Letter from the President and CEO

On May 11, Gov. Nikki Haley announced Volvo Cars of North America will build its first North American manufacturing facility in northwestern Berkeley County.

Volvo will prove to be one of South Carolina's most significant industrial presences. It will be pivotal in creating better opportunities and quality of life not just for that corner of Berkeley County, but also for several adjacent counties in a part of South Carolina that has not enjoyed the same level of prosperity as many parts of our state.

I am proud that Santee Cooper helped land this project, and I credit the successful role we played to the vision and hard work of employees, board members and our electric cooperative partners going back decades.

Santee Cooper and the state's electric cooperatives set the stage in 1988, when we jointly created the South Carolina Power Team, sending it out to tell the world about our business-friendly state. The Power Team has a strong record of success, with announcements of 62,000 jobs and more than $10 billion in capital investment under its belt.

More recently, the Santee Cooper Board of Directors increased our resources to close deals by approving a discounted electric rate we and the cooperatives can offer to eligible new industry, in addition to loans and grants available to local governments, electric cooperatives and other nonprofit economic development entities to help finance buildings, plant sites and other industrial infrastructure.

Volvo will be using all of these incentives, and in the process building a $500 million plant with 2,000 well-paying jobs in phase one and up to 4,000 jobs by 2023. Santee Cooper is also jointly purchasing with Berkeley County a 6,800-acre tract of land. Volvo's facility will occupy part of it, and Santee Cooper will keep nearly 4,000 acres to develop for additional industry, with more jobs and more opportunity.

Our investment will pay off easily in additional electric sales, loan repayments and additional development opportunities. The added electrical sales will spread the fixed costs of our electric system across more customers, which is better for all of our customers.

Santee Cooper's mission is to be a leading resource to improve the quality of life for all South Carolinians. In joining with the S.C. Commerce Department, the Power Team, Edisto and Berkeley electric cooperatives, Berkeley County government and many others, we were able to successfully support Gov. Haley and do just that.

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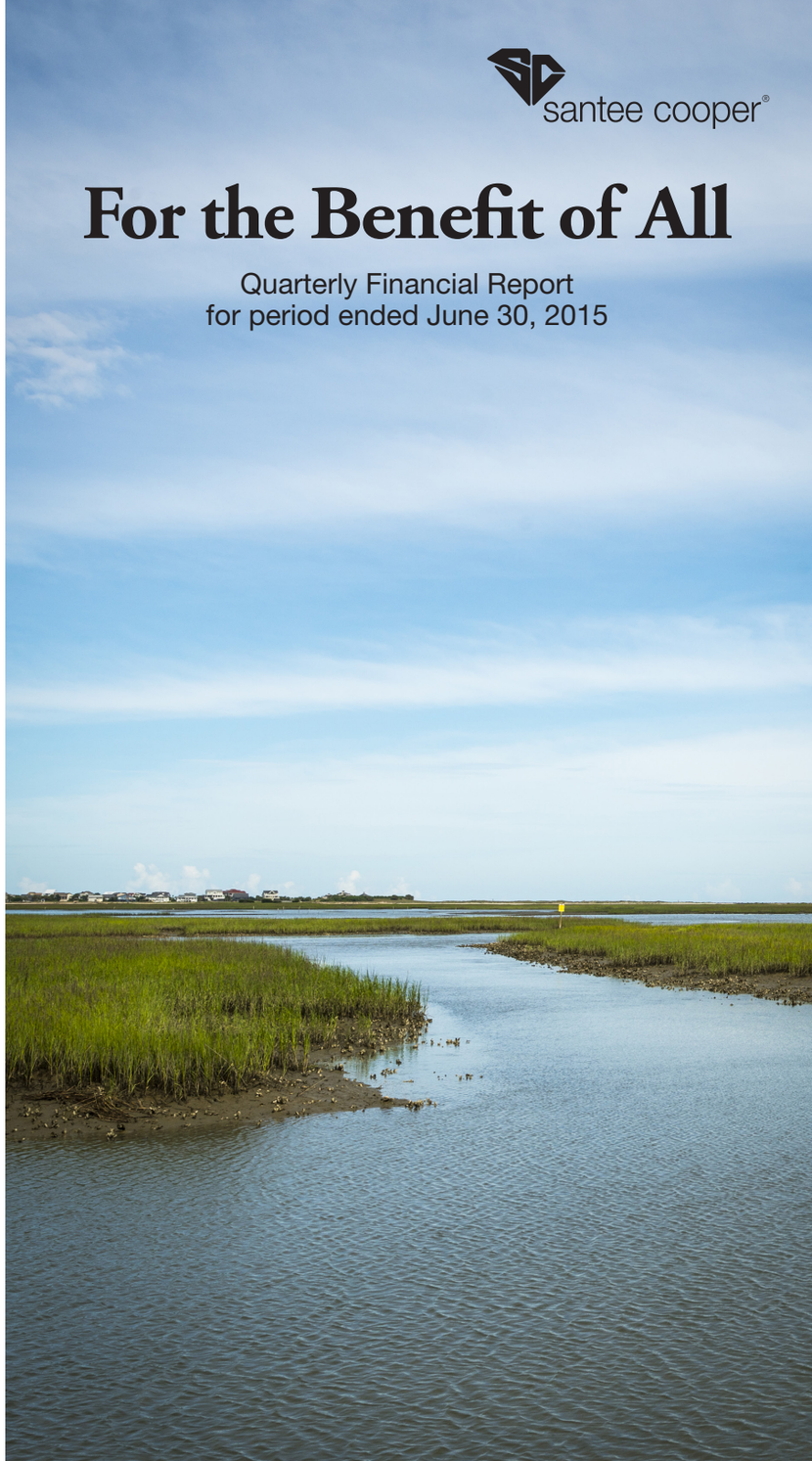

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For the Benefit of All

Quarterly Financial Report
for period ended June 30, 2015

Executive Summary

Second Quarter 2015
Compared to 2014

The bottom-line financial results for the second quarter of 2015 showed a decrease of nearly $19 million compared to the same period last year.

