

Letter from the President and CEO

Santee Cooper must remain competitive to fulfill our mission to South Carolina – which is to be a leading resource for improving the lives of the people who live here. That means we need to provide reliable, affordable and environmentally protective electricity and water, and that electricity and water must support economic development that recruits and retains industry and jobs.



Our industry continues to change, though. New technologies, new regulations, new security threats and an aging (retiring) workforce are just a few areas of focus for us.

A few years ago, Santee Cooper set out to build a continuous improvement culture within our ranks. We identified projects, named teams and provided training in process mapping, data analysis and other components of the CI methodology. Each year has brought more corporate-sanctioned projects, and we have realized significant successes in cost savings and efficiency improvements. Our goal, though, has been to foster a culture where these projects happen organically within worksites and units.

Our Board of Directors just received a presentation by one such CI team. It developed when employees at Cross Generating Station spotted a potential safety hazard, discovered through the CI process an opportunity to recover something of value, and devised solutions that will save that station \$1.5 million a year.

That is one project confined to one station. It is a great story, and it is just one example of the benefits that the CI process has brought to Santee Cooper. These results will, of course, help us to control costs where we can, improve our efficiency and ultimately continue to deliver the best value possible for our customers and the state.



santee cooper®
Post Office Box 2946101
Moncks Corner, SC 29461-2901
www.santeecooper.com
843-761-8000

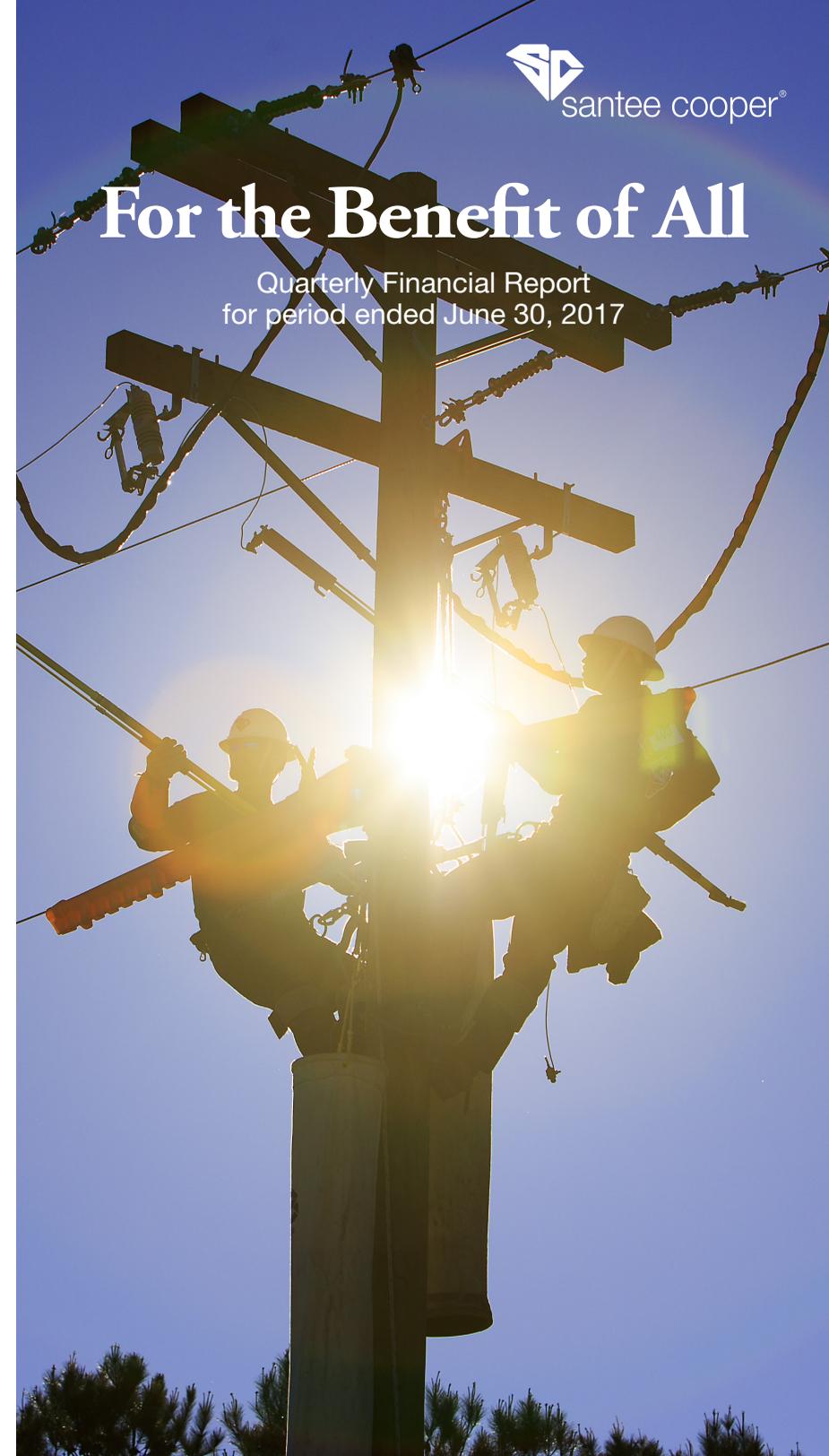
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For the Benefit of All

