

**NEW ISSUE -- Book Entry**

*In the opinion of Bond Counsel, interest on the 2011A Bonds is included in the gross income of the registered owners thereof for federal income tax purposes. The 2011A Bonds and the interest thereon will be exempt from all State, county, municipal and school district and other taxes or assessments imposed within the State of South Carolina, except estate, transfer and certain franchise taxes.*

**\$336,000,000\***

**South Carolina Public Service Authority**



**Revenue Obligations, 2011 Taxable Series A (LIBOR Index Bonds)**

Dated: Date of Delivery

Due: As shown below

The Revenue Obligations, 2011 Taxable Series A (LIBOR Index Bonds (the “2011A Bonds”) will be issued only as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the 2011A Bonds under a book-entry only system as described herein, pursuant to which principal and interest payments on the 2011A Bonds will be made. Individual purchases of beneficial interests may be made in book-entry only form, in the principal amount of \$1,000 or any integral multiple thereof. Beneficial owners of the 2011A Bonds will not receive physical delivery of bond certificates.

The 2011A Bonds will bear interest from their delivery date and will be payable on the first Business Day of each month commencing August 1, 2011.

The 2011A Bonds are subject to optional redemption prior to maturity as described herein.

The 2011A Bonds are payable solely from, and secured by a lien upon and pledge of, the Revenues and moneys in the Revenue Fund of the South Carolina Public Service Authority (the “Authority”) on a parity with the lien and pledge securing Revenue Obligations heretofore and hereafter issued pursuant to the Revenue Obligation Resolution.

The 2011A Bonds are being issued to refund the Revenue Obligations, 2010 Taxable Series A (LIBOR Index Bonds) (the “2010A Bonds”), to retire certain Commercial Paper Notes of the Authority and to fund a portion of the Authority’s ongoing capital program.

**The 2011A Bonds are not debts of the State of South Carolina (the “State”), nor of any political subdivision thereof, and neither the State nor any of its political subdivisions shall be liable thereon, nor shall they be payable from any funds other than the Revenues of the Authority pledged to the payment thereof.**

<u>Due</u>	<u>Amount*</u>	<u>Interest Rate (variable)</u>	<u>Price</u>
7/1/2013	\$168,000,000	1 Month LIBOR plus 0.____%	100%
6/2/2014	168,000,000	1 Month LIBOR plus 0.____%	100%

The 2011A Bonds are offered when, as and if issued and accepted by the Underwriters pursuant to the terms of a Bond Purchase Agreement, subject to the approval of legality by Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, Bond Counsel. Certain legal matters will be passed upon for the Authority by James E. Brogdon, Jr., its Executive Vice President and General Counsel. Certain legal matters will be passed upon for the Underwriters by the McNair Law Firm, P.A., Columbia, South Carolina, Counsel to the Underwriters. It is expected that delivery of the 2011A Bonds will be made on or about June 23, 2011.

**Goldman, Sachs & Co.**

**J.P. Morgan**

**Wells Fargo Securities**

June \_\_, 2011

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

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Moncks Corner, South Carolina 29461  
(843) 761-8000

**ADVISORY BOARD**

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*Attorney General* ALAN WILSON  
*State Treasurer* CURTIS M. LOFTIS, JR.  
*Comptroller General* RICHARD ECKSTROM  
*Secretary of State* MARK HAMMOND

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BILL MCCALL, JR. . . . .	EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER
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MARC R. TYE . . . . .	SENIOR VICE PRESIDENT, CUSTOMER SERVICE

**TRUSTEE**

The Bank of New York Mellon Trust Company, N.A. Jacksonville, Florida

**BOND COUNSEL**

Haynsworth Sinkler Boyd, P.A. Charleston, South Carolina

**FINANCIAL ADVISOR**

Barclays Capital Inc. New York, New York

No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters to give any information or to make any representations with respect to the 2011A Bonds other than the information and representations contained in this Official Statement, and, if given or made, such other information or representations may not be relied upon as having been authorized by the Authority or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2011A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the Authority and other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE 2011A BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2011A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE 2011A BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the Authority from time to time (collectively, the “Official Statement”), may be treated as an Official Statement with respect to the 2011A Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the Authority.

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**OFFICIAL STATEMENT  
relating to**

**\$336,000,000\*  
South Carolina Public Service Authority  
Revenue Obligations, 2011 Series A (LIBOR Index Bonds)**

**INTRODUCTION**

**General**

The purpose of this Official Statement is to set forth information concerning the South Carolina Public Service Authority (the "Authority") Revenue Obligations, 2011 Series A (LIBOR Index Bonds) (the "2011A Bonds") offered hereby.

The summary of the Revenue Obligation Resolution (hereinafter defined) herein contained is made subject to all of the provisions of such document, and such summary does not purport to be complete statements of such provisions. Reference is hereby made to such document for further information in connection therewith. Copies of such documents may be examined at the main office of the Authority in Moncks Corner, South Carolina, and at the office of Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina. The REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AND AUDITED FINANCIAL STATEMENTS is attached as Appendix I to this Official Statement.

Defined terms not herein defined are defined in Appendix II -- "SUMMARY OF CERTAIN PROVISIONS OF THE REVENUE OBLIGATION RESOLUTION."

**The Authority**

The Authority is a body corporate and politic created by Act No. 887 of the Acts of the State of South Carolina (the "State") for 1934 and acts supplemental thereto and amendatory thereof (Code of Laws of South Carolina 1976, as amended -- Sections 58-31-10 through 58-31-450) (the "Act"), which, among other things, authorizes the Authority to produce, distribute and sell electric power and to acquire, treat, transmit, distribute and sell water at wholesale. The Authority began electric power operations in 1942. The commercial operation of the regional water system began in October 1994.

**Authorization of 2011A Bonds**

The 2011A Bonds are issued pursuant to a resolution adopted by the Authority's Board of Directors on April 26, 1999, as amended and supplemented from time to time (the "Revenue Obligation Resolution"). The 2011A Bonds now being offered and all obligations heretofore and hereafter issued pursuant to the Revenue Obligation Resolution (collectively, the "Revenue Obligations") are on a parity with each other. The Revenue Obligations are secured by a lien upon and pledge of the Revenue Fund and the revenues of the Authority's System and other moneys paid into the Revenue Fund (the "Revenues"). See "SECURITY FOR THE 2011A BONDS." By supplemental resolution duly adopted, the Authority authorized the issuance of the 2011A Bonds.

**Indebtedness of the Authority**

Pursuant to the Act and in accordance with the provisions of the Revenue Bond Resolution, the Board of Directors of the Authority adopted the Revenue Obligation Resolution providing for the issuance of the Authority's Revenue Obligations. As of January 2, 2011 there was outstanding approximately \$5,024,000,000 aggregate principal amount of Revenue Obligations.

\* Preliminary, subject to change.

In addition, the Authority has issued indebtedness evidenced by commercial paper notes (the “Commercial Paper Notes”) and leases. As of January 2, 2011 there was outstanding \$159,338,000 of Commercial Paper Notes and approximately \$3,914,000 aggregate amount of leases. The lien and pledge of Revenues securing such Commercial Paper Notes and leases is junior to that securing the Revenue Obligations. See “SECURITY FOR THE 2011A BONDS -- Lease Fund Payments” and “SECURITY FOR THE 2011A BONDS -- Commercial Paper Notes and Revolving Credit Agreement.”

### **Purpose of the 2011A Bonds**

The 2011A Bonds are being issued to refund the 2010A Bonds which will be called on June 29, 2011\*, to retire certain Commercial Paper Notes of the Authority and to fund a portion of the Authority’s ongoing capital program. See “CAPITAL IMPROVEMENT PROGRAM.”

### **ESTIMATED SOURCES AND USES OF FUNDS**

Set forth below are the estimated sources and uses of proceeds of the 2011A Bonds.

