

## Letter from the President and CEO

Santee Cooper isn't just in the business of providing electric and water services. We're also in the people business, and we continuously look for ways to make doing business with us as easy as possible.



Each year, we contract for an independent survey that asks our customers to rate our services. The survey asks questions on a number of topics including reliability, power outages and quality, customer care, service, rates, environmental responsibility, and planning for the future.

In Santee Cooper's latest residential customer satisfaction survey, customers scored us well above the national average, with an overall satisfaction score of 97 percent. Nationally, 92.5 percent of residential customers are satisfied with their utility.

We received near-perfect marks from residential customers in power reliability and outage restoration, with 99.7 percent who said their power is reliable and 98 percent who said they are satisfied that Santee Cooper works to keep power outages to a minimum.

In addition, 97.6 percent are satisfied that Santee Cooper restores power as quickly as possible when outages occur. Customer service scored well, with 97 percent indicating Santee Cooper responds quickly to customer questions or concerns. Customers also gave us high satisfaction marks for the energy efficiency programs we offer, and for our environmental stewardship.

Our customer service team works constantly to improve the customer experience, and we recently launched new payment options to make bill paying easier. Now, Santee Cooper customers can pay their bills at any participating Western Union Agent location in the United States. That gives our customers 1,300 new locations in South Carolina and 51,000 locations nationwide to make payments.

Many Western Union locations are in grocery stores and convenience stores where customers already shop, making this payment option extremely convenient, even for customers who live out of state some months of the year. Our online and pay-by-phone options are still available, of course, for the customers who have found these convenient.

Looking ahead, Santee Cooper will continue to strive for excellence in customer service and to find new ways to make doing business with us even easier. Thank you for your business.



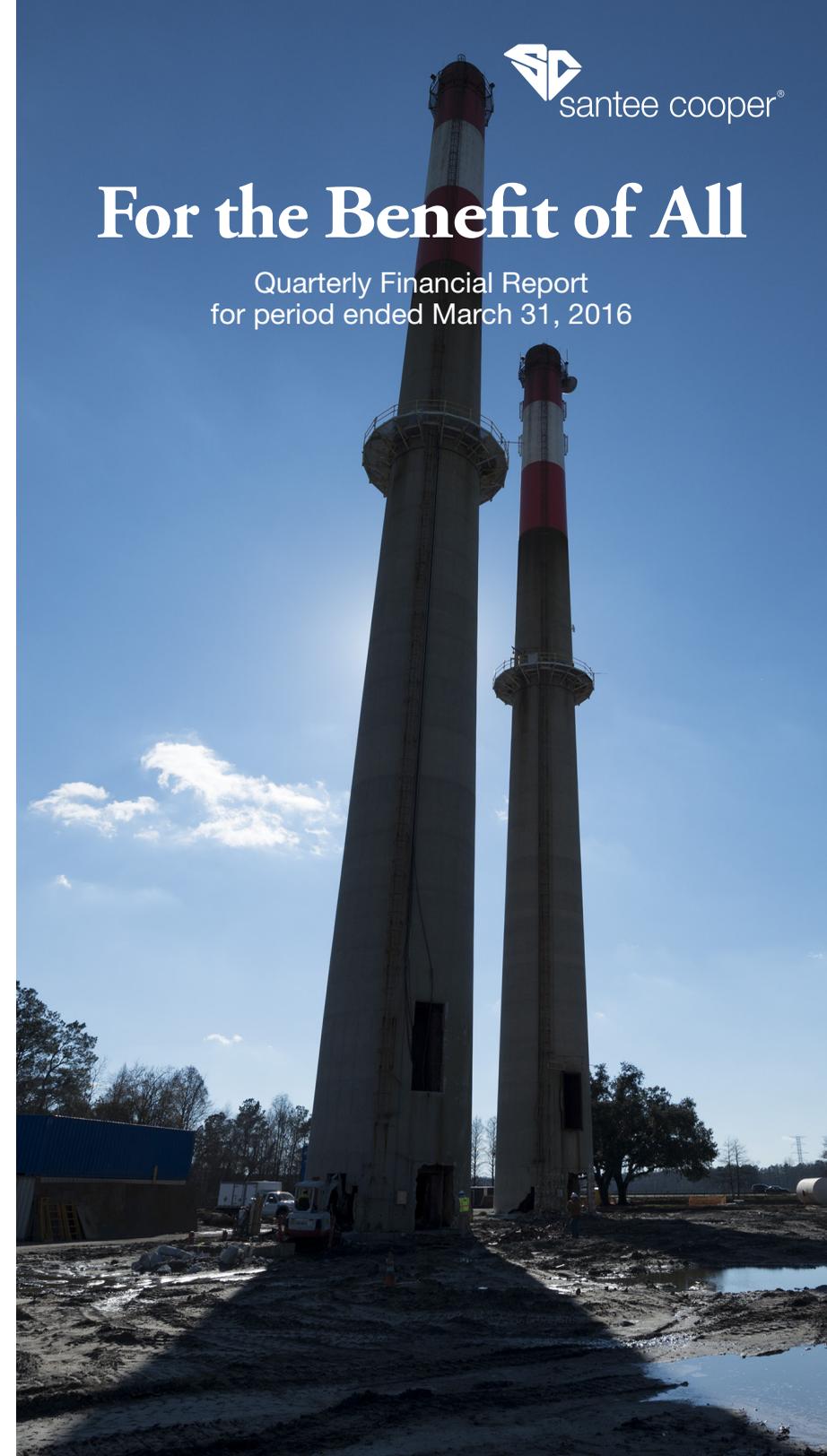
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# For the Benefit of All

