

*Composing a*

**SOUND**

**FUTURE**

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'13 ANNUAL REPORT

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## CHAIRMAN AND CEO LETTER



It's true, 2013 was an historic year in many ways for Santee Cooper. It was a year of strong results from innovative teamwork, with a sharp focus on fostering relationships and fortifying partnerships.

Decisions made in 2013 will impact Santee Cooper's financial stability, longevity, value and environmental stewardship for years to come.

Through significant collaborations and ingenuity, Santee Cooper composed a promising future, strengthening our ability to provide low-cost, reliable power to our customers and to improve the quality of life for the people of South Carolina. Our efforts earned a 97.9 percent customer satisfaction rating in 2013.

### FINANCIAL STABILITY

Santee Cooper fortified its partnership with Central Electric Power Cooperative in 2013 with the signing of a multi-billion dollar, cost-saving extension to the coordination agreement between our organizations. The amendment provides that Central will purchase power from Santee Cooper through 2058 and creates a collaborative approach to power supply planning and delivery.

This extended partnership created savings that impact our direct-serve residential, commercial and industrial customers, and also benefit electric cooperative and wholesale customers. It secures a solid future for all of us.

The agreement also allowed Santee Cooper to complete the sale of \$1.8 billion in bonds in the fall. The completed bond issues let us issue new debt and restructure a portion of our old debt at attractive rates. Santee Cooper realized \$48.0 million in debt savings in 2013 with this bond issue.

## 2013 Annual Report

Santee Cooper also cut \$31.8 million from our non-fuel O&M budget, the result of employees strictly managing and prioritizing costs. We also saved \$39.7 million in fuel costs from new initiatives implemented in 2013.

In late 2013, Santee Cooper signed new contracts with our two municipal customers, the city of Georgetown and the Bamberg Board of Public Works. Santee Cooper has provided electricity to Bamberg since 1977 and Georgetown since 1949. We are proud to continue to serve these municipalities and their residents.

Santee Cooper has the highest credit ratings among electric utilities serving South Carolina, with an AA- from Fitch and Standard & Poor's and an A1 from Moody's. Our debt-to-equity ratio remains solid at 75/25.

## LONGEVITY

Together, Santee Cooper and SCE&G are working to build two new nuclear units that will generate clean energy at the V.C. Summer Nuclear Generating Station. On March 11, 2013, we hit a major milestone when we completed the first new construction nuclear concrete to be placed in the United States in three decades.

Not only is nuclear power virtually emissions free, it adds generating diversity to Santee Cooper's fuel mix. We believe an ideal generation portfolio would be approximately a 30/30/30 percent mix of coal, natural gas and nuclear, with the remaining 10 percent from hydro and other renewable power. This will enable us to provide environmentally protective, low cost, reliable power from a portfolio with maximum flexibility to respond to market conditions, for generations to come.

We also worked to sell a small part of our share of that project, to better match the capacity we'll get when the units come online to our customer needs at that time. In January 2014, we announced that SCE&G will buy five percent of the project from us, leaving Santee Cooper with a 40 percent ownership of V.C. Summer Units 2 and 3.

We generated and delivered electricity at enviable reliability rates in 2013. Our generation availability factor was 92.44, our transmission reliability rate was 99.9988 and our distribution reliability rate was 99.9964.

## VALUE

Bringing industry and good jobs to the state helps improve the quality of life for all South Carolinians. In 2013, Santee Cooper invested \$20.7 million in the future of our state through economic development infrastructure loans to local economic development officials and localities in our direct-serve territory and in areas served by our wholesale customers.

The loan program, approved in 2012, helps close deals and land new jobs across South Carolina. These loans will help build industrial buildings and other infrastructure, adding value with an unlimited payback to the state and the people of South Carolina.

In 2013, we approved economic development loans for 10 projects crisscrossing the state, from York to Colleton counties and including the inland port at Greer.

## ENVIRONMENTAL STEWARDSHIP

Santee Cooper rounded out 2013 with the announcement of an innovative plan to use the ash currently located in ash ponds at Jefferies, Winyah and Grainger generating stations for beneficial purposes.

Beneficial use of ponded ash will provide essential material to concrete and ready mix manufacturers. By working with local manufacturers that utilize coal ash in their products, we plan to empty the ash ponds over the next 10 to 15 years.

This plan is cost-effective, which means it is responsive to our customers' best interests. It utilizes groundbreaking technology to help an important South Carolina industry be sustainable. And it is an EPA-approved use of ash.

Santee Cooper also increased renewable generation available to our customers. In September, Santee Cooper and Central Electric Power Cooperative agreed to bring online a 3 megawatt solar farm, the state's largest. We contracted with a subsidiary of The InterTech Group to build and operate the solar farm, which came online in December. We are purchasing that electricity and using generation data from the farm to learn how to integrate utility-scale solar power into a complex power system.

In short, Santee Cooper worked throughout 2013 to enrich our relationships with the state's electric cooperatives, municipalities, businesses and people of South Carolina, composing a strong, innovative, and reliable future for us all.



**W. Leighton Lord III**  
Chairman



**Lonnie N. Carter**  
President and CEO