#### Sources

Par Amount of the 2011A Bonds	\$
Total	\$ <u><u>          </u></u>

#### Uses

Refund 2010A Bonds	\$
Retire Commercial Paper	
Deposit to Construction Fund	
Underwriters’ Discount and Issuance Costs	<u>          </u>
Total	\$ <u><u>          </u></u>

### **DESCRIPTION OF THE 2011A BONDS**

#### **General**

The 2011A Bonds will be issued in the aggregate principal amount of \$336,000,000\* will be dated the date of their delivery, will bear interest from that date at the rates per annum set forth on the cover page hereof, and will mature on the dates and in the principal amounts set forth on the cover page hereof. Interest on the 2011A Bonds will be payable on each Interest Payment Date (defined below), commencing August 1, 2011 to the registered owner as of the record date.

The 2011A Bonds will be issuable only in fully registered form in denominations of \$1,000 or any integral multiple amount thereof and when issued will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). See Appendix V -- “DESCRIPTION OF BOOK-ENTRY ONLY SYSTEM.” The 2011A Bonds may be transferred only on the books of the Authority at the corporate trust office of The Bank of New York Mellon Trust Company, N.A. in New York, New York (the “Trustee”), as Bond Registrar (the “Bond Registrar”). Neither the Authority nor the Bond Registrar will be required to transfer or exchange any 2011A Bonds for a period beginning 15 days next preceding any Interest Payment Date therefor nor for a period of 45 days next preceding any date fixed for redemption of such 2011A Bonds. Interest on any 2011A Bond will be paid to the person in whose name such 2011A Bond is registered at the close of business on the applicable record date, which is the 15<sup>th</sup> day of the month immediately preceding each Interest Payment Date. Interest will be payable by check of The Bank of New York Mellon Trust Company, N.A. as paying agent (the “Paying Agent”) mailed by first class mail to the registered owners (or, in the case of registered owners of 2011A Bonds in an aggregate principal amount of not less than \$1,000,000, interest payable on such 2011A Bonds shall be paid to an account within the Continental United States in accordance with the wire transfer instructions provided by such registered owner). Except as otherwise provided in the Revenue Obligation Resolution with respect to 2011A Bonds held in book-entry form, the principal and redemption price, if any, of all 2011A Bonds will be payable upon presentation and surrender of such 2011A Bonds at the corporate trust office of the Paying Agent in New York, New York. The Bank of New York Mellon Trust Company, N.A. will act as Calculation Agent for the 2011A Bonds.

\* Preliminary, subject to change.



## **Interest Rate Calculations**

*Interest Rates.* Interest on the 2011A Bonds will be computed on the basis of the actual number of days elapsed over a 360-day year. The 2011A Bonds will accrue interest daily during each Interest Period at the Adjusted LIBOR Rate. The Adjusted LIBOR Rate shall equal LIBOR (defined below) on the Interest Determination Date (defined below) plus 0.\_\_\_\_% for the July 1, 2013 and plus 0.\_\_\_\_% for the June 2, 2014 maturity.

*Interest Rate Determination.* The Adjusted LIBOR Rate will be determined by the Calculation Agent (defined below) on each Interest Determination Date.

Upon determining the Adjusted LIBOR Rate for a given Interest Period for the 2011A Bonds, the Calculation Agent shall notify the Authority of such rate by electronic mail (“e-mail”) or by telephone or in such other manner as may be appropriate on the date of such determination, which notice, if provided by telephone, shall be promptly confirmed in writing. Such notice shall be provided by not later than 3:00 P.M. on the Interest Determination Date.

All percentages resulting from any calculation of the interest rate on the 2011A Bonds will be rounded, if necessary, to the nearest one-hundred thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards (e.g. 3.876545% (or .03876545) being rounded to 3.87655% (or .0387655)), and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent (with one-half cent being rounded upwards).

Any interest rate determined by the Calculation Agent, absent manifest error, shall be binding and conclusive upon the beneficial owners and holders of the 2011A Bonds, the Authority, and the Trustee.

## **Certain Definitions for the 2011A Bonds**

“Business Day” means any day other than (a) a Saturday, a Sunday, or (b) a day on which banking institutions in New York, NY are authorized or required by law or executive order to close, or (c) a day on which the New York Stock Exchange is closed.

“Calculation Agent” means The Bank of New York Mellon Trust Company, N.A., or after being notified in writing that the Reuters LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers’ Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits) were not available as of 11:00 a.m. (London time) on the Interest Determination Date, Goldman, Sachs & Co., or any successor appointed by the Authority, acting as calculation agent.

“Interest Determination Date” means the second London Business Day immediately preceding the first day of the relevant Interest Period.

“Interest Payment Date” shall be the first Business Day of each month, and the maturity date of any 2011A Bonds or the Redemption Date of any 2011A Bonds called for redemption prior to maturity.

“Interest Period” means the period commencing on an Interest Payment Date for the 2011A Bonds (or, with respect to the initial Interest Period only, commencing on the delivery date for the 2011A Bonds) and ending on the day before the next succeeding Interest Payment Date for the 2011A Bonds.

“LIBOR” means, with respect to any Interest Period, the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a one-month period commencing on the first day of that Interest Period that appears on Reuters LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers’ Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m. (London time) on the Interest Determination Date for that Interest Period. If such rate does not appear on any page or service mentioned herein as of 11:00 a.m. (London time) on the Interest Determination Date for that Interest Period, LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for the Interest Period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market, which may include affiliates of one or more of the Underwriters, selected by the Calculation Agent (after consultation with the Authority), at approximately 11:00 a.m., London time, on the

Interest Determination Date for that Interest Period. The Calculation Agent will request the principal London office of each such bank to provide a quotation of its rate. If at least two such quotations are provided, LIBOR with respect to that Interest Period will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR with respect to that Interest Period will be the arithmetic mean of the rates quoted by three major banks in New York City, which may include affiliates of one or more of the Underwriters, selected by the Calculation Agent (after consultation with the Authority), at approximately 11:00 a.m., New York City time, on the first day of that Interest Period for loans in U.S. dollars to leading European banks for that Interest Period and in a principal amount of not less than \$1,000,000. However, if fewer than three banks selected by the Calculation Agent to provide quotations are quoting as described above, LIBOR for that Interest Period will be the same as LIBOR as determined for the previous Interest Period.

“London Business Day” means a day that is a Business Day and a day on which dealings in deposits in U.S. dollars are transacted, or with respect to any future date are expected to be transacted, in the London interbank market.

“Reuters LIBOR01 page” means the display designated as Reuters LIBOR01 on the Reuters 3000 Xtra (or such other page as may replace the Reuters LIBOR01 Page on that service, or such other service as may be nominated as the information vendor for the purpose of displaying rates or prices comparable to the London Offered rate for U.S. Dollar deposits).

## **Redemption**

The 2011A Bonds due July 1, 2013 and June 2, 2014 are subject to redemption prior to maturity at the option of the Authority, in whole or in part at any time on or after \_\_\_\_\_ and \_\_\_\_\_, respectively at a redemption price equal to 100% of the principal amount of the 2011A Bonds being redeemed, together with accrued and unpaid interest to the date fixed for redemption.

*Notice of Redemption.* The Authority shall give notice of redemption to the owners to the 2011A Bonds not less than 20 days and not more than 60 days prior to the date fixed for redemption. Notice of redemption will be mailed to the registered owner as of the record date, which means, so long as the 2011A Bonds remain immobilized at DTC, Cede & Co., as nominee of DTC. Any failure on the part of DTC, any DTC participant or any nominee of a beneficial owner of any such 2011A Bond (having received notice from a DTC participant or otherwise) to notify the beneficial owner so affected, shall not affect the validity of the redemption.

The redemption notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption, in a separate account established by the Authority for such purpose no later than the redemption date, or that the Authority may rescind such notice at any time prior to the scheduled redemption date if the Authority delivers a notice thereof to the registered owner of the 2011A Bonds. The redemption notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded, and the failure of the Authority to make funds available in whole or in part on or before the redemption date shall not constitute a default. Notice of redemption having been given as aforesaid, and the amount necessary to effect the redemption having been so deposited, the 2011A Bonds called for redemption shall be come due and payable on the redemption date and, from and after such date, such 2011A Bonds shall cease to bear interest.

