

Letter from the President and CEO

Santee Cooper has a long history of supporting solar power. In 2006, we were the first utility to put solar on the grid in South Carolina. In 2007, we began our successful solar schools educational program, giving middle schools around the state a 2-kilowatt solar array and state-approved educational materials. Santee Cooper introduced the Solar Homes program in 2008, unveiled the Grand Strand Solar Station in 2011, and began buying power from the new Colleton Solar Farm in 2013.



Looking ahead, Santee Cooper has announced new incentives and rebates to help customers invest in their own rooftop or community solar power. In October, our Board of Directors approved a comprehensive package with \$1.7 million in incentives that will benefit residential and commercial customers who own solar panels or buy into a community solar project.

The incentive package focuses on rebates, energy credits and community solar. Our energy efficiency program, Reduce The Use, has proven that our customers respond to rebates and is on track to help them save 209 million kilowatt hours (kWh) a year by 2020. For the new solar package, the board approved rebates equaling 65¢ per watt to help residential and commercial customers who purchase panels for their homes or businesses, and for those wishing to buy into a community solar project.

The board has also approved nearly 7¢ per kWh in energy credits for excess generation we buy back from our solar customers, including a 3¢ per kWh incentive credit available to the first 500 residential, rooftop solar customers who sign up, and a nearly 4¢ per kWh credit in the Distributed Generation Rider approved by the board in August.

One of the most exciting and unique pieces of Santee Cooper's new solar program is our community solar project. Many people cannot purchase rooftop solar because they live in apartments and condominiums, have homeowners' associations that prohibit solar panels, or have roofs that are too shaded or otherwise inappropriate for solar panels. Santee Cooper is establishing our first community solar project by letting customers subscribe to our capacity in the Colleton Solar Farm, the state's largest solar farm.

Customers who choose community solar will invest in a share of the solar farm capacity, which is also subject to a rebate of 65¢ per watt applied to the buy-in cost of \$2.14 per watt.

Our team is working quickly to finalize program details with rooftop and community solar, so stay tuned. We expect to roll out program specifics, including how customers can sign up, in the next few months.



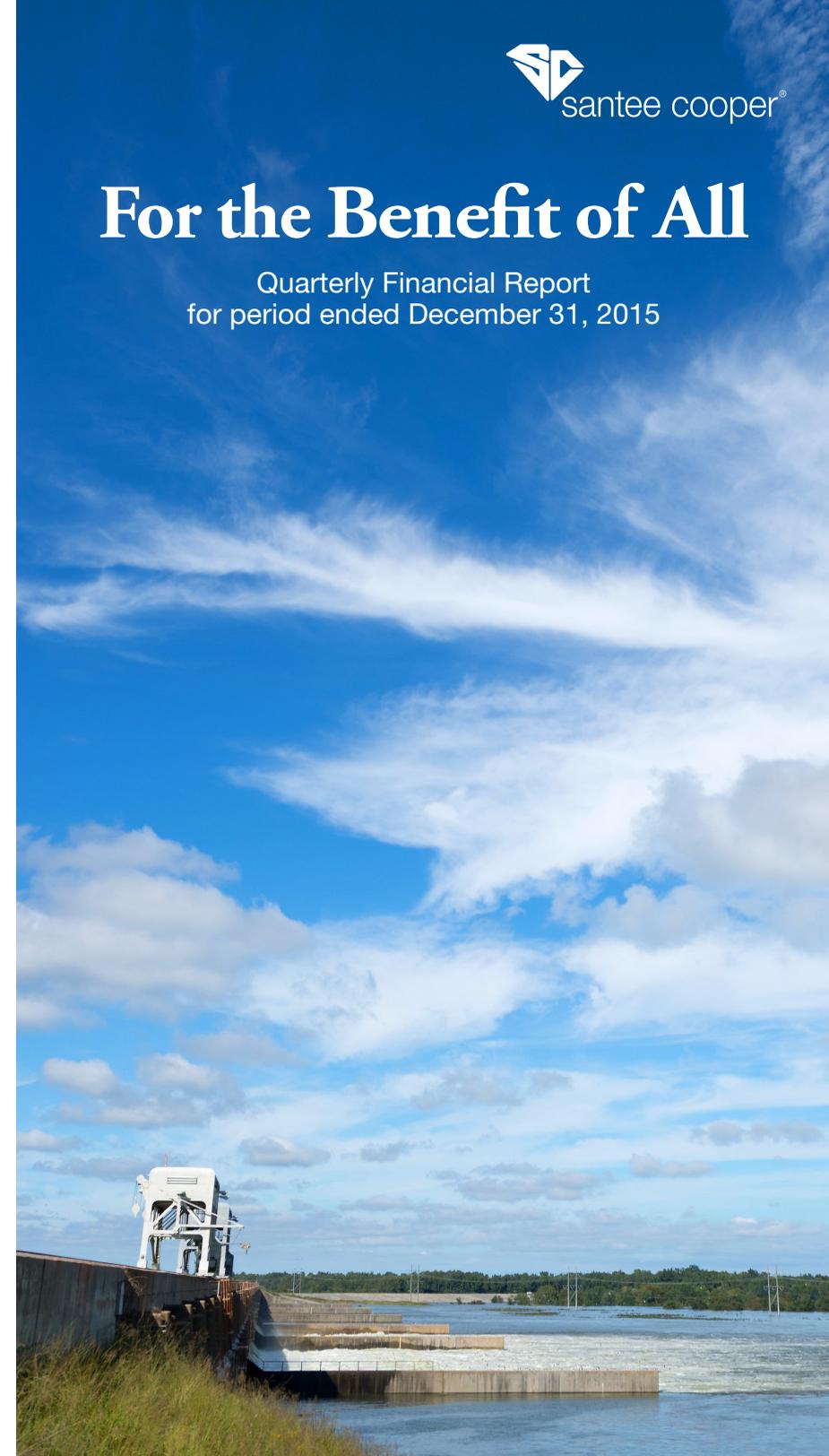
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For the Benefit of All