Quarterly Financial Report  
for period ended March 31, 2016



## Executive Summary

### First Quarter 2016 Compared to 2015

The financial results for the first quarter of 2016 showed a decrease of nearly \$44 million compared to the same period last year.

Operating Revenue decreased \$96 million when compared to the same period in 2015. The milder weather resulted in lower kWh sales and demand usage between the years, combined with lower fuel rate revenues and impacts of the Central Cost of Service adjustments. This quarter, kWh sales were down 16% from last year, due to activity primarily in the Industrial and Wholesale categories.

Operating Expense for the first quarter of 2016 was down \$63 million. The main contributor was lower fuel and purchased power costs due to lower kWh sales and a shift in the current year generation mix, along with lower maintenance expense. Smaller variances were spread among the remaining cost categories.

Other Income decreased \$6 million compared with the first quarter of last year from the amortization of the remaining balance of the Pee Dee assets. The Fair Value of Investments increased \$2 million.

Interest Charges were lower by approximately \$1 million compared to last year due to the impact of the 2015 and 2016 bond activity.

The \$8 million change in Costs to be Recovered from Future Revenue expense was a result of the implementation of a new CTBR methodology in 2015.

Overall, Reinvested Earnings for the first quarter showed a decrease 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	5,858,813	6,954,073
Number of Degree Days	1,277	1,472
	<i>For Month Ended March 2016</i>	
Distribution Reliability % (YTD)	99.9967	99.9984
Number of Retail Customers	174,673	172,342

## 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>Apr 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	\$415.6	\$511.9	\$1,772.2	\$1,968.2
O&M Expense	280.6	344.0	1,256.3	1,413.1
Depreciation & Sums in Lieu of Taxes	45.4	45.3	181.5	179.7
Operating Expense	326.0	389.3	1,437.8	1,592.8
Operating Income	\$89.6	\$122.6	\$334.4	\$375.4
<i>Add:</i>				
Other Income	(6.7)	(1.1)	(38.3)	20.3
Net Increase (Decrease) in Fair Value of Investments	2.8	0.5	(2.1)	(1.0)
<i>Subtract:</i>				
Interest Charges	67.7	68.3	278.5	277.3
Costs To Be Recovered	1.7	(6.5)	14.6	(35.5)
Reinvested Earnings	\$16.3	\$60.2	\$0.9	\$152.9

### Balance Sheet

As of March 2016 and 2015

Millions of Dollars (Unaudited)