*Selection for Redemption.* Any 2011A Bonds subject to optional redemption shall be redeemed in any order of maturity and in any principal amount within a maturity as designated by the Authority. If less than all the 2011A Bonds of a maturity shall be called for redemption, the particular 2011A Bonds to be redeemed shall be selected by lot (provided that so long as the 2011A Bonds shall remain immobilized at DTC, such 2011A Bonds shall be selected in such manner as DTC shall determine). For purposes of selection by lot within a maturity, each \$1,000 of principal amount of a 2011A Bond shall be considered a separate 2011A Bond.

**DEBT SERVICE SCHEDULE<sup>(1)</sup>**  
(Thousands of Dollars)

The following table sets forth on an accrual basis the debt service due on outstanding Revenue Obligations, the 2011A Bonds, and the total debt service in each calendar year indicated.

	<b><u>Outstanding Revenue Obligations (2)</u></b>	<b><u>2011A Bonds</u></b>	<b><u>Total Debt Service</u></b>
2011	\$611,693(3)	\$	\$
2012	411,386		
2013	653,750		
2014	425,263		
2015	421,199		
2016	428,245		
2017	368,531		
2018	392,853		
2019	361,663		
2020	351,612		
2021	357,396		
2022	236,212		
2023	204,577		
2024	205,746		
2025	204,881		
2026	202,101		
2027	204,282		
2028	218,237		
2029	222,002		
2030	189,081		
2031	167,413		
2032	148,694		
2033	148,745		
2034	148,699		
2035	166,499		
2036	167,106		
2037	126,071		
2038	84,959		
2039	41,473		
2040	18,382		
2041	18,378		
2042	15,102		
2043	15,102		
2044	75,102		
2045	71,908		
2046	69,391		
2047	66,874		
2048	64,356		
2049	61,839		

- (1) Does not include payments into the Lease Fund or debt service on Commercial Paper Notes, both of which are junior to debt service on Revenue Obligations. Does not reflect puts subsequent to December 15, 2010 of Revenue Obligations subject to tender for elective purchase.
- (2) Net of Subsidy Payment (hereinafter defined). Subject to the Authority's compliance with certain requirements under the American Recovery and Reinvestment Act of 2009 and the Internal Revenue Code of 1986, as amended (the "Code"), the Authority expects to receive cash subsidy payments from the United States Treasury equal to 35 percent of the interest payable on the Revenue Obligations, 2010 Series C Bonds (the "2010C Bonds") (any such payment, a "Subsidy Payment").
- (3) Includes actual debt service on the \$234,861,000 Revenue Obligations, 2010 Taxable Series A (LIBOR Index Bonds) through May 15, 2011, with the remaining debt service based on a projected interest rate of 1.00%.

## **SECURITY FOR THE 2011A BONDS**

### **General**

The 2011A Bonds are payable solely from, and secured by a lien upon and pledge of, the Revenues on a parity with the lien and pledge securing Revenue Obligations heretofore and hereafter issued pursuant to the Revenue Obligation Resolution, senior to (i) payments required to be made from or retained in the Revenue Fund to pay expenses of operating and maintaining the System, and (ii) the payments into the Lease Fund and the Capital Improvement Fund heretofore established and continued under the Revenue Obligation Resolution. See "FINANCIAL INFORMATION." In the Revenue Obligation Resolution the Authority has covenanted not to incur any indebtedness senior to the lien of the Revenue Obligations.

The Revenue Obligations, including the 2011A Bonds, are not obligations of the State, nor of any political subdivision thereof, and neither the State nor any of its political subdivisions shall be liable thereon, nor shall they be payable from any funds other than the Revenues of the Authority and moneys in the Revenue Fund pledged to the payment thereof.

Additional series of Revenue Obligations may be issued without limitation and without compliance with any additional bonds test, provided there is no default under the Revenue Obligation Resolution. In addition, no debt service reserve fund is established under the Revenue Obligation Resolution. See Appendix II -- "SUMMARY OF CERTAIN PROVISIONS OF THE REVENUE OBLIGATION RESOLUTION."

### **Rate Covenant**

The Revenue Obligation Resolution provides that the Authority shall establish, maintain and collect rents, tolls, rates and other charges for power and energy and all other services, facilities and commodities sold, furnished or supplied through the facilities of the System which shall be adequate to provide the Authority with Revenues sufficient: (a) to pay the principal of, premium, if any, and interest on the Revenue Obligations as and when the same shall become due and payable; (b) to make when due all payments which the Authority is obligated to make (i) into the Revenue Obligation Fund created under the Revenue Obligation Resolution, (ii) into the Lease Fund, and (iii) into the Capital Improvement Fund pursuant to the Revenue Obligation Resolution; (c) to make all other payments which the Authority is obligated to make pursuant to the Revenue Obligation Resolution; (d) to pay all proper operation and maintenance expenses and all necessary repairs, replacements and renewals thereof; (e) to pay all taxes, assessments or other governmental charges lawfully imposed on the Authority or the Revenues thereof or payments in lieu thereof; and (f) to pay any and all amounts which the Authority may become obligated to pay from the Revenues of the System by law or by contract.

As required by the Act, the Authority makes distributions to the State and payments in lieu of taxes to local governments. Nothing in the Act prohibits the Authority from paying to the State each year up to 1% of its projected operating revenues, as such revenues would be determined on an accrual basis, from the combined electric and water systems. In 2010, distributions to the State and payments to local governments amounted to approximately \$27,853,000.

There is no agency, other than the Authority, having jurisdiction over the rates of the Authority.

### **Additional Indebtedness**

The Revenue Obligation Resolution does not prohibit the issuance of obligations secured by a pledge of the Revenues junior and subordinate to the pledge securing the Revenue Obligations. In addition, the Authority may issue obligations secured by a pledge of revenues derived from separate utility systems not included in the System. See Appendix II -- "SUMMARY OF CERTAIN PROVISIONS OF THE REVENUE OBLIGATION RESOLUTION -- Separate Systems."

### **Lease Fund Payments**

As of January 2, 2011 the aggregate principal payments required to be made into the Lease Fund through the year 2014 was approximately \$3,914,000 under existing leases of properties and facilities leased to the Authority.

The required payments into the Lease Fund are secured by a lien upon and pledge of Revenues junior to the lien and pledge securing Revenue Obligations.

### **Commercial Paper Notes and Revolving Credit Agreements**

The Board of Directors of the Authority has by resolution authorized the issuance of Commercial Paper Notes not to exceed the lesser of (i) 20% of the aggregate Authority debt outstanding as of the last day of the most recent fiscal year for which audited financial statements of the Authority are available or (ii) the aggregate unused commitment of the Banks (hereinafter defined) (i.e., the commitment minus any loans outstanding under the revolving credit agreements) under any revolving credit agreements the Authority may enter into to obtain funds to repay the Commercial Paper Notes. The Commercial Paper Notes are secured by a lien upon and pledge of Revenues junior to the lien and pledge securing (i) Revenue Obligations, (ii) expenses of operating and maintaining the System, and (iii) payments into the Lease Fund, but prior to the payments into the Capital Improvement Fund. As of May 15, 2011, there was outstanding \$245,137,000 aggregate principal amount of Commercial Paper Notes.

To obtain funds, if needed to repay the Commercial Paper Notes, the Authority has entered into Revolving Credit Agreements (the "Revolving Credit Agreements") that expire September 15, 2011, with Wells Fargo Bank, National Association and JP Morgan Chase Bank, National Association, (collectively, the "Banks"), pursuant to which the Authority may borrow up to \$375,000,000. The Authority plans to amend the Revolving Credit Agreements with the Banks to extend their expiration dates to September 15, 2014 and increase the amount the Authority is authorized to borrow thereunder to \$400,000,000. The Authority plans to enter into a Revolving Credit Agreement with U.S. Bank National Association that will expire June 7, 2012 pursuant to which the Authority may borrow up to \$100,000,000.

The Authority's obligation to repay any such loan is secured by a lien upon and pledge of Revenues *pari passu* with the lien upon and pledge of Revenues securing the Commercial Paper Notes. No loans are outstanding under the Revolving Credit Agreements.

