thousands)		
Retail	**$**	**381,049**	$	394,195	$	355,598
Industrial		**354,148**		399,817		381,689
Sales for resale		**1,121,326**		1,181,350		1,058,943
Totals	**$**	**1,856,523**	$	1,975,362	$	1,796,230

*Excludes interdepartmental sales of $478 for 2015, $488 for 2014 and $442 for 2013.

Operating Expenses

Combined operating expenses for 2015 decreased $116.7 million (7%) as compared to 2014. The main driver was fuel and purchased power expense which decreased by $151.0 million due to lower kWh sales, higher commodity prices in the prior year and a shift in generation mix. Partially offsetting these decreases were higher non-fuel generation ($27.6 million) from labor, contract services, materials and Summer Nuclear Unit 1 expenses as well as transmission ($2.4 million) from a self-insurance claim, labor, benefits, contract services and lower New Horizon Electric Cooperative reimbursements. Other smaller variances ($4.3 million) netted an increase and were spread among the remaining cost categories.



	2015	2014	2013
Electric Operating Expenses		(Thousands)	
Fuel & purchased power	**$ 906,954**	$ 1,057,907	$ 958,566
Other generation	**237,680**	210,083	195,788
Transmission	**35,425**	32,998	32,211
Distribution	**15,340**	14,503	14,439
Customer & sales costs	**28,792**	27,994	21,672
Administrative & general	**93,171**	92,967	95,839
Depreciation & sums in lieu of taxes	**180,167**	178,037	201,143
Totals	**$ 1,497,529**	$ 1,614,489	$ 1,519,658

Net Below the Line Items

- Other income decreased by $63.1 million due to the current year amortization of the remaining balance of assets from a cancelled coal-fired generation project in Florence County, S.C., reclassification of the Duke Energy good faith deposit in the prior year and higher interest income in the prior year from the Santee River case settlement.

- Interest expense for 2015 was $4.1 million higher as a result of the 2015 bond activity.

- CTBR changed $26.2 million due to implementation of a new methodology, effective January 1, 2015.

- Capital contributions and transfers represent dollars paid to the state of South Carolina. This payment decreased by $0.5 million and it was based on a percentage of total budgeted revenues which was lower in the 2015 budget compared to the 2014 budget.

2014 Compared to 2013

Operating Revenues

As compared to 2013, operating revenues increased $180.8 million (10%). The driver for this increase was higher kWh sales (4%) and demand usage (5%). Partially offsetting this increase was lower demand and O&M rate revenues. Energy sales for 2014 totaled approximately 27.4 MWhs compared to approximately 26.4 million MWhs for 2013 with increases in all categories except industrial.

Operating Expenses

Combined operating expenses for 2014 increased $95.0 million (6%) as compared to 2013. Fuel and purchased power increased by $99.3 million due to higher kWh sales associated with weather impacts, along with a shift in the economic dispatch due to station outages and higher prices in the energy markets. Non-fuel generation was higher by $14.3 million from expenses related to contract services, materials and Summer Nuclear Unit 1 expenses, as well as customer and sales promotion being up by $6.3 million as a result of the accrual of economic development grants. Offsetting these increases was a decrease in administrative and general of $2.9 million resulting from contract services and insurance expense. Depreciation expense also decreased by $23.1 million from catch-up depreciation recorded in 2013 and the impact of the new depreciation rates implemented in 2014. The remaining variance was attributable to the net of the remaining categories being higher than prior year.

Net Below the Line Items

- Other income increased by $19.1 million over 2013 from interest received on the Santee River Flooding case settlement.

- Interest expense for 2014 was $54.2 million higher than 2013 resulting from the 2013 and 2014 bond activity impacts.

- CTBR changed $12.4 million due to a combination of bond activity and lower depreciation rates.

- The $265,000 increase in capital contributions & transfers represents dollars paid to the State. This payment is based on a percentage of total budgeted revenues which was higher in the 2014 budget compared to the 2013 budget.

ECONOMIC CONDITIONS

The Authority and the electric industry continue to face economic and industry challenges that impact the competitiveness and financial condition of the utility. As market conditions fluctuate, the Authority's mission is to deliver low-cost and reliable electricity and water to its customers.

To address these challenges, the Authority has developed business growth initiatives that revolve around four strategic initiatives - marketing, product development, project management and competitive rates. The Authority is marketing industrial and commercial properties that are served directly by the Authority and its Electric Cooperative partners and municipal customers. Product development activities include the creation and/or improvement of industrial properties, the acquisition of property, expansion of infrastructure into industrial properties, and/or constructing buildings for industrial uses. Since June 2012, the Authority has invested over $50.0 million throughout South Carolina in product development through low-interest revolving loans to public entities. During 2014, the Authority created two additional funds for the purpose of providing potential industrial sites in Cooperative and municipal territories, directly or indirectly served by Santee Cooper. Approvals through 2015 total more than $4.0 million from the municipal site readiness fund and over $9.0 million from the South Carolina Power Team Site Readiness Fund. The Authority continues to offer an economic development rate, the Experimental Large Light and Power Economic Development Service Tiered Rider, in addition to its existing economic development rider. Both rates are targeted at attracting new and expanding industrial loads and are available to the Authority's direct served industrial loads and are to be passed through to the Authority's wholesale customers located in South Carolina.

The Authority's largest customer is Central and accounted for 57.6 percent of sales revenues. Central provides wholesale electric service to each of the 20 distribution cooperatives (Central Cooperatives) which are members of Central pursuant to long-term all requirements power supply agreements. In September 2009 Central and the Authority entered into an agreement (September 2009 Agreement) that, among other things, provides for Central to transition a portion of the power and energy requirements of the five former Saluda members (Upstate Load) directly connected to the transmission system of Duke Energy Carolinas, LLC (Duke Energy) to another supplier and in January 2013, Central began transitioning the Upstate Load to Duke Energy. The September 2009 Agreement provides for approximately 15 percent of the Upstate Load to transition to Duke Energy annually between 2013 – 2018, with the remaining 10 percent of the Upstate Load transitioning to Duke Energy in 2019. By the end of the transition in 2019 the Upstate Load transferred will amount to approximately 900 MW. Nothing would preclude the Authority from serving this load when the Duke Energy agreement ends on December 31, 2030.

The Authority and Central continue to work cooperatively to better align their future interests and formalize how they will jointly plan for new resources. As part of this, Central agreed to extend their rights to terminate the agreement in the September 2009 Agreement until December 31, 2058. Under the Central Agreement 10-year rolling notice provision, for a termination date of December 31, 2058, a party must give notice of termination no later than December 31, 2048. Central has entered into requirement agreements with all 20 of its member cooperatives that extend through December 31, 2058 and obligate those members to pay their share of Central's costs, including costs paid under the Central Agreement. This amendment also provides more stability and certainty to the credit agencies as they rate the Authority's bonds going forward.

CAPITAL IMPROVEMENT PROGRAM

The purpose of the capital improvement program is to continue to meet the energy and water needs of the Authority's customers with economical and reliable service. The Authority's three-year budget for the capital improvement program approved in 2015, 2014 and 2013 was as follows:

	2015 Budget 2016-18	2014 Budget 2015-17	2013 Budget 2014-16
Capital Improvement Expenditures		(Thousands)	
Environmental compliance	**$ 318,972**	$ 154,939	$ 179,394
General improvements to the system	**698,773**	566,761	535,832
Summer Nuclear Units 2 and 3	**1,693,252**	1,677,228	1,737,609
Totals	**$ 2,710,997**	$ 2,398,928	$ 2,452,835

As determined by the Authority, the cost of the capital improvement program will be provided from revenues, additional revenue obligations, commercial paper and other short-term obligations.

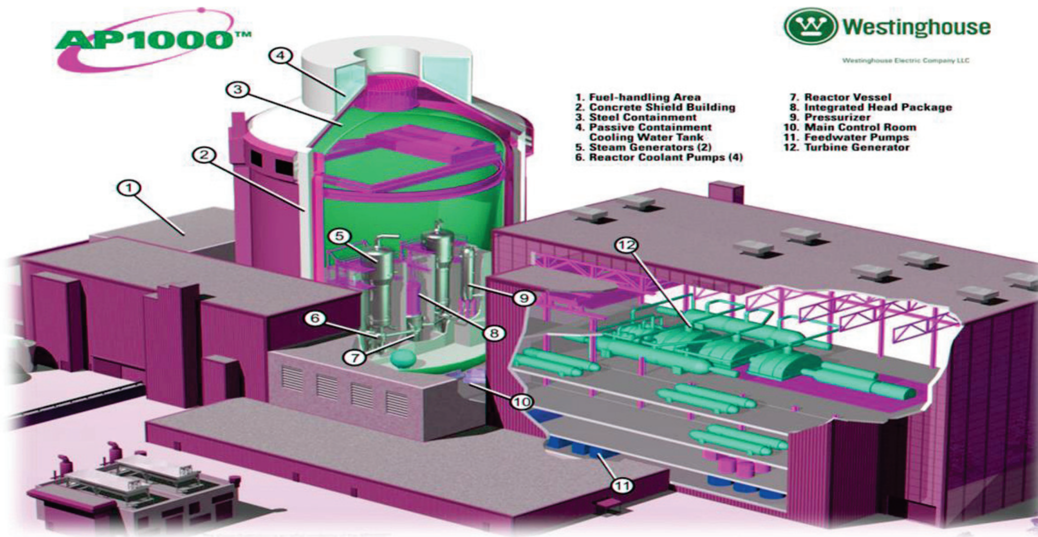
Summer Nuclear Units 2 and 3

Technology - Summer Nuclear Units 2 and 3 will consist of two Westinghouse AP1000 nuclear reactors, four low profile sixteen-cell mechanical draft cooling towers, intake and discharge structures, a 230 kV switchyard for transmission access, and numerous ancillary structures supporting the power generation process.

On January 27, 2006, the NRC approved the AP1000 standard plant design and issued its original AP1000 Design Certification Rule (DCR) which incorporated Revision 15 of the AP1000 Design Control Document (DCD).

On December 30, 2011, the NRC amended its regulations to certify an amendment to the AP1000 standard plant design incorporated in DCD Revisions 16 through 19. The amendment replaces the combined license information items and design acceptance criteria (DAC) with specific design information, addresses the effects of the impact of a large commercial aircraft, incorporates design improvements, and increases standardization of the design.

The AP1000 is the first and only reactor in its class of technological development, referred to as "Generation III+", to receive certification from the NRC.



The AP1000 is a pressurized water reactor with passive safety systems which, according to Westinghouse, in case of design basis accidents are designed to achieve a safe shutdown without operator action, AC power, or pumps.

Licensing - In March 2008, the Authority and SCE&G submitted to the NRC an application for Combined Construction and Operating Licenses (COLs) for Summer Nuclear Units 2 and 3. On March 30, 2012, the NRC concluded its mandatory hearing process for the application and found the NRC staff's review adequate to make the necessary regulatory safety and environmental findings, clearing the way for the formal issuance of the COLs. The COLs were issued by the NRC and received by SCE&G and the Authority on March 30, 2012.

The NRC's findings concluding the mandatory hearing process imposed two conditions on the COLs, with the first requiring inspection and testing of squib valves, important components of the reactor's passive cooling system. The second requires the development of strategies to respond to extreme natural events resulting in the loss of power at the new reactors. The NRC also directed the Office of New Reactors to issue to SCE&G and the Authority, simultaneously with the COLs, an Order requiring enhanced, reliable spent fuel pool instrumentation, as well as a request for information related to emergency plant staffing.

Engineering, Procurement, and Construction Agreement - On May 23, 2008, SCE&G, acting for itself and as agent for the Authority, entered into an Engineering, Procurement, and Construction (EPC) Agreement, with a Consortium consisting of Westinghouse Electric Company, LLC ("Westinghouse") and Stone & Webster, Inc. Pursuant to the EPC Agreement, the Consortium will supply, construct, test, and start up two 1,117 MW nuclear generating units utilizing Westinghouse's AP1000 standard plant design. Under the EPC Agreement, the Authority will pay, in proportion to its ownership interest, a contract price that is subject to certain fixed price escalations and adjustments, adjustments for change orders and performance bonuses, and adjustments for cost overruns. A majority of the EPC Agreement costs are fixed or firm. In addition to EPC Agreement costs, the Authority will pay, in proportion to its ownership interest, costs associated with ancillary project facilities, staffing, project management and oversight by SCE&G and the Authority. The Authority estimates the current total construction cost associated with a 45 percent ownership interest to be approximately $5.1 billion including related transmission and initial nuclear fuel cores.

The EPC Agreement provides the Authority and SCE&G are jointly and severally liable for obligations under the EPC Agreement, to the extent such joint and several liability does not conflict with State law applicable to the Authority. Current State law provides the Authority shall be severally liable, in proportion to its joint ownership interest, for the acts, omissions, obligations performed, omitted, or incurred by SCE&G acting as agent for the Authority in constructing, operating or maintaining the Summer Units, but is not otherwise liable, jointly or severally for SCE&G's acts or omissions.

The EPC Agreement provides for certain liquidated damages upon the Consortium's failure to comply with schedule and performance guarantees, as well as certain bonuses payable to the Consortium for unit performance. The Consortium's liability for liquidated damages and for warranty claims is subject to a cap. The payment obligations of Westinghouse are guaranteed by Toshiba Corporation, and the payment obligations of Stone & Webster are guaranteed by Chicago Bridge & Iron Company. The Authority and SCE&G may, at any time, terminate the EPC Agreement for their convenience and without cause, provided that the Authority and SCE&G will pay certain termination costs and, at certain stages of the work, termination fees to the Consortium. The Consortium may terminate the EPC Agreement under certain circumstances, including (i) either SCE&G or the Authority's failure to make payment to Consortium in accordance with the EPC Agreement requirements, (ii) either SCE&G or the Authority's breach of a material provision of the EPC Agreement, or (iii) either SCE&G or the Authority's insolvency unless the other of SCE&G or the Authority has provided security for payments that would be due from such insolvent entity.

Ownership Agreements - On October 20, 2011, the Authority and SCE&G entered into a Design and Construction Agreement specifying an Authority ownership interest of 45 percent in each of Summer Nuclear Unit 2 and Summer Nuclear Unit 3. Among other things, the Design and Construction Agreement allows either or both parties to withdraw from the project under certain circumstances. Also on October 20, 2011, the Authority and SCE&G entered into an Operating and Decommissioning Agreement with respect to the two units. Both the Design and Construction Agreement and the Operating and Decommissioning Agreement define the conditions under which the Authority or SCE&G may convey an undivided ownership interest in the units to a third party.

Recent Developments - In January 2014, the Authority entered into an agreement whereby SCE&G will purchase from the Authority an additional five percent interest in the project. Under the terms of the agreement, SCE&G will own 60 percent of the new nuclear units and the Authority, 40 percent. The five percent ownership interest will be acquired in three stages, with one percent to be acquired at the commercial operation date of the first new nuclear unit, an additional two percent to be acquired no later than the first anniversary of such commercial operation date and the final two percent to be acquired no later than the second anniversary of such commercial operation date. The purchase price will be equal to the Authority's actual cost, including financing costs, of the percentage conveyed as of the date of the conveyance. The total purchase price is estimated to be between $500.0 and $600.0 million. The agreement will not impact the payment obligation for the full 45 percent ownership during construction. Under the terms of agreement with SCE&G the Authority cannot enter into an agreement to sell an additional portion of its 40 percent ownership interest until both units have been completed. However, the Authority is free to explore power sale opportunities from the facility. In December 2015, the Authority and SCE&G executed the Purchase and Sale Agreement for SCE&G's purchase from the Authority of an additional five percent interest in the project as described above.

Construction - Phase I - Phase I of the work consisted of the Consortium's engineering support and other services required by SCE&G and the Authority to support licensing efforts for Summer Nuclear Units 2 and 3 (including receipt of approvals from the PSC), continuation for design work, project management, engineering and administrative support to procure long lead time equipment, construction mobilization, site preparation, site infrastructure development, and installation of construction facilities. Phase I commenced May 23, 2008, with execution of the EPC Agreement, and was completed April 17, 2012 with SCE&G and the Authority's issuance of Full Notice to Proceed following receipt of the COLs.

Construction - Phase II - Phase II of the work consists of the remainder of the work required to supply, construct, test, and start up two AP1000 nuclear power plant units as is consistent with the AP1000 certified design. Phase II work is progressing and several key construction milestones have been achieved for Summer Nuclear Units 2 and 3.

Unit(s)	Construction Milestone	Date
Units 2 & 3	Energized Switchyard	February 1, 2013
Unit 2	Placed Nuclear Island Basemat (First Nuclear Concrete)	March 11, 2013
Unit 2	Set Module CR10 (Containment Vessel Bottom Head Support)	April 3, 2013
Unit 2	Set Containment Vessel Bottom Head	May 22, 2013
Unit 2	Set Structural Module CA04 (Reactor Vessel Cavity)	September 27, 2013
Unit 3	Placed Nuclear Island Basemat (First Nuclear Concrete)	November 4, 2013
Unit 2	Set Structural Module CA20 (Auxiliary Building Module)	May 9, 2014
Unit 3	Set Containment Vessel Bottom Head	May 21, 2014
Unit 2	Set Containment Vessel Ring 1	June 2, 2014
Unit 2	Set Structural Module CA05	December 6, 2014
Unit 3	Set Structural Module CA04 (Reactor Vessel Cavity)	June 29, 2015
Unit 2	Set Structural Module CA01 (Steam Generator and Refueling Canal)	July 23, 2015

Schedule - During the course of activities under the EPC Agreement, issues have materialized that have impacted project budget and schedule. The parties to the EPC Agreement have established both informal and formal dispute resolution procedures to resolve issues that arise during the course of constructing a project of this magnitude.

Claims specifically relating to COL delays, design modifications of the shield building and certain prefabricated structural modules and unanticipated rock conditions at the site resulted in assertions of contractual entitlement to recover additional costs to be incurred. On July 11, 2012, SCE&G, on behalf of itself and as agent for the Authority, agreed to a settlement with the Consortium which set the Authority's portion of the costs for these specific claims at approximately $113.0 million (in 2007 dollars). As a result of this settlement, the substantial completion dates for Summer Nuclear Units 2 and 3 changed from April 2016 and January 2019 (respectively) to March 2017 and May 2018.

Subsequent to July 2012, the Consortium has experienced delays in the schedule for fabrication and delivery of sub-modules for the new units. After examination of this issue and consultation with the Consortium, in June 2013, SCE&G announced that the substantial completion of Summer Nuclear Unit 2 was expected to be delayed from March 2017 to late 2017 or the first quarter of 2018 and the substantial completion for Summer Nuclear Unit 3 was expected to be similarly delayed. The dates have not been accepted as revised contractual substantial completion dates.

Since August 2013, the Consortium has experienced additional delays in sub-module fabrication and deliveries. The fabrication and delivery of sub-modules for Summer Nuclear Unit 2 are a focus area of the Consortium, including sub-modules for module CA20, which is part of the auxiliary building, and CA01, which houses components inside the containment vessel. Modules CA20 and CA01 are considered critical path items for both new units. All sub-modules for CA20 have been received on site, assembly completed, and the module placed on the nuclear island in May 2014. The delivery schedule of the sub-modules for CA01 is expected to support completion of on-site fabrication to allow it to be placed on the nuclear island during the first half of 2015.

During the fourth quarter of 2013, the Consortium began a full re-baselining of the Unit 2 and Unit 3 construction schedules to incorporate project delays associated with incomplete engineering and late submodule fabrication and deliveries. The result will be a revised fully integrated project schedule.

In early August 2014, SCE&G and the Authority received preliminary schedule information in which the Consortium indicated the substantial completion of Unit 2 is expected to occur in late 2018 or the first half of 2019 and that the substantial completion of Unit 3 may be approximately 12 months later.

Since receiving the August 2014 preliminary schedule information, SCE&G and the Authority received a preliminary cost estimate associated with the schedule delays. The estimate to achieve a late 2018 substantial completion date totaled $1.176 billion for non-firm and non-fixed scopes of work. In addition to delay-related costs, this figure included project scope modifications currently under review by the Owners. This figure was presented as a total project cost in 2007 dollars subject to escalation and does not reflect consideration of the delay liquidated damages provisions of the EPC agreement which would partly mitigate any such delay-related costs.

SCE&G and the Authority have worked with Consortium executive management to evaluate this information. Based upon this evaluation, the Consortium has indicated that the Unit 2 substantial completion date is expected to occur by June 2019 and that the substantial completion date of Unit 3 may be approximately 12 months later. SCE&G and the Authority are continuing discussions with Consortium executive management in order to identify potential mitigation strategies to accelerate the substantial completion dates of the units and are working to arrive at an acceptable revised schedule and cost estimate.

On October 27, 2015, the EPC Agreement was amended ("October 2015 Amendment"). The October 2015 Amendment became effective on December 31, 2015 upon the consummation of the acquisition by Westinghouse of the stock of Stone & Webster from CB&I. Stone & Webster will continue to be a member of the Consortium as a subsidiary of Westinghouse instead of CB&I. Westinghouse has engaged Fluor Corporation as a subcontracted construction manager.

Among other things, the October 2015 Amendment (i) resolves by settlement and release substantially all outstanding disputes between SCE&G and the Authority (collectively "Owner") and the Consortium, in exchange for (a) an additional cost of $300.0 million (Authority's 45 percent portion being $135.0 million) paid by the Owner and an increase in the fixed component of the contract price by that amount, and (b) a credit to Owner of $50.0 million (Authority's 45 percent portion being approximately $23.0 million) applied to the target component of the contract price, (ii) revises the guaranteed substantial completion dates of Units 2 and 3 to August 31, 2019 and 2020, respectively, (iii) revises the delay-related liquidated damages computation requirements, including those related to the eligibility of the Units to earn Internal Revenue Code Section 45J production tax credits, and caps those aggregate liquidated damages at $463.0 million per Unit (Authority's 45 percent portion being approximately $208.0 million per Unit), (iv) provides for payment to the Contractor of a completion bonus of $275.0 million per Unit (Authority's 45 percent portion being approximately $124.0 million per Unit) for each Unit placed in service by the deadline to qualify for production tax credits, (v) provides for the development of a revised construction payment milestone schedule, with the Owner making monthly payments of $100.0 million (Authority's 45 percent portion being $45.0 million) for each of the first five months following effectiveness, followed by payments made based on milestones achieved, and (vi) cancels the CB&I Parent Company Guaranty with respect to the Project. The payment obligations under the EPC Agreement are joint and several obligations of Westinghouse and Stone & Webster, and the October 2015 Amendment provides for Toshiba Corporation, Westinghouse's parent company, to reaffirm its guaranty of Westinghouse's payment obligations.