Quarterly Financial Report
for period ended December 31, 2015



Executive Summary

Fourth Quarter 2015 Compared to 2014

The financial results for the fourth quarter of 2015 showed a decrease of nearly \$54 million compared to the same period last year.

Operating Revenue decreased \$36 million when compared to the same period in 2014. The primary drivers for this were lower fuel rate revenues, combined with lower kWh sales and demand usage between the years. This quarter, kWh sales were down 13% from last year, due to activity primarily in the Wholesale categories. The weather was significantly warmer with degree days down 41% from the same quarter last year.

Operating Expense for the fourth quarter of 2015 was down \$37 million. The main contributor was lower fuel and purchased power costs due to a shift in the current year generation mix, partially offset by higher maintenance expense. Smaller variances were spread among the remaining cost categories.

Other Income decreased \$5 million compared with the fourth 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 \$4 million.

Interest Charges were lower by \$3 million compared to last year due to the impact of the 2014 and 2015 bond activity.

The \$50 million change in Costs to be Recovered from Future Revenue expense was a result of the implementation of a new methodology in 2015.

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

Audited financial results will be available at santeecooper.com in late March, 2016.

Key Statistical Highlights

	This Year	Last Year
	Current Quarter	
Total MWh Sales	5,583,927	6,426,126
Number of Degree Days	578	984
	For Month Ended December 2015	
Distribution Reliability % (YTD)	99.9956	99.9966
Number of Retail Customers	174,023	171,567

Quarterly Statement of Reinvested Earnings

Millions of Dollars (Unaudited)

	Current Quarter		12 Months to Date	
	Oct 1 - Dec 31		Jan 1 - Dec 31	
	This Year	Last Year	This Year	Last Year
Operating Revenue	\$384.2	\$419.8	\$1,868.5	\$1,997.4
O&M Expense	291.3	328.8	1,319.7	1,440.0
Depreciation & Sums in Lieu of Taxes	45.3	44.9	181.4	179.2
Operating Expense	336.6	373.7	1,501.1	1,619.2
Operating Income	\$47.6	\$46.1	\$367.4	\$378.2
<i>Add:</i>				
Other Income	(7.9)	(3.1)	(32.7)	28.0
Net Increase (Decrease) in Fair Value of Investments	(4.1)	(0.4)	(4.4)	(2.0)
<i>Subtract:</i>				
Interest Charges	69.6	72.6	279.1	274.9
Costs To Be Recovered	1.6	(48.0)	6.4	(19.7)
Reinvested Earnings	\$(35.6)	\$18.0	\$44.8	\$149.0