### **Capital Improvement Fund Requirement**

The Revenue Obligation Resolution requires, so long as any Revenue Obligations are outstanding, that the Authority deposit annually into the Capital Improvement Fund an amount which, together with the amounts deposited therein in the two immediately preceding Fiscal Years, will be at least equal to 8% of the Revenues required by the Revenue Obligation Resolution to be paid into the Revenue Fund in the three immediately preceding Fiscal Years. Permitted use of moneys in the Capital Improvement Fund includes payment of Capital Costs, as defined in the Revenue Obligation Resolution. See Appendix II -- "SUMMARY OF CERTAIN PROVISIONS OF THE REVENUE OBLIGATION RESOLUTION."

## ORGANIZATION AND MANAGEMENT OF THE AUTHORITY

Pursuant to the Act, the Authority's Board of Directors, appointed by the Governor, shall consist of eleven members, who reside in South Carolina and who shall have the qualifications provided for in the Act as determined by the State Regulation of Public Utilities Review Committee ("PURC"), and confirmed by the State Senate, as follows: one from each congressional district of the State; one from each of the counties of Berkeley, Horry and Georgetown who reside in the territory of the Authority and are customers of the Authority, and two from the State at large, one of whom shall be chairman. Two of the directors shall have substantial work experience within the operations of electric cooperatives or substantial experience on an electric cooperative board, but must not serve as an employee or board member of an electric cooperative during their term as director.

Each director shall serve for a term of seven years and until his successor has been appointed and qualified. Directors appointed to fill a vacancy on the board shall serve for the unexpired portion of the term only and until a successor has been appointed and qualified. Directors may be removed from office only for cause.

An individual appointed as a director may not serve on the board, even in an interim capacity, until he has been screened and found qualified by the PURC.

The Act prescribes the manner in which a director shall discharge his duties and sets forth conditions by which a director may be held accountable for his actions or inactions as a director.

There is one vacancy on the Board of Directors. Present directors are listed below.

<u>Name</u>	<u>Business</u>	<u>Residence</u>	<u>Term Expires May</u>
O. L. Thompson, Chairman	Business Executive	Charleston	2011(1)
G. Dial Dubose, First Vice Chairman	Business Executive	Easley	2005(1)
William A. Finn, Second Vice Chairman	Business Executive	Charleston	2013
J. Calhoun Land, IV	Attorney	Manning	2006(1)
David A. Springs	Retired Business Executive	Murrells Inlet	2008(1)
John T. Molnar	Medical Doctor	Myrtle Beach	2009(1)
Cecil E. Viverette	Retired Business Executive	Hilton Head	2012
Barry D. Wynn	Business Executive	Spartanburg	2014
Peggy H. Pinnell	Business Executive	Moncks Corner	2014
W. Leighton Lord, III	Attorney	Columbia	2015

(1) Although their terms expired as indicated, they may continue to serve until successors have been appointed and qualified.

On March 16, 2011, the Governor appointed James R Sanders, Jr. to the vacant seat for the 5<sup>th</sup> Congressional District, Kristofer Clark to the seat for the 3<sup>rd</sup> Congressional District currently held by G. Dial Dubose and David F. Singleton to the seat for Horry County currently held by John T. Molnar. The Governor also reappointed J. Calhoun Land, IV to the seat for the 6<sup>th</sup> Congressional District. The PURC has screened these appointees and found them qualified. The appointments are subject to State Senate confirmation.

The President and Chief Executive Officer of the Authority is appointed by the Authority's Board of Directors. The Authority's executive management is appointed by the President and Chief Executive Officer with the approval of the Authority's Board of Directors.

Authority executive management is:

<b>Name</b>	<b>Position</b>	<b>Utility Experience</b>
Lonnie N. Carter	President and Chief Executive Officer	29 years
Bill McCall, Jr.	Executive Vice President and Chief Operating Officer	39 years
Elaine G. Peterson	Executive Vice President and Chief Financial Officer	33 years
James E. Brogdon, Jr.	Executive Vice President and General Counsel	6 years
Rennie M. Singletary, III	Executive Vice President, Corporate Services	33 years
Terry L. Blackwell	Senior Vice President, Power Delivery	33 years
L. Phil Pierce	Senior Vice President, Generation	32 years
Marc R. Tye	Senior Vice President, Customer Service	26 years

Lonnie N. Carter joined the Authority in 1982 as an employee in the Controller's Office. Since that time he has held various positions, including Manager of Corporate Forecasting, Vice President of Corporate Forecasting, Senior Vice President of Customer Service and Senior Vice President of Corporate Planning & Bulk Power. In 1997, he served as the first President and Chief Executive Officer of The Energy Authority, Inc. ("TEA"), a joint power marketing alliance through a non-profit corporation, whereby the Authority can purchase or sell energy and/or capacity when available. In 2004, he became President and Chief Executive Officer. He received a Bachelor of Science degree in Business Administration and a Masters in Business Administration from The Citadel.

Bill McCall, Jr. joined the Authority in 1971 as an engineer. Since that time he has held various positions, including Group Manager Production Operations, Manager Station Construction, Vice President Production Operations, Vice President Horry-Georgetown Division, Executive Vice President Generation and Chief Operating Officer. He received a Bachelor of Science degree in Mechanical Engineering from the University of South Carolina and a Masters in Business Administration from The Citadel.

Elaine G. Peterson joined the Authority in 1977 as an accountant in the Authority's Career Foundation Program. Since that time she has held various positions, including Assistant to the Controller, Program for Employee Participation Coordinator, and Controller. She received a Bachelor of Science degree in Accounting from Clemson University and a Masters in Business Administration from The Citadel.

James E. Brogdon, Jr. joined the Authority in 2005 as Senior Vice President and General Counsel and a member of the executive management team. He practiced law in private practice and served as a judge of the South Carolina Circuit Court from 1996 to February 2005. He received a Bachelor of Arts degree in Economics from Wofford College and a Juris Doctor degree from the University of South Carolina School of Law.

Rennie M. Singletary joined the Authority in 1977 as an engineer. Since that time he has held various positions, including Jefferies Generating Station Manager and Vice President of Fossil and Hydro Generation. He received a Bachelor of Science degree and a Master of Science degree in Mechanical Engineering from Clemson University and a Masters in Business Administration from The Citadel.

Terry L. Blackwell joined the Authority in 1977 as an engineer in the Authority's Career Foundation Program. Since that time he has held various positions, including Manager of Transmission Operations and Supervisor of Power Supply Planning. He received a Bachelor of Science degree in Electrical Engineering from N.C. State University.

L. Phil Pierce joined the Authority in 1979 as an engineer. Since that time he has held various positions, including Manager of Performance & Environmental Services and Manager of Cross Station Construction. He received a Bachelor of Science degree in Mechanical Engineering from Clemson University.

Marc R. Tye joined the Authority in 1984 as an engineer. Since that time he has held various positions, including Manager of Corporate Analysis & Pricing and Manager of Wholesale Markets. He received a Bachelor of Science degree in Electrical Engineering and a Masters in Business Administration from The Citadel.

The Authority had 1,819 employees as of May 1, 2011. Authority employees are members of a contributory state pension plan administered by the South Carolina State Retirement System.

The Act establishes an Advisory Board composed of the following officials of the State: the Governor, the Attorney General, the State Treasurer, the Comptroller General and the Secretary of State. The Advisory Board approves the hiring of the external auditors and sets the salary of the Authority's Board of Directors.

## **CUSTOMER BASE**

### **Service Area**

The Authority's primary business operation is the production, transmission and distribution of electrical energy, both at wholesale and retail, to citizens of South Carolina. The Authority is one of the nation's largest municipal wholesale utilities, whose System serves directly or indirectly approximately 2 million customers in all 46 counties of South Carolina. The Authority serves directly and indirectly some of the most rapidly developing areas of the State, including growing suburban areas outside Charleston, Columbia, Greenville and Spartanburg as well as the coastal areas of Myrtle Beach and the Grand Strand, Hilton Head Island, Kiawah Island and Seabrook Island.

The Authority's direct customers currently include 30 large industrial customers, Central Electric Power Cooperative Inc. ("Central"), and two municipal electric systems, the City of Georgetown and the City of Bamberg. Central is an association of 20 electric distribution cooperatives, including the five electric distribution cooperatives that were formerly members of Saluda River Electric Cooperative, Inc. ("Saluda"). Central serves primarily residential, commercial and small industrial customers in all 46 counties of the State. Through Central and the two municipal electric systems, approximately 732,000 customers are served indirectly by the Authority. See "CUSTOMER BASE -- Wholesale."