In addition to the above, this October 2015 Amendment provides for an explicit definition of a Change in Law designed to reduce the likelihood of certain commercial disputes. As part of this, the Consortium also acknowledges and agrees that the Project scope includes providing the Owner with Units that meet the standards of the NRC approved Design Control Document Revision 19. The October 2015 Amendment also provides for establishment of a dispute resolution board process for certain commercial claims and disputes, including any dispute that might arise with respect to the development of the revised construction payment milestone schedule referred to above. The EPC Agreement is also revised to eliminate the requirement or ability to bring suit before substantial completion of the Project.

Finally, this October 2015 Amendment provides the Owner an irrevocable option, until November 1, 2016 and subject to regulatory approvals, to further amend the EPC Agreement to fix the total amount to be paid to the Consortium for its entire scope of work on the Project (excluding a limited amount of work within the time and materials component of the contract price) after June 30, 2015 at $6.082 billion (Authority's 45 percent portion being approximately $2.737 billion). This total amount to be paid would be subject to adjustment for amounts paid since June 30, 2015. Were this option to be exercised, the aggregate delay-related liquidated damages amount referred to in (iii) above would be capped at $338.0 million per Unit (Authority's 45 percent portion being approximately $152.0 million per Unit), and the completion bonus amounts referred to in (iv) above would be $150.0 million per Unit (Authority's 45 percent portion being approximately $68.0 million per Unit).

Summary of Substantial Completion Dates

	Unit 2	**Unit 3**
Original EPC - May 2008	April 2016	January 2019
EPC - COL Delay - July 2012	March 2017 (+11 months)	May 2018 (-8 months)
Proposed Module Delay - June 2013	December 2017 - March 2018 (+9 to +12 months)	March 2019 (+10 months)
Proposed Re-baselined Schedule - August 2014	December 2018 - June 2019 (+12 to +15 months)	June 2020 (+15 months)
EPC – October 2015 Amendment	August 2019 (+2 to +8 months)	August 2020 (+2 months)

Other Project Developments - In addition to the above-described project issues, the Authority is also aware of financial difficulties that have been experienced by Mangiarotti S.p.A. (Mangiarotti), an Italy based supplier responsible for certain significant components of the project. Since first becoming aware of these financial difficulties, the Consortium has monitored the potential for disruptions in such equipment fabrication and possible responses. In September 2014, Westinghouse completed the acquisition of Mangiarotti, in order to secure this supplier. To date, ten components have been received on-site from Mangiarotti. The remaining two components are in fabrication and expected to be received on-site during the first quarter of 2016.

Nuclear Construction, Risk Factors - The construction of large generating plants such as Summer Nuclear Units 2 and 3 involves significant financial risk. Delays or cost overruns may be incurred as a result of risks such as (a) inconsistent quality of equipment, materials and labor, (b) work stoppages, (c) regulatory matters, (d) unforeseen engineering problems, (e) unanticipated increases in the cost of materials and labor, (f) performance by engineering, procurement, or construction contractors and (g) increases in the cost of debt. Moreover, no nuclear plants have been constructed in the United States using advanced designs such as the Westinghouse AP1000 reactor. Therefore, estimating the cost of construction of any new nuclear plant is inherently uncertain.

To mitigate risk, SCE&G, acting for itself and as agent for the Authority, provides project oversight for Summer Nuclear Units 2 and 3 through its New Nuclear Deployment (NND) business unit. The Authority provides dedicated on-site personnel to monitor and assist NND with the daily oversight of the project. The managerial framework of the NND group is comprised of in-house nuclear industry veterans who lead various internal departments with expertise in: nuclear operations, engineering, construction, maintenance, quality assurance and nuclear regulations. This expertise is dispatched locally to monitor on-site construction as well as domestically (and abroad) to provide surveillance at all major equipment manufacturers. In addition, NND representatives make frequent visits and work closely with the Consortium to monitor progress and issues (engineering, labor, supplier issues, etc.) associated with the AP1000 nuclear power units currently under construction in China, as well as the AP1000 units currently under development at nearby Plant Vogtle in Waynesboro, Georgia.

FINANCING ACTIVITIES

Traditionally, the Authority has amortized its debt taking into consideration the potential termination of the Central Agreement, previously defined, and the expected lives of its capital assets. In light of the May 20, 2013 extension of the earliest possible termination date of the Central Agreement from 2030 to 2058, the Authority is in the process of extending the average life of its debt in order to better align its debt amortization to the expected lives of its capital assets. The Authority expects to achieve this alignment through a combination of selling longer dated debt for a portion of the Authority's capital needs, and restructuring to extend the maturity of a portion of its existing debt. While the size and scope of this restructuring program will evolve over time, the Authority estimates that it has substantially completed the restructuring portion of the program by refinancing and extending approximately $600.0 million of its existing debt.

The Authority currently has a total construction budget associated with a 45 percent ownership interest in the Summer Nuclear Units 2 and 3 to be approximately $5.1 billion which includes costs for transmission, initial fuel core and construction of the units. To date, the Authority has financed approximately $3.7 billion for construction from proceeds of issues sold beginning in 2008. The Authority intends to fund the remaining construction with the proceeds of additional bond sales projected in calendar years 2016 through 2018 and proceeds from the sale of a five percent project ownership interest to SCE&G. While the Authority expects to fund the remaining construction of Summer Nuclear Units 2 and 3 with Revenue Obligations and Commercial Paper Notes, it also has a pending application with the Department of Energy (DOE) for a loan guarantee to fund construction should it be beneficial to do so.

LIQUIDITY AND CAPITAL RESOURCES

Santee Cooper has significant cash flow from operating activities, access to capital markets, bank facilities and special funds deposit balances.

At December 31, 2015, Santee Cooper had $2.1 billion of cash and investments, of which $644.5 million was available to fund various operating, construction, debt service and contingency requirements. Balances in the decommissioning funds totaled $210.5 million.

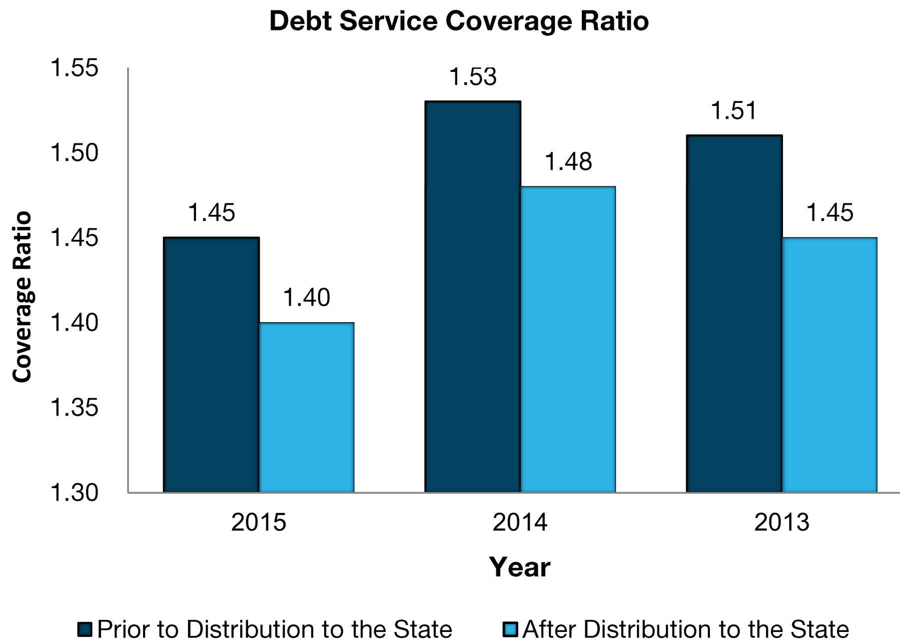
Revolving credit agreements used to support the issuance of commercial paper totaled $750.0 million at December 31, 2015. The agreements with five banks mature at various dates in 2017 and 2018 and management expects to renew or replace the agreements as needed prior to expiration.

In addition, to obtain other funds, if needed, the Authority entered into a new Revolving Credit Agreement with Barclays Bank PLC in October, 2015. This agreement allows the Authority to borrow up to $200.0 million and expires on November 27, 2019.

Net cash used by the Authority during 2015 was $178.8 million. This decrease in cash was due to net cash provided by operating activities of $237.6 million, offset by cash used in financing and investing activities of $75.5 million and $340.9 million, respectively.

DEBT SERVICE COVERAGE

The Authority's debt service coverage (excluding commercial paper and other) for the years ended December 31, 2015, 2014 and 2013 is shown below:



Note: Years 2014 and 2013 were recalculated using the 2015 approved methodology.

BOND RATINGS

Bond ratings assigned by various agencies for the years ended December 31, 2015, 2014 and 2013 were as follows:

Agency / Lien Level	2015	2014	2013
Fitch Ratings			
Revenue Obligations	**A+**	A+	AA-
Commercial Paper	**F1**	F1	F1+
Moody's Investors Service, Inc.			
Revenue Obligations	**A1**	A1	A1
Commercial Paper	**P-1**	P-1	P-1
Standard & Poor's Rating Services			
Revenue Obligations	**AA-**	AA-	AA-
Commercial Paper	**A-1**	A-1	A-1
Taxable LIBOR Index Bonds	**N/A**	SP-1+	SP-1+

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Bond Market Transactions for Years 2015, 2014 and 2013

YEAR 2015

Revenue Obligations:	**2015 Tax-exempt Refunding and Improvement Series A**	**Par Amount:**	$ 598,960,000
Purpose:	Refund a portion of the following: 2006 Series A, 2007 Series A, 2008 Series A, and 2009 Series B	**Date Closed:**	February 26, 2015
Comments:	Tax-exempt bonds with an all-in true interest cost of 3.53 percent		
Revenue Obligations:	**2015 Taxable Series D**	**Par Amount:**	$ 169,657,000
Purpose:	To finance a portion of the Authority's ongoing capital program	**Date Closed:**	February 26, 2015
Comments:	Taxable bonds with an all-in true interest cost of 4.28 percent		
Revenue Obligations:	**2015 Tax-exempt Refunding Series B**	**Par Amount:**	$ 64,870,000
Purpose:	Refund a portion of the following: 2005 Refunding Series C	**Date Closed:**	April 7, 2015
Comments:	Tax-exempt bonds with an all-in true interest cost of 2.20 percent		
Revenue Obligations:	**2015 Series M1 – Current Interest Bearing Bonds (CIBS)**	**Par Amount:**	$ 28,879,000
Purpose:	To finance a portion of the Authority's ongoing capital program	**Date Closed:**	May 21, 2015
Comments:	Tax-exempt minibonds		
Revenue Obligations:	**2015 Series M1 – Capital Appreciation Bonds (CABS)**	**Par Amount:**	$ 7,257,600
Purpose:	To finance a portion of the Authority's ongoing capital program	**Date Closed:**	May 21, 2015
Comments:	Tax-exempt minibonds		
Revenue Obligations:	**2015 Tax-Exempt Refunding Series C**	**Par Amount:**	$ 270,170,000
Purpose:	Refund a portion of the following: 2005 Refunding Series A and 2005 Refunding Series B	**Date Closed:**	October 6, 2015
Comments:	Tax-exempt bonds with an all-in true interest cost of 2.14 percent		
Revenue Obligations:	**2015 Tax-Exempt Series E**	**Par Amount:**	$ 300,000,000
Purpose:	To retire certain Commercial Paper Notes and to finance a portion of the Authority's ongoing capital program	**Date Closed:**	December 22, 2015
Comments:	Tax-exempt bonds with an all-in true interest cost of 4.74 percent		

YEAR 2014

Revenue Obligations:	2014 Series M1 - Current Interest Bearing Bonds (CIBS)	Par Amount:	$ 32,393,000
Purpose:	To finance a portion of the Authority's ongoing capital program	Date Closed:	May 22, 2014
Comments:	Tax-exempt minibonds		
Revenue Obligations:	2014 Series M1 - Capital Appreciation Bonds (CABS)	Par Amount:	$ 7,191,800
Purpose:	To finance a portion of the Authority's ongoing capital program	Date Closed:	May 22, 2014
Comments:	Tax-exempt minibonds		
Revenue Obligations:	2014 Tax-exempt Series A	Par Amount:	$ 600,000,000
Purpose:	To finance a portion of the Authority's ongoing capital program	Date Closed:	July 9, 2014
Comments:	Tax-exempt bonds with an all-in true interest cost of 4.92 percent		
Revenue Obligations:	2014 Tax-exempt Refunding Series B	Par Amount:	$ 42,275,000
Purpose:	Refund a portion of the following: 2004 Series A	Date Closed:	July 9, 2014
Comments:	Tax-exempt bonds with an all-in true interest cost of 4.41 percent		
Revenue Obligations:	2014 Tax-Exempt Refunding Series C and Taxable Refunding Series D	Par Amount:	$ 736,320,000
Purpose:	Refund a portion of the following: 2003 Refunding Series A, 2005 Refunding Series A, 2006 Series A, 2006 Refunding Series C, 2007 Series A, 2007 Refunding Series B, 2008 Series A, 2009 Series B, 2010 Refunding Series B, 2011 Refunding Series B, 2012 Refunding Series A, 2012 Refunding Series B, 2012 Refunding Series C, 2012 Series D, and 2013 Taxable Series D London Interbank Offered Rate Index (LIBOR Index)	Date Closed:	October 28, 2014
Comments:	Tax-exempt and taxable bonds with an all-in true interest cost of 3.78 percent		

Bond Market Transactions for Years 2015, 2014 and 2013 (continued)

YEAR 2013

Revenue Obligations:	2013 Series M1 - Current Interest Bearing Bonds (CIBS)	Par Amount:	$	18,219,000
Purpose:	To finance a portion of the Authority's ongoing capital program	Date Closed:		May 23, 2013
Comments:	Tax-exempt minibonds			
Revenue Obligations:	2013 Series M1 - Capital Appreciation Bonds (CABS)	Par Amount:	$	5,035,800
Purpose:	To finance a portion of the Authority's ongoing capital program	Date Closed:		May 23, 2013
Comments:	Tax-exempt minibonds			
Revenue Obligations:	2013 Tax-exempt Series A	Par Amount:	$	252,655,000
Purpose:	To finance a portion of the Authority's ongoing capital program	Date Closed:		August 21, 2013
Comments:	Tax-exempt bonds with an all-in true interest cost of 5.32 percent			
Revenue Obligations:	2013 Tax-exempt Refunding Series B	Par Amount:	$	388,730,000
Purpose:	Refund a portion of the following: 2003 Refunding Series A, 2004 Series A, 2006 Series A, 2007 Series A, 2008 Taxable Series B, 2009 Series B, 2011 Taxable Series A (LIBOR Index) and 2012 Series D	Date Closed:		August 21, 2013
Comments:	Tax-exempt bonds with an all-in true interest cost of 5.32 percent			
Revenue Obligations:	2013 Taxable Series C	Par Amount:	$	250,000,000
Purpose:	Refund a portion of the following: 2003 Refunding Series A and 2008 Taxable Series B	Date Closed:		August 21, 2013
Comments:	Taxable bonds with an all-in true interest cost of 5.83 percent			
Revenue Obligations:	2013 Taxable Series D (LIBOR Index Bonds)	Par Amount:	$	450,000,000
Purpose:	Refund a portion of the following: 2008 Taxable Series B, 2011 Taxable Series A (LIBOR Index) and 2012 Refunding Series C	Date Closed:		August 21, 2013
Comments:	Taxable bonds with variable interest rate set monthly based on the London Interbank Offered Rate (LIBOR) plus 87.5 - 110.0 basis points			
Revenue Obligations:	2013 Tax-exempt Series E	Par Amount:	$	506,765,000
Purpose:	To finance a portion of the Authority's ongoing capital program	Date Closed:		October 4, 2013
Comments:	Tax-exempt bonds with an all-in true interest cost of 5.34 percent			

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying combined financial statements of the South Carolina Public Service Authority (the "Authority") (a component unit of the state of South Carolina), which comprise the combined statements of net position as of December 31, 2015 and 2014, and the related combined statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2015 and 2014, and results of its operations and its cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note 15 to the combined financial statements, the Authority adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. As a result, net position as of December 31, 2014 in the Statement of Revenues, Expenses and Changes in Net Position has been restated. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the combined financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the combined financial statements, and other knowledge we obtained during our audit of the combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the combined financial statements as a whole. The Chairman and CEO Letter, Corporate Statistics, Audit Committee Chairwoman's Letter, Leadership, and Office Locations as listed in the table of contents of the annual report are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the combined financial statements, and accordingly, we do not express an opinion on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2016, on or consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the Authority's internal control over financial reporting and compliance.

Raleigh, North Carolina
February 19, 2016

Combined Statements of Net Position

South Carolina Public Service Authority

As of December 31, 2015 and 2014

	2015	2014
	(Thousands)	
ASSETS		
Current assets		
Unrestricted cash and cash equivalents	$ 113,413	$ 171,830
Unrestricted investments	531,120	520,282
Restricted cash and cash equivalents	168,930	289,149
Restricted investments	1,165,630	836,032
Receivables, net of allowance for doubtful accounts of $1,662 and $1,555 at December 31, 2015 and 2014, respectively	175,931	187,324
Materials inventory	126,259	113,635
Fuel inventory		
Fossil fuels	507,716	333,648
Nuclear fuel-net	161,990	150,577
Interest receivable	3,357	1,786
Prepaid expenses and other current assets	200,925	233,639
Total current assets	3,155,271	2,837,902
Noncurrent assets		
Restricted cash and cash equivalents	205	352
Restricted investments	126,282	122,657
Capital assets		
Utility plant	7,134,706	7,023,729
Long lived assets-asset retirement cost	507,394	507,394
Accumulated depreciation	(3,476,246)	(3,332,127)
Total utility plant-net	4,165,854	4,198,996
Construction work in progress	3,337,353	2,712,851
Other physical property-net	5,914	5,939
Investment in associated companies	7,001	8,584
Unamortized debt expenses	39,249	35,902
Costs to be recovered from future revenue	240,923	247,359
Regulatory asset-asset retirement obligation	699,748	660,181
Other noncurrent and regulatory assets	215,987	173,870
Total noncurrent assets	8,838,516	8,166,691
Total assets	$ 11,993,787	$ 11,004,593
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows – pension	$ 31,430	$ 0
Accumulated decrease in fair value of hedging derivatives	91,372	69,958
Unamortized loss on refunded and defeased debt	133,932	133,680
Total deferred outflows of resources	$ 256,734	$ 203,638
Total assets & deferred outflows of resources	$ 12,250,521	$ 11,208,231

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

Combined Statements of Net Position (continued)

South Carolina Public Service Authority

As of December 31, 2015 and 2014

	2015	2014
	(Thousands)	
LIABILITIES		
Current liabilities		
Current portion of long-term debt	**$ 172,896**	$ 149,689
Accrued interest on long-term debt	**67,378**	79,061
Commercial paper	**597,520**	410,139
Accounts payable	**362,755**	260,727
Other current liabilities	**99,042**	131,766
Total current liabilities	**1,299,591**	1,031,382
Noncurrent liabilities		
Construction liabilities	**6,643**	6,377
Net pension liability	**286,300**	0
Asset retirement obligation liability	**1,046,054**	1,043,629
Total long-term debt (net of current portion)	**6,961,336**	6,399,449
Unamortized debt discounts and premiums	**345,133**	239,713
Long-term debt-net	**7,306,469**	6,639,162
Other credits and noncurrent liabilities	**130,192**	110,717
Total noncurrent liabilities	**8,775,658**	7,799,885
Total liabilities	**$ 10,075,249**	$ 8,831,267
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	**$ 17,424**	$ 0
Accumulated increase in fair value of hedging derivatives	**4,701**	1,138
Nuclear decommissioning costs	**211,357**	207,363
Total deferred inflows of resources	**$ 233,482**	$ 208,501
NET POSITION		
Net invested in capital assets	**$ 1,195,402**	$ 957,835
Restricted for debt service	**79,771**	108,457
Restricted for capital projects	**4,304**	6,515
Unrestricted	**662,313**	1,095,656
Total net position	**$ 1,941,790**	$ 2,168,463
Total liabilities, deferred inflows of resources & net position	**$ 12,250,521**	$ 11,208,231

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Combined Statements of Revenues, Expenses and Changes in Net Position

South Carolina Public Service Authority

Years Ended December 31, 2015 and 2014

	2015	2014
	(Thousands)	
Operating revenues		
Sale of electricity	**$ 1,856,523**	$ 1,975,362
Sale of water	**8,069**	7,854
Other operating revenue	**14,961**	14,131
Total operating revenues	**1,879,553**	1,997,347
Operating expenses		
Electric operating expenses		
Production	**123,421**	109,194
Fuel	**713,308**	820,720
Purchased and interchanged power	**193,646**	237,187
Transmission	**26,749**	24,885
Distribution	**11,216**	10,626
Customer accounts	**15,316**	15,616
Sales	**13,476**	12,378
Administrative and general	**88,899**	89,286
Electric maintenance expenses	**131,331**	116,560
Water operating expenses	**2,864**	2,687
Water maintenance expenses	**910**	858
Total operating and maintenance expenses	**1,321,136**	1,439,997
Depreciation	**176,039**	173,743
Sums in lieu of taxes	**5,313**	5,484
Total operating expenses	**1,502,488**	1,619,224
Operating income	**377,065**	378,123
Nonoperating revenues (expenses)		
Interest and investment revenue	**9,207**	29,023
Net decrease in the fair value of investments	**(4,455)**	(2,017)
Interest expense on long-term debt	**(282,564)**	(268,989)
Interest expense on commercial paper and other	**(3,033)**	(4,840)
Amortization expense	**6,494**	(1,164)
Costs to be recovered from future revenue	**(6,435)**	19,798
U.S. Treasury subsidy on Build America Bonds	**7,559**	7,542
Other-net	**(49,323)**	(8,481)
Total nonoperating revenues (expenses)	**(322,550)**	(229,128)
Income before transfers	**54,515**	148,995
Capital contributions & transfers		
Distribution to the State	**(20,116)**	(20,659)
Total capital contributions & transfers	**(20,116)**	(20,659)
Change in net position	**34,399**	128,336
Net position-beginning of period as previously reported	**2,168,463**	2,040,127
Restatement (Note 15)	**(261,072)**	0
Total net position-beginning of period as restated	**1,907,391**	2,040,127
Total net position-ending	**$ 1,941,790**	$ 2,168,463

