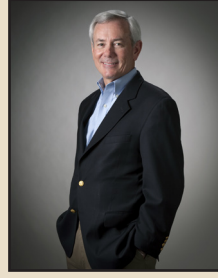


Letter from Interim President and CEO

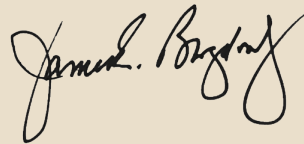
On Oct. 6, I was pleased to accept the position of interim president and CEO for Santee Cooper. As the chief legal officer from 2005 to 2014, I understand the important role Santee Cooper plays as a public power utility serving South Carolina and our duty to provide low-cost, reliable electricity and water, deliver excellent customer service, and promote economic development. I am also aware of our responsibilities to all of our customers and other key stakeholders.



It is my goal to support our Board and leadership team as they continue to manage Santee Cooper in a fiscally responsible manner, while we simultaneously work to mitigate impacts to customers from our V.C. Summer construction suspension. We are aggressively cutting budgets and evaluating our workforce for ways to maximize our efficiency. These actions helped make it possible for us to cancel proposed rate process for 2018 and 2019.

We are also committed to working with stakeholders, including our Governor and Legislature, in our unique role as a public power provider.

I appreciate the opportunity to once again work with the many dedicated and hard-working employees of Santee Cooper in fulfilling our mission of being the leading resource for improving the quality of life for all South Carolinians.



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For the Benefit of All

Quarterly Financial Report
for period ended September 30, 2017



Executive Summary

Third Quarter 2017 Compared to 2016

The financial results for the third quarter of 2017 showed a decrease of \$17 million in income before transfers compared to the same period last year.

Operating revenue decreased \$23 million when compared to the same period in 2016. The primary drivers for this were lower energy sales and demand usage. This quarter, kWh sales were down 7% from last year, primarily in Retail and Central categories. Degree days were down 17% from the same quarter last year. Somewhat offsetting the decrease were higher energy-related fixed cost rates as well as the retail base rate adjustments that went into effect April 1, 2017.

Operating expense for the third quarter of 2017 was down \$32 million. The main contributor was lower net fuel and purchased power expense due to lower kWh sales and a shift in generation mix. Sales promotion was also lower mainly from the re-accrual of prior year Site Readiness grants by Coastal Cooperative, Marlboro Cooperative and the City of Rock Hill. Smaller variances were spread among the remaining cost categories.

Interest charges were higher by \$28 million compared to last year resulting from an adjustment made during the third quarter of 2016 increasing capitalized interest associated with V.C. Summer nuclear units 2 and 3, retroactive to January 1, 2016.

Other revenue (expenses) change was due to the Fair Value of Investments increasing \$2 million.

Costs to be Recovered from Future Revenue (CTBR) expense was lower by \$600,000 compared to last year.

Overall, income before transfers for the third 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	
	For Month Ended September 2017	
Total MWh Sales	6,553,261	7,058,336
Number of Degree Days	1,282	1,553
Distribution Reliability % (YTD)	99.9964	99.9950
Number of Retail Customers	179,845	176,599

Combined Statements of Revenues, Expenses and Changes in Net Position (Millions of Dollars Unaudited)

	Current Quarter		12 Months to Date	
	Jul 1 - Sep 30	Oct 1 - Sep 30	This Year	Last Year
Operating revenue	\$511.5	\$534.0	\$1,736.3	\$1,756.4
O&M expense	307.9	339.4	1,158.7	1,200.1
Depreciation & sums in lieu of taxes	47.4	45.8	184.1	181.9
Operating expense	355.3	385.2	1,342.8	1,382.0
Operating Income	\$156.2	\$148.8	\$393.5	\$374.4
Nonoperating revenues (expenses)				
Interest charges	(65.4)	(37.9)	(259.1)	(252.3)
Other revenues (expenses)	(1.0)	(3.1)	(11.9)	(17.1)
Costs to be recovered	(1.2)	(1.8)	(5.1)	(6.6)
Total nonoperating revenues (expenses)	(67.6)	(42.8)	(276.1)	(276.0)
Income before transfers	\$88.6	\$106.0	\$117.4	\$98.4

Combined Statements of Net Position

(Millions of Dollars Unaudited)

	Sept. 30, 2017	Dec. 31, 2016
Current assets		
Unrestricted funds	\$1,546.7	\$816.7
Restricted funds	481.2	880.0
Fuel inventory ¹	483.3	584.3
Other current assets	506.1	498.2
Total current assets	3,017.3	2,779.2
Noncurrent assets		
Total utility plant – net ²	8,779.5	8,209.1
Cost to be recovered	230.8	234.2
Regulatory asset – ARO	690.6	672.0
Other noncurrent assets	371.7	343.8
Total noncurrent assets	10,072.6	9,459.1
Deferred outflows of resources	252.1	271.5
Total assets & deferred outflows	\$13,342.0	\$12,509.8
Current liabilities		
Current debt and interest	\$553.2	\$588.4
Other current assets	277.3	328.2
Total current liabilities	830.5	916.6
Noncurrent liabilities		
Pension liability	329.3	325.0
ARO liability	734.5	739.8
Long-term debt-net	8,114.3	8,134.9
Other noncurrent liabilities	944.7	121.2
Total noncurrent liabilities	10,122.8	9,320.9
Deferred inflows of resources	242.0	242.0
Total net position	2,146.7	2,030.3
Total liabilities & deferred inflows	\$13,342.0	\$12,509.8

¹ Includes \$103,103 for fuel core associated with V.C. Summer Units 2 and 3.

² Includes V.C. Summer Nuclear related construction costs of \$4,145,225 for Units 2 and 3 as well as \$172,986 for transmission. Changes made to present unaudited condensed financials in GASB format.

Santee Cooper News

On July 31, the Santee Cooper Board of Directors voted to suspend construction of Units 2 and 3 at V.C. Summer Nuclear Station in Jenkinsville, S.C. The vote followed a comprehensive analysis of the project's cost to complete following the bankruptcy and stated plan to reject our fixed-price contract by Westinghouse, the contractor building the new units. We were then able to negotiate and monetize a settlement guaranty from Toshiba, Westinghouse's parent.

The decision to suspend was difficult, but done in the best interest of our customers after our analysis indicated the cost to complete the units would be 75 percent more than originally budgeted. The suspension caught the attention of the governor, legislature and media. The governor is publicly pursuing the sale of part or all of Santee Cooper, and both the S.C. House and Senate have formed committees to review the suspension of the project and its effects on customers. In addition, the action has prompted lawsuits against Santee Cooper.

Monetization of the Toshiba settlement eliminated the risk to Santee Cooper of that settlement's five-year payout. Santee Cooper plans to use the proceeds to help offset rate increases in the short term. In addition to the guaranty payment, Santee Cooper is aggressively cutting budgets and working more efficiently to offset rate increases, and already withdrew proposed rate increases for 2018 and 2019.

On Aug. 25, Santee Cooper President and CEO Lonnie Carter announced his retirement after a 35-year career that saw Santee Cooper triple in generating capacity and number of customers served. The Board named James E. Brogdon Jr., who retired from Santee Cooper in 2014 as a member of the executive leadership team, as interim president and CEO on Oct. 6.

Cover photo by Paul Zoeller