The Authority also serves directly approximately 164,000 residential, commercial and small industrial retail customers in parts of Berkeley, Georgetown and Horry counties. See "CUSTOMER BASE -- Direct Retail Service Area."

The Authority, from time to time, negotiates with existing and prospective customers and entities for the sale of electric power under long-term contracts. The Authority is unable to predict the outcome of such negotiations.

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## Wholesale

*Central.* Central is a generation and transmission cooperative that provides wholesale electric service to each of the 20 distribution cooperatives (the “Central Cooperatives”) which are members of Central pursuant to long-term all requirements power supply agreements. The Central Cooperatives serve areas ranging from sparsely populated rural areas to heavily populated suburban areas. The table below lists each of the Central Cooperatives, the location of their headquarters, and the number of customers of each as of December 31, 2010, which is the latest information provided to the Authority.

<u>Central Cooperatives</u>	<u>Headquarters</u>	<u>Customers</u>
Aiken Electric Cooperative, Inc.	Aiken	45,237
Berkeley Electric Cooperative, Inc.	Moncks Corner	82,616
Black River Electric Cooperative, Inc.	Sumter	31,039
Blue Ridge Electric Cooperative, Inc.	Pickens	63,317
Broad River Electric Cooperative, Inc.	Gaffney	20,401
Coastal Electric Cooperative, Inc.	Walterboro	11,499
Edisto Electric Cooperative, Inc.	Bamberg	19,806
Fairfield Electric Cooperative, Inc.	Winnsboro	25,375
Horry Electric Cooperative, Inc.	Conway	65,864
Laurens Electric Cooperative, Inc.	Laurens	52,235
Little River Electric Cooperative, Inc.	Abbeville	13,989
Lynches River Electric Cooperative, Inc.	Pageland	20,564
Marlboro Electric Cooperative, Inc.	Bennettsville	6,522
Mid-Carolina Electric Cooperative, Inc.	Lexington	51,009
Newberry Electric Cooperative, Inc.	Newberry	12,560
Palmetto Electric Cooperative, Inc.	Ridgeland	67,264
Pee Dee Electric Cooperative, Inc.	Darlington	30,362
Santee Electric Cooperative, Inc.	Kingsree	44,163
Tri-County Electric Cooperative, Inc.	St. Matthews	17,885
York Electric Cooperative, Inc.	York	43,833

The Authority supplies the total power and energy requirements of the Central Cooperatives less amounts which Central purchases directly from Southeastern Power Administration (the “SEPA”), small amounts purchased from others and amounts provided by Broad River Electric Cooperative’s ownership interest in a small run of the river hydroelectric plant. The amounts supplied by the Authority are determined under the terms of an agreement between the Authority and Central (the “Central Agreement”) which became effective January 1981 upon approval by the Rural Electrification Administration, currently the Rural Utilities Services (the “RUS”). In 2010, revenues pursuant to the Central Agreement amounted to approximately 58.4% of revenues from sales.

The Authority and Central adopted an amendment to the Central Agreement in January 1988 which was approved by the RUS on July 20, 1988 and which revised the cost of service methodology, lowered the cost responsibility and rates to Central and extended the contract for a 35 year period ending on March 31, 2023. In addition to the change in the costing methodology, the amendment relinquishes all ownership rights of future generation by Central.

In September 2009, the Authority and Central entered into an agreement which, among other things, would permit Central to purchase the electric power and energy requirements necessary to serve five of its member cooperatives located in the upper part of the State that were formerly members of Saluda: Blue Ridge Electric Cooperative, Inc., Broad River Electric Cooperative, Inc., Laurens Electric Cooperative, Inc., Little River Electric Cooperative, Inc. and York Electric Cooperative, Inc. (the “Upstate Load”) from a supplier other than the Authority. Central has obtained all of the necessary regulatory approvals to transition the Upstate Load to a new supplier. The Upstate Load will transition to the new supplier over a six-year period beginning in 2013, and by 2019 will amount to approximately 1,000 Megawatts (“MW”). The agreement also provides that neither party will exercise any right to terminate the Central Agreement effective on or before December 31, 2030 and that the parties agree to negotiate in good faith terms and conditions by which the rights of the Authority and Central to terminate the Central Agreement will be deferred beyond 2030. The parties have begun these negotiations and the Authority cannot predict the ultimate outcome.

Under State law, the Authority may only serve directly new industrial customers located in its direct service area. However, if any industrial customers located outside the Authority's service area discontinue accepting electrical service from the Authority, the Authority may sell electrical service to new customers from its major transmission lines in areas outside the Authority's service area in an amount not exceeding that which was lost by such discontinuation of service.

If a new industrial customer is served by a Central Cooperative, the Authority will provide such power to the customer through the Central Cooperative (except for new industrial customers served by one of the former Saluda cooperatives after the end of the transition period described above). Central and the Authority have joined together to form a joint economic development effort, known as the Palmetto Economic Development Corporation, to benefit the State, the Authority and Central. Formed in September 1988, it works to more effectively recruit new industries and to increase job opportunities throughout the State. The joint operation is governed by an eight-member board of directors, four named by Central and four named by the Authority.

For additional information on Central and the Central Cooperatives, please refer to the 2009 Statistical Report, Rural Electric Borrowers (RUS Informational Publication 201-1) which is the latest available statistical report, copies of which may be obtained from the U.S. Government Printing Office, Superintendent of Documents, Mail Stop: SSOP, Washington, D.C. 20402-0001.

*Other Wholesale.* In addition to Central, the Authority provides wholesale electric service to the City of Georgetown, the City of Bamberg, and South Carolina Electric & Gas ("SCE&G") pursuant to long-term contracts. Sales to these customers and off-system sales to other utilities and power marketers during 2010 represented approximately 2.5% of revenues from sales.

On December 13, 2010, the Authority's Board of Directors approved a long-term power agreement pursuant to which the Authority will provide Piedmont Municipal Power Agency its supplemental electric power and energy requirements (ranging from approximately 200 MW to 300 MW) above its current resources beginning on January 1, 2014, for a term of no less than 12 years.

The Authority's Board of Directors also approved an agreement pursuant to which the Authority will provide Alabama Municipal Electric Authority 50 MW unit-contingent capacity and associated energy (25MW-50MW) beginning on January 1, 2014, for a term of 10 years.

### **Direct Retail Service Area**

The Authority owns distribution facilities and serves in two non-contiguous areas covering portions of Berkeley, Georgetown and Horry Counties. These service areas include 2,742 miles of distribution lines. The following table presents retail customer growth from 2006 through 2010 in these areas.

<b>Retail Customers</b>				
<b>Commercial and Small Industrial</b>				<b>Annual</b>
<b><u>Year</u></b>	<b><u>Residential</u></b>	<b><u>Small Industrial</u></b>	<b><u>Total</u></b>	<b><u>Increase %</u></b>
2006	126,879	29,583	156,462	5.0
2007	130,481	30,836	161,317	3.1
2008	131,869	30,788	162,657	0.8
2009	133,229	29,752	162,981	0.2
2010	134,704	28,897	163,601	0.4

Sales to residential, commercial, small industrial customers and certain other customers are made pursuant to rate schedules established from time to time by the Authority. The vast majority of such rate schedules include a fuel adjustment clause and demand sales adjustment clause. Sales to this customer group represented approximately 19% of revenues from sales in 2010.

## Large Industrial Contracts

Sales to large industrial customers are made pursuant to long-term contracts. The Authority offers a large power rate schedule prepared on a cost of service basis for large industrial customers which contract for a minimum of 1,000 kilowatts (“kW”). The Authority requires that such customers enter into contracts for initial periods of not less than five years. All contracts contain rate provisions of the demand and energy type, and include fuel adjustment clauses, demand sales adjustment clauses and other provisions generally used in large industrial power rate schedules. The average cost per kilowatthour (“kWh”) varies depending upon the customer's usage and load factor.

