Letter from the President and CEO

In February, Santee Cooper made the strategic decision to take a bond issue to the market for the 40th time since 1999. That decision resulted in our board of directors approving the sale of $1.1 billion in revenue obligation bonds.

We had healthy commitments from large institutions and solid investor support in the ABCD issue. Specifically, the board approved the sale of $599 million in tax-exempt Series A, $64.9 million in tax-exempt Series B, $270.2 million in tax-exempt Series C and $169.7 million in taxable Series D bonds at attractive interest rates. The all-in true interest rate was 4.1 percent.

Santee Cooper's Investor Relations team has put a lot of time into keeping Santee Cooper's finances transparent. They also put a lot of energy into keeping the rating agencies and financial communities informed. By keeping ourselves market ready and by approaching the market strategically, we saw strong investor interest and were able to upsize the new-money portion of the bond issue by about $100 million, to $600 million. The new money will be used for capital projects, primarily Santee Cooper's share in the ongoing construction of additional units at V.C. Summer Nuclear Station.

About $500 million of the amount in February's bond issue was for refunding bonds to refinance a portion of Santee Cooper's debt in order to take advantage of favorable interest rates. The refunding produced net present value savings of $58.8 million over the life of the bonds. Through strategic debt restructuring, we realized annual savings of $79 million in 2014.

Santee Cooper continues to keep strong financial ratings. The 2015 issue drew a rating of A+ from Fitch, AA- from Standard & Poor's and A1 from Moody's. Moody's specifically noted, "Santee Cooper has an established sound financial record." All three rating agencies issued Santee Cooper a stable outlook and reaffirmed long-term debt ratings.

If you would like more information or the Official Statement on Santee Cooper's bond issues, I invite you to contact Santee Cooper Bondholder Relations at 1-877-246-3338. You also may find the information posted at www.santeecooper.com/investorrelations.

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For the Benefit of All

Quarterly Financial Report
for period ended March 31, 2015

Executive Summary

First Quarter 2015
Compared to 2014

The financial results for the first quarter of 2015 showed an increase of nearly $4 million compared to the same period last year.

Operating Revenue decreased $29 million when compared to the same period in 2014. The primary driver for this was lower fuel rate revenues. While energy sales were down, demand usage was up, which resulted in the revenue decrease. This quarter, kWh sales were down 1% over last year, from activity within Central, Retail, and Industrial categories. Degree days were 9% lower than the same quarter last year.

Operating Expense for the first quarter of 2015 was down $26 million. The main contributors for this were lower fuel and purchased power due to higher prices for both commodities in the prior year resulting from weather impacts along with a change in the current year generation mix. Slightly lower energy sales also added to this decrease. Offsetting this were increases in non-fuel generation for contract services, materials and V. C. Summer as well as economic development activity during 2015. The other categories netted a small decrease.

Other Income decreased $8 million compared with the first quarter of last year from the reclassification of the Duke Energy good faith deposit to miscellaneous income in the prior year along with TEA expenses and the monthly amortization for Pee Dee. The Fair Value of Investments increased $1 million.

Interest Charges were higher by $2 million compared to last year due to the impact of the 2014 and 2015 bond activity.

The $16 million change in Costs to be Recovered from Future Revenue expense was also a result of the 2014 and 2015 bond activity.

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

	This Year	Last Year
	Current Quarter	
Total MWh Sales	6,954,073	7,011,619
Number of Degree Days	1,472	1,613
	For Month Ended March 2015	
Distribution Reliability % (YTD)	99.9984	99.9963
Number of Retail Customers	172,342	169,558

Quarterly Statement of Reinvested Earnings

Millions of Dollars (Unaudited)

