

Letter from the President and CEO

As the first quarter of 2017 drew to a close, Westinghouse Electric Co. filed for protection under Chapter 11 bankruptcy law. The filing marked the end of an unsettling quarter that began as Westinghouse's parent, Toshiba Corp., announced a projected multibillion-dollar loss associated with difficulties in Westinghouse's nuclear division.



Westinghouse, of course, is the contractor building V.C. Summer Nuclear Station Units 2 and 3, of which Santee Cooper owns 45 percent and SCE&G owns the other 55 percent.

Santee Cooper and SCE&G have signed an interim assessment agreement with Westinghouse that allows us access to detailed project information that Westinghouse had not made available prior to the bankruptcy filing. By reviewing these primary sources of cost and schedule inputs, we can each make a fully informed decision on next steps.

Meanwhile, we have been escrowing the designs and other intellectual property to keep the project moving forward with a new contractor if necessary. Engineering work is nearly complete, procurement is about 85 percent complete, and we have financed about 68 percent of budgeted costs. Construction of the units is about 31 percent complete.

A detailed presentation is available on the Santee Cooper Investor Relations website, at www.santecooper.com/investorrelations. Santee Cooper will continue to post updates there as the situation develops.



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For the Benefit of All

Quarterly Financial Report
for period ended March 31, 2017



Executive Summary

First Quarter 2017 Compared to 2016

The financial results for the first quarter of 2017 showed an increase of \$8 million in Reinvested Earnings compared to the same period last year.

Operating Revenue decreased \$9 million when compared to the same period in 2016. The primary drivers for this were lower energy sales resulting from reduced industrial and wholesale customer loads along with milder weather. This quarter, kWh sales were down 11% from last year, spread across the customer categories. Degree days were down 27% from the same quarter last year. Offsetting the sales decrease were retail rate adjustments that went into effect in April 2016 and changes in actual wholesale rates.

Operating Expense for the first quarter of 2017 was down \$12 million. The main contributor was lower fuel and purchased power costs somewhat offset by higher sales promotion and administrative & general expenses. Smaller variances were spread among the remaining cost categories.

Other Income increased \$1 million compared with the first quarter of last year while the Fair Value of Investments decreased \$4 million.

Interest Charges were lower by \$7 million compared to last year resulting from increasing capitalized interest associated with V.C. Summer nuclear units 2 and 3.

Costs to be Recovered from Future Revenue (CTBR) expense showed a small decrease between the two years.

Overall, Reinvested Earnings for the first quarter showed an increase when compared to the same period last year as a result of these factors.

Key Statistical Highlights

	<i>This Year</i>	<i>Last Year</i>
	<i>Current Quarter</i>	
Total MWh Sales	5,222,340	5,858,813
Number of Degree Days	938	1,277
	<i>For Month Ended March 2017</i>	
Distribution Reliability % (YTD)	99.9966	99.9967
Number of Retail Customers	178,069	174,673

Quarterly Statement of Reinvested Earnings

Millions of Dollars (Unaudited)

	<i>Current Quarter</i>		<i>12 Months to Date</i>	
	<i>Jan 1 - Mar 31</i>		<i>Apr 1 - Mar 31</i>	
	<i>This Year</i>	<i>Last Year</i>	<i>This Year</i>	<i>Last Year</i>
Operating Revenue	\$406.6	\$415.6	\$1,737.3	\$1,783.3
O&M Expense	268.6	280.6	1,181.0	1,257.7
Depreciation & Sums in Lieu of Taxes	45.1	45.4	181.7	181.5
Operating Expense	313.7	326.0	1,362.7	1,439.2
Operating Income	\$92.9	\$89.6	\$374.6	\$344.1
<i>Add:</i>				
Other Income	(6.0)	(6.7)	(24.7)	(38.4)
Net Increase (Decrease) in Fair Value of Investments	(0.7)	2.8	(5.2)	(2.1)
<i>Subtract:</i>				
Interest Charges	61.1	67.7	222.6	278.5
Costs To Be Recovered	1.1	1.7	6.0	14.6
Reinvested Earnings	\$24.0	\$16.3	\$116.1	\$10.5

Balance Sheet

As of March 2017 and 2016

Millions of Dollars (Unaudited)

<i>Assets</i>	<i>This Year</i>	<i>Last Year</i>
Utility Plant - Net	\$8,445.0	\$7,458.0
Long Lived Assets - ARO - Net	59.8	337.0
Investment in Associated Co.	6.4	6.6
Unrestricted Funds - Non-Current	0.0	0.0
Restricted Funds - Non-Current	131.8	130.5
Unrestricted Funds	777.0	599.7
Restricted Funds	778.7	1,117.1
Other Current Assets	895.4	1,054.6
Costs To Be Recovered	233.1	239.2
Regulatory Asset	458.2	489.1
Other Deferred Debits	297.5	330.4
Total Assets	\$12,082.9	\$11,762.2
<i>Liabilities</i>		
Long Term Debt - Net	\$7,918.4	\$7,138.2
Short Term Debt	372.9	587.7
Current Portion of L-T Debt	132.2	134.9
Other Current Liabilities	411.8	469.5
ARO Liability	738.1	1,046.0
Other Liabilities	464.5	438.3
Accumulated Reinvested Earnings and Capital Contributions	2,045.0	1,947.6
Total Liabilities and Capital	\$12,082.9	\$11,762.2

Quarterly Headlines

Santee Cooper Marks 75 Years of Making Electricity

On Feb. 17, 1942, Santee Cooper began generating electricity in Moncks Corner to support the Allied war effort. Now 75 years later, Jefferies Hydro Unit 2 continues to power Santee Cooper customers.

Santee Cooper's Pinopolis Power Plant (now Jefferies Hydroelectric Station) was named a national defense project and its construction accelerated in 1941, when America joined World War II. Our U.S. military ties continue with Charleston Air Force Base a customer on our system.

Jefferies Hydro Unit 4 followed Unit 2 by just a couple of weeks, coming online on March 5, 1942. Both units were just rebuilt and placed back into service in 2016, with improvements including the latest hydroelectric technology and a 20 percent increase in generating capacity, to about 36 MW each.

Rate Study Approved By Santee Cooper Board

In March, the Santee Cooper Board of Directors authorized a rate study to look at the utility's current electric rates and determine whether they will support future expenses.

Two key factors driving the rate review are continued expenses associated with Santee Cooper's share of the two new nuclear units at V.C. Summer Generating Station and costs associated with environmental compliance.

Management is scheduled to report recommendations to the Board in June. If adjustments are recommended, the Board could authorize a public comment period and ultimately vote on new proposed rates in the fourth quarter of 2017.

Demolition of Jefferies Generating Station Underway

In February, Santee Cooper awarded the contract for the demolition of Jefferies Generating Station's two coal fired and two oil fired units near Moncks Corner to DEMCO Inc.

The demolition work is ongoing and the process is expected to be completed in the winter of 2018. Once demolition is complete, the ground will be layered with soil, graded and covered with grass.

Customer Satisfaction Higher Than National Average

An independent survey conducted by MarketSearch in 2016 indicated customers gave Santee Cooper an overall customer satisfaction score of more than 97 percent, higher than the national average of almost 90 percent.

The independent survey rates utilities on industry issues such as power quality, customer care, service, rates, environmental responsibility and planning for the future.

Cover photo by Paul Zoeller