Sales to large industrial customers during 2010 represented approximately 19.9% of revenues from sales, which includes 9.3% for Alumax of South Carolina, Inc. (“Alumax”), 4.6% for Nucor Corporation (“Nucor”), and 4.0% for the next eight largest industrial customers, of which no one customer represents more than 1.4% of sales.

*Long-Term Power Contract with Alumax.* The Authority has a long-term power contract with Alumax which extends through December 31, 2015. The contract provides for the delivery of approximately 400 MW of power under three different rate schedules or riders. Approximately 40% of the load is currently served under the Authority's firm industrial rate schedule, with the majority of the remainder served under the supplemental curtailable schedule. A small portion of the load is served under the interruptible rate schedule. Alumax's obligations under the contract are guaranteed by its parent company, Alcoa, Inc.

*Long-Term Power Contract with Nucor.* The Authority has a long-term power contract with Nucor which extends through April 30, 2013 and provides for two year rollover terms thereafter. The contract currently provides for delivery of approximately 300 MW of power, none of which is provided under the supplemental curtailable rate schedule.

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## POWER SUPPLY AND POWER MARKETING

### Generating Facilities

The Authority's generating facilities consist of the following facilities:

<u>Generating Facilities</u>	<u>Location</u>	<u>Initial Date in Service</u>	<u>Winter MCR(1) (MW)</u>	<u>Summer MCR(1) (MW)</u>	<u>Energy Source</u>
Jefferies Hydroelectric Generating Station .....	Moncks Corner	1942	128	128	Hydro
Wilson Dam Generating Station .....	Lake Marion	1950	2	2	Hydro
Jefferies Generating Station .....	Moncks Corner				
Nos. 1 and 2 .....		1954	88	84	Oil
Nos. 3 and 4 .....		1970	307	302	Coal
Grainger Generating Station Nos. 1 and 2	Conway	1966	170	166	Coal
Combustion Turbines Nos. 1 and 2 .....	Myrtle Beach	1962	20	16	Oil/Gas
Combustion Turbines Nos. 3 and 4 .....	Myrtle Beach	1972	40	38	Oil
Combustion Turbine No. 5 .....	Myrtle Beach	1976	25	21	Oil
Combustion Turbine No. 1 .....	Hilton Head Island	1973	20	19	Oil
Combustion Turbine No. 2 .....	Hilton Head Island	1974	20	19	Oil
Combustion Turbine No. 3 .....	Hilton Head Island	1979	60	52	Oil
Winyah Generating Station .....	Georgetown				
No. 1 .....		1975	280	275	Coal
No. 2 .....		1977	290	285	Coal
No. 3 .....		1980	290	285	Coal
No. 4 .....		1981	290	285	Coal
Summer Nuclear Station(2) .....	Jenkinsville	1983	318(3)	318(3)	Nuclear
Cross Generating Station .....	Cross				
Unit 1 .....		1995	590	580	Coal
Unit 2 .....		1983	585	570	Coal
Unit 3 .....		2007	600	600	Coal
Unit 4 .....		2008	600	600	Coal
Horry Landfill Gas Station .....	Conway	2001	4	4	LMG(4)
Lee County Landfill Gas Station .....	Bishopville	2005	10	10	LMG
Richland County Landfill Gas Station .....	Elgin	2006	8	8	LMG
Anderson County Landfill Gas Station. . . . .	Belton	2008	3	3	LMG
Georgetown County Landfill Gas Station .....	Georgetown	2010	1	1	LMG
Berkeley County Landfill Gas Station .....	Moncks Corner	2011	3	3	LMG
Rainey Generating Station .....	Starr				
Unit 1 .....		2002	520	460	Gas
Unit 2A .....		2002	180	146	Gas
Unit 2B .....		2002	180	146	Gas
Unit 3 .....		2004	90	75	Gas
Unit 4 .....		2004	90	75	Gas
Unit 5 .....		2004	90	75	Gas
Diesel Generating Units .....		2003(5)	<u>14</u>	<u>14</u>	Oil
Total Capability			<u>5,916</u>	<u>5,665</u>	

- (1) Maximum Continuous Ratings ("MCR")
- (2) Virgil C. Summer Nuclear Station ("Summer Nuclear Station").
- (3) Represents the Authority's one-third ownership interest.
- (4) Landfill Methane Gas ("LMG")
- (5) Year Purchased by the Authority.

## Power Resources

The Authority plans for firm power supply from its own generating capacity and firm power contracts to equal its firm load, including a 13% summer reserve margin. The Authority's current total summer MCR is 5,665 MW, of which 3,948 MW is generated by coal-fueled units, 130 MW by hydroelectric stations, 318 MW by a nuclear-fueled unit, 1,240 MW by oil, gas or oil/gas-fueled units and 29 MW from landfill methane gas. In addition, the Authority presently receives 84 MW of firm supply from the U.S. Army Corps of Engineers (the "Corps") and 327 MW of firm hydroelectric power from SEPA. The SEPA allocation consists of 192 MW for wheeling to the SEPA preference customers served by the Authority and 135 MW purchased by the Authority for its customers. The Authority also receives 8 MW of dependable capability from the Buzzards Roost hydro electric generating facility which it leases from Greenwood County, South Carolina and 38 MW of biomass capacity and associated energy under a power purchase agreement that commenced in September 2010 and extends for fifteen years. Also, for the time period January 2010 through December 2014, the Authority has entered into an agreement with TEA for the purchase of unit-contingent power from a Southern Power Company simple cycle combustion turbine resource. This purchase is anticipated to provide a summer capability amount of 146 MW. The electric generation, transmission and distribution facilities owned by the Authority as well as certain generation and transmission facilities leased from Central, are operated by the Authority as a fully integrated electric system. The Authority has direct interconnections with five entities, including all those with which the Authority has long-term power contracts for energy interchange. See "POWER SUPPLY AND POWER MARKETING -- Interconnections and Interchanges."

The table below details the Authority's resources classified by energy source for the summer power supply peak capability.

<u>Source of Power Supply</u>	<u>(MW)</u>	<u>% of Total</u>
Coal .....	3,948	63.00
Natural Gas and Oil .....	1,240	19.78
Nuclear .....	318	5.07
Owned Hydro Generation .....	130	2.07
Landfill Methane Gas .....	29	0.46
Total MCR .....	5,665	
Purchases .....	603	9.62
Total MCR and Purchases .....	6,268	100.00

*Non-Nuclear Generating Availability.* The following table sets forth performance indicators for the Authority's coal-fired generation for the years 2008 through 2010.

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Capacity Factor - % .....	67.8	60.5	62.6
Availability Factor - % .....	92.7	94.0	91.9
Forced Outage Rate - % .....	1.9	2.2	2.6
Net Heat Rate (BTU/Kwh) .....	10,023	10,239	10,034

Performance monitoring systems are in place at the Authority's coal-fired generating stations and at its Rainey Generating Station to optimize each unit's operation while complying with environmental requirements.

All units are maintained with computerized maintenance management systems and the use of preventive, predictive, and proactive maintenance practices to achieve high reliability and efficiency at low maintenance cost. In its maintenance program, the Authority utilizes technologies such as vibration analysis, oil analysis, thermography, laser alignment, and non-destructive testing. The Authority continues to implement equipment maintenance programs for the units including major unit components such as control systems, steam generators, and turbine generators. See “CAPITAL IMPROVEMENT PROGRAM.”

*Summer Nuclear Station.* The Authority owns a one-third undivided interest in the Summer Nuclear Station located in Fairfield County, South Carolina. The station has a pressurized water reactor with a maximum dependable rating of 954 MW net. SCE&G owns the remaining two-thirds interest and operates and maintains the station on its own behalf and as the Authority's agent.