Quarterly Financial Report
for period ended June 30, 2017



Executive Summary

Second Quarter 2017 Compared to 2016

The financial results for the second quarter of 2017 showed an increase of \$19 million in Reinvested Earnings compared to the same period last year.

Operating Revenue increased \$22 million when compared to the same period in 2016. The primary drivers for this were higher demand usage as well as the retail base rate adjustments that went into effect April 1, 2017. This quarter, kWh sales were down 1% from last year, primarily in Central and Sales to Other Utilities categories. Degree days were down 12% from the same quarter last year. Also offsetting the reduced sales were higher fuel rate revenues and impacts between the 2016 and 2017 Central Cost of Service adjustment.

Operating Expense for the second quarter of 2017 was up \$10 million. The main contributor was higher fuel and purchased power expense from a shift in the economic dispatch resulting from station outages, and higher sales promotion and administrative & general expenses. Smaller variances were spread among the remaining cost categories.

Other Income increased \$1 million compared with the second quarter of last year while the Fair Value of Investments decreased \$1 million.

Interest Charges were lower by \$6 million compared to last year resulting from increasing capitalized interest associated with V.C. Summer nuclear units 2 and 3.

Costs to be Recovered from Future Revenue (CTBR) expense showed a small decrease between the two years.

Overall, Reinvested Earnings for the second quarter showed an increase 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	5,545,952	5,606,447
Number of Degree Days	781	885
	<i>For Month Ended June 2017</i>	
Distribution Reliability % (YTD)	99.9964	99.9958
Number of Retail Customers	179,377	175,644

Quarterly Statement of Reinvested Earnings

Millions of Dollars (Unaudited)

	<i>Current Quarter</i>		<i>12 Months to Date</i>	
	<i>Apr 1 - Jun 30</i>		<i>Jul 1 - Jun 30</i>	
	<i>This Year</i>	<i>Last Year</i>	<i>This Year</i>	<i>Last Year</i>
Operating Revenue	\$433.6	\$411.6	\$1,759.3	\$1,761.7
O&M Expense	296.6	287.5	1,190.1	1,215.6
Depreciation & Sums in Lieu of Taxes	46.2	45.4	182.5	181.7
Operating Expense	342.8	332.9	1,372.6	1,397.3
Operating Income	\$90.8	\$78.7	\$386.7	\$364.4
<i>Add:</i>				
Other Income	(6.5)	(7.6)	(23.6)	(30.2)
Net Increase (Decrease) in Fair Value of Investments	(0.3)	0.3	(5.8)	(1.2)
<i>Subtract:</i>				
Interest Charges	61.4	67.8	216.2	275.7
Costs To Be Recovered	1.1	1.5	5.6	22.0
Reinvested Earnings	\$21.5	\$2.1	\$135.5	\$35.3