	Current Quarter Jan 1 - Mar 31		12 Months to Date Apr 1 - Mar 31	
	This Year	Last Year	This Year	Last Year
Operating Revenue	$511.9	$541.1	$1,967.4	$1,890.8
O&M Expense	344.0	370.9	1,411.7	1,374.5
Depreciation & Sums in Lieu of Taxes	45.3	44.8	179.7	196.2
Operating Expense	389.3	415.7	1,591.4	1,570.7
Operating Income	$122.6	$125.4	$376.0	$320.1
Add:				
Other Income	(1.1)	6.6	20.3	13.9
Net Increase (Decrease) in Fair Value of Investments	0.5	(0.5)	(1.0)	(2.3)
Subtract:				
Interest Charges	68.3	65.9	277.3	233.8
Costs To Be Recovered From Future Revenue	(6.5)	9.3	(35.5)	(4.2)
Reinvested Earnings	$60.2	$56.3	$153.5	$102.1

Balance Sheet

As of March 2015 and 2014

Millions of Dollars (Unaudited)

Assets	This Year	Last Year
Utility Plant - Net	$6,797.9	$6,198.4
Long Lived Assets - ARO - Net	374.2	411.3
Investment in Associated Co.	7.6	8.0
Restricted Funds	1,885.6	1,160.9
General Improvement Funds	6.0	3.3
Cash & Securities	310.9	327.8
Other Current Assets	1,038.2	1,154.0
Costs To Be Recovered From Future Revenue	253.9	218.3
Regulatory Asset	462.3	426.9
Other Deferred Debits	259.2	559.7
Total Assets	$11,395.8	$10,468.6
Liabilities		
Long Term Debt - Net	$7,075.3	$6,162.9
Short Term Debt	373.5	372.1
Other Current Liabilities	548.6	575.2
ARO Liability	1,047.8	1,029.9
Other Liabilities	131.6	242.1
Accumulated Reinvested Earnings and Capital Contributions	2,219.0	2,086.4
Total Liabilities and Capital	$11,395.8	$10,468.6

Quarterly Headlines

Arctic blast triggers peak electrical demand

Record-low temperatures in South Carolina in February resulted in a new peak-demand record at Santee Cooper. The new peak record of approximately 5,869 megawatts was recorded between 7-8 a.m. on Feb. 20, which surpassed the previous mark of 5,743 MW set in December 2010.

Gov. Nikki Haley, Santee Cooper and other South Carolina electric utilities joined together in calling on customers to use energy wisely during this bitter cold snap.

Santee Cooper receives high marks in customer satisfaction

Santee Cooper exceeded the national average in residential customer satisfaction in customer service, reliability, rates, value and conservation, according to an annual independent survey conducted by MarketSearch.

The survey shows an overall satisfaction rate of 98.7 percent in 2014 from Santee Cooper's residential customers. Nationally, the satisfaction rate for utilities is 85.6 percent.

Some of Santee Cooper's highest ratings are in the reliability and responsiveness category. The survey reveals 99 percent of customers are satisfied that Santee Cooper does what it can to keep outages to a minimum and 99.3 percent feel Santee Cooper restores power as quickly as possible after an outage.

When compared with rates for other products and services, 89.6 percent said they are satisfied with Santee Cooper's rates compared to the cost of other products and 86 percent agree that Santee Cooper power is worth the price they pay.

Solar farm exceeds expectations during first year

In its first year of operation, the Colleton Solar Farm produced slightly more solar power than expected and demonstrated the benefits of panels that track the sun, even though they cost more than stationary panels.

Also, the severity of Winter Storm Pax in 2014 and a new system peak set this February highlighted the issue of the reliability of solar power to meet winter energy demands. In its first year, the 15-acre site generated 4,687 megawatt-hours, which was 5 percent more than expected in year one. The 3-megawatt complex provides enough energy to power more than 300 homes.

Santee Cooper begins work on transmission upgrade

Santee Cooper in late January began work on a transmission system upgrade in Horry County. The upgrade will improve reliability, accommodate increasing demand and improve Santee Cooper's ability to shift load around planned and unplanned outages. Crews have begun construction of a new 115-kV line and the upgrade of an existing line from Santee Cooper's Bucksville substation, which is located on U.S. Highway 701 between the Bucksport community and Conway, to the Garden City Beach area. The construction will take place on existing rights-of-way and will be done in three phases. All work is expected to be complete by July 2016.

Cover photo by Jim Huff