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

Combined Statements of Cash Flows

South Carolina Public Service Authority
Years Ended December 31, 2015 and 2014

	2015	2014
	(Thousands)	
Cash flows from operating activities		
Receipts from customers	$ 1,890,839	$ 1,998,875
Payments to non-fuel suppliers	(787,254)	(124,575)
Payments for fuel	(703,519)	(813,871)
Purchased power	(193,646)	(237,263)
Payments to employees	(175,633)	(162,872)
Other receipts-net	206,834	374,315
Net cash provided by operating activities	237,621	1,034,609
Cash flows from non-capital related financing activities		
Distribution to the State	(20,116)	(20,659)
Proceeds from sale of bonds	13,150	54,105
Proceeds from issuance of commercial paper notes	180,885	229,105
Repayment of commercial paper notes	(13,986)	(105,062)
Refunding / defeasance of long-term debt	(14,065)	(469,708)
Repayment of long-term debt	(119)	(143)
Interest paid on long-term debt	(8,383)	(18,156)
Interest paid on commercial paper and other	(4,321)	(3,286)
Bond issuance and other related costs	694	(7,424)
Net cash provided by (used in) non-capital related financing activities	133,739	(341,228)
Cash flows from capital-related financing activities		
Proceeds from sale of bonds	1,426,644	1,364,075
Proceeds from issuance of commercial paper notes	65,201	59,661
Repayment of commercial paper notes	(44,719)	(145,638)
Refunding / defeasance of long-term debt	(659,490)	(753,782)
Repayment of long-term debt	(139,132)	(95,615)
Interest paid on long-term debt	(338,020)	(304,308)
Interest paid on commercial paper and other	(905)	(2,331)
Construction and betterments of utility plant	(587,228)	(725,145)
Bond issuance and other related costs	100,264	75,525
Other-net	(31,879)	(8,427)
Net cash used in capital related financing activities	(209,264)	(535,985)
Cash flows from investing activities		
Net decrease in investments	(348,516)	(82,694)
Interest on investments	7,637	29,901
Net cash used in investing activities	(340,879)	(52,793)
Net (decrease)/increase in cash and cash equivalents	(178,783)	104,603
Cash and cash equivalents-beginning	461,331	356,728
Cash and cash equivalents-ending	$ 282,548	$ 461,331

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

***Combined Statements of Cash Flows** (continued)*

South Carolina Public Service Authority
Years Ended December 31, 2015 and 2014

	2015	2014
	(Thousands)	
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 377,065	$ 378,123
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	176,039	173,743
Amortization of nuclear fuel	22,832	22,552
Net power gains involving associated companies	(47,366)	(27,711)
Distributions from associated companies	44,864	23,674
Advances to associated companies	162	(107)
Other income and expenses	(37,049)	3,807
Changes in assets and liabilities		
Accounts receivable-net	11,393	1,768
Inventories	(186,692)	113,581
Prepaid expenses	32,845	(21,928)
Other deferred debits	(48,474)	245,692
Accounts payable	(140,604)	50,545
Other current liabilities	(31,070)	57,779
Other noncurrent liabilities	63,676	13,091
Net cash provided by operating activities	$ 237,621	$ 1,034,609

	2015	2014
Composition of cash and cash equivalents		
Current		
Unrestricted cash and cash equivalents	$ 113,413	$ 171,830
Restricted cash and cash equivalents	168,930	289,149
Noncurrent		
Restricted cash and cash equivalents	205	352
Cash and cash equivalents at the end of the year	$ 282,548	$ 461,331

NOTES

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A - Reporting Entity - The South Carolina Public Service Authority (the Authority or Santee Cooper), a component unit of the State of South Carolina (the State), was created in 1934 by the State legislature. The Santee Cooper Board of Directors (Board) is appointed by the Governor of South Carolina with the advice and consent of the Senate. The purpose of the Authority is to provide electric power and wholesale water to the people of South Carolina. Capital projects are funded by bonds, commercial paper and internally generated funds. As authorized by State law, the Board sets rates charged to customers to pay debt service and operating expenses and to provide funds required under bond covenants.

B - System of Accounts - The accounting records of the Authority are maintained on an accrual basis in accordance with accounting principles generally accepted in the United States (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting.

The Authority's combined financial statements include the accounts of the Lake Moultrie Water Agency and Lake Marion Regional Water Agency after elimination of inter-company accounts and transactions. The accounts are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) for the electric system and the National Association of Regulatory Utility Commissioners (NARUC) for the water systems.

The Authority also complies with policies and practices prescribed by its Board and practices common in both industries. As the Board is authorized to set rates, the Authority follows GASB 62. This standard provides for the reporting of assets and liabilities consistent with the economic effect of the rate structure.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions in the Authority's reporting. This practice affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

C - Current and Noncurrent - The Authority presents assets and liabilities in order of relative liquidity. The liquidity of an asset is determined by how readily it is expected to be converted to cash and whether restrictions limit the use of the resources. The liquidity of a liability is based on its maturity, or when cash is expected to be used to liquidate the liability.

D - Restricted Assets - For purposes of the Combined Statements of Net Position and Combined Statements of Cash Flows, assets are restricted when constraints are placed on their use by either:

(1) External creditors, grantors, contributors, or laws or regulations of other governments; or
(2) Law through constitutional provisions or enabling legislation.

Assets not meeting the requirements of restricted are classified as unrestricted.

E- Cash and Cash Equivalents - For purposes of the Combined Statements of Net Position and Combined Statements of Cash Flows, the Authority considers highly liquid investments with original maturities of ninety days or less and cash on deposit with financial institutions as unrestricted and restricted cash and cash equivalents.

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

G - Utility Plant - Utility plant is recorded at cost, which includes materials, labor, overhead and interest capitalized during construction. Interest is capitalized only when interest payments are funded through borrowings. The Authority capitalized $43.5 million and $59.3 million of interest in 2015 and 2014, respectively. Other interest expense is recovered currently through rates. The costs of maintenance, repairs and minor replacements are charged to appropriate operation and maintenance expense accounts. The costs of renewals and betterments are capitalized. The original cost of utility plant retired and the cost of removal, less salvage, are charged to accumulated depreciation.

H - Depreciation - Depreciation is computed using composite rates on a straight-line basis over the estimated useful lives of the various classes of the plant. Composite rates are applied to the gross plant balance of various classes of assets which includes appropriate adjustments for cost of removal and salvage. The Authority periodically has depreciation studies performed by independent parties to assist management in establishing appropriate composite depreciation rates. For assets not grouped in a plant class, straight-line depreciation is used over the estimated useful life of the asset.

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

Years Ended December 31,	**2015**	2014
Annual average depreciation percentages	**2.6%**	2.6%

I - Retirement of Long Lived Assets - The Authority follows the guidance of FASB ASC 410 in regards to the decommissioning of V.C. Summer Nuclear Station (Summer Nuclear) and closing coal-fired generation ash ponds. The requirements for both were recorded within capital assets on the accompanying Combined Statements of Net Position.

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

Years Ended December 31,		**2015**				**2014**	
	Nuclear	**Ash Ponds**	**Total**		Nuclear	Ash Ponds	Total
			(Millions)				
Reconciliation of ARO Liability:							
Balance as of January 1,	**$ 678.8**	**$ 364.8**	**$ 1,043.6**		$ 664.4	$ 359.8	$ 1,024.2
Accretion expense	**14.7**	**(12.3)**	**2.4**		14.4	5.0	19.4
Balance as of December 31,	**$ 693.5**	**$ 352.5**	**$ 1,046.0**		$ 678.8	$ 364.8	$ 1,043.6
Asset Retirement Cost (ARC):	**$ 334.3**	**$ 173.1**	**$ 507.4**		$ 334.3	$ 173.1	$ 507.4

J - Reporting Impairment Losses - The Authority's Board authorized the retirement of six generating units during 2012. December 2012 was set for the permanent retirement date for four coal-fired generating units (Grainger Units 1 and 2 and Jefferies Units 3 and 4). In compliance with GASB 42, the required accounting entries were recorded for capital assets, depreciation effect, costs to be recovered from future revenue (CTBR) expense, materials and supplies.

2015 updates include the sale of Grainger Unit 1 and 2 for scrap and continued preparation for a future sale of Jefferies Units 3 and 4 generating station assets. In addition, sales of coal (fuel stock pile) from the Jefferies and Grainger generating stations also continued. The sale of coal will continue at both generation sites (Jefferies and Grainger) until fully depleted.

The Authority continues to implement the appropriate processes to fully close the retired units in order to remain in compliance with regulatory requirements. It should be noted that the closure of the ash ponds at each site will result in additional entries and adjustments to accumulated depreciation, ARO and various other balances in subsequent years.

K – Other Regulatory Assets - The Authority made the decision in 2007 to build a coal-fired generation plant in Florence County, S.C. In 2009 the Authority chose not to pursue this option. Assets related to this project are classified as other current and noncurrent regulatory assets. Management has chosen to write off the total asset balance of $264.4 million over a period ending December 2020. Accordingly, $42.6 million and $9.2 million were written off in 2015 and 2014, respectively. The remaining balance outstanding at December 31, 2015 is $212.6 million.

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

Years Ended December 31,	**2015**	2014
Owners	Ownership (%)	
City Utilities of Springfield (Missouri)	**5.55**	5.00
Cowlitz Public Utility District (Washington)	**5.55**	5.00
Gainesville Regional Utilities (Florida)	**5.55**	5.00
American Municipal Power (Ohio)	**16.67**	17.00
JEA (Florida)	**16.67**	17.00
MEAG Power (Georgia)	**16.67**	17.00
Nebraska Public Power District (Nebraska)	**16.67**	17.00
Santee Cooper (South Carolina)	**16.67**	17.00
Total	**100.00**	100.00

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

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

Years Ended December 31,	**2015**	2014
	(Thousands)	
TEA Investment:		
Balance as of January 1,	**$ 8,281**	$ 6,644
Reduction to power costs and increases in electric revenues	**43,809**	25,336
Less: Distributions from TEA	**44,864**	23,674
Less: Other (includes equity losses)	**368**	25
Balance as of December 31,	**$ 6,858**	$ 8,281
Due To/Due From TEA:		
Payable to	**$ 26,839**	$ 26,125
Receivable from	**$ 3,245**	$ 782

The Authority's exposure relating to TEA is limited to the Authority's capital investment, any accounts receivable and trade guarantees provided by the Authority. These guarantees are within the scope of FASB ASC 952. Upon the Authority making any payments under its electric guarantee, it has certain contribution rights with the other members in order that payments made under the TEA member guarantees would be equalized ratably, based upon each member's equity ownership interest. After such contributions have been affected, the Authority would only have recourse against TEA to recover amounts paid under the guarantee. The term of this guarantee is generally indefinite, but the Authority has the ability to terminate its guarantee obligations by providing advance notice to the beneficiaries thereof. Such termination of its guarantee obligations only applies to TEA transactions not yet entered into at the time the termination takes effect. The Authority's support of TEA's trading activities is limited based on the formula derived from the forward value of TEA's trading positions at a point in time. The formula was approved by the Authority's Board. At December 31, 2015, the trade guarantees are an amount not to exceed approximately $93.3 million.

The Authority was also a member of Colectric Partners (Colectric). Members consisted of JEA (Florida), MEAG Power (Georgia), Nebraska Public Power District (Nebraska) and Santee Cooper (South Carolina), all owning an equal 25 percent share.

Colectric provided public power utilities with key project and business management resources. The Authority participated in several of Colectric's initiatives. The largest involved managing the major gas turbine overhauls, thereby promoting the sharing of spare parts and technical expertise. Another was the strategic sourcing initiative, intended to achieve major cost savings through volume purchasing leverage. Since 2001, cumulative net direct cost and direct savings have been $4.4 million and $18.8 million, respectively. Due to the maintenance sharing initiative ceasing, the Colectric Board of Directors voted in January 2015 to cease operations of Colectric effective March 31, 2015.

The Authority's exposure related to Colectric was limited to its capital investment, any accounts receivable and any indemnifications related to agreements between Colectric and the Authority. These indemnifications are within the scope of FASB ASC 952. The Authority's initial investment in Colectric was $413,000. The balance in its member equity account at December 31, 2015 and 2014 was approximately $5,000 and $194,000, respectively.

On October 1, 2013, the Authority along with MEAG Power became originating members of TEA Solutions. JEA and Cowlitz Public Utility District joined later in 2013. TEA Solutions is a publicly supported non-profit corporation. Members and ownership interests were as follows:

Years Ended December 31,	**2015**	2014
Owners	Ownership (%)	
Cowlitz Public Service District (Washington)	**8.0**	8.0
American Municipal Power (Ohio)	**23.0**	23.0
JEA (Florida)	**23.0**	23.0
MEAG Power (Georgia)	**23.0**	23.0
Santee Cooper (South Carolina)	**23.0**	23.0
Total	**100.0**	100.0

TEA Solutions was formed mainly to (1) coordinate the operation of electric generation resources and the purchase and sale of electric power on behalf of the corporation's clients; (2) coordinate the purchase and sale of natural gas relating to fuel for clients' generation of electric energy or relating to clients' operation of a retail gas distribution system; and (3) provide consulting and software services to clients.

The Authority funded its initial share of TEA Solutions with a $150,000 contribution in 2013. This contribution was to cover legal, consulting and other start-up costs pertaining to TEA Solutions. The Authority's exposure relating to TEA Solutions is limited to the Authority's capital investment, any accounts receivable and trade guarantees provided by the Authority. The balance in its member equity account at December 31, 2015 and 2014 was approximately $122,000 and $110,000, respectively.

M – Deferred Outflows / Deferred Inflows of Resources - In addition to assets, the Combined Statements of Net Position reports a separate section for Deferred Outflows of Resources. These items represent a consumption of net position that applies to a future period and until that time will not be recognized as an expense or expenditure. The Authority has three items meeting this criterion: (1) deferred outflows – pension; (2) accumulated decrease in fair value of hedging derivatives; and (3) unamortized loss on refunded and defeased debt.

In addition to liabilities, the Combined Statements of Net Position also reports a separate section for Deferred Inflows of Resources. These items represent an acquisition of net position that applies to a future period and until that time will not be recognized as revenue. The Authority has three items meeting this criterion: (1) deferred inflows – pension; (2) accumulated increase in fair value of hedging derivatives; and (3) nuclear decommissioning costs.

The following table summarizes the Authority's total deferred items:

Years Ended December 31,		2015		2014
		(Thousands)		
Deferred outflows of resources	$	256,734	$	203,638
Deferred inflows of resources	$	233,482	$	208,501

N - Accounting for Derivative Instruments - In compliance with GASB 53 and 64, the annual changes in the fair value of effective hedging derivative instruments are required to be deferred (reported as deferred outflows of resources and deferred inflows of resources on the Combined Statements of Net Position). Deferral of changes in fair value generally lasts until the transaction involving the hedged item ends.

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

A summary of the Authority's derivative activity for years ended December 31, 2015 and 2014 is below:

Cash Flow Hedges and Summary of Activity

Years Ended December 31,	Account Classification		2015		2014
			(Millions)		
Fair Value					
Natural gas	Regulatory assets/liabilities	$	(84.5)	$	(60.3)
Heating oil	Regulatory assets/liabilities		(2.2)		(8.6)
Changes in Fair Value					
Natural gas	Regulatory assets/liabilities	$	(24.2)	$	(48.8)
Heating oil	Regulatory assets/liabilities		6.4		(8.8)
Recognized Net Gains (Losses)					
Natural gas	Operating expense-fuel	$	(44.6)	$	5.8
Heating oil	Operating expense-fuel		(11.0)		(0.4)
Realized But Not Recognized Net Gains (Losses)					
Natural gas	Regulatory assets/liabilities	$	(8.8)	$	2.7
Heating oil	Regulatory assets/liabilities		(0.2)		0.0
Notional					
			MBTUs		
Natural gas			107,033		61,980
			Gallons (000s)		
Heating oil			6,930		12,012

O - Revenue Recognition and Fuel Costs - Substantially all wholesale and industrial revenues are billed and recorded at the end of each month. Revenues for electricity delivered to retail customers but not billed are accrued monthly. Accrued revenue for retail customers totaled $13.0 million in 2015 and $15.3 million in 2014.

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

P - Bond Issuance Costs and Refunding Activity - GASB 62 requires that any gains or losses resulting from extinguishment of debt be expensed at the time of extinguishment. GASB 65 requires that debt issuance costs be expensed in the period incurred. In order to align the impact of these pronouncements with the Authority's rate making process, in October 2012, the Board authorized the use of regulatory accounting to allow continuation of prior accounting treatment with regard to these costs.

Consistent with prior accounting periods, unamortized debt discounts, premiums and expenses are amortized to income over the terms of the related debt issues. Gains or losses on refunded and extinguished debt are amortized to earnings over the shorter of the remaining life of the refunded debt or the life of the new debt.

Q - Distribution to the State - Any and all net earnings of the Authority not necessary for the prudent conduct and operation of its business in the best interests of the Authority or to pay the principal of and interest on its bonds, notes, or other evidences of indebtedness or other obligations, or to fulfill the terms and provisions of any agreements made with the purchasers or holders thereof or others must be paid over semiannually to the State Treasurer for the general funds of the State. Nothing in this section shall prohibit the Authority from paying to the State each year up to one percent of its projected operating revenues, as such revenues would be determined on an accrual basis, from the combined electric and water systems. (Code of Laws of South Carolina, as amended Section 58-31-110).

Distributions made to the State in 2015 and 2014 totaled approximately $20.1 million and $20.7 million, respectively.

R - New Accounting Standards

STATEMENT NO. & ISSUE DATE	TITLE/SUMMARY	SUMMARY OF ACTION BY THE AUTHORITY
Statement No. GASB 67	**Financial Reporting for Pension Plans - an amendment of GASB 25**	
Issue Date: June 2012	Effective for Periods Beginning After: June 15, 2013	
Description:	The objective of GASB 67 is to improve financial reporting by state and local governmental pension plans. GASB 67 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity and creating additional transparency. GASB 67 replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*.	Implemented in 2015
Statement No. GASB 68	**Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27**	
Issue Date: June 2012	Effective for Periods Beginning After: June 15, 2014	
Description:	The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.	Implemented in 2015
Statement No. GASB 69	**Government Combinations and Disposals of Government Operations**	
Issue Date: January 2013	Effective for Periods Beginning After: December 15, 2013	
Description:	This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term "government combinations" includes a variety of transactions referred to as mergers, acquisitions and transfers of operations.	Reviewed and no action required.
Statement No. GASB 70	**Accounting and Financial Reporting for Nonexchange Financial Guarantees**	
Issue Date: April 2013	Effective for Periods Beginning After: June 15, 2013	
Description:	The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not the government will be required to make a payment on the guarantee.	Reviewed and no action required.

Statement No. GASB 71	**Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68**	
Issue Date: November 2013	The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.	
Description:	The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state of local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.	Implemented in 2015
Statement No. GASB 72	**Fair Value Measurement and Application**	
Issue Date: February 2015	Effective for Periods Beginning After: June 15, 2015	
Description:	This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.	Under Review
Statement No. GASB 73	**Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68**	
Issue Date: June 2015	Effective for Periods Beginning After: June 15, 2015	
Description:	The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans* and Statement 68 for pension plans and pensions that are within their respective scopes.	Under Review
Statement No. GASB 74	**Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans**	
Issue Date: June 2015	Effective for Periods Beginning After: June 15, 2016	
Description:	The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.	Under Review
Statement No. GASB 75	**Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**	
Issue Date: June 2015	Effective for Periods Beginning After: June 15, 2017	
Description:	The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.	Under Review

Statement No. GASB 76 **The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments**

Issue Date: June 2015 Effective for Periods Beginning After: June 15, 2015

Description: The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

Under Review

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

Statement No. GASB 77 **Tax Abatement Disclosures**

Issue Date: August 2015 Effective for Periods Beginning After: December 15, 2015

Description: Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

Under Review

This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

Statement No. GASB 78 **Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans**

Issue Date: December 2015 Effective for Periods Beginning After: December 15, 2015

Description: This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

Under Review

Statement No. GASB 79 **Certain External Investment Pools and Pool Participants**

Issue Date: December 2015 Effective for Periods Beginning After: June 15, 2015

Description: This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

Under Review

NOTE 2 – COSTS TO BE RECOVERED FROM FUTURE REVENUE (CTBR)

The Authority's rates are established based upon debt service and operating fund requirements. Depreciation is not considered in the cost of service calculation used to design rates. In accordance with GASB 62, the differences between debt principal maturities (adjusted for the effects of premiums, discounts, expenses and amortization of deferred gains and losses) and depreciation on debt financed assets are recognized as CTBR. The recovery of outstanding amounts recorded as CTBR will coincide with the repayment of the applicable outstanding debt. The Authority's summary of CTBR activity is recapped below:

Years Ended December 31,		**2015**		2014
		(Millions)		
CTBR regulatory asset:				
Balance	**$**	**240.9**	$	247.4
CTBR expense/(reduction to expense):				
Net expense	**$**	**6.4**	$	(19.8)

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2015 and 2014 was as follows:

		Beginning Balances		Increases		Decreases		Ending Balances
				Year 2015 (Thousands)				
Utility plant	**$**	**7,023,729**	**$**	**156,369**	**$**	**(45,392)**	**$**	**7,134,706**
Long lived assets-asset retirement cost		**507,394**		**0**		**0**		**507,394**
Accumulated depreciation		**(3,332,127)**		**(212,951)**		**68,832**		**(3,476,246)**
Total utility plant-net		**4,198,996**		**(56,582)**		**23,440**		**4,165,854**
Construction work in progress		**2,712,851**		**781,075**		**(156,573)**		**3,337,353**
Other physical property-net		**5,939**		**0**		**(25)**		**5,914**
Totals	**$**	**6,917,786**	**$**	**724,493**	**$**	**(133,158)**	**$**	**7,509,121**
				Year 2014 (Thousands)				
Utility plant	$	6,910,962	$	156,358	$	(43,591)	$	7,023,729
Long lived assets-asset retirement cost		507,394		0		0		507,394
Accumulated depreciation		(3,150,020)		(210,661)		28,554		(3,332,127)
Total utility plant-net		4,268,336		(54,303)		(15,037)		4,198,996
Construction work in progress		2,100,631		768,586		(156,366)		2,712,851
Other physical property-net		6,084		79		(224)		5,939
Totals	$	6,375,051	$	714,362	$	(171,627)	$	6,917,786

NOTE 4 – CASH AND INVESTMENTS HELD BY TRUSTEE AND FUND DETAILS

All cash and investments of the Authority are held and maintained by custodians and trustees. The use of unexpended proceeds from sale of bonds, debt service funds and other sources is designated in accordance with applicable provisions of various bond resolutions, lease agreements, the Enabling Act included in the South Carolina Code of Laws (the Enabling Act) or by management directive. Restricted funds have constraints placed on their use (see Note 1 - D – "Restricted Assets"). The use of unrestricted funds may be either designated for a specific use by management directive or undesignated, but are available to provide liquidity for operations as needed.