The following table sets forth certain performance indicators for the Summer Nuclear Station for the years 2008 through 2010 and for the period of commercial operation, January 1, 1984 through December 31, 2010. A refueling outage that commenced on April 15, 2011 is still in progress.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>January 1, 1984- December 31, 2010</u>
Net Generation -- MWh	7,178,101	6,872,043	8,487,079	181,253,188
Capacity Factor -- %	84.6	81.2	100.3	82.8
Availability Factor -- %	84.3	81.6	99.1	84.8
Forced Outage Rate -- %	2.6	3.9	0.9	2.7

The Nuclear Regulatory Commission (the “NRC”) oversees plant performance through the Plant Performance Review (the “PPR”). The PPR is an ongoing process that combines the evaluation of inspection results and safety performance information. PPR results are classified into the areas of Reactor Safety, Radiation Safety and Safeguards and are used to identify and evaluate trends. Results are classified as green, yellow, white or red, with green being most favorable. A green classification indicates that plant management has proper oversight and does not require additional regulator oversight. Through the first quarter of 2011, all PPR classifications for Summer Nuclear Station are coded green. The station is in the Licensee Response column of the NRC Action Matrix.

In 2004, the NRC extended the operating license for Summer Nuclear Station to August 6, 2042, which was an additional twenty years.

## **Transmission**

The Authority operates an integrated transmission system which includes lines owned and leased by the Authority as well as those owned by Central. The transmission system includes approximately 1,220 miles of 230 kilovolt (“kV”), 1,757 miles of 115 kV, 84 miles of 100 kV, 1,736 miles of 69 kV, 57 miles of 46 kV and 95 miles of 34 kV and below overhead and underground transmission lines. The Authority operates 101 transmission substations and switching stations serving 82 distribution substations and 483 Central Cooperative delivery points. Communications sites at 99 locations are in place to support the monitoring and controlling of integrated power system operations. The Authority plans the transmission system to operate during normal and contingency conditions that are outlined in electric system reliability standards adopted by the North American Electric Reliability Corporation (“NERC”) and to maintain system voltages that are consistent with good utility practice.

## **Interconnections and Interchanges**

The Authority's transmission system is interconnected with other major electric utilities in the region. It is directly interconnected with SCE&G at eight locations; with Progress Energy Carolinas (“Progress Energy”) at eight locations; with Southern Company Services, Inc. (“Southern Company”) at one location; and with Duke Energy Carolinas, a subsidiary of Duke Energy Corporation (“Duke”), at two locations. The Authority is also interconnected with SCE&G, Duke, Southern Company and SEPA through a five-way interconnection at SEPA's J. Strom Thurmond Hydroelectric Project, and with Southern Company and SEPA through a three-way interconnection at SEPA's R. B. Russell Hydroelectric Project. Through these interconnections, the Authority's transmission system is integrated into the regional transmission system serving

the southeastern areas of the United States and the Eastern Interconnection. The Authority has separate interchange agreements with each of the companies with which it is interconnected which provide for mutual exchanges of power.

### Reliability Agreements

The Authority is a party to the Virginia-Carolinas Reliability Agreement (“VACAR”) which exists for the purpose of safeguarding the reliability of electric service of the parties thereto. Other parties to the VACAR agreement are SCE&G, Progress Energy, Duke, SEPA, APGI-Yadkin Division, Dominion Virginia Power, North Carolina Electric Membership Corporation, and Public Works Commission of the City of Fayetteville.

The Authority is also a member of the SERC Reliability Corporation, which is one of 8 regional entities under the North American Electric Reliability Corporation.

### Distribution

The Authority owns distribution facilities in two service areas: the Berkeley District serving retail customers in St. Stephen, Bonneau Beach, Moncks Corner and Pinopolis; and the Horry-Georgetown Division serving retail customers in Conway, Myrtle Beach, North Myrtle Beach, Loris, Briarcliffe, Surfside Beach, Atlantic Beach, Pawleys Island, unincorporated areas along the Grand Strand and portions of rural Georgetown and Horry Counties. See “CUSTOMER BASE.”

### General Plant

The Authority owns general plant consisting of office facilities; transportation and heavy equipment; computer equipment; and communication equipment necessary to support the Authority's operations. The Authority has nine customer service offices throughout its direct service territory and corporate headquarters located in Moncks Corner which includes a garage, maintenance facilities and warehouse facilities.

### Fuel Supply

During 2010, the Authority's energy supply, including energy wheeled to SEPA preference customers, was derived as set forth in the following table.

<u>Source of Power Supply</u>	<u>% of Total</u>
Coal .....	74.7
Natural Gas and Oil .....	10.0
Nuclear .....	9.7
Owned Hydro Generation .....	1.5
Purchases .....	3.7
Landfill Methane Gas .....	<u>0.4</u>
Total .....	<u>100.0</u>

*Coal.* The Authority has contracted for bituminous coal for its Grainger, Jefferies, Winyah and Cross Generating Stations from a number of companies, and additional coal is acquired from spot market purchases. All of the Authority's suppliers have loading facilities for providing delivery of coal in unit train shipments. The Authority owns 1,905 coal cars and periodically supplements its fleet with cars provided by the railroad and through short term leases. Currently the Authority has 746 cars on short term lease.

As of May 1, 2011, the Authority had sufficient coal on hand to satisfy its requirements for approximately 172 days of projected operation at the average burn rate.

Sulfur dioxide (“SO<sub>2</sub>”) air emission limitations dictate the maximum amount of coal sulfur content that can be used by generating units. The sulfur content of coal received under existing contracts ranges from approximately 0.9% to 3.0%. The Authority believes it can obtain an adequate coal supply with sulfur content within acceptable ranges to meet foreseeable needs. See “REGULATORY MATTERS -- Environmental Matters.”

*Gas.* The Authority has contracted with Transcontinental Gas Pipeline Corporation (“Transco”) to provide firm gas transportation in an amount approximately equal to the Rainey Generating Station combined cycle unit at full load.

Any additional gas transportation necessary to fuel the remaining needs of the simple cycle units at the station will be purchased on the spot market as needed. If gas is unavailable or uneconomical, the Authority will operate the station using fuel oil where possible. The Authority has backup oil storage facilities on site.

The Authority purchases the majority of its natural gas on a daily or short-term basis and does not currently have any purchases under long term agreements. The Authority’s natural gas risk is managed using a financial hedge strategy. See “POWER SUPPLY AND POWER MARKETING -- Fuel Supply -- *Commodity Risk Management.*” All of the Authority’s natural gas transactions are currently executed by TEA.

*Commodity Risk Management.* The Authority’s Board of Directors has approved a policy that deals with the philosophy, framework and delegation of authority necessary to govern the activities related to the Authority’s commodity risk management program.

The Authority has determined that all transactions executed under the policy will be executed through TEA.

*Nuclear.* Under the Joint Ownership Agreement for Summer Nuclear Station, Unit 1, SCE&G acts for itself and as agent for the Authority in the operation of the Summer Nuclear Station including the acquisition and management of nuclear fuel. Contracts are in place to supply uranium and conversion through 2020. Enrichment services will be met by contract through 2024.

Summer Nuclear Station has licensed on-site spent fuel storage capability until 2018 while still maintaining full core discharge capability. SCE&G has signed contracts with Shaw Group and HOLTEC International to build a licensed Independent Spent Fuel Storage Installation (“ISFSI”) to commence receiving spent fuel in 2015.

Under the provisions of the Nuclear Waste Policy Act of 1982, on June 29, 1983 SCE&G and the Authority entered into a contract (the “Standard Contract”) with the Department of Energy (the “DOE”) for spent fuel and high level waste disposal services for the operating life of the Summer Nuclear Station. The Nuclear Waste Policy Act and the Standard Contract require the DOE to accept and dispose of spent nuclear fuel and high-level radioactive waste beginning not later than January 31, 1998. To date, the DOE has accepted no spent fuel from Summer Nuclear Station or any other utility, and has not indicated when it anticipates doing so.

On January 28, 2004, SCE&G and the Authority, in their capacity as co-owners of the Summer Nuclear Station, filed a breach of contract claim against the DOE in the U.S. Court of Claims. On January 9, 2006, SCE&G, the Authority and the United States Department of Justice entered into a formal written settlement agreement that resolved all issues in the litigation pending in the U.S. Court of Claims and resulted in the dismissal of that litigation with prejudice. Among other things, the agreement provides for the payment of \$9,000,000 to SCE&G and the Authority for costs they would not have had to incur but for the delay by the DOE in performing its obligations under the Standard Contract. On a prospective basis, the agreement provides a mechanism for SCE&G and the Authority to recover additional costs associated with any further delay by the DOE in performing its obligations under the Standard Contract.