Balance Sheet

As of December 2015 and 2014

Millions of Dollars (Unaudited)

Assets	This Year	Last Year
Utility Plant - Net	\$7,348.8	\$6,684.9
Long Lived Assets - ARO - Net	346.3	383.4
Investment in Associated Co.	7.0	8.6
Unrestricted Funds - Non-Current	0.0	0.0
Restricted Funds - Non-Current	126.5	123.0
Unrestricted Funds	644.5	692.1
Restricted Funds	1,334.6	1,125.2
Other Current Assets	1,047.9	910.9
Costs To Be Recovered	240.9	247.4
Regulatory Asset	504.6	452.8
Other Deferred Debits	338.6	238.9
Total Assets	\$11,939.7	\$10,867.2
Liabilities		
Long Term Debt - Net	\$7,172.5	\$6,505.5
Short Term Debt	597.5	410.1
Current Portion of L-T Debt	172.9	149.7
Other Current Liabilities	559.9	471.9
ARO Liability	1,060.4	1,043.6
Other Liabilities	444.4	117.9
Accumulated Reinvested Earnings and Capital Contributions	1,932.1	2,168.5
Total Liabilities and Capital	\$11,939.7	\$10,867.2

Quarterly Headlines

Santee Cooper Board approves amended nuclear construction contract

The Santee Cooper Board of Directors on Oct. 27 authorized a change to the contract for its joint expansion of V.C. Summer Nuclear Station with partner SCE&G to reflect a change in the consortium that offers certainty in price and schedule going forward.

The board authorized Santee Cooper President and CEO Lonnie Carter to execute a new Limited Agency Agreement with SCE&G, reflecting approval of an amended Engineering, Procurement and Construction (EPC) Agreement. SCE&G will execute with the consortium that is building two new AP1000 nuclear power units at V.C. Summer. Westinghouse Electric Company acquired the stock of Stone & Webster from Chicago Bridge & Iron in a deal that closed in December 2015. Stone & Webster remains a party to the EPC Agreement for the V.C. Summer expansion as a subsidiary of Westinghouse called WECTEC, and Westinghouse has contracted with Fluor Corp. as construction manager for the project.

The amended EPC Agreement ties payments going forward to a milestone schedule, increases liquidated damages and adds a fixed-price option that if exercised would significantly shift the remaining financial risk to the contractors.

Santee Cooper Board approves two-year rate adjustment

At a meeting held Dec. 7, the Santee Cooper Board of Directors authorized a two-year rate adjustment for customers in 2016 and 2017 with an average annual increase between the two adjustments of approximately 3.7 percent.

The rates will take effect on April 1 in 2016 and 2017, respectively. These adjustments will help Santee Cooper meet increased costs as a result of a slower than expected load growth following the latest recession and the ongoing V.C. Summer Nuclear Station expansion.

Santee Cooper Board approves 2016 budget

The Santee Cooper Board of Directors approved a \$2.7 billion budget for 2016 at its regular monthly meeting in December. The board also approved the 2017 and 2018 budgets for planning purposes.

The 2016 budget includes \$1.8 billion for the electric system, \$8.3 million for the water systems and \$911.4 million for capital expenditures. Approximately 43 percent of the \$1.8 billion electric system budget is allocated for fuel and purchased power.

Santee Cooper Board approves 2015 Series E bond sale

The Santee Cooper Board of Directors approved the sale of \$300 million in revenue obligation bonds at its December meeting.

The 2015 Series E includes \$300 million in tax-exempt bonds with maturities in 2051 through 2055. The term "tax exempt" means exempt from federal and South Carolina income taxes for South Carolina residents under current law. The all-in true interest rate for the series is 4.73 percent. BofA Merrill Lynch and Barclays handled the transaction.

Cover photo by Jim Huff