<i>Assets</i>	<i>This Year</i>	<i>Last Year</i>
Utility Plant - Net	\$7,457.9	\$6,797.9
Long Lived Assets - ARO - Net	337.0	374.2
Investment in Associated Co.	6.6	7.6
Unrestricted Funds - Non-Current	0.0	0.0
Restricted Funds - Non-Current	130.5	125.1
Unrestricted Funds	599.7	789.7
Restricted Funds	1,117.1	1,393.4
Other Current Assets	1,054.7	932.4
Costs To Be Recovered	239.2	253.9
Regulatory Asset	489.1	462.3
Other Deferred Debits	330.4	259.3
Total Assets	\$11,762.2	\$11,395.8
<i>Liabilities</i>		
Long Term Debt - Net	\$7,138.2	\$7,075.3
Short Term Debt	587.7	373.5
Current Portion of L-T Debt	134.9	114.3
Other Current Liabilities	469.5	434.2
ARO Liability	1,046.0	1,047.8
Other Liabilities	438.3	131.7
Accumulated Reinvested Earnings and Capital Contributions	1,947.6	2,219.0
Total Liabilities and Capital	\$11,762.2	\$11,395.8

## Quarterly Headlines

### Board approves state's first community solar program, increases solar incentives

The Santee Cooper Board of Directors approved South Carolina's first community solar project and new rebates for Santee Cooper's community and rooftop solar programs at its March 21 meeting in Columbia. All programs launched April 1 are designed to help customers invest in solar power and cut their electric bills over the life of the program.

Solar Share, the first community solar project available for subscription in South Carolina, will offer Santee Cooper customers the opportunity to purchase the output from a share of the Colleton Solar Farm and receive a rebate for subscriptions of up to 4 kilowatts. Customers will receive a credit on their monthly Santee Cooper electric bill reflecting their share of solar energy produced each month at the solar farm, which is owned and operated by TIG Sun Energy and provides solar power under contract to Santee Cooper.

The board also increased rebates for customers who install solar panels on their own roofs and set an April 1 launch for Santee Cooper Solar Home and Santee Cooper Solar Business.

### Grainger Generating Station stacks fall

Santee Cooper brought down Grainger Generating Station's two, 300-foot stacks at 8 a.m. on Sunday, Feb. 7 — the final significant structures to be removed in the ongoing dismantling of the station and a significant symbol of Santee Cooper's increasing reliance on emissions-free and renewable generation. The stacks had been a landmark in the Conway area for 50 years.

Santee Cooper operated Grainger from 1966 to 2012, when the coal-fired station was retired as part of the utility's move to a more diverse mix of generating resources, including additional renewables and nuclear. Santee Cooper has set a goal to meet 40 percent of its customers' energy needs by 2020 with non-greenhouse emitting resources, renewable resources, conservation and energy efficiency.

### Celebrate The Season raises over \$153,000 for local charities

Celebrate The Season raised \$153,848.85 during its 2015 run for charities serving Berkeley County. The month-long holiday festival has raised more than \$562,000 since debuting in 2011. The totals include sponsorships, gate returns, and proceeds from vendor sales and the Tinsel Trot holiday fun run.

Santee Cooper is title sponsor and organizer for Celebrate The Season and Tinsel Trot, which are held annually at the utility's Moncks Corner headquarters and its adjacent Old Santee Canal Park.

### Board approves 2016 Series A refunding bond sale

On Jan. 8, Santee Cooper's Board of Directors approved the sale of \$543,745,000 in revenue obligation bonds, with proceeds designated to refinance a portion of the utility's existing debt. The refunding produced approximately \$78 million in net present value savings.

The all-in true interest rate is 3.65 percent, and maturities for the 2016A issue range from 2021 through 2049. The issue drew ratings of AA- from Standard & Poor's, A1 from Moody's and A+ from Fitch. All three agencies reaffirmed existing ratings and a stable outlook for long-term debt and issued Santee Cooper bonds a stable outlook.

Cover photo by Jim Huff