Following are the details of the Authority's funds which are classified in the accompanying financial statements as unrestricted and restricted cash, cash equivalents and investments:

Years Ended December 31,		**2015**			2014	
Funds	**Cash & Cash Equivalents**	**Investments**	**Total**	Cash & Cash Equivalents	Investments	Total
			(Thousands)			
Current Unrestricted:						
Capital Improvement	**$ 23,534**	**$ 142,892**	**$ 166,426**	$ 44,216	$ 132,728	$ 176,944
Debt Reduction	**3,575**	**53,879**	**57,454**	10,713	45,224	55,937
Funds from Taxable Borrowings	**9,216**	**176,509**	**185,725**	11,457	130,895	142,352
General Improvement	**579**	**2,448**	**3,027**	1,438	1,450	2,888
Internal Nuclear Decommissioning Fund	**2,764**	**81,230**	**83,994**	415	83,090	83,505
Nuclear Fuel	**2,701**	**13,017**	**15,718**	5,318	23,999	29,317
Revenue and Operating	**63,811**	**15,289**	**79,100**	72,021	33,007	105,028
Special Reserve and Other	**7,233**	**45,856**	**53,089**	26,252	69,889	96,141
Total	**$ 113,413**	**$ 531,120**	**$ 644,533**	$ 171,830	$ 520,282	$ 692,112
Current Restricted:						
Debt Service Funds	**$ 68,190**	**$ 78,959**	**$ 147,149**	$ 65,178	$ 122,340	$ 187,518
Funds from Tax-exempt Borrowings	**65,069**	**1,062,535**	**1,127,604**	164,567	691,392	855,959
Other	**35,671**	**24,136**	**59,807**	59,404	22,300	81,704
Total	**$ 168,930**	**$ 1,165,630**	**$ 1,334,560**	$ 289,149	$ 836,032	$ 1,125,181
Noncurrent Restricted:						
External Nuclear Decommissioning Trust	**$ 205**	**$ 126,282**	**$ 126,487**	$ 352	$ 122,657	$ 123,009
Total	**$ 205**	**$ 126,282**	**$ 126,487**	$ 352	$ 122,657	$ 123,009
TOTAL FUNDS	**$ 282,548**	**$ 1,823,032**	**$ 2,105,580**	$ 461,331	$ 1,478,971	$ 1,940,302
Cash and investments as of December 31, consisted of the following:						
Cash/Deposits			**$ 64,639**			$ 87,503
Investments			**2,040,941**			1,852,799
Total cash and investments			**$ 2,105,580**			$ 1,940,302

Current Unrestricted Funds – These funds are used for operating activities for the Authority's respective systems. Although funds are segregated per management directive based on their intended use, since no restrictions apply, the funds are available to provide additional liquidity for operations. Included in this category is the internal Nuclear Decommissioning Fund intended by management to be used to offset future nuclear decommissioning costs and represents amounts in excess of the mandated Nuclear Regulatory Commission (NRC) decommissioning requirement which is funded separately in an external Nuclear Decommissioning Trust. Also included are funds from taxable borrowings intended to be used for both capital construction costs and for working capital purposes, as expected at the time proceeds are borrowed.

Current Restricted Funds – These funds are restricted in their allowed use. Debt service funds are restricted for payment of principal and interest debt service on outstanding debt. Funds from tax-exempt borrowings are intended to be used for capital construction costs as expected at the time proceeds are borrowed and are restricted pursuant to sections of both the U.S. Treasury Regulations and the Internal Revenue Code that govern the use of tax-exempt debt. Other funds are restricted for other special purposes.

Noncurrent Restricted Funds – These funds are restricted as to their specific use. The external Nuclear Decommissioning Trust is restricted for future nuclear decommissioning costs and represents the mandated NRC funding requirements.

The Authority's investments are authorized by the Enabling Act, the Authority's investment policy and the Revenue Obligation Resolution. Authorized investment types include Federal Agency Securities, State of South Carolina General Obligation Bonds and U.S. Treasury Obligations, all of which are limited to a 10 year maximum maturity in all portfolios, except the decommissioning funds. Certificate of Deposits and Repurchase Agreements are also authorized with a maximum maturity of one year.

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

The Authority's investment activity in all fund categories is summarized as follows:

Years Ended December 31,	**2015**	2014
Total Portfolio	(Billions)	
Total investments	**$ 2.0**	$ 1.8
Purchases	**49.6**	71.2
Sales	**49.4**	71.0
Nuclear Decommissioning Portfolios	(Millions)	
Total investments	**$ 210.5**	$ 206.5
Purchases	**697.8**	691.4
Sales	**691.9**	685.7
Unrealized holding gain/(loss)	**(1.7)**	17.0
Repurchase Agreements (1)	(Millions)	
Balance at December 31	**$ 98.9**	$ 304.1

(1) Securities underlying repurchase agreements must have a market value of at least 102 percent of the cost of the repurchase agreement and are delivered by broker/dealers to the Authority's custodial agents.

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

Risk Type	Exposure
Credit Risk - Risk that an issuer of an investment will not fulfill its obligation to the holder of the investments. Measured by the assignment of rating by a nationally recognized statistical rating organization.	As of December 31, 2015 and 2014, all of the agency securities held by the Authority were rated AAA by Fitch Ratings, Aaa by Moody's Investors Service, Inc. and AA+ by Standard & Poor's Rating Services.
Custodial Credit Risk-Investments - Risk that, in the event of the failure of the counterparty to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party.	As of December 31, 2015 and 2014, all of the Authority's investment securities are held by the Trustee or Agent of the Authority and therefore, there is no custodial risk for investment securities.
Custodial Credit Risk-Deposits - Risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.	At December 31, 2015 and 2014, the Authority had no exposure to custodial credit risk for deposits that were uninsured and/or collateral that was held by the bank's agent not in the Authority's name.
Concentration of Credit Risk - The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer.	Investments in any one issuer (other than U. S. Treasury securities) that represent five percent or more of total Authority investments at December 31, 2015 and 2014 were as follows:

Security Type / Issuer	Fair Value 2015	Fair Value 2014
Federal Agency Fixed Income Securities	(Thousands)	
Federal Home Loan Bank	**$ 917,423**	$ 597,048
Federal National Mortgage Association	**210,528**	334,680
Federal Farm Credit Bank	**339,001**	319,420
Federal Home Loan Mortgage Corp	**333,923**	225,405

Interest Rate Risk - Risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The Authority manages its exposure to interest rate risk by investing in securities that mature as necessary to provide the cash flow and liquidity needed for operations. The following table shows the distribution of the Authority's investments by maturity at December 31, 2015 and 2014:

	2015		2014	
Investment Type:	**Fair Value (Thousands)**	**Weighted Average Maturity (Years)**	Fair Value (Thousands)	Weighted Average Maturity (Years)
Certificates of Deposits	**$ 1,450**	**0.21**	$ 1,450	0.21
Federal Agency Discount Notes	**413,582**	**0.18**	465,622	0.18
Federal Agency Securities	**1,412,756**	**2.18**	1,036,008	2.32
Repurchase Agreements	**98,910**	**0.01**	304,118	0.01
U.S. Treasury Notes and Strips	**114,243**	**11.37**	45,601	7.43
Total	**$ 2,040,941**		$ 1,852,799	
Portfolio Weighted Average Maturity		**2.14**		1.45

The Authority holds zero coupon bonds which are highly sensitive to interest rate fluctuations in both the Nuclear Decommissioning Trust and Nuclear Decommissioning Fund. Together these accounts hold $44.8 million par in U.S. Treasury Strips ranging in maturity from June 15, 2016 to May 15, 2039. The accounts also hold $58.0 million par in government agency zero coupon securities in the two portfolios ranging in maturity from June 1, 2017 to April 15, 2030. Zero coupon bonds or U.S. Treasury Strips are subject to wider swings in their market value than coupon bonds. These portfolios are structured to hold these securities to maturity or early redemption. The Authority has a buy and hold strategy for these portfolios. Based on the Authority's current decommissioning assumptions, it is anticipated that no funds will be needed any earlier than 2043. The Authority has no other investments that are highly sensitive to interest rate fluctuations.

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

NOTE 5 – LONG -TERM DEBT

Debt Outstanding

The Authority's long-term debt at December 31, 2015 and 2014 consisted of the following:

	2015	2014	Interest Rate(s) (1)	Call Price (2)
	(Thousands)		(%)	(%)
Revenue Obligations: (mature through 2055)				
2004 Taxable Series B	**$ 0**	$ 3,250	N/A	N/A
2004 Series M (4)	**18,382**	30,380	4.375-5.00	100/Accreted Value
2005 Refunding Series A	**17,705**	105,265	5.50	100
2005 Refunding Series B	**0**	217,065	N/A	N/A
2005 Refunding Series C	**0**	78,150	N/A	N/A
2005 Series M (4)	**12,901**	12,836	4.00-4.35	100/Accreted Value
2006 Tax-exempt Series A	**0**	13,370	N/A	N/A
2006 Taxable Series B	**0**	31,250	N/A	N/A
2006 Series M (4)	**7,983**	7,881	4.00-4.20	100/Accreted Value
2006 Refunding Series C	**72,235**	91,820	4.50-5.00	100
2007 Series A	**75,885**	114,400	5.00	100
2007 Refunding Series B	**50,600**	62,760	5.00	Non-callable
2008 Tax-exempt Series A	**278,950**	376,985	5.375-5.75	100
2008 Taxable Series B	**25,000**	25,000	8.368	P&I Plus Make-Whole Premium
2008 Series M (4)	**21,233**	21,049	3.80-4.80	100/Accreted Value
2009 Tax-exempt Refunding Series A	**82,435**	83,535	3.00-5.00	100
2009 Tax-exempt Series B	**112,210**	144,875	5.00-5.25	100
2009 Taxable Series C	**84,695**	86,895	4.82-6.224	P&I Plus Make-Whole Premium
2009 Tax-exempt Series E	**100,000**	100,000	4.75-5.00	100
2009 Taxable Series F	**100,000**	100,000	5.74	P&I Plus Make-Whole Premium
2010 Series M1 (4)	**26,278**	27,991	3.50-4.30	100/Accreted Value
2010 Refunding Series B	**161,460**	190,905	3.00-5.00	100
2010 Series M2 (4)	**15,523**	17,402	2.875-3.875	100/Accreted Value
2010 Series C (Build America Bonds) (3)	**360,000**	360,000	6.454	P&I Plus Make-Whole Premium
2011 Series M1 (4)	**26,801**	26,781	2.00-4.80	100/Accreted Value
2011 Refunding Series B	**267,615**	279,600	4.00-5.00	Non-callable
2011 Refunding Series C	**135,855**	135,855	4.375-5.00	100
2011 Series M2 (4)	**22,023**	21,922	1.40-4.20	100/Accreted Value
2012 Refunding Series A	**86,500**	92,985	3.00-5.00	100
2012 Refunding Series B	**21,200**	23,200	5.00	Non-callable
2012 Refunding Series C	**70,500**	80,120	5.00	Non-callable
2012 Tax-exempt Series D	**298,785**	298,785	3.50-5.00	100
2012 Taxable Series E	**262,830**	262,830	3.572-4.551	P&I Plus Make-Whole Premium
2012 Series M1 (4)	**20,855**	21,055	1.40-4.00	100/Accreted Value
2012 Series M2 (4)	**18,120**	18,149	1.10-3.70	100/Accreted Value
2013 Series M1 (4)	**23,276**	23,327	1.30-3.90	100/Accreted Value
2013 Tax-exempt Series A	**252,655**	252,655	5.00-5.75	100
2013 Tax-exempt Refunding Series B	**388,730**	388,730	5.00-5.125	100
2013 Taxable Series C	**250,000**	250,000	5.784	P&I Plus Make-Whole Premium
2013 Taxable Series D (LIBOR Index Bonds)	**0**	100,000	N/A	N/A
2013 Tax-exempt Series E	**506,765**	506,765	5.00-5.50	100

	2015	2014	Interest Rate(s) (1)	Call Price (2)
	(Thousands)		(%)	(%)
2014 Series M1 (4)	**39,701**	39,764	1.75-4.30	100/Accreted Value
2014 Tax-exempt Series A	**600,000**	600,000	2.50-6.45	100
2014 Tax-exempt Refunding Series B	**42,275**	42,275	5.00	100
2014 Tax-exempt Refunding Series C	**704,525**	704,525	3.00-5.50	100
2014 Taxable Refunding Series D	**31,795**	31,795	2.906-3.606	P&I Plus Make-Whole Premium
2015 Tax-exempt Refunding Series A	**598,960**	0	3.00-5.00	100
2015 Tax-exempt Refunding Series B	**64,870**	0	5.00	Non-callable
2015 Series M1 (4)	**36,294**	0	1.75-3.85	100/Accreted Value
2015 Tax-exempt Refunding Series C	**270,170**	0	5.00	Non-callable
2015 Taxable Series D	**169,657**	0	4.77	P&I Plus Make-Whole Premium
2015 Tax-exempt Series E	**300,000**	0	5.25	100
Total Revenue Obligations	**7,134,232**	6,504,182		
Other Long-Term Obligations: (mature through 2016)	**0**	44,956		
Less: Current Portion - Long-term Debt	**172,896**	149,689		
Total Long-term Debt - (Net of current portion)	**$ 6,961,336**	$ 6,399,449		

(1) Interest Rates apply only to bonds outstanding as of December 31, 2015.

(2) Call Price may only apply to certain maturities outstanding at December 31, 2015.

(3) These bonds were issued as "Build America Bonds" under the American Recovery and Reinvestment Act of 2009 and are eligible to receive an interest subsidy payment from the United States Department of Treasury in an amount up to 35% of interest payable on the bonds.

(4) Includes Current Interest Bearing Bonds (CIBS) and Capital Appreciation Bonds (CABS).

Changes in Long-Term Debt

Long-term debt (LTD) activity for the years ended December 31, 2015 and 2014 was as follows:

	Gross LTD Beginning Balances	Increases	Decreases	Gross LTD Ending Balances	Current Portion LTD	Total LTD (Net of Current Portion)	Unamortized Debt Discounts and Premiums	LTD-Net Ending Balances
				YEAR 2015 (Thousands)				
Other Long-Term Obligations	**$ 44,956**	**$ 0**	**$ (44,956)**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
Revenue Obligations	**6,504,182**	**1,442,855**	**(812,805)**	**7,134,232**	**172,896**	**6,961,336**	**345,133**	**7,306,469**
Totals	**$ 6,549,138**	**$ 1,442,855**	**$ (857,761)**	**$ 7,134,232**	**$ 172,896**	**$ 6,961,336**	**$ 345,133**	**$ 7,306,469**
				YEAR 2014 (Thousands)				
Capitalized Lease Obligations	$ 244	$ 0	$ (244)	$ 0	$ 0	$ 0	$ 0	$ 0
Other Long-Term Obligations	44,956	0	0	44,956	0	44,956	(467)	44,489
Revenue Obligations	6,402,292	1,420,895	(1,319,005)	6,504,182	149,689	6,354,493	240,180	6,594,673
Totals	$ 6,447,492	$ 1,420,895	$ (1,319,249)	$ 6,549,138	$ 149,689	$ 6,399,449	$ 239,713	$ 6,639,162

Summary of Long-Term Principal and Interest

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

Year Ending December 31,	PRINCIPAL (1)	INTEREST (1)	TOTAL (1)
		(Thousands)	
2016	$ 158,347	$ 354,198	$ 512,545
2017	116,707	348,640	465,347
2018	158,943	342,833	501,776
2019	212,131	335,115	547,246
2020	192,136	327,029	519,165
2021-2025	782,245	1,519,224	2,301,469
2026-2030	711,129	1,364,824	2,075,953
2031-2035	788,547	1,188,648	1,977,195
2036-2040	888,335	960,887	1,849,222
2041-2045	1,045,307	730,756	1,776,063
2046-2050	1,241,345	416,409	1,657,754
2051-2055	839,060	120,623	959,683
Total	$ 7,134,232	$ 8,009,186	$ 15,143,418

(1) Includes Revenue Obligations only - no other applicable debt.
Does not reflect impact of subsidy interest payments on 2010 Taxable C (Build America Bonds).

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Summary of Refunded and Defeased Debt and Unamortized Losses

Refunded and defeased debt, original loss on refunding and the unamortized loss at December 31, 2015 are as follows:

Refunding Description		Refunded Debt		Outstanding	Original Loss	Unamortized Loss
		(Thousands)			(Thousands)	
Cash Defeasance	$	20,000	1982 Series A	$ 0	$ 2,763	$ 479
Commercial Paper	$	76,050	1973 Series			
		105,605	1977 Series			
		81,420	1978 Series	0	2,099	6
2006 Refunding Series C	$	105,005	1999 Series A			
		10,000	2002 Series B	0	7,054	518
2007 Refunding Series B	$	105,370	1997 Refunding Series A	0	8,832	1,047
2009 Refunding Series A	$	99,515	1997 Refunding Series A			
		20,125	1998 Refunding Series B	0	8,707	5,265
2010 Refunding Series B	$	30,430	2001 Series A			
		118,600	2002 Series B			
		84,780	2002 Refunding Series D	0	22,954	8,779
2011 Refunding Series B	$	8,990	2002 Refunding Series D			
		291,825	2004 Series A	0	23,287	10,111
2011 Refunding Series C	$	134,715	2002 Series B			
		5,160	2007 Series A	0	4,362	3,586
2012 Refunding Series A	$	73,535	2003 Refunding Series A			
		34,160	2004 Series A	0	12,206	7,394
Feb 2012 Defeasance	$	5,615	2003 Refunding Series A	0	749	601
2013 Refunding Series B	$	209,426	2003 Refunding Series A			
		7,070	2004 Series A			
		5,000	2006 Series A			
		6,565	2007 Series A			
		82,605	2008 Series B			
		1,125	2009 Series B			
		30,158	2011 Series A (LIBOR Index)			
		2,040	2012 Series D	0	14,446	13,184
2013 Refunding Series C	$	35,584	2003 Refunding Series A			
		97,695	2008 Series B	0	4,601	4,095

Summary of Refunded and Defeased Debt and Unamortized Losses (continued)

Refunding Description		Refunded Debt		Outstanding	Original Loss	Unamortized Loss
		(Thousands)			(Thousands)	
2014 Refunding Series C &	$	10,870	2003 Refunding Series A			
Taxable Refunding Series D		11,395	2005 Refunding Series A			
		419,105	2006 Series A			
		10,385	2006 Refunding Series C			
		175,775	2007 Series A			
		4,230	2007 Refunding Series B			
		15,000	2008 Series A			
		15,200	2009 Series B			
		12,920	2010 Refunding Series B			
		3,100	2011 Refunding Series B			
		5,625	2012 Refunding Series A			
		2,000	2012 Refunding Series B			
		15,185	2012 Refunding Series C			
		11,335	2012 Series D			
		18,185	2013 Taxable Series D (LIBOR Index)			
		44,075	Expansion Bond Refunding CP	641,580	32,936	31,123
Nov 2014 Defeasance	$	331,815	2013 Taxable Series D (LIBOR Index)	0	1,097	344
2015 Refunding Series A	$	13,370	2006 Series A			
		32,750	2007 Series A			
		93,035	2008 Series A			
		30,765	2009 Series B	169,920	21,487	19,616
2015 Refunding Series B	$	78,150	2005 Refunding Series C	0	4,987	4,567
2015 Refunding Series C	$	87,560	2005 Refunding Series A			
		217,065	2005 Refunding Series B	304,625	24,366	23,128
2015 Series E	$	100,000	Barclays Revolving Credit Agreement	0	89	89
Total				$ 1,116,125	$ 197,022	$ 133,932

Analysis of Prior Year Current Portion of Long-term Debt

As a part of its long-term capital structure plan, the Authority will be involved in a multi-year refinancing plan. As a result, each year certain maturities classified as current portion of long-term debt may be refinanced in the subsequent year prior to the maturity date. Below is an analysis of the 2014 current portion of long-term debt showing the amounts paid as debt service in 2015 and the amount refinanced. The remaining amount represents five percent of the original principal for all outstanding minibond issues.

Analysis of December 31, 2014 Current Portion of Long-term Debt:	(Thousands)
Principal debt service paid from 2015 Revenues	$ 136,058
Refinanced and other:	
2015 maturities refinanced	0
5% current portion requirement for original minibond issue amount (1)	13,631
Total	$ 149,689

(1) Represents five percent annual cap on the requirement related to put features on all outstanding minibond issues. This is an accounting entry only and does not impact debt service.

An analysis of the $133,671 current portion of long-term debt at December 31, 2013 showed that $94,004 was debt service paid from 2014 revenues and $28,015 of maturities were refinanced. The remaining $11,652 represented five percent of the original principal for outstanding minibond issues.