Operating Revenue decreased $50 million when compared to the same period in 2014. The primary drivers for this were lower fuel and demand rate revenues, combined with Central Cost of Service adjustments between the years. This quarter, kWh sales were down 1% over last year, from activity within Retail and Central categories. Degree days were up 17% from the same quarter last year.

Operating Expense for the second quarter of 2015 was down $36 million. The main contributor was lower fuel and purchased power costs due to reduced energy sales along with a change in the current year's generation mix. Smaller variances were spread among the remaining cost categories.

Other Income decreased $16 million compared with the second quarter of last year from a catch-up entry to amortize the remaining balance of the Pee Dee assets. The Fair Value of Investments decreased $200,000.

Interest Charges were higher by $4 million compared to last year due to the impact of the 2014 and 2015 bond activity.

The $15 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 second quarter showed a decrease 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	6,427,539	6,488,704
Number of Degree Days	860	735
	For Month Ended June 2015	
Distribution Reliability % (YTD)	99.9966	99.9950
Number of Retail Customers	173,116	170,586

Quarterly Statement of Reinvested Earnings

Millions of Dollars (Unaudited)

	Current Quarter Apr 1 - Jun 30		12 Months to Date Jul 1 - Jun 30	
	This Year	Last Year	This Year	Last Year
Operating Revenue	$433.2	$482.7	$1,917.9	$1,942.6
O&M Expense	329.6	366.2	1,375.1	1,411.9
Depreciation & Sums in Lieu of Taxes	45.2	44.4	180.5	190.5
Operating Expense	374.8	410.6	1,555.6	1,602.4
Operating Income	$58.4	$72.1	$362.3	$340.2
Add:				
Other Income	(15.8)	0.1	4.4	11.7
Net Increase (Decrease) in Fair Value of Investments	(0.6)	(0.4)	(1.2)	(2.2)
Subtract:				
Interest Charges	70.6	66.5	281.4	247.8
Costs To Be Recovered From Future Revenue	(5.9)	9.3	(50.7)	(1.0)
Reinvested Earnings	($22.7)	($4.0)	$134.8	$102.9

Balance Sheet

As of June 2015 and 2014

Millions of Dollars (Unaudited)

Assets	This Year	Last Year
Utility Plant - Net	$6,902.5	$6,360.9
Long Lived Assets - ARO - Net	364.9	402.0
Investment in Associated Co.	7.8	8.5
Restricted Funds	1,801.8	1,120.4
General Improvement Funds	9.1	3.8
Cash & Securities	259.8	316.9
Other Current Assets	1,135.3	1,115.3
Costs To Be Recovered From Future Revenue	259.7	209.0
Regulatory Asset	480.9	434.8
Other Deferred Debits	268.5	423.7
Total Assets	$11,490.3	$10,395.3
Liabilities		
Long Term Debt - Net	$7,006.3	$5,849.3
Short Term Debt	498.3	423.9
Other Current Liabilities	608.5	898.0
ARO Liability	1,052.0	1,035.5
Other Liabilities	128.8	106.2
Accumulated Reinvested Earnings and Capital Contributions	2,196.4	2,082.4
Total Liabilities and Capital	$11,490.3	$10,395.3

Quarterly Headlines

Santee Cooper proposes rate adjustment

At its June meeting, the Santee Cooper Board of Directors authorized a public comment period for a proposed three-year rate adjustment beginning in 2016. If approved, the adjustment would be Santee Cooper's first since 2013.

The public comment period began June 22 and continues through Aug. 27, with options to comment online or by regular mail. People also were invited to comment in person during a series of meetings held in July.

The main factors driving the rate adjustment, proposed by Santee Cooper's management, include continued construction expenses associated with nuclear units at V.C. Summer Nuclear Station and slower than expected load growth following the latest recession.

Nuclear power is virtually emissions-free, and so these new units are critical as Santee Cooper diversifies its generation and prepares to meet new regulations restricting CO2 emissions.

"Santee Cooper continues to emphasize cost controls, including budget cuts and debt restructuring, so that we can postpone rate adjustments as long as possible," said Santee Cooper President and CEO Lonnie Carter. "If our recommended rate adjustment is approved, Santee Cooper electric rates will still rank among the lowest in the Southeast."

The proposed rate adjustment would increase rates across all customer groups by an average 2.7 percent each year for the three-year period. Specifically, the proposal recommends increases of an average 5.3 percent in 2016, 2.1 percent in 2017 and less than 1 percent in 2018.

The board will offer a final opportunity for public comments Oct. 16 and is scheduled to vote on the rate adjustment at its Dec. 7 meeting.

More information is available at www.santeecooper.com/rates.

Santee Cooper's Spring Mini-Bond Sale a Success

Santee Cooper issued a Mini-Bond sale that ran from April 1 through April 30. Approximately $36.18 million of current interest bearing and capital appreciation bonds were sold, representing nearly 2,000 bonds.

Demolition underway at Grainger Generating Station

Santee Cooper awarded the contract for the demolition of Grainger Generating Station near Conway to National Salvage and Service Corp. The firm began work in May and in June crews began working to dismantle the plant's coal conveying equipment. Once that work is completed, the building structures will be removed. The most visible portions of Grainger Station, the stacks, are projected to be dismantled in early 2016. After demolition, the site will be layered with soil, graded and covered with grass. The process is expected to be complete by next summer.

Cover photo by Jim Huff