

Letter from the President and CEO

Santee Cooper has seen several advances on the environmental front in 2016.

Construction of V.C. Summer nuclear units 2 and 3 saw significant progress this year, after we amended our contract with Westinghouse to provide an opportunity to substantially fix the price of constructing the units and bring in Fluor Corp. as project manager. These new units, built in partnership with South Carolina Electric & Gas Co., form the foundation of Santee Cooper's plan to reduce carbon dioxide emissions and comply with the anticipated Clean Power Plan. They are also the centerpiece of our goal to meet 40 percent of our customers' energy requirements by 2020 through clean energy and energy efficiency programs.

We continue to buy natural gas generation to supplement what we produce at Rainey Generating Station. We increased our beneficial use of ash at three generating stations, excavating ash ponds and providing it as a raw material for use in cement and concrete products, and so creating jobs and economic benefit as a result. In April, 10 years after we introduced utility solar to South Carolina electric customers, we rolled out new solar programs including the state's first community solar project.

As we have done since September 2001, Santee Cooper continues to offer customers (and members of the state's electric cooperatives) the optional purchase of Green Power, with revenues invested in new renewable programs serving the state.

When our board of directors approved our 2020 goal back in 2007, the finish line seemed a long way off. With 2020 just around the corner, we are on track to achieve that goal. More than that, our good partnerships with SCE&G and the state's electric cooperatives are building nuclear and renewable energy resources that will transform our energy landscape and power South Carolina for generations to come.



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For the Benefit of All

Quarterly Financial Report
for period ended September 30, 2016

Executive Summary

Third Quarter 2016 Compared to 2015

The financial results for the third quarter of 2016 showed an increase of over \$63 million compared to the same period last year.

Operating Revenue decreased \$5 million when compared to the same period in 2015. The primary drivers for this were lower kWh sales and demand usage between the years, lower fuel rate revenues, and impacts between the 2015 and 2016 Central Cost of Service adjustments. This quarter, kWh sales were down 6% from last year, driven by activity in the Industrial category. Degree days were up 13% from the same quarter last year.

Operating Expense for the third quarter of 2016 was down \$15 million. The main contributor was lower fuel and purchased power costs offset by increased sales promotion from accrual of SCEDIF and Site Readiness grants in the current year and higher administrative & general expenses. Smaller variances were spread among the remaining cost categories.

Other Income increased \$2 million compared with the third quarter of last year as a result of a timing difference in recording the amortization of the remaining balance of the Pee Dee assets. The Fair Value of Investments decreased \$1 million.

Interest Charges were lower by \$37 million compared to last year due to the impact of the 2015 and 2016 bond activity.

The \$16 million change in Costs to be Recovered from Future Revenue (CTBR) expense was a result of the implementation of a revised CTBR methodology in 2015.

Overall, Reinvested Earnings for the third 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	7,058,336	7,532,697
Number of Degree Days	1,553	1,378
	For Month Ended September 2016	
Distribution Reliability % (YTD)	99.9953	99.9957
Number of Retail Customers	176,599	173,627

Quarterly Statement of Reinvested Earnings

Millions of Dollars (Unaudited)

	Current Quarter		12 Months to Date	
	Jul 1 - Sep 30		Oct 1 - Sep 30	
	This Year	Last Year	This Year	Last Year
Operating Revenue	\$534.0	\$539.2	\$1,745.4	\$1,904.1
O&M Expense	339.4	354.8	1,198.8	1,357.2
Depreciation & Sums in Lieu of Taxes	45.8	45.6	181.9	181.0
Operating Expense	385.2	400.4	1,380.7	1,538.2
Operating Income	\$148.8	\$138.8	\$364.7	\$365.9
<i>Add:</i>				
Other Income	(5.7)	(7.9)	(27.9)	(27.9)
Net Increase (Decrease) in Fair Value of Investments	(1.5)	(0.2)	(2.5)	(0.7)
<i>Subtract:</i>				
Interest Charges	33.8	70.6	238.9	282.1
Costs To Be Recovered	1.7	17.2	6.5	(43.2)
Reinvested Earnings	\$106.1	\$42.9	\$88.9	\$98.4

Balance Sheet

As of September 2016 and 2015

Millions of Dollars (Unaudited)

Assets	This Year	Last Year
Utility Plant - Net	\$7,996.7	\$7,050.0
Long Lived Assets - ARO - Net	318.5	355.6
Investment in Associated Co.	6.5	8.0
Unrestricted Funds - Non-Current	0.0	0.0
Restricted Funds - Non-Current	136.0	125.3
Unrestricted Funds	968.7	702.4
Restricted Funds	1,244.5	1,257.3
Other Current Assets	980.9	1,051.9
Costs To Be Recovered	236.0	242.5
Regulatory Asset	500.7	489.4
Other Deferred Debits	257.3	287.1
Total Assets	\$12,645.8	\$11,569.5
Liabilities		
Long Term Debt - Net	\$8,072.1	\$7,004.1
Short Term Debt	468.4	506.0
Current Portion of L-T Debt	137.0	216.3
Other Current Liabilities	442.5	421.7
ARO Liability	1,045.9	1,056.2
Other Liabilities	432.8	136.4
Accumulated Reinvested Earnings and Capital Contributions	2,047.1	2,228.8
Total Liabilities and Capital	\$12,645.8	\$11,569.5

Quarterly Headlines

Santee Cooper Board approved 2016C bond sale

In July the Santee Cooper Board of Directors approved the sale of \$52.4 million in revenue obligation bonds. The proceeds will be used to refund and restructure existing debt.

The 2016C bond sale involved tax-exempt bonds with maturities from 2022 to 2036. The all-in true interest rate was 3.108 percent.

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.

Santee Cooper hit by Tropical Storm Hermine

In September Santee Cooper's service territory was hit by Tropical Storm Hermine. Santee Cooper saw minor damage to its electrical system and at the height of the storm had around 1,100 customers without power.

Bojangles' Southern 500 was a Green Power Event

In September the electrical needs of the NASCAR XFINITY Series VFW Sport Clips Help a Hero 200 and the NASCAR Sprint Cup Series Bojangles' Southern 500 were provided with 100 percent Green Power distributed by Pee Dee Electric Cooperative and generated by Santee Cooper.

The weekend event was powered by Green Power, certified by Green-e Energy, the nation's leading independent certification and verification program for renewable energy. Santee Cooper is the only utility generating Green Power in South Carolina that is on the state's electric grid, and Pee Dee Electric Cooperative promotes Green Power sales to its 30,000 members.

Cover photo by Paul Zoeller