Reconciliations of Interest Charges

Years Ended December 31,	**2015**	2014
	(Thousands)	
Reconciliation of interest cost to interest expense:		
Total interest cost	**$ 344,584**	$ 317,159
Capitalized interest	**(43,481)**	(31,385)
Deferred interest expense	**(18,539)**	(14,652)
Interest charged to fuel expense	**0**	(2,133)
Total interest expense on long-term debt	**$ 282,564**	$ 268,989
Reconciliation of interest cost to interest payments:		
Total interest cost	**$ 344,584**	$ 317,159
Accrued interest-current year	**(67,378)**	(79,061)
Accrued interest-prior year	**79,061**	100,159
Interest released by refundings	**(6,802)**	(12,819)
Accretion on capital appreciation minibonds	**(3,062)**	(2,881)
Adjustment for prior year interest expense	**0**	(93)
Total interest payments on long-term debt	**$ 346,403**	$ 322,464

Debt Service Coverage

Years Ended December 31,		**2015**		2014
		(Thousands)		
Operating revenues	**$**	**1,879,553**	$	1,997,347
Interest and investment revenue		**9,207**		29,023
Total revenues and income		**1,888,760**		2,026,370
Operating expenses		**(1,502,488)**		(1,619,224)
Depreciation		**176,039**		173,743
Total expenses		**(1,326,449)**		(1,445,481)
Funds available for debt service prior to distribution to the State		**562,311**		580,889
Distribution to the State		**(20,116)**		(20,659)
Funds available for debt service after distribution to the State	**$**	**542,195**	$	560,230
Debt Service on Accrual Basis:				
Principal on long-term debt	**$**	**104,555**	$	108,851
Interest on long-term debt		**282,564**		268,989
Long-term debt service paid from Revenues		**387,119**		377,840
Commercial paper and other principal and interest		**16,146**		7,453
Total debt service paid from Revenues	**$**	**403,265**	$	385,293
Debt Service Coverage Ratio:				
Excluding commercial paper and other:				
Prior to distribution to the State		**1.45**		1.53
After distribution to the State		**1.40**		1.48
Including commercial paper and other:				
Prior to distribution to the State		**1.39**		1.50
After distribution to the State		**1.34**		1.45

Note: Year 2014 was recalculated using the 2015 approved methodology.

Fair Value of Debt Outstanding

The fair value of the Authority's debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Authority for debt with the same remaining maturities. Based on the borrowing rates currently available to the Authority for debt with similar terms and average maturities, the fair value of debt was $8.5 billion and $7.7 billion at December 31, 2015 and 2014, respectively.

2015 Bond Market Transactions

Bond market transactions for the year ended December 31, 2015 were as follows:

Revenue Obligations, 2015 Series M1	**Par Amount:**	**$36,136,600**	**Date Authorized:**	**May 1, 2015**
Summary:	- Issued Current Interest Bearing Bonds in $500 denominations and Capital Appreciation Bonds in $200 denominations - Issued directly by the Authority to residents of the State, customers of the Authority, members of electric cooperatives organized under the laws of the State and electric customers of the Bamberg Board of Public Works and the City of Georgetown - Interest rates range from 1.75 percent in 2020 and 3.85 percent in 2035			
Revenue Obligations, 2015 Tax-exempt Refunding and Improvement Series A, Refunding Series B, Refunding Series C and Taxable Series D	**Par Amount:**	**$1,103,657,000**	**Date Authorized:**	**February 13, 2015**
Summary:	- Series A and D were issued on February 26, 2015, Series B was issued on April 7, 2015 and Series C was issued on October 6, 2015 at an aggregate all-in true interest cost of 4.10 percent - Maturities between December 1, 2016 and December 1, 2055			
Revenue Obligations, 2015 Tax-exempt Series E	**Par Amount:**	**$300,000,000**	**Date Authorized:**	**December 7, 2015**
Summary:	- Issued December 22, 2015 at an aggregate all-in true interest cost of 4.74 percent - Bond matures on December 1, 2055			

Debt Covenant Compliance

As of December 31, 2015 and 2014, the Authority was in compliance with all debt covenants. The Authority's bond indentures provide for certain restrictions, the most significant of which are:

(1) the Authority covenants to establish rates sufficient to pay all debt service, required lease payments, capital improvement fund requirements and all costs of operation and maintenance of the Authority's Electric and Water Systems and all necessary repairs, replacements and renewals thereof; and
(2) the Authority is restricted from issuing additional parity bonds unless certain conditions are met.

All Authority debt (Electric and Water Systems) issued pursuant to the Revenue Obligation Resolution is payable solely from and secured by a lien upon and pledge of the applicable Electric and Water Revenues of the Authority. Revenue Obligations are senior to:
(1) payment of expenses for operating and maintaining the Systems;
(2) payments for debt service on capitalized leases;
(3) payments for debt service on commercial paper; and
(4) payments made into the Capital Improvement Fund.

Bond Outstanding Summary

As of December 31,	**2015**	2014
Outstanding Revenue Obligations	**$7.1 Billion**	$6.5 Billion
Estimated remaining interest payments	**$8.0 Billion**	$6.8 Billion
Issuance years (inclusive)	**2005 through 2015**	2004 through 2014
Maturity years (inclusive)	**2016 through 2055**	2015 through 2054

NOTE 6 – VARIABLE RATE DEBT

The Board has authorized the issuance of variable rate debt not to exceed 20 percent of the aggregate Authority debt outstanding (including commercial paper) as of the last day of the most recent fiscal year for which audited financial statements of the Authority are available. At December 31, 2015, eight percent of the Authority's aggregate debt outstanding was variable rate. The lien and pledge of Revenues securing variable rate debt issued as Revenue Obligations is senior to that securing commercial paper.

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

Years Ended December 31,		2015		2014
Commercial paper outstanding (000's)	**$**	**597,520**	$	410,139
Effective interest rate (at December 31)		**0.25%**		0.15%
Average annual amount outstanding (000's)	**$**	**474,479**	$	341,974
Average maturity		**37 Days**		51 Days
Average annual effective interest rate		**0.18%**		0.13%

As of December 31, 2015 the Authority had Revolving Credit Agreements with Bank of America, N.A., J.P. Morgan Chase Bank, N.A., TD Bank, N.A., U.S. Bank, N.A., and Wells Fargo Bank, N.A. totaling $750.0 million. As of December 31, 2014 the Authority had Revolving Credit Agreements with Barclays Bank PLC, J.P. Morgan Chase Bank, N.A., TD Bank, N.A., U.S. Bank, N.A., and Wells Fargo Bank, N.A. totaling $800.0 million. These agreements are used to support the Authority's issuance of commercial paper. There were no borrowings under the agreements during 2015 or 2014.

As of December 31, 2015 the Authority had a Revolving Credit Agreement (Direct Purchase Revolving Credit Agreement) with Barclays Bank PLC for $200.0 million. This agreement is used to obtain funds if needed. The agreement was entered into on September 22, 2015 and expires November 27, 2019. On November 12, 2015, the Authority secured a $100.0 million loan under the Direct Purchase Revolving Credit Agreement and used these proceeds to pay off the $100.0 million 2013 Taxable Series D (LIBOR Index Bonds). The Authority fully paid off this Direct Purchase Revolving Credit loan with proceeds raised through the issuance of the 2015 Tax-Exempt Series E Bonds which were issued on December 22, 2015.

NOTE 7 – SUMMER NUCLEAR STATION

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

Authority's Share of Summer Nuclear - Unit 1

Years Ended December 31,		2015		2014
		(Millions)		
Plant balances before depreciation	**$**	**540.3**	$	521.3
Accumulated depreciation		**334.8**		332.9
Operation & maintenance expense		**85.5**		83.9

Nuclear fuel costs are being amortized based on energy expended using the unit-of-production method. Through April 2014, costs included a component for disposal of spent nuclear fuel; however, in May 2015, the Department of Energy (DOE) suspended the collection of spent fuel disposal fees. Fuel amortization and disposal fees are included in fuel expense and recovered through the Authority's rates.

In 2002, SCE&G commenced a re-racking project of the on-site spent fuel pool. The new pool storage capability will permit full core off-load through 2017. SCE&G has signed contracts with HOLTEC International, The Shaw Group, Inc. and Westinghouse Electric Company, Inc. (Westinghouse) to build a licensed Independent Spent Fuel Storage Installation (ISFSI) to commence receiving fuel in 2016. Because of DOE's failure to meet its obligation to dispose of spent fuel, SCE&G and the Authority are being reimbursed by DOE for ISFSI project costs. The Authority expects this reimbursement will equal approximately 75 percent of total project cost. Through December 31, 2015, reimbursements received equal 61 percent of total project expenditures.

The NRC requires a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable NRC regulations, the Authority established an external trust fund and began making deposits into this fund in September 1990. In addition to providing for the minimum requirements imposed by the NRC, the Authority makes deposits into an internal fund in the amount necessary to fund the difference between a site-specific decommissioning study completed in 2012 and the NRC's imposed minimum requirement. Based on these estimates, the Authority's one-third share of the estimated decommissioning costs of Unit 1 equals approximately $315.1 million in 2012 dollars. As deposits are made, the Authority debits FERC account 532 - Maintenance of Nuclear Plant, an amount equal to the deposits made to the internal and external trust funds. These costs are recovered through the Authority's rates.

Based on current decommissioning cost estimates, these funds, which totaled approximately $210.5 million (adjusted to market) at December 31, 2015, along with future deposits into the external decommissioning trust and internal fund, investment earnings and projected DOE reimbursement of spent fuel storage costs, are estimated to provide sufficient funds for the Authority's one-third share of the total decommissioning cost.

Nuclear Units 2 and 3 - The Authority and SCE&G are constructing and planning to operate two additional nuclear generating units at Summer Nuclear Station (Units 2 and 3) and submitted an application to the NRC in March 2008 for a combined Construction and Operating License (COL) for each of the two new units. On May 22, 2008, the Authority's Board authorized the Authority to execute a Limited Agency Agreement appointing SCE&G to act as the Authority's agent in connection with the performance of an Engineering, Procurement and Construction (EPC) Agreement. On May 23, 2008, SCE&G, acting for itself and as agent for the Authority, entered into an EPC Agreement with Westinghouse and Stone & Webster, Inc., (a subsidiary of The Shaw Group, Inc.), for the engineering, procurement and construction of two 1,117 MW nuclear generating units. Chicago Bridge & Iron Company acquired The Shaw Group, Inc. in February 2013.

On October 20, 2011, the Authority and SCE&G entered into a Design and Construction Agreement. Among other things, the Design and Construction Agreement allows either or both parties to withdraw from the project under certain circumstances. Also on October 20, 2011, the Authority and SCE&G entered into an Operating and Decommissioning Agreement with respect to the two units. Both the Design and Construction Agreement and the Operating and Decommissioning Agreement define the conditions under which the Authority or SCE&G may convey an undivided ownership interest in the new units to a third party. Together the Design and Construction Agreement and the Operating and Decommissioning Agreement provide for a 45 percent ownership interest by the Authority in each of the two new units and replace the Amended and Restated Bridge Agreement which had governed the relationship between the Authority and SCE&G.

The Authority received the COLs on March 30, 2012. On April 5, 2012, the Authority's Board authorized the Authority to expend up to $4.9 billion to fund the Authority's share of the EPC Agreement and associated Owner's Costs to complete the project. On October 23, 2015, the Authority's Board authorized the President and CEO of the Authority to execute a Limited Agency Agreement that appointed SCE&G to act as the Authority's agent in connection with an October 2015 Amendment to the EPC Agreement.

On October 27, 2015, the EPC Agreement was amended ("October 2015 Amendment"). The October 2015 Amendment became effective on December 31, 2015 upon the consummation of the acquisition by Westinghouse of the stock of Stone & Webster from CB&I. Stone & Webster will continue to be a member of the Consortium as a subsidiary of Westinghouse instead of CB&I. Westinghouse has engaged Fluor Corporation as a subcontracted construction manager. Among other things, the October 2015 Amendment (i) revises the guaranteed substantial completion dates of Units 2 and 3 to August 31, 2019 and 2020, respectively, and (ii) provides the Authority and SCE&G an irrevocable option, until November 1, 2016 and subject to regulatory approvals, to further amend the EPC Agreement to fix the total amount to be paid to the Consortium for its entire scope of work on the project (excluding a limited amount of work within the time and materials component of the contract price) after June 30, 2015 at $6.082 billion (Authority's 45 percent portion being approximately $2.737 billion).

As part of its capital improvement program, the Authority has evaluated its level of participation in the new units. Due to developments since initiation of the project, the Authority has taken actions necessary to reduce its 45 percent ownership interest. In January 2014, the Authority entered into an agreement whereby SCE&G will purchase from the Authority an additional five percent interest in the project. Under the terms of the agreement, SCE&G will own 60 percent of the new nuclear units and the Authority, 40 percent. The five percent ownership interest will be acquired in three stages, with one percent to be acquired at the commercial operation date of the first new nuclear unit, an additional two percent to be acquired no later than the first anniversary of such commercial operation date, and the final two percent to be acquired no later than the second anniversary of such commercial operation date. The purchase price will be equal to the Authority's actual cost, including financing costs, of the percentage conveyed as of the date of the conveyance. The agreement will not impact the payment obligation for the full 45 percent ownership during construction. In December 2015, the Authority and SCE&G executed the Purchase and Sale Agreement for SCE&G's purchase from the Authority of an additional five percent interest in the project as described above. Beginning 2011, the Authority deferred a portion of interest expense representing the amount related to the assumed ownership reduction. In 2013, the Authority continued deferring and began capitalizing portions of related interest expense based on revised ownership assumptions.

NOTE 8 – LEASES

The Authority made the final payment related to the capital lease contracts with Central on November 26, 2014. There are currently no capital leases.

Information related to property under operating lease payments follows:

Years Ended December 31,	2015	2014
	(Millions)	
Operating lease payments (1)	**$ 2.8**	$ 2.1

(1) Includes periodic leased coal car expenses which are initially reflected in fuel inventory and subsequently reported in fuel expense based on tons burned.

Expiration term of current coal car leases: (2) December 2015 and March 2016

(2) The maximum amount due for coal car leases for 2015 is $1,038,000.

Hydroelectric generating facility lease:

- Automatically extended for five-year periods
- May be terminated by either party by giving a two-year notice
- Obligation is $600,000 per year plus operating expenses

NOTE 9 – CONTRACTS WITH ELECTRIC POWER COOPERATIVES

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

Central, under the terms of the Coordination Agreement, has the right to audit costs billed to them through the Coordination Agreement. Any differences found as a result of this process are accrued if they are probable and estimable. To the extent that differences arise, prospective adjustments are made to the cost of service and are reflected in operating revenues in the accompanying Combined Statements of Revenues, Expenses and Changes in Net Position. Such adjustments in 2015 and 2014 were not material to the Authority's overall operating revenue.

In September 2009, the Authority and Central entered into an agreement which, among other things, would permit Central to purchase the electric power and energy requirements necessary to serve five of its member cooperatives located in the upper part of the State that were formerly members of Saluda: Blue Ridge Electric Cooperative, Inc., Broad River Electric Cooperative, Inc., Laurens Electric Cooperative, Inc., Little River Electric Cooperative, Inc. and York Electric Cooperative, Inc. (the Upstate Load) from a supplier other than the Authority.

The Upstate Load began transitioning to the new supplier in 2013. The transition will continue through 2019 and will amount to approximately 900 MW.

In 2013, the Central and Authority Boards, respectively, approved an Amendment to the Central Agreement (Agreement). As part of this Central agreed to extend their rights to terminate the agreement until December 31, 2058. The Agreement includes a 10-year rolling notice provision. For a termination date of December 31, 2058, a party must give notice of termination no later than December 31, 2048. The Agreement provides for closer cooperation on planning of future resources, gives Central the ability to "opt-out" of future generation resources, and provides for cost recovery of all resources completed or under construction as of the amendment effective date, including Summer Nuclear Units 2 and 3.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Budget – The Authority's 2016 three-year capital budget is as follows:

Years Ending December 31,	2016	2017	2018
		(Millions)	
Summer Nuclear Units 2 and 3 (1)	597.0	601.5	494.8
General improvements	246.2	221.6	230.9
Environmental compliance (2)	$ 68.2	$ 114.4	$ 136.4
Total capital budget (3)	$ 911.4	$ 937.5	$ 862.1

Budget Assumptions:
(1) Construction cash flows for 2015 and the 2016-2018 budgets reflect 45 percent ownership. Subsequent cash flows will be reduced in accordance with the projected ownership sale date. Total estimated project cost including transmission is $4,565 million.
(2) Includes ash pond closure and remediation.
(3) Will be financed by internally generated funds, taxable and tax-exempt debt.

Purchase Commitments - The Authority has contracted for long-term coal purchases under contracts with estimated outstanding minimum obligations after December 31, 2015. The disclosure of minimum obligations (including market re-opener contracts) shown below is based on the Authority's contract rates and represents management's best estimate of future expenditures under long-term arrangements.

Years Ending December 31,	With Re-openers (All Tons) (1)	Without Re-openers (Fixed Tons) (2)
	(Thousands)	
2016	$ 219,924	$ 219,924
2017	130,750	103,250
2018	122,250	122,250
2019	59,250	59,250
2020	0	0
Total	$ 532,174	$ 504,674

(1) Includes tons which the Authority can elect not to receive.
(2) Includes tons which the Authority must receive.

The Authority has the following outstanding obligations under existing long-term capacity and purchased power contracts as of December 31, 2015:

Contracts with Minimum Fixed Payment Obligations

Number of Contracts	Delivery Beginning	Remaining Term	Obligations (Millions)
1	1985	20 Years	$ 52.0
1	2016	1 Year	26.7
1	2016	1 Year	12.8
1	2016	1 Year	19.6

Contracts with Power Receipt and Payment Obligations (1)

Number of Contracts	Delivery Beginning	Remaining Term	Obligations (Millions)
1	2010	10 Years	$ 194.6
2	2013	28 Years	631.8
1	2013	18 Years	7.8
1	2016	25 Years	437.1

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

The Authority purchases network integration transmission service through transmission agreements with Duke Energy Corporation and SCE&G. This network transmission service is used to serve the Upstate Load and other wholesale customers who are not in the Authority's direct-served territory; the Authority is obligated for costs associated with these transmission agreements. The table below shows the transmission obligations in 2016 and the total transmission obligations for 2017-2027. Note that the transmission obligations associated with the Upstate Load will end in 2019 (concurrent with the end of the transition period), at which time the Authority will no longer be responsible for purchasing transmission service for the Upstate Load served by the new supplier. The remaining wholesale customer obligations below represent projected transmission amounts through the term of the current contracts.

Transmission Obligations

	2016	2017-2027
	(Thousands)	
Upstate Load(1)	$ 4,656	$ 4,154
Other Customers	2,929	15,068
Total	$ 7,585	$ 19,222

(1) Obligation ends in 2019

CSX Transportation, Inc. (CSX) provides substantially all rail transportation service for the Authority's Cross and Winyah coal-fired generating stations. The Authority also interchanges with some short line railroads via CSX for the movement of coal as well. The CSX contract, effective January 1, 2011, and extended per amendment effective January 1, 2016, continues to apply a price per ton of coal moved, along with a mileage based fuel surcharge and minimum tonnage obligation.

The Authority has commitments for nuclear fuel, nuclear fuel conversion, enrichment and fabrication contracts for Summer Nuclear Units 1, 2 and 3. As of December 31, 2015, these contracts total approximately $508.5 million over the next 22 years.

In 2010, the Authority amended the Rainey Generating Station Long-Term Parts and Long-Term Service Contract with General Electric International, Inc. (GEII). In lieu of exercising its option to terminate the Contract for convenience and to pursue non original equipment manufactured parts and services, the Authority negotiated an amendment with reduced pricing for maintenance and fixed escalation. The contract provides a contract performance manager (CPM), initial spare parts, parts and services for specified planned maintenance outages, remote monitoring and diagnostics of the turbine generators and combustion tuning for the gas turbines.

The amended contract value is approximately $97.2 million, excluding escalation and adjustments for liquidated damages and bonuses. The contract term extends through the second major inspection for Rainey 1 (expected to be completed in 2018). Rainey 2A and 2B have reached the contract "performance end date." The Authority's estimated remaining commitment on the contract is $25.6 million, including escalation, and the Authority is currently exploring options for these units, including a potential extension of the GEII contract. The Authority's Board has approved recovery of contract expenditures on a straight-line basis over the term of the contract.

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

Risk Management – The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. The Authority purchases commercial insurance to cover these risks, subject to coverage limits and various exclusions. Settled claims resulting from these risks did not exceed commercial insurance coverage in 2015. Policies are subject to deductibles ranging from $500 to $2.0 million, with the exception of named storm losses which carry deductibles from $2.0 million up to $5.0 million. Also a $1.4 million general liability self-insured layer exists between the Authority's primary and excess liability policies. During 2015, there were minimal payments made for general liability claims.

The Authority is self-insured for auto, dental, worker's compensation and environmental incidents that do not arise out of an insured event. The Authority purchases commercial insurance, subject to coverage limits and various exclusions, to cover automotive exposure in excess of $2.0 million per incident. Risk exposure for the dental plan is limited by plan provisions. Estimated exposure for worker's compensation is based on an annual actuarial study using loss and exposure information valued as of June 30, 2015. In addition, there have been no third-party claims regarding environmental damages for 2015 or 2014.

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

Years Ended December 31,		**2015**		2014
		(Thousands)		
Unpaid claims and claim expense at beginning of year	**$**	**1,321**	$	2,538
Incurred claims and claim adjustment expenses:				
Add: Provision for current year events		**2,377**		2,043
Less: Payments for current and prior years		**2,219**		3,260
Total unpaid claims and claim expenses at end of year	**$**	**1,479**	$	1,321

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

(1) claims of covered employees for health benefits covered through South Carolina Public Employee Benefit Authority (PEBA) Insurance Benefits; not applicable for worker's compensation injuries; and
(2) claims of covered employees for basic long-term disability and group life insurance benefits (PEBA Insurance Benefits and PEBA Retirement Benefits).

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

Nuclear Insurance - The maximum liability for public claims arising from any nuclear incident has been established at $13.5 billion by the Price-Anderson Indemnification Act. This $13.5 billion would be covered by nuclear liability insurance of $375.0 million per reactor unit, with potential retrospective assessments of up to $127.3 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed $18.9 million per incident, per year). Based on its one-third interest in Summer Nuclear Unit 1, the Authority could be responsible for the maximum assessment of $42.4 million, not to exceed approximately $6.3 million per incident, per year. This amount is subject to further increases to reflect the effect of (i) inflation, (ii) the licensing for operation of additional nuclear reactors and (iii) any increase in the amount of commercial liability insurance required to be maintained by the NRC. Additionally, SCE&G and the Authority maintain, with Nuclear Electric Insurance Limited (NEIL), $1.5 billion primary and $1.25 billion excess property and decontamination insurance to cover the costs of cleanup of the facility in the event of an accident. SCE&G and the Authority also maintain accidental outage insurance to cover replacement power costs (within policy limits) associated with an insured property loss. In addition to the premiums paid on these policies, SCE&G and the Authority could also be assessed a retrospective premium, not to exceed ten times the annual premium of each policy, in the event of property damage to any nuclear generating facility covered by NEIL. Based on current annual premiums and the Authority's one-third interest, the Authority's maximum retrospective premium would be approximately $7.3 million for the primary policy, $2.3 million for the excess policies and $1.8 million for the accidental outage policy.