Balance Sheet

As of June 2017 and 2016

Millions of Dollars (Unaudited)

<i>Assets</i>	<i>This Year</i>	<i>Last Year</i>
Utility Plant - Net	\$8,744.1	\$7,665.2
Long Lived Assets - ARO - Net	51.9	327.7
Investment in Associated Co.	6.3	6.6
Unrestricted Funds - Non-Current	0.0	0.0
Restricted Funds - Non-Current	133.8	133.2
Unrestricted Funds	702.8	611.5
Restricted Funds	510.6	946.9
Other Current Assets	908.7	1,068.8
Costs To Be Recovered	232.0	237.7
Regulatory Asset	461.0	492.5
Other Deferred Debits	293.6	324.7
Total Assets	\$12,044.8	\$11,814.8
<i>Liabilities</i>		
Long Term Debt - Net	\$7,913.7	\$7,174.3
Short Term Debt	308.3	653.7
Current Portion of L-T Debt	132.2	137.0
Other Current Liabilities	422.5	421.6
ARO Liability	736.3	1,045.9
Other Liabilities	465.2	432.6
Accumulated Reinvested Earnings and Capital Contributions	2,066.6	1,949.7
Total Liabilities and Capital	\$12,044.8	\$11,814.8

Quarterly Headlines

Santee Cooper Wins Awards

In May, Santee Cooper received several awards from the American Public Power Association's (APPA) national Lineworkers Rodeo and at the association's annual Engineering & Operations Technical Conference, both of which were held in San Antonio, Texas.

- **Safety Award of Excellence**
Santee Cooper has earned a first place APPA annual Safety Award of Excellence for safe operating practices in 2016. The award is in the category for large utilities, with 1,000,000 to 3,999,999 worker-hours of annual worker exposure.
- **Lineworkers Rodeo Awards**
Santee Cooper's lineworker teams swept first and second places at the national APPA Lineworkers Rodeo. Out of 73 competing teams, the Santee Cooper transmission team won first place overall and the Santee Cooper distribution team won second.
- **Reliable Public Power Provider Designation**
Santee Cooper earned the Reliable Public Power Provider (RP3[®]) Diamond Level designation from APPA for providing customers with the highest degree of reliable and safe electric service with proficiency in workforce development and system improvement. This is the fifth time Santee Cooper earned the RP3 designation.

Public Comment Period For Proposed Rate Adjustment

In June, the Santee Cooper Board of Directors authorized a public comment period for a proposed two-year rate adjustment beginning in 2018. The proposed rate adjustment would increase rates across all customer groups. The public comment period will continue through Sept. 22, with options to comment online or by regular mail. People may also comment in person during a series of five meetings in August.

The board will offer a final opportunity for public comments on Friday, Oct. 13, and is scheduled to vote on the rate adjustment at its Dec. 11 meeting. Primary drivers for the proposed rate adjustment are slow load growth and costs associated with nuclear construction and other system improvements, as well as environmental compliance.

VC Summer Assessment Period Extended

On June 26, 2017 SCANA Corporation (SCANA) (NYSE:SCG) and Santee Cooper amended to extend the Interim Assessment Agreement with Westinghouse Electric Company, LLC concerning the nuclear construction project at the V.C. Summer Nuclear Station through August 10, 2017. The agreement allows the co-owners additional time to maintain all of their options by continuing construction on the project, while examining all of the relevant information for a thorough and careful assessment to determine the most prudent path forward. The goal is to reach a decision in the third quarter.

A decision was made on July 31 to suspend construction of Units 2 and 3 at V.C. Summer.

Cover photo by Paul Zoeller