SCE&G and the Authority maintain builder's risk insurance and marine cargo insurance for the Summer Nuclear Units 2 and 3 construction. The builder's risk policy provides coverage of $2.75 billion accidental nuclear property damage with a sub-limit of $500.0 million for accidental property damage that is caused by or results from any covered peril other than radioactive contamination resulting from nuclear reaction, nuclear radiation or the release of radioactive materials, with deductibles ranging from $250,000 to $5.0 million. This policy also carries a potential retrospective premium of approximately $42.0 million. Based on the Authority's current 45 percent ownership interest, the Authority's maximum retrospective premium would be approximately $18.9 million. The marine cargo/transit policy provides coverage of $300.0 million, with deductibles ranging from $25,000 to $75,000.

The Authority is self-insured for any retrospective premium assessments, claims in excess of stated coverage or cost increases due to the purchase of replacement power associated with an uninsured event. Management does not expect any retrospective assessments, claims in excess of stated coverage or cost increases for any periods through December 31, 2015.

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

In addition to the existing Clean Air Act (CAA) Federal Acid Rain Program, the Environmental Protection Agency (EPA) has promulgated and is implementing the Cross State Air Pollution Rule (CSAPR) for SO2 and NOx emissions, effective January 1, 2015.

CSAPR was EPA's replacement for the Clean Air Interstate Rule (CAIR). After going through the U.S. Court of Appeals process for the D.C. Circuit over the last several years, CSAPR is now in effect due to several court decisions in 2014. Emission budgets were applied beginning January 1, 2015 for the annual programs, and also started on May 1, 2015 for the ozone-season NOx program. This rule is not expected to negatively impact Santee Cooper.

Currently, there are both legislative and regulatory efforts to reduce greenhouse gas emissions. The Authority continues to review proposed greenhouse gas regulations to assess potential impacts to its operations. In 2010, EPA finalized the Prevention of Significant Deterioration (PSD) Tailoring Rule for regulating greenhouse gases through the PSD permitting process under the existing CAA. EPA issued Best Available Control Technology (BACT) Guidance in 2010 for use under the rule effective July 1, 2011. In 2014, EPA proposed three separate rules for (1) new, (2) existing, and (3) modified and reconstructed Electric Generating Units (EGU). On August 3, 2015, EPA proposed a final rule to regulate carbon dioxide emissions from power plants. The final rule was published in the Federal Register on October 23rd and has major revisions that benefit South Carolina by allowing the use of new nuclear unit at Summer Nuclear for compliance for existing generation units. For new, modified, or existing units, the final rule appears to offer attainable limits for modified and reconstructed coal steam units as well as combined cycle gas generation. The rule requires partial carbon capture and storage for new coal-fired units. Santee Cooper is working to model how the final rule will impact Santee Cooper based on the current generation forecast. On February 9, 2016, the Supreme Court in a 5-4 vote granted an emergency stay of the EPA's rule for existing units. The stay will remain in effect through the review of the rule by the Court of Appeals for the District of Columbia Circuit and until the Supreme Court decides the matter, in the event that the losing side decides to appeal to the Supreme Court. This legal process could run into the middle of 2018.

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

Through the maximum achievable control technology (MACT) regulatory process, the EPA has proposed the Utility MACT regulations to reduce the emissions of mercury and other hazardous air pollutants (HAPs) from coal and oil-fired electric utility steam boilers. As a part of EPA rule development, the Authority participated in the EPA's mandatory Information Collection Request (ICR) for mercury and other HAPs for its coal-fired and oil-fired units. The ICR required facility and fuel information as well as stack testing at Cross, Winyah and Jefferies generating stations.

The proposed MACT rule was released in March 2011 with a public notice comment period. The Authority submitted comments to the proposed rule. The final MACT rule, renamed the Mercury and Air Toxics Standard (MATS) became effective April 16, 2012, with a compliance deadline for existing units of April 16, 2015. Santee Cooper applied for and received a compliance extension for its Cross and Winyah coal-fired EGUs for April 16, 2016 granted by DHEC and in accordance with the regulation. On June 29, 2015, the U.S. Supreme Court remanded MATS back to a lower court for EPA to consider costs for developing the emissions limits in MATS (EPA did not consider costs in determining the original limits in MATS). The lower court remanded the rule back to EPA for consideration of costs in December 2015. In November 2015, EPA proposed a supplemental finding that includes a consideration of costs would not alter EPA's previous determination that it is appropriate to regulate air toxins.

The MATS rule includes emissions limitations for mercury, acid gases and other HAPs from existing and new coal-fired and oil-fired electric utility steam units. This is EPA's first national standard to reduce mercury and other air toxics from coal-fired and oil-fired power plants.

On November 26, 2014, the U.S. EPA completed the federally mandated 5-year review of the national ambient air quality standards (NAAQS) and proposed a revised (more stringent) ground-level ozone standard range. This applies to both the primary (public health) and secondary (public welfare) standards. The 90-day public comment period began December 17, 2014. On October 1, 2015, EPA announced that the new NAAQS for ozone will be set at 70 parts per billion. This will apply to both the primary and secondary ozone standards. EPA projections, based on current monitoring networks, are that all counties in South Carolina will meet the revised standard by 2025 without taking additional action to reduce emissions.

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

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

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

The CWA, under Section 316(b), requires that cooling water intake structures (CWIS) reflect the best technology available for minimizing adverse environmental impacts, such as the impingement of fish and shellfish on the intake structures and the entrainment of eggs and larvae through cooling water systems. The EPA published the final rule under the CWA Section 316(b) on August 15, 2014, and the rule became effective October 15, 2014. The final rule contains some significant deviations from the proposed rule, such as an outline of seven compliance options and an extended reporting deadline. The Authority will continue to work with the regulatory agencies on implementation.

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

The NPDES Steam Electric Effluent Limitation Guidelines (ELGs) rule became effective on January 4, 2016. It applies to all existing steam electric units greater than 50 MWs (other than oil-fired) and is to be phased in as soon as possible beginning November 1, 2018, but no later than December 31, 2023, via the reissuance of generating station NPDES Permits. New standards for new sources are also included. Since EPA promulgated best management practices (BMPs) to inspect active and inactive surface impoundments in the Coal Combustion Residuals rule, similar BMPs were not established in the ELGs, avoiding unnecessary duplication.

On June 29, 2015, EPA and the Corps of Engineers published the final rule that redefined "Waters of the U.S." (WOTUS). The rule became effective on August 28, 2015. On October 9, 2015, the U.S. Court of Appeals for the Sixth Circuit issued an order staying the WOTUS rule nationwide pending completion of the Court's review of the rule. The published final rule attempts to clarify which streams, wetlands, and other water bodies are subject to permitting and compliance requirements under the Clean Water Act. The final rule expands the federal jurisdiction under the Clean Water Act. For new construction or expansion projects there will be more water features regulated as Waters of the U.S. This will require additional permitting and mitigation enforcement.

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

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

The Authority generates solid waste associated with the combustion of coal, the vast majority of which is fly ash, bottom ash, scrubber sludge and gypsum. These wastes, known as Coal Combustion Residuals (CCRs), are exempt from hazardous waste regulation under the RCRA. On April 17, 2015, the EPA published the rule to regulate CCRs as a RCRA Subtitle D, nonhazardous waste with an effective date of October 19, 2015. The rule establishes the following national minimum criteria for existing and new CCR landfills and surface impoundments:

- Location restrictions;
- Design and construction requirements;
- Operating criteria such as inspections, structural integrity evaluations and fugitive dust controls;
- Groundwater monitoring and corrective action;
- Closure requirements and post-closure care;
- Record keeping, notifications and Internet posting requirements.

No firm estimates relative to the cost of implementing this regulation have been made at this time since the rule is still under review. However, the Authority has budgeted $325.0 million through 2019 for compliance purposes.

The Solid Waste Disposal Act and Energy Policy Act give EPA authority to regulate Underground Storage Tanks (USTs). EPA regulations concerning USTs are contained in 40 CFR Parts 280-282. DHEC has granted state program approval in 2002 and regulates USTs under R. 61-92, Part 280 dated 2008. This regulation provides requirements for the design, installation, operation, closure, release detection, reporting and corrective action and financial responsibility. The Authority's corporate policy number 2-11-02 provides guidance for the proper management and monitoring of USTs for environmental and regulatory compliance.

At Cross Generating Station, construction of the Class 3 landfill was completed and certified to receive CCR waste on December 8, 2015. The Class 2 landfill received waste until December 31, 2015 and closure is scheduled for completion by June 30, 2016.

The Authority is in the process of retiring units and ancillary facilities at Grainger and Jefferies generating stations. The Authority plans to properly close ash ponds at these facilities by excavation and beneficial use. A closure plan for the Grainger Generating Station ash ponds has been approved by DHEC and closure through beneficial use is in progress. Development of a similar closure plan for Jefferies ash ponds is in progress. In addition, the Authority is planning to close the Grainger cooling pond in accordance with DHEC requirements.

The Authority received DHEC approval for plans to close the West Ash Pond and the Unit 2 slurry pond at Winyah Generating Station. Closure is in progress for both ponds.

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

The Authority recorded $40,000 for pollution remediation liabilities for each of the years ended December 31, 2015 and 2014. The method used to estimate the liabilities consists of weighting a range of possible estimated job cost amounts and calculating a weighted average cost. The weights and estimated costs are developed using professional engineering judgment acquired through years of estimating and completing many pollution remediation projects.

Homeland Security – The Department of Homeland Security (DHS) was established by the Homeland Security Act of 2002, a portion of which relates to anti-terrorism standards at facilities which store or process chemicals. The Authority has been proactive in striving to comply with these evolving regulations by conducting valid threat and risk assessments to the facilities regulated by the Chemical Facility Anti-Terrorism Standards (CFATS) program, also referred to as 6 CFR, Part 27. Once completed, the assessments (performed and coordinated by the Law Enforcement Division) become sensitive, federally controlled documents and are stored in accordance with all federal and state guidelines attendant to critical infrastructure information protection.

Legislative Matters – The Authority has been scheduled for review of its statutory compliance and strategic direction by a Joint Senate and House Oversight Committee pursuant to the South Carolina Restructuring Act of 2014, which requires the conduct of oversight studies of all state agencies at least every seven years. The Joint Oversight Committee held its initial meeting on January 5, 2016. The Authority's President and CEO Lonnie Carter gave an operational overview and responded to questions from committee members. The Authority will continue to assist the committee throughout the oversight process.

On December 10, 2015 there was prefiled in the South Carolina House of Representatives, by title only, a joint resolution (H 4541) dealing with a process for selling all or some noncontrolling percentage ownership interest in the Authority. Similar bills have been filed in the past, and the Authority will closely monitor this proposed legislation as the text of statutory language and other details become available.

Legal Matters – Except as noted below, there are no actions, suits, or governmental proceedings pending or, to the knowledge of the Authority, threatened before any court, administrative agency, arbitrator or governmental body which would, if determined adversely to the Authority, have a material adverse effect on its financial condition. However, even if determined adversely to the Authority, no such actions, suits, or governmental proceedings would have a material adverse effect on the Authority's ability to transact its business or meet its obligations under the Revenue Obligation Resolution.

Horry Electric Cooperative, Inc. (Horry Co-op) Suit. In May 2013, Horry Co-op, a member of Central, sued the Authority seeking indemnification for claims in a class action lawsuit brought against Horry Co-op by certain Horry customers. The customers allege mold damage to their homes was caused by vapor barriers installed in accordance with the Authority's energy efficiency recommendations. Horry Co-op's complaint alleges the Authority knew the vapor barrier could cause moisture problems but failed to disclose the information to Horry Co-op and failed to advise Horry Co-op that the vapor barrier should be a recommendation rather than a requirement. A settlement has been reached in the underlying class action lawsuit against Horry Co-op. The settlement provides for the establishment of two funds, totaling $6.0 million dollars, to pay the claims of the class members. The Authority has been informed that as of the deadline for filing claims approximately $1.4 million dollars in claims and attorney fees have been paid. The Authority filed a motion to dismiss the claims brought against it by Horry Co-op. On June 11, 2014, the Court dismissed the suit, ruling that the majority of the claims were dismissed with prejudice and that the claim for equitable indemnification was dismissed without prejudice. Horry Co-op has appealed the dismissal of the suit. The Authority cannot predict the outcome of the appeal. On October 20, 2014 the Authority was served with an additional complaint filed by Horry Co-op in Horry County. The complaint alleges a single cause of action for indemnity arising out of the same underlying factual allegations as the original complaint filed in May of 2013. The Authority has filed a motion to dismiss the complaint. The Authority cannot predict the outcome of this lawsuit.

Purported Class Action. The Authority has received an unfiled complaint which asserts a purported class action on behalf of the Authority's retail customers. The complaint contains a number of causes of action and allegations related to the Authority's decisions to construct and then to cancel construction of a coal-fired generation project in Florence County, SC. The Authority is evaluating the claim.

NOTE 11 – RETIREMENT PLANS

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (restructured into the Department of Administration on July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (SCRS) and serves as a co-trustee of the Systems in conducting that review.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina, and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

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

Benefit Provided - Vested employees (Class Two Members) who retire at age 65 or with 28 years of service at any age are entitled to a retirement benefit, payable monthly for life. Vested employees (Class Three Members) who retire at age 65 or meet the "rule of 90 requirements" (i.e., the total of the member's age and the member's creditable service equals at least 90 years), are entitled to a retirement benefit, payable monthly for life. The annual benefit amount is equal to 1.82 percent of their average final compensation times years of service. Benefits fully vest on reaching five years of service for Class Two Members and eight years for Class Three Members. Reduced retirement benefits are payable as early as age 60 with vested service or 55 with 25 years of service for Class Two Members. The SCRS also provides death and disability benefits. Benefits are established by State statute.

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

Effective July 1, 2012, the TERI program will close for Class Two members (members with effective date prior to July 1, 2012) on June 30, 2018, and it is not available to Class Three members (members with effective date on or after July 1, 2012). TERI will be phased out in a 5-4-3-2-1 format. Members who enter the TERI program after July 1, 2013, will not be eligible to participate for the full five years. TERI participation will end on June 30, 2018, regardless of when a member enters the program.

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

Effective July 1, 2002, new employees have a choice of the type of retirement plan in which to enroll. The State Optional Retirement Plan (State ORP) which is a defined contribution plan is an alternative to the SCRS retirement plan which is a defined benefit plan. The contribution amounts are the same, (8.16 percent employee cost and 10.91 percent employer cost); however, 5.00 percent of the employer amount is directed to the vendor chosen by the employee and the remaining 5.91 percent is contributed to the Retirement System. As of December 31, 2015, the Authority had 45 employees participating in the State ORP and consequently the related payments are not material.

Contributions - All employees are required by State statute to contribute to the SCRS at the prevailing rate, currently 8.16 percent. The Authority contributed 10.91 percent of the total payroll for SCRS retirement. For 2015, the Authority also contributed an additional 0.15 percent of total payroll for group life. The contribution requirements for the prior three years were as follows:

Years Ended December 31,	**2015**	2014	2013
		(Millions)	
From the Authority	**$ 14.8**	$ 13.9	$ 13.3
From Employees	**11.0**	10.2	9.2

The Authority made 100 percent of the required contributions for each of the three years.

Liabilities, Expense and Deferred Outflows (Inflows) of Resources Related to Pensions - At December 31, 2015, the Authority reported a liability of $286.3 million. This includes its share of the net pension liability from SCRS as well as pension liabilities associated with the supplemental executive retirement plans (SERP) noted under post-employment benefits, which were immaterial. The SCRS net pension liability was measured as of June 30, 2015 and determined by an actuarial valuation as of June 30, 2014. The Authority's proportionate share of the total net pension liability was based on the ratio of our actual contributions of $14.8 million paid to SCRS for the year ended June 30, 2015 relative to the actual contributions of $1,188.1 million from all participating employers. At June 30, 2015, the Authority's proportionate share was 1.44 percent.

For the year ended December 31, 2015, the Authority recognized a pension expense of $19.5 million, our proportionate share of the total pension expense. At December 31, 2015, the Authority reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
	(Thousands)	
Differences between expected and actual experience	$ 4,863	$ 487
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	17,562	15,726
Changes in proportion and differences between Authority's contributions and proportionate share of plan contributions	22	1,202
Authority's contributions subsequent to the measurement date	7,537	0
Total	$ 29,984	$ 17,415

The Authority reported $7.5 million as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the Authority's proportional share of the net balance of remaining deferred outflows (inflows) of resources at December 31, 2015. Average remaining service lives of all employees provided with pensions through the pension plans at July 1, 2014, measurement date was 4.164 years for SCRS.

Year Ending December 31:	
	(Thousands)
2016	$ 796
2017	796
2018	(867)
2019	4,307
2020	0
Total	$ 5,032

Actuarial Assumptions – Actuarial valuations of the Authority involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Significant actuarial assumptions and other inputs used to measure the total pension liability:

- Measurement Date	June 30, 2015
- Valuation Date	June 30, 2014
- Expected Return on Investments	7.50%
- Inflation	2.75%
- Future Salary Increases	3.50%
- Mortality Assumption	RP 2000 Mortality Table set back projected at SCALE AA from year 2000. RP-2000 Males multiplied by 100%. RP-2000 Females multiplied by 90%.

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return - The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	**Target Asset Allocation**	**Expected Arithmetic Real Rate of Return**	**Long Term Expected Portfolio Real Rate of Return**
Short Term			
Cash	2.0%	0.3	0.01
Short Duration	3.0%	0.6	0.02
Domestic Fixed Income			
Core Fixed Income	7.0%	1.1	0.08
High Yield	2.0%	3.5	0.07
Bank Loans	4.0%	2.8	0.11
Global Fixed Income			
Global Fixed Income	3.0%	0.8	0.02
Emerging Markets Debt	6.0%	4.1	0.25
Global Public Equity	31.0%	7.8	2.42
Global Tactical Asset Allocation	10.0%	5.1	0.51
Alternatives			
Hedge Funds (Low Beta)	8.0%	4.0	0.32
Private Debt	7.0%	10.2	0.71
Private Equity	9.0%	10.2	0.92
Real Estate (Broad Market)	5.0%	5.9	0.29
Commodities	3.0%	5.1	0.15
Total Expected Real Return	100.0%		5.88
Inflation for Actuarial Purposes			2.75
Total Expected Nominal Return			8.63

Sensitivity Analysis - The following table presents the Authority's collective net pension liability calculated using the discount rate of 7.50%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate.

	1.00% Decrease (6.50%)	**Current Discount Rate (7.50%)**	**1.00% Increase (8.50%)**
		(Thousands)	
Authority's proportionate share of the net pension liability	$ 359,237	$ 286,300	$ 225,128

Other Retirement Benefits - The Authority also provides retirement benefits to certain employees designated by management and the Board under SERP. Benefits are established and may be amended by management and the Authority's Board and include retirement benefit payments for a specified number of years and death benefits. The cost of these benefits is actuarially determined annually. Beginning in 2006, these plans were segregated into internal and external funds. The qualified benefits are funded externally with the annual cost set aside in a trust administered by a third party. The pre-2006 retiree benefits and the non-qualified benefits are funded internally with the annual cost set aside and managed by the Authority. At December 31, 2015, the Authority reported a liability associated with the three plans of $12.7 million.

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(Thousands)	
Differences between expected and actual experience	$ 621	$ 9
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	729	0
Authority's contributions subsequent to the measurement date	96	0
Total	$ 1,446	$ 9

The Authority reported $96,000 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years.

The following schedule reflects the amortization of the Authority's proportional share of the net balance of remaining deferred outflows (inflows) of resources at December 31, 2015.

Year Ending June 30:	
	(Thousands)
2016	$ 323
2017	323
2018	323
2019	323
2020	49
Total	$ 1,341

Summer Nuclear Retirement - The Authority and SCE&G are parties to a joint ownership agreement at the Summer Nuclear Station. As such, the Authority is responsible for funding its share of pension requirements for the nuclear station personnel. Any earnings generated from the established pension plan are shared proportionately and used to reduce the allocated funding.

As of December 31, 2015, the Authority had a noncurrent pension liability balance of $769,000. At December 31, 2014, the Authority had over-funded it share of requirements by $766,000, which was applied to 2015.

In accordance with FASB ASC 715, the Authority has a regulatory liability balance of approximately $19.6 million and $18.6 million for the unfunded portion of pension benefits at December 31, 2015 and 2014, respectively. Additional information may be obtained by reference to the SCANA Corporation Annual Report on Form 10K as filed with the Securities Exchange Commission as of December 31, 2015.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Vacation / Sick Leave – Full-time employees earn 10 days of vacation leave for service under five years and 15 days of vacation leave for service under 11 years. Employees earn an additional day of vacation leave for each year of service over 10 until they reach the maximum of 25 days per year. Employees earn two hours per pay period, plus 20 additional hours at year-end for sick leave.

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

Plan Description - The Authority participates in an agent multiple-employer defined benefit healthcare plan whereby PEBA Insurance Benefits provides certain health, dental and life insurance benefits for eligible retired employees of the Authority. The retirement insurance benefits available are defined by PEBA Insurance Benefits and substantially all of the Authority's employees may become eligible for these benefits if they meet retirement eligibility with a minimum of 10 years of earned service or upon reaching age 60 after leaving employment with at least 20 years of service. Currently, approximately 821 retirees meet these requirements.

For employees hired May 2, 2008 or thereafter, the number of years of earned service necessary to qualify for funded retiree insurance is 15 years for a one-half contribution, and 25 years for a full contribution. PEBA Insurance Benefits may be contacted at: PO Box 11661, Columbia, S.C. 29211-1661 and PEBA Retirement Benefits may be contacted at PO Box 11660, Columbia, S.C. 29211-1960.

Funding Policy - Prior to 2010, the Authority used the unfunded pay-as-you-go option (or cash disbursement) method pursuant to GASB 45 to record the net OPEB obligations. During 2010, the Authority elected to adopt an advanced or pre-funding policy and established an irrevocable trust with Synovus Trust Company. This method of funding will eventually result in lower contributions over time compared to the prior pay-as-you-go funding policy.

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

Year Ended December 31,	**2015**	2014
	(Thousands)	
Annual required contribution	**$ 11,561**	$ 12,038
Interest on OPEB obligation	**485**	538
Adjustment to ARC	**(440)**	(464)
Annual OPEB cost	11,606	12,112
Net estimated employer contributions	**(10,639)**	(11,691)
Increase in net OPEB obligation	**$ 967**	$ 421
Net OPEB obligation-beginning of year	**$ 10,202**	$ 9,781
Net OPEB obligation-end of year	**$ 11,169**	$ 10,202

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2015 and the preceding two years were as follows:

	Annual OPEB Cost	**Employer Amount Contributed**	**Net OPEB Obligation**	**Percentage Contributed**
Years Ended December 31,		(Thousands)		(%)
2013	$ 11,758	$ 11,302	$ 9,781	96.1
2014	12,112	11,691	10,202	96.5
2015	**11,606**	**10,639**	**11,169**	**91.7**

Funded Status and Funding Progress - The funded status of the Authority's retiree health care plan under GASB 45 as of December 31, 2014, the latest actuarial study date, is as follows:

Required Supplementary Information - Schedule of Funding Progress

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Annual Covered Payroll (c)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a / b)	Ratios of UAAL to Annual Covered Payroll (b-a)/(c)
	(Thousands)				(%)
$ 39,364	$ 184,355	$ 120,204	$ 144,991	21.4	120.6

Note: As of December 31, 2015, the OPEB trust had assets of $44.8 million.

The required schedule of funding progress presented as required supplementary information provided multi-year trend information that shows whether the actuarial value of plan assets is increasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions - The Projected Unit Credit actuarial cost method is used to calculate the ARC for the Authority's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members, as well as to amortize a portion of the unfunded accrued liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the Authority's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Projections of health benefits are based on the plan as understood by the Authority and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Authority and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Inflation rate	3.00% per annum
Investment rate of return	4.75% net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30 year, open amortization
Payroll growth	3.00% per annum
Medical trend:	
Initial	6.00%
Ultimate	4.50% after 9 years
Drug trend:	
Initial	6.00%
Ultimate	4.50% after 9 years

Summer Nuclear OPEB - The Authority is responsible for funding its share of OPEB costs for nuclear station employees. The Authority's liability balances as of December 31, 2015 and 2014 were approximately $11.1 million and $10.5 million, respectively.

In accordance with FASB ASC 715, the Authority recorded a regulatory liability of approximately $3.2 million and $4.6 million for the unfunded portion of OPEB costs at December 31, 2015 and 2014, respectively. Additional information may be obtained by reference to the SCANA Corporation Annual Report on Form 10K as filed with the Securities Exchange Commission as of December 31, 2015.

NOTE 13 – CREDIT RISK AND MAJOR CUSTOMERS

In 2015, the Authority had one customer that accounted for more than 10 percent of the Authority's sales:

Customer:		2015		2014
		(Millions)		
Central	**$**	**1,070**	$	1,118

The Authority maintains an allowance for uncollectible accounts based upon the expected collectability of all accounts receivable. The allowance at each year ended December 31, 2015 and 2014 was $1.7 million and $1.6 million, respectively.

NOTE 14 – STORM DAMAGE

2015
In October 2015, the Authority's system sustained damages from flooding associated with an unusual rainfall event in South Carolina. As a result, several counties in South Carolina were designated as federal disaster areas. The damage sustained by the Authority in these counties had impacts on the Authority's generation, transmission and distribution systems. At December 31, 2015, the Authority recorded a receivable of $3.6 million for federal reimbursement of associated damages. Additional costs will be incurred in 2016 that may also qualify for federal reimbursement.

2014
In February 2014, the Authority's system sustained damages from Winter Storm Pax (Pax). As a result, several counties in South Carolina were designated as a federal disaster area. The damage sustained by the Authority in these counties was mainly to the Authority's transmission and distribution systems.

As of December 31, 2014, all the restoration and repair work had been completed and/or accrued to capital cost or maintenance expense. The Authority received disaster relief assistance from federal sources on all eligible costs from the storm as of the close of 2014. The damages to the distribution system resulted in capital restoration costs of $1.9 million and federal reimbursement of $1.3 million. Damages to the transmission system resulted in maintenance expense and capital costs of approximately $761,000 and $632,000, respectively. The Authority received federal reimbursement of approximately $832,000.

The Authority does not expect to increase rates due to the impact of Pax and foresees no measurable long-term impact on its operations or the demand for electricity by its customers.

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE/RESTATEMENT

The Authority implemented GASB statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27) as amended by statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, in the year ended December 31, 2015. The implementation of the statement required the Authority to record a beginning net pension liability and the effects on net position of contributions made by the Authority during the measurement period (year ended December 31, 2014). As a result, net position as of January 1, 2015 decreased by $261.1 million.

NOTE 16 – SUBSEQUENT EVENTS

On February 10, 2016, the Authority issued $543.7 million of Revenue Obligations, 2016 Tax-exempt Refunding Series A Bonds. The bond proceeds were used to refund a portion of the following Revenue Obligations: 2007 Tax-exempt Series A, 2008 Tax-exempt Series A, 2009 Tax-exempt Refunding Series A, 2009 Tax-exempt Series B and 2014 Tax-exempt Series A. This issue resulted in a gross savings of $122.4 million over the life of the bonds.

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SUMMARY OF CERTAIN PROVISIONS OF THE REVENUE OBLIGATION RESOLUTION

The following statements are summaries of certain provisions of the Revenue Obligation Resolution. Except as otherwise provided in this Official Statement, terms used under this caption which are defined in the Revenue Obligation Resolution, including, but not limited to those defined hereinafter, are used herein as so defined. Certain other provisions of the Revenue Obligation Resolution are summarized under the caption "SECURITY FOR THE 2016C BONDS."

Definitions of Certain Terms Used in Revenue Obligation Resolution

The following words and phrases are defined in the Revenue Obligation Resolution as hereinafter set forth.

"Capital Costs" shall mean the Authority's costs of (i) physical construction of or acquisition of real or personal property or interests therein for any project, together with incidental costs (including legal, administrative, engineering, consulting and technical services, insurance and financing costs), working capital and reserves deemed necessary or desirable by the Authority (including but not limited to costs of supplies, fuel, fuel assemblies and components or interests therein), and other costs properly attributable thereto; (ii) all capital improvements or additions, including but not limited to, renewals or replacements of or repairs, additions, improvements, modifications or betterments to or for any project; (iii) the acquisition of any other property (tangible or intangible), capital improvements or additions, or interests therein, deemed necessary or desirable by the Authority for the conduct of its business; (iv) any other purpose for which bonds, notes or other obligations of the Authority may be issued under the Enabling Act or under other applicable State statutory provisions (whether or not also classifiable as an operating expense); and (v) the payment of principal, interest, and redemption, tender or purchase price of (a) any Obligations, Commercial Paper or other indebtedness issued by the Authority for the payment of any of the costs specified above, including capitalized interest on such indebtedness, or (b) any indebtedness issued by the Authority to refund any indebtedness described in the preceding clause (a).

"Government Obligations" shall mean direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Investment Securities" shall mean any of the following which at the time are legal investments under the laws of the State of South Carolina for the moneys held hereunder then proposed to be invested therein: (1) Government Obligations; (2) certificates which evidence ownership of the rights to payment of the principal of or interest on Government Obligations; (3) bonds, debentures, notes or participation certificates issued by the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Export-Import Bank of the United States, Federal Land Bank, the Federal National Mortgage Association, the Tennessee Valley Authority, or any other agency or corporation which is or may hereafter be created by or pursuant to an Act of Congress of the United States as an agency or instrumentality thereof; (4) obligations of state and local government municipal bond issuers, provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of non-callable obligations described in (1), (2), or (3) of this subparagraph, the maturing principal of and interest on which when due and payable, shall provide sufficient funds to pay the principal of and interest on such obligations of state and local government municipal bond issuers (5) Public Housing Bonds, or Project Notes, fully secured by contracts with the United States; (6) repurchase agreements with banks that are members of the federal reserve system or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York that are secured by securities described in (1) and (3) above having a current market value at least equal to one hundred two per cent (102%) of the amount of the repurchase agreement; (7) obligations of the State of South Carolina, (8) obligations of other states and investment contracts which obligations or investment contracts are rated at the time of purchase by each rating agency then maintaining a rating on the Obligations at the request of the Authority (each, a "Rating Agency") in one of the three highest rating categories (as determined without regard to any refinement or graduation of such rating by a numerical modifier or otherwise, a "Rating Category") of such Rating Agency; (9) deposits in interest bearing deposits or certificates of deposit or similar arrangements issued by any bank or national banking association (including the Trustee), which deposits, to the extent not insured by the Federal

Deposit Insurance Corporation, shall be secured by Government Obligations or obligations described in clauses (2), (3), (4) or (7) of this paragraph, having a current market value (exclusive of accrued interest) at least equal to one hundred five percent (105%) of the amount of such deposits, which Government Obligations or obligations described in clauses (2), (3), (4) or (7) of this paragraph shall have been deposited in trust by such bank or national association with the trust department of the Trustee or with a federal reserve bank or branch or, with the written approval of the Authority and the Trustee, with another bank, trust company or national banking association for the benefit of the Authority and the appropriate fund or account as collateral security for such deposits; (10) corporate securities, including commercial paper and fixed income obligations, which are, at the time of purchase, rated by a Rating Agency in one of its three highest Rating Categories for comparable types of obligations; and (11) such other investments from time to time allowed under applicable law.

"Obligations" shall mean any obligations, issued in any form of debt, authorized by a supplemental resolution, including but not limited to bonds, notes, bond anticipation notes, and Qualified Swaps, which are delivered under the Revenue Obligation Resolution.

"Operation and Maintenance Expenses" shall mean the Authority's expenses of operating the System, including, but not limited to, all costs of purchased power, operation, maintenance, generation, production, transmission, distribution, repairs, replacements, engineering, transportation, administration and general, audit, legal, financial, pension, retirement, health, hospitalization, insurance, taxes and any other expenses actually paid or accrued, of the Authority applicable to the System, as recorded on its books pursuant to generally accepted accounting principles, subject to the limitations with respect to take or pay contracts as set forth under "Take or Pay Contracts." Operation and Maintenance Expenses shall not include (1) any costs or expenses for new construction, (2) charges for depreciation, (3) voluntary payments in lieu of taxes or (4) any taxes or tax payments now or hereafter required to be made to the State or any political subdivisions only out of surplus revenues, for example, payments required by Code Sections 58-31-90, 58-31-100 (2) and (3), and 58-31-110, Code of Laws of South Carolina 1976.

"Permitted Investments" shall mean the obligations referred to in (1), (2), (3) and (4) of the definition of the term "Investment Securities".

"Qualified Swap" shall mean, to the extent from time to time permitted by law, with respect to Obligations, any financial arrangement (i) which is entered into by the Authority with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Obligations of the Authority as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Obligations); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, executed by the Authority for the purpose of moderating interest rate fluctuations or otherwise, and (iii) which has been designated in writing to the Trustee by the Authority as a Qualified Swap with respect to such Obligations.

"Qualified Swap Provider" shall mean an entity whose senior long term obligations, other senior unsecured long term obligations or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, are rated either (i) at least as high as the third highest Rating Category of each Rating Agency, but in no event lower than any Rating Category designated by each such Rating Agency for the Obligations subject to such Qualified Swap, or (ii) any such lower rating categories which each such Rating Agency indicates in writing to the Authority and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Obligations subject to such Qualified Swap that is in effect prior to entering into such Qualified Swap.

"Revenues" shall mean all the revenues, income, profits, tolls, rents, charges and returns of the Authority derived from its ownership or operation of the System, including the proceeds of any insurance covering business interruption loss relating to the System, but excluding other insurance proceeds and customer deposits.

System

The Authority's System, as defined in the Revenue Obligation Resolution, consists generally of (a) facilities for the purpose of acquiring, controlling, storing, preserving, treating, distributing and selling water for (i) navigation, power, irrigation, reclamation, or sale to residential, commercial, agricultural or industrial customers or other governmental entities; and (b) plants, works, structures, facilities and equipment for the generation, manufacture, transmission or distribution of water power and electric power and energy, and of any other forms of power and energy when authorized by the Enabling Act. The System shall not include separate projects established by the Authority for any corporate purpose of the Authority other than those projects and purposes described hereinabove, nor separate systems described under "Separate Systems."

Revenue Fund

The Revenue Obligation Resolution continues, for so long as any of the Revenue Obligations are Outstanding, the Revenue Fund. The Revenue Fund shall be held in trust and administered by the Authority. The Authority covenants and agrees in the Revenue Obligation Resolution to pay into the Revenue Fund, as promptly as practical after the receipt thereof, all Revenues.

Funds and Accounts

For the purpose of providing for the payment of the principal of, premium, if any, and interest on the Revenue Obligations, the Revenue Obligation Resolution creates a Revenue Obligation Fund. Payments into the Revenue Obligation Fund shall be made prior to the payments required to be made from, or retained in, the Revenue Fund to cover the cost of operation and maintenance of the System and the payments required to be made into the Capital Improvement Fund.

Order of Payments From Revenue Fund

Under the Revenue Obligation Resolution, moneys shall be disbursed by the Authority from the Revenue Fund in the following order:

1. *Revenue Obligation Fund*: To pay when due to the Trustee the Revenue Obligation Fund Payments.

2. *Operating and Maintenance*: To pay expense of operation and maintenance.

3. *Capital Improvement Fund*: To pay during each Fiscal Year into the Capital Improvement Fund amounts at least equal to the Minimum Capital Improvement Requirement.

Any moneys remaining in the Revenue Fund each month after making the payments referenced above may be used by the Authority for any corporate purpose of the Authority.

Certain Moneys Not Required to be Deposited in Revenue Fund

The Revenue Obligation Resolution does not require the deposit into the Revenue Fund of any of the revenues, income, receipts, profits or other moneys of the Authority derived by the Authority through the ownership or operation of any separate system described under the section "Separate System" or through the ownership or operation of any separate project referred to under the section "System".

Authorization of Revenue Obligations

At any time one or more series of Revenue Obligations may be issued pursuant to the Revenue Obligation Resolution, upon the terms set forth in a Series Resolution, for any corporate purpose of the Authority, including the refunding or purchase of Revenue Obligations, provided there is no default under the Revenue Obligation Resolution.

Separate Systems

The System shall not include (i) any facilities for the purpose of providing water for sale to residential, commercial, agricultural or industrial customers or other governmental entities, or (ii) any facilities for the generation of any form of power and energy, or for the transmission and distribution of any form of power and energy, and any incidental properties constructed, acquired or leased in connection therewith, constructed or acquired by the Authority as a separate system, and if constructed or acquired with the proceeds of sale of bonds or other evidences of indebtedness, which bonds or other evidences of indebtedness are payable solely from the revenues or other income derived from the ownership or operation of such separate utility system, and may be further secured by a pledge of Revenues junior and subordinate to the pledge securing the Revenue Obligations and payable therefrom, but only after the revenues and other income derived from the ownership or operation of such separate utility system and pledged to the payment of such bonds or other indebtedness are so applied in accordance with the proceedings providing for the issuance of such bonds or other indebtedness.

Junior Lien Obligations

Nothing in the Revenue Obligation Resolution shall prevent the Authority from issuing bonds, notes, bond anticipation notes, warrants, certificates or other obligations or evidences of indebtedness the payment of which shall be made from the proceeds of Revenue Obligations or other indebtedness of the Authority or from Revenues, and if payable from Revenues shall be made junior and subordinate to the payment of the Revenue Obligations. The Authority may create special funds to provide for the payment of such obligations, payments to which shall be made after payments to the Revenue Obligation Fund.

Insurance

The Revenue Obligation Resolution requires the Authority to insure such of its various properties as are usually insured by utilities owning like properties in similar amounts and coverages, with insurance companies, and to carry liability insurance in reasonable amounts.

Sale, Lease or Other Disposition of Properties

Subject to the next sentence, the Authority may sell, lease, or otherwise dispose of any part of its properties on such terms and conditions as may be prescribed by its Board of Directors. The Authority shall not take any action described in the preceding sentence unless, in the judgment of the Authority's Board of Directors, such action is desirable in the conduct of the Authority's business and does not materially impair the Authority's ability to comply with the rate covenant provisions of the Revenue Obligation Resolution.

Take or Pay Contracts

The Revenue Obligation Resolution does not prohibit the Authority from entering into take or pay contracts, including take or pay contracts with a separate system described under section "Separate Systems," to purchase power under conditions whereby payments the Authority is required to make may be calculated, in whole or in part, on the basis of power which the Authority does not purchase, require or obtain for whatever reasons. However, payments made by the Authority under such a take or pay contract for power not available for any reason other than an emergency or forced outage lasting not more than one year or normal and regularly scheduled maintenance outage may not be treated as Operation and Maintenance Expenses.

Capital Improvement Fund

The Revenue Obligation Resolution requires the deposit annually into the Capital Improvement Fund of an amount at least equal to the Minimum Capital Improvement Requirement defined as follows: an amount, which, together with the amounts deposited in the Capital Improvement Fund in the two immediately preceding Fiscal Years, will be at least equal to 8% of the revenues required by the Revenue Obligation Resolution to be paid into the Revenue Fund in the three immediately preceding Fiscal Years. Certain payments not made into the Capital Improvement Fund may be considered as a payment towards fulfillment of the Minimum Capital Improvement Requirement.

The moneys on deposit in the Capital Improvement Fund shall be used solely to pay Capital Costs.

Events of Default and Remedies Under the Revenue Obligation Resolution

A happening of one or more of the following constitutes an Event of Default under the Revenue Obligation Resolution:

(a) default in the due and punctual payment of any interest on any Revenue Obligation which shall continue for a period of 30 days; or

(b) default in the due and punctual payment of the principal of any Revenue Obligation, whether at the stated maturity thereof, at the mandatory redemption date, at the redemption date or upon declaration; or

(c) the Authority shall violate or fail to perform any of its covenants or agreements contained in the Revenue Obligation Resolution for 90 days after written notice of default is given to it by the Bond Fund Trustee or by the holder of any Revenue Obligation; or

(d) a default shall have occurred in respect of any bond, debenture, note or other evidence of indebtedness of the Authority, or in respect of any obligations of the Authority under any financing lease, whether now outstanding or existing or issued or otherwise undertaken hereafter, or under any indenture, resolution, lease or other agreement or instrument under which any such bond, debenture, note or other evidence of indebtedness or any such lease obligation has been or may be issued or by which any of the foregoing is or may be governed or evidenced, which default shall have resulted in the principal amount of such bond, debenture, note or other evidence of indebtedness or lease obligation becoming due and payable prior to its stated maturity or which default shall have been a default in the payment of principal when due and payable; or

(e) a decree or order by a court having jurisdiction in the premises shall have been entered judging the Authority as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of the Authority under the Federal bankruptcy laws or any similar applicable Federal or South Carolina law, and such decree or order shall have continued undischarged or unstayed for a period of forty (40) days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Authority or any of its property, or for the winding-up or liquidation of the Authority or any of its property, shall have been undischarged and unstayed for a period of sixty (60) days; or

(f) the Authority shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the Federal bankruptcy laws or any similar applicable Federal or South Carolina law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Authority or of any of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its insolvency or inability to pay its debts generally as they become due, or any action shall be taken by the Authority in furtherance of any of the foregoing aforesaid purposes.

If an Event of Default has occurred, and shall not have been remedied, the Trustee or the holders of not less than 25% in principal amount of the Revenue Obligations then outstanding may declare the principal of all Revenue Obligations and the interest accrued thereon to be immediately due and payable, but such declaration may be rescinded under certain circumstances.

After the occurrence of an Event of Default and prior to the curing of such Event of Default, the Trustee may, to the extent permitted by law, take possession and control of the System and operate and maintain the same,

prescribe rates for capacity or power sold or supplied through the facilities of the System, collect the gross revenues resulting from such operation and perform all of the agreements and covenants contained in any contract which the Authority is then obligated to perform. In such event, such gross revenues shall be applied, first to the payment of the reasonable expenses and liabilities of the Trustee and thereafter to the payment of operating expenses and principal of and interest on the Revenue Obligations. After all sums then due in respect of the Revenue Obligations have been paid, and after all Events of Default have been cured or secured, to the satisfaction of the Trustee, the Trustee is required to relinquish possession and control of the System to the Authority. At any such time the Trustee shall be entitled to the appointment of a receiver of the business and property of the System, of the moneys, securities and funds of the Authority pledged under the Revenue Obligation Resolution, and of the Revenues, and of the income therefrom, with all such powers as the court or courts making such appointment shall confer.

The Revenue Obligation Resolution empowers the Trustee to file proofs of claims for the benefit of the holders of the Revenue Obligations in bankruptcy, insolvency, or reorganization proceedings and to institute suit for the collection of sums due and unpaid in connection with the Revenue Obligations, to enforce specific performance of covenants contained in the Revenue Obligation Resolution or to obtain injunctive or other appropriate relief for the protection of the holders of the Revenue Obligations.

No holder of Revenue Obligations has any right to institute suit to enforce any provision of the Revenue Obligation Resolution or the execution of any trust thereunder (except to enforce the payment of principal or interest installments as they mature), unless the Trustee has been requested by the holders of not less than 25% in principal amount of the Revenue Obligations then outstanding to exercise the powers granted it by the Revenue Obligation Resolution or to institute such suit and unless the Trustee has refused or failed, within 60 days after the receipt of such request and after having been offered adequate security and indemnity, to comply with such request. In the event the Trustee has failed or refused to comply with the aforesaid request, the Revenue Obligation Resolution provides for the creation of an “Owners Committee.”

Modifications of the Revenue Obligation Resolution

Modifications of the Revenue Obligation Resolution and of the rights and duties of the Authority and the holders of Revenue Obligations may be made with the consent of the Authority and written consent of the holders of not less than a majority of the Revenue Obligations at the time outstanding; provided that no modification shall be made which will (i) extend the fixed maturity date for the payment of any Revenue Obligation, or reduce the principal amount of or interest rate on any such Revenue Obligation or extend the time of payment of interest thereon or reduce any premium payable upon the prepayment or redemption thereof, or advance the date upon which any Revenue Obligation may first be called for redemption; or (ii) reduce the percentage of Revenue Obligations the holders of which are required to consent to any amendment to the Revenue Obligation Resolution; or (iii) give any Revenue Obligation or Revenue Obligations any preference over any other Revenue Obligation or Revenue Obligations or reduce the payments required to be made to the Revenue Obligation Fund, without the consent of the holders of all the Revenue Obligations affected thereby.

Defeasance

The obligations of the Authority under the Revenue Obligation Resolution shall be fully discharged and satisfied as to any Revenue Obligation and such Revenue Obligation shall no longer be deemed to be outstanding thereunder when payment of the principal of and the applicable redemption premium, if any, on such Revenue Obligation plus interest to the due date thereof (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with the Trustee therefor in trust irrevocably appropriated and set aside exclusively for such payment (i) moneys sufficient to make such payments or (ii) Permitted Investments, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and, except for the purposes of such payment, such Revenue Obligation shall no longer be secured by or entitled to the benefits of the Revenue Obligation Resolution; provided that, with respect to Revenue Obligations to be redeemed or otherwise prepaid prior to the stated maturities thereof, notice of such redemption or prepayment shall have been given or irrevocable provision shall have been made for the giving of such notice.

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered as of the 3rd day of August, 2016, by and between SOUTH CAROLINA PUBLIC SERVICE AUTHORITY (the "Authority"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (the "Obligation Fund Trustee"), in connection with the issuance by the Authority of its $52,400,000 Revenue Obligations Tax-Exempt Refunding Series C (the "2016C Bonds"), pursuant to a resolution adopted by the Board of Directors of the Authority on April 26, 1999 (as supplemented and amended from time to time, the "Revenue Obligation Resolution"). The Authority and the Obligation Fund Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority and the Obligation Fund Trustee for the benefit of the Holders and Beneficial Owners of the 2016C Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Revenue Obligation Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2016C Bonds (including persons holding 2016C Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2016C Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the Treasurer of the Authority or his or her designee, or such other officer or employee as the Authority shall designate in writing to the Obligation Fund Trustee from time to time.

"Dissemination Agent" shall mean any Dissemination Agent designated in writing by the Authority and which has filed with the Obligation Fund Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org, or any successor National Repository as determined by the Securities and Exchange Commission.

"Participating Underwriter" shall mean Barclays Capital Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., Morgan Stanley & Co. LLC, J. P. Morgan

Securities LLC, US Bancorp and Wells Fargo Bank, National Association which are the original underwriters of the 2016C Bonds required to comply with the Rule in connection with offering of the 2016C Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as in effect as of the date hereof.

"State" shall mean the State of South Carolina.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purposes of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of execution of this Disclosure Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall provide, or shall cause the Dissemination Agent to provide, not later than six months after the end of the Authority's fiscal year (presently December 31), commencing with the fiscal year ending December 31, 2016, to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Authority's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5 of this Disclosure Agreement.

(b) Not later than fifteen Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the Authority shall provide the Annual Report to any Dissemination Agent and the Obligation Fund Trustee (if the Obligation Fund Trustee is not the Dissemination Agent). If by such date, the Obligation Fund Trustee has not received a copy of the Annual Report, the Obligation Fund Trustee shall contact the Authority and any Dissemination Agent to determine if the Authority is in compliance with the provisions of subsection (a) above.

(c) If the Obligation Fund Trustee is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Obligation Fund Trustee shall send a notice to the National Repository and to the State Repository, if any, in substantially the form attached as Exhibit A.

(d) Any Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the National Repository and the State Repository, if any; and

(ii) file a report with the Authority and (if the Dissemination Agent is not the Obligation Fund Trustee) the Obligation Fund Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Authority's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Authority for the prior fiscal year, prepared substantially in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, or such other accounting principles as the Authority may be required to employ from time to time pursuant to state law or regulation. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) of this Disclosure Agreement, the Annual Report shall contain unaudited financial statements in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report within fifteen days after they become available.

(b) To the extent such items are not included in the audited financial statements referred to in subsection (a) above, the financial and statistical data of the Authority as of a date not earlier than the end of the preceding fiscal year for the type of information included in the tables entitled "DEBT SERVICE SCHEDULE," "HISTORICAL SALES - Historical Demand, Sales and Revenues," and "FINANCIAL INFORMATION - Historical Operating Results" contained in the Official Statement of the Authority dated July 22, 2016, prepared in connection with the issuance of the 2016C Bonds (the "Official Statement"), as well as information of the type contained in the Official Statement concerning: (A) the percentage of revenues from sales to (i) Central Electric Power Cooperative Inc., (ii) Alumax of South Carolina, Inc. (iii) Nucor Corporation, (iv) the remaining eight largest industrial customers of the Authority, and (v) the remaining wholesale customers of the Authority; (B) the data set forth in the Official Statement in the third paragraph under the caption "POWER SUPPLY AND POWER MARKETING – Existing Power Resources", (C) the data set forth in the Official Statement under the caption "POWER SUPPLY AND POWER MARKETING – Existing Power Resources – *Summer Nuclear Unit 1*" and (D) the data set forth in the Official Statement in the first paragraph under the caption "POWER SUPPLY AND POWER MARKETING – Fuel Supply." Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the National Repository. The Authority shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Authority shall give, or cause to be given, in a timely manner, to the National Repository and to the State Repository, if any, notice of the occurrence of any of the following events with respect to the 2016C Bonds, within 10 business days of the occurrence thereof:

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;

3. unscheduled draws on debt service reserves reflecting financial difficulties;

4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions, IRS notices or events affecting the tax status of the 2016C Bonds;

7. modifications to the rights of Bondholders, if material;

8. call of any of the 2016C Bonds for redemption, if material;

9. defeasance of any of the 2016C Bonds;

10. release, substitution or sale of property securing repayment of the 2016C Bonds, if material;

11. rating changes;

12. tender offers;

13. bankruptcy, insolvency, receivership or similar event of the Authority;

14. merger, consolidation or acquisition of the Authority, if material;

15. appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) The Obligation Fund Trustee shall, within three Business Days of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Authority promptly notify the Obligation Fund Trustee in writing to report the event.

(c) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Obligation Fund Trustee pursuant to subsection (b) or

otherwise, the Authority shall promptly notify the Obligation Fund Trustee in writing. Such notice shall (i) instruct the Obligation Fund Trustee to report the occurrence, or (ii) inform the Obligation Fund Trustee that the Authority shall report such occurrence.

SECTION 6. Termination of Reporting Obligation. The Authority's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2016C Bonds. If such termination occurs prior to the final maturity of the 2016C Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5 of this Disclosure Agreement.

SECTION 7. Notice of Failure to Provide Information. The Authority shall give, or cause to be given, in a timely manner, to the National Repository and to the State Repository, if any, notice of the failure to provide the Annual Report in the manner set forth in Sections 3 and 4 of this Disclosure Agreement.

SECTION 8. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. Neither the Dissemination Agent nor the Obligation Fund Trustee shall be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Disclosure Agreement.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority may amend this Disclosure Agreement (and the Obligation Fund Trustee shall agree to any evidence of such amendment requested by the Authority), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) of this Disclosure Agreement, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person (as such term is defined in the Rule) with respect to the 2016C Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2016C Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the 2016C Bonds in the same manner as provided in the Revenue Obligation Resolution for amendments to the Revenue Obligation Resolution with the consent of such Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interest of the Beneficial Owners of the 2016C Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5 of this Disclosure Agreement, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Authority or the Obligation Fund Trustee to comply with any provision of this Disclosure Agreement, the Obligation Fund Trustee may (and, at the written request of the Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding 2016C Bonds, and receiving indemnification satisfactory to the Trustee, shall at the expense of the Authority), or any holder or Beneficial Owner of the 2016C Bonds may take such action and upon receiving indemnification satisfactory to the Obligation Fund Trustee as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority or Obligation Fund Trustee, as the case may be, to comply with its obligation under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Revenue Obligation Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority or the Obligation Fund Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

IN WITNESS WHEREOF, the Authority and the Obligation Fund Trustee have caused this Disclosure Agreement to be executed and attested by their authorized officers or officials, as of the day and year first above written.

SOUTH CAROLINA PUBLIC
SERVICE AUTHORITY

By: Suzanne H. Ritter

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.

By: ______________________________

IN WITNESS WHEREOF, the Authority and the Obligation Fund Trustee have caused this Disclosure Agreement to be executed and attested by their authorized officers or officials, as of the day and year first above written.

SOUTH CAROLINA PUBLIC
SERVICE AUTHORITY

By: ______________________________

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.

By: Cynthia M. Moore

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	South Carolina Public Service Authority
Name of Bond Issue:	$52,400,000 Revenue Obligations Tax-Exempt Refunding Series C (the "2016C Bonds")
Date of Issuance:	October 13, 2016

NOTICE IS HEREBY GIVEN that South Carolina Public Service Authority has not provided an Annual Report with respect to the above-named 2016C Bonds as required by Section 4.07 of the Forty-Fifth Series and Supplemental Resolution adopted by the Authority on July 22, 2016. [The Authority anticipates that the Annual Report will be filed by _______________.]

Dated:

____
Trustee on behalf of Authority

cc: The Authority

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Haynsworth
Sinkler Boyd, P.A.
ATTORNEYS AND COUNSELORS AT LAW

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[Date of Delivery]

Board of Directors
South Carolina Public Service Authority
One Riverwood Drive
Moncks Corner, South Carolina 29461

$52,400,000 South Carolina Public Service Authority Revenue Obligations,
2016 Tax-Exempt Refunding Series C

We have acted as bond counsel and have examined a certified copy of the Transcript of Proceedings and other proofs submitted to us, including the Constitution and Statutes of the State of South Carolina, in relation to the issuance by South Carolina Public Service Authority (the "Authority") of the Authority's $52,400,000 Revenue Obligations, 2016 Tax-Exempt Refunding Series C (the "2016 C Bonds").

The 2016 C Bonds recite that they are issued for valid corporate purposes of the Authority under the authority of and in full compliance with the Constitution and Statutes of the State of South Carolina, including Title 58, Chapter 31, Code of Laws of South Carolina 1976, as amended, and proceedings of the Board of Directors of the Authority duly adopted, including a resolution adopted by the Board of Directors of the Authority on April 26, 1999 (as supplemented and amended from time to time, the "Revenue Obligation Resolution"). All capitalized terms used herein and not defined shall have the meaning ascribed to such terms in the Revenue Obligation Resolution.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Revenue Obligation Resolution and in the certified Transcript of Proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing statutes, regulations and court decisions, as follows:

1. The 2016 C Bonds have been authorized and issued in accordance with the Constitution and Statutes of the State of South Carolina and constitute valid and legally binding

special obligations of the Authority payable solely from and secured by a lien upon and pledge of the Revenue Fund and the revenues of the Authority's System and other monies paid into the Revenue Fund (collectively, the "Revenues"), all as set forth and provided in the Revenue Obligation Resolution, on a parity with bonds heretofore and hereafter issued by the Authority pursuant to the Revenue Obligation Resolution on a parity with the 2016 C Bonds.

2. Interest on the 2016 C Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest on the 2016 C Bonds is taken into account in determining adjusted current earnings. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2016 C Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause interest on the 2016 C Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2016 C Bonds. We express no opinion regarding other federal tax consequences arising with respect to the 2016 C Bonds.

3. The 2016 C Bonds and the interest thereon (including any original issue discount properly allocable to an owner thereof) are exempt from all state, county, school district, municipal, and all other taxes or assessments of the State of South Carolina, except inheritance, estate, transfer or certain franchise taxes.

We express no opinion regarding the accuracy, completeness, or sufficiency of any offering material relating to the 2016 C Bonds. Furthermore, we express no opinion regarding federal tax consequences arising with respect to the 2016 C Bonds, other than as expressly set forth herein.

It is to be understood that the rights of the owners of the 2016 C Bonds and the enforceability of the 2016 C Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

Very truly yours,

DESCRIPTION OF BOOK-ENTRY ONLY SYSTEM

Unless and until the book-entry only system has been discontinued, the 2016C Bonds will be available only in book-entry form in principal amounts of $5,000 or any integral multiple thereof. The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the 2016C Bonds. The 2016C Bonds will be issued initially as fully registered 2016C Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond will be issued for each maturity of 2016C Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

Beneficial ownership interests in the 2016C Bonds will be available only in book-entry form. Beneficial Owners of the 2016C Bonds ("Beneficial Owners") will not receive physical bond certificates representing their interests in the 2016C Bonds purchased. So long as DTC or its nominee is the registered owner of the 2016C Bonds, references in this Official Statement to the Owners of the 2016C Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners.

THE FOLLOWING DESCRIPTION OF DTC, ITS PROCEDURES AND RECORD KEEPING ON BENEFICIAL OWNERSHIP INTERESTS IN THE 2016C Bonds, PAYMENT OF INTEREST AND OTHER PAYMENTS ON THE 2016C Bonds TO DTC PARTICIPANTS (AS HEREIN DEFINED) OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2016C Bonds AND OF OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (*"Direct Participants"*) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated 2016C Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (*"DTCC"*). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2016C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016C Bonds on DTC's records. The ownership interest of each actual purchaser of the 2016C Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of beneficial ownership interests in the 2016C Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2016C Bonds, except in the event that use of the book-entry system for the 2016C Bonds is discontinued.

To facilitate subsequent transfers, all of the 2016C Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the 2016C Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016C Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016C Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2016C Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016C Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the 2016C Bonds may wish to ascertain that the nominee holding the 2016C Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2016C Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the 2016C Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2016C Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an omnibus proxy to the Registrar as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting and voting rights to those Direct Participants to whose accounts the 2016C Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Redemption proceeds, principal, and interest payments on the 2016C Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Registrar or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Paying Agent's responsibility, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants. THE AUTHORITY CAN GIVE NO ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

A Beneficial Owner shall give notice to elect to have its 2016C Bonds purchased or tendered, through its Participant, to the Registrar and Paying Agent, and shall effect delivery of such 2016C Bonds by causing the Direct Participant to transfer the Participant's interest in the 2016C Bonds, on DTC's records, to the Registrar and Paying Agent. The requirement for physical delivery of the 2016C Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2016C Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2016C Bonds to the Registrar and Paying Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the 2016C Bonds any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, 2016 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2016 Bond certificates will be printed and delivered to DTC.

THE AUTHORITY AND THE REGISTRAR AND PAYING AGENT HAVE NO RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE 2016C Bonds, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE RESOLUTION AUTHORIZING THE ISSUANCE OF SUCH 2016C Bonds TO BE GIVEN TO OWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS UPON ANY PARTIAL REDEMPTION OF THE 2016C Bonds; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2016C Bonds, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

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DELAYED DELIVERY CONTRACT

July 22, 2016

Re: $52,400,000 South Carolina Public Service Authority Revenue Obligations, 2016 Tax-Exempt Refunding Series C

The Purchaser designated below and executing this instrument (the "Purchaser") hereby agrees to purchase when, as, and if issued and delivered by the Authority to Barclays Capital Inc., Merrill Lynch, Pierce Fenner & Smith Incorporated, Goldman, Sachs & Co., Morgan Stanley & Co. LLC, J.P. Morgan Securities LLC, US Bancorp and Wells Fargo Bank, National Association (collectively, the "Underwriters") and the Underwriters agree to sell the undersigned,

Maturity Date	Par Amount	Coupon	CUSIP Number	Yield/Price

in the aggregate principal amount of the above-referenced Bonds (the "Purchased Bonds") offered by the Authority's Preliminary Official Statement dated June 22, 2016, as supplemented July 15, 2016, and the Final Official Statement to be dated on or about July 22, 2016 (the "Official Statement"), receipt of copies of which is hereby acknowledged, at a purchase price of $62,510,011.40 (plus accrued interest, if any, from the date of the initial delivery of the Bonds) at the interest rates, amounts and maturity dates shown above, and on the further terms and conditions set forth in this Delayed Delivery Contract.

The Purchaser hereby confirms that it has reviewed the Preliminary Official Statement and the Official Statement (including without limitation the section entitled "DESCRIPTION OF THE 2016C FORWARD DELIVERY BOND PURCHASE AGREEMENT" therein), has considered the risks associated with purchasing the Purchased Bonds and is duly authorized to purchase the Purchased Bonds. The Purchaser further acknowledges and agrees that the Purchased Bonds are being sold on a "forward" basis, and the Purchaser hereby purchases and agrees to accept delivery of such Purchased Bonds from the Underwriters on or about October 13, 2016 (the "Settlement Date") as they may be issued pursuant to the Forward Delivery Bond Purchase Agreement among the Authority and the Underwriters.

Payment for the Purchased Bonds which the Purchaser has agreed to purchase on the Settlement Date shall be made to the Underwriters or their order by wire transfer to a bank account specified by the Underwriters, on the Settlement Date upon delivery to the Purchaser of the Purchased Bonds then to be purchased by the Purchaser through the book-entry system of The Depository Trust Company.

Upon issuance by the Authority of the Bonds and purchase thereof by the Underwriters, the obligation of the Purchaser to take delivery of the Purchased Bonds hereunder shall be unconditional unless the Underwriters terminate the Forward Delivery Bond Purchase Agreement with the Authority to purchase the Bonds on the Settlement Date for re-sale to the Purchaser. The Forward Delivery Bond Purchase Agreement may be terminated if, between the date of this Delayed Delivery Contract and the Settlement Date, any of the following conditions occur:

(a) At any time subsequent to the preliminary closing date on the 2016C Bonds (the "Preliminary Closing Date") which is expected to be August 3, 2016 and on or prior to the

Settlement Date, legislation shall have been enacted by the Congress of the United States, or recommended to the Congress for passage by the President of the United States or favorably reported for passage to either House of the Congress of the United States by any committee of such House, or passed by either House of the Congress, or a decision shall have been rendered by a court of the United States, or the United States Tax Court, or an order, ruling, regulation (final, temporary or proposed) shall have been made by the Treasury Department of the United States or the Internal Revenue Service (the "IRS"), with respect to the federal taxation of interest received on obligations of the general character of the 2016C Bonds, as a result of which, Bond Counsel does not expect to be able to issue an opinion on the Settlement Date either (i) substantially in the form attached as Exhibit IV to the Official Statement (to the effect that interest on the 2016C Bonds is not (A) subject to inclusion in gross income for purposes of federal income taxation, or (B) included as a specific preference item for purposes of federal individual or corporate alternative minimum taxes) or (ii) notwithstanding a change in law from that existing on the Preliminary Closing Date which prevents Bond Counsel from issuing an opinion substantially in the form attached as Exhibit IV to the Official Statement, to the effect that interest on the 2016C Bonds is not included in gross income for federal income tax purposes and is not included as a specific preference item for purposes of federal individual or corporate alternative minimum taxes;

(b) At any time subsequent to the Preliminary Closing Date and on or prior to the Settlement Date, legislation shall be enacted or actively considered for enactment with an effective date prior to the Settlement Date, or a decision of a court of the United States shall be rendered, the effect of which is, in the opinion of counsel to the Underwriters, that the 2016C Bonds are not exempt from registration or other requirements under the Securities Act of 1933, as amended and then in effect, or the Revenue Obligation Resolution is not exempt from qualification or other requirements under the Trust Indenture Act of 1939, as amended and then in effect, or the offering or sale of the 2016C Bonds would be in violation of the Securities Exchange Act of 1934, as amended and then in effect;

(c) At any time subsequent to the Preliminary Closing Date and on or prior to the Settlement Date, a stop order, ruling, regulation or official statement by the Securities and Exchange Commission or any other governmental agency having jurisdiction in the subject matter shall have been issued or made or any other event occurs the effect of which, in the opinion of counsel to the Underwriters, is that the offering, issuance or sale of the 2016C Bonds as contemplated in the Official Statement is or would be in violation of any provision of the federal securities laws, including without limitation the Securities Act of 1933, as amended and then in effect, the Securities Exchange Act of 1934, as amended and then in effect, or the Trust Indenture Act of 1939, as amended and then in effect; or

(d) At any time subsequent to the Preliminary Closing Date and on or prior to the Settlement Date, an Event of Default shall have occurred under the Revenue Obligation Resolution which has not been cured as of the Settlement Date.

If the change of law involves the enactment of legislation which only diminishes the value of, as opposed to eliminating, the exclusion from gross income for federal income tax purposes of interest payable on "state or local bonds," the Authority may, nonetheless, be able to satisfy the requirements for the delivery of the Purchased Bonds. In such event, the Purchaser would be required to accept delivery of the Purchased Bonds.

The Purchaser acknowledges and agrees that it will not be able to withdraw its order as described herein, and will not otherwise be excused from performance of its obligations to take up and pay for the

Purchased Bonds on the Settlement Date because of market or credit changes, including specifically, but not limited to (a) changes in the ratings anticipated to be assigned to the Bonds, or (b) changes in the financial condition, operations, performance, properties or prospects of the Authority from the date hereof to the Settlement Date of the Bonds (unless such changes give rise to an event of default under the financing documents). The Purchaser further acknowledges that the Underwriters could be liable under the Forward Delivery Bond Purchase Agreement for damages to the Authority in the event of a wrongful failure to accept delivery of the Bonds, and that the Underwriters have executed such Forward Delivery Bond Purchase Agreement in reliance of the Purchaser's commitment set forth herein. Finally, the Purchaser acknowledges and agrees that it will remain obligated to purchase the Purchased Bonds in accordance with the terms hereof even if the Purchaser decides to sell such Purchased Bonds following the date hereof.

The Purchaser represents and warrants that, as of the date of this Delayed Delivery Contract, the Purchaser is not prohibited from purchasing the Purchased Bonds hereby agreed to be purchased by it under the laws of the jurisdiction to which the undersigned is subject.

This Delayed Delivery Contract will inure to the benefit of and be binding upon the parties hereto and their respective successors, but will not be assignable by either party hereto without the prior written consent of the other.

This Delayed Delivery Contract may be executed by either of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall constitute one and the same instrument.

It is understood that the acceptance by the Underwriters of any Delayed Delivery Contract (including this one) is in the Underwriters' sole discretion and that, without limiting the foregoing, acceptances of such contracts need not be on a first-come, first-served basis. If this Delayed Delivery Contract is acceptable to the Underwriters, it is requested that the Underwriters sign the form of acceptance below and mail or deliver one of the counterparts hereof to the Purchaser at its address set forth below. This will become a binding contract between the Underwriters and the Purchaser when such counterpart is mailed or delivered to the Purchaser. This Delayed Delivery Contract does not constitute a customer confirmation pursuant to Rule G-15 of the Municipal Securities Rulemaking Board.

APPENDIX VI

This Delayed Delivery Contract shall be construed and administered under the laws of the State of New York.

By:____
(Signature)

Name: ____________________________________
Title: _____________________________________
Address: ___________________________________
____

Accepted: ____________________, 2016

Barclays Capital Inc., as Representative of the Underwriters

By: __________________________________
Name: __________________________________
Title: __________________________________

Underwriters:

Barclays Capital Inc.
Merrill Lynch, Pierce Fenner & Smith Incorporated
Goldman Sachs & Co.
Morgan Stanley & Co. LLC
J.P. Morgan Securities LLC
US Bancorp
Wells Fargo Bank, National Association

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South Carolina Public Service Authority • Revenue Obligations, 2016 Tax-Exempt Refunding Series C

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