## **Fuel Costs**

The Authority’s rates include various fuel adjustment provisions. Base fuel charges are adjusted to reflect actual fuel costs on a monthly basis for Central and on a three month moving average for most other customers.

Coal and natural gas prices have declined from the high prices seen in 2008 and are currently stable. The Authority strives to mitigate variations in price with a combination of long-term and short-term contracts, a fuel commodity risk hedging program, and by taking advantage of market opportunities, such as purchasing and blending off-specification coal when the economics are favorable. Coal prices spiked in 2008. In order to offset the impact on the customer, the Authority purchased additional spot coal at lower than normal prices in 2009 thereby increasing its inventory levels. This continued through the balance of 2010. Coal inventory levels have remained high as a result of lower natural gas costs and the impact of the recession on the economy.



The Authority forecasts coal prices to remain stable in 2011 and beyond if market trends continue. The Authority continues to monitor market trends, work with vendors, and make purchases when opportunities arise while maintaining stockpile levels.

In addition, the Authority has entered into a new rail transportation contract which extends through 2015. While the new contract represents a higher delivery cost, the Authority believes the new rates are competitive and the contract is in the best interest of the Authority.

### **The Energy Authority**

The Authority is a member of TEA along with the City Utilities of Springfield (Missouri), Gainesville Regional Utilities (Florida), JEA, MEAG Power, Nebraska Public Power District and Public Utility District No. 1 of Cowlitz County, Washington.

TEA markets wholesale power and coordinates the operation of the generation assets of its members to maximize the efficient use of electrical energy resources, reduce operating costs and increase operating revenues of the members. TEA is expected to accomplish the foregoing without impacting the safety and reliability of the electric system of each member. In addition, TEA purchases and sells natural gas relating to fuel for members' generation of electricity. TEA does not engage in the construction or ownership of generation or transmission assets.

The standard of conduct provisions of Order 2004 of the Federal Energy Regulatory Commission (the "FERC") require that employees of a utility engaged in transmission system operations function independently of employees of the utility or any of its affiliates who are engaged in the wholesale merchant function. The Authority believes that the establishment of TEA assists in satisfying that requirement.

All of TEA's revenues and its costs are allocated to the members. The Authority's exposure relating to TEA is limited to the Authority's capital investments in TEA, any accounts receivable from TEA and trade guarantees provided to TEA by the Authority.

The current amount approved by the Authority's Board of Directors to support TEA's trading activities is an amount not to exceed approximately \$70.9 million. If payment is required to be made, it will be treated as an operation and maintenance expense.

### **Colectric Partners**

The Authority is also a member of Colectric Partners ("Colectric"). Colectric provides public power utilities with key project and business management resources. Colectric's member participants are: the Authority, Florida Municipal Power Agency, Gainesville Regional Utilities, JEA, MEAG Power, Nebraska Public Power District and Orlando Utilities Commission ("OUC"). Colectric specializes in the development, project management, operations and maintenance of public power utilities' electric generation and gas infrastructure facilities.

Currently, the Authority participates in two of Colectric's initiatives. The first involves managing the major gas turbine overhauls thereby promoting the sharing of spare parts and technical expertise. The second initiative is a supply chain management initiative intended to achieve major cost savings through volume purchasing leverage.

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## **RATES AND RATE COMPARISON**

### **Rates**

The Authority's Board of Directors is empowered and required to set rates as necessary to provide for expenses, including debt service, of the Authority. The Authority's current rates for customers, excluding Central, were adopted by the Authority's Board of Directors on August 24, 2009 and became effective November 1, 2009. The Authority has developed and offers time-of-use, non-firm and off-peak rates to its direct-served commercial and industrial customers to encourage them to reduce their peak demand. As of December 31, 2010, the Authority had 788 MW of non-firm power under contract. The Authority has also implemented seasonal energy charges for most rates affecting residential, commercial, and industrial customers. Seasonal energy charges reflect higher charges during the summer months when higher energy costs are incurred. The Authority's rate schedules include fuel adjustment clauses which provide for increases or decreases to the basic rate schedules to cover increases or decreases in the cost of fuel to the extent such costs vary from a predetermined base cost. The Authority's rate schedules also include a demand sales adjustment clause which provides for increases or decreases to the basic rate schedules to reflect increases or decreases in demand revenues from non-firm sales (such as interruptible and economy power rate schedules and riders) and off-system sales, which are credits to firm customers' rates, to the extent such credits vary from predetermined base amounts.

Rates under the Central Agreement, as amended, are determined in accordance with the cost of service methodology contained in the Central Agreement.

During 2010 revenues from sales to wholesale requirements customers averaged 6.63 cents per kWh, revenues from sales to large industrial customers averaged 5.41 cents per kWh, and revenues from sales to residential, commercial, small industrial and other customers averaged 8.92 cents per kWh based on the then current rates which included fuel adjustments and credits for demand sales adjustments.

### **Rate Comparison**

Effective November 2009, Santee Cooper implemented a rate increase that adopted seasonal rates for its residential, commercial, and industrial customers.

Seasonal comparisons of the Authority's average monthly bills for firm service at selected usage levels with the average monthly bills of the three investor-owned utilities that serve the State based on rates on file with the South Carolina Public Service Commission (the "PSC") as of August 31, 2010 and December 31, 2010 are set forth on the following page.

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As of August 31, 2010 (Summer)

<b>Residential Electric Service</b>				
	<b>500 kWh</b>	<b>1,000 kWh</b>	<b>2,000 kWh</b>	<b>3,000 kWh</b>
Authority .....	\$58.38	\$106.76	\$203.52	\$300.28
Duke Energy Carolinas .....	47.56	88.32	177.31	266.30
Progress Energy Carolinas .....	53.49	100.48	194.46	288.44
South Carolina Electric & Gas Company .....	64.62	123.06	246.91	370.76

<b>Commercial Electric Service</b>			
	<b>3,000 kWh</b>	<b>5,000 kWh</b>	<b>7,500 kWh</b>
Authority .....	\$278.38	\$457.30	\$680.95
Duke Energy Carolinas .....	243.16	401.67	589.21
Progress Energy Carolinas .....	296.96	446.64	633.74
South Carolina Electric & Gas Company .....	350.23	587.05	883.08

<b>Industrial Electric Service</b>				
	<b>1,000 kW 500,000 kWh</b>	<b>2,000 kW 1,000,000 kWh</b>	<b>9,000 kW 5,000,000 kWh</b>	<b>40,000 kW 25,000,000 kWh</b>
Authority .....	\$37,452.40	\$72,504.80	\$338,549.60	\$1,611,276.00
Duke Energy Carolinas .....	27,177.60	51,709.05	245,100.10	1,204,537.15
Progress Energy Carolinas .....	35,320.00	70,215.00	334,445.00	1,570,875.00
South Carolina Electric & Gas Company .....	37,685.00	73,795.00	349,575.00	1,676,075.00

As of December 31, 2010 (Non-Summer)

<b>Residential Electric Service</b>				
	<b>500 kWh</b>	<b>1,000 kWh</b>	<b>2,000 kWh</b>	<b>3,000 kWh</b>
Authority .....	\$51.48	\$92.96	\$175.92	\$258.88
Duke Energy Carolinas .....	48.20	89.61	179.88	270.15
Progress Energy Carolinas .....	53.49	98.48	182.46	266.44
South Carolina Electric & Gas Company .....	66.19	122.93	233.61	344.29

<b>Commercial Electric Service</b>			
	<b>3,000 kWh</b>	<b>5,000 kWh</b>	<b>7,500 kWh</b>
Authority .....	\$236.98	\$388.30	\$577.45
Duke Energy Carolinas .....	242.74	400.97	588.16
Progress Energy Carolinas .....	296.96	446.64	633.74
South Carolina Electric & Gas Company .....	359.33	570.23	833.86

<b>Industrial Electric Service</b>				
	<b>1,000 kW 500,000 kWh</b>	<b>2,000 kW 1,000,000 kWh</b>	<b>9,000 kW 5,000,000 kWh</b>	<b>40,000 kW 25,000,000 kWh</b>
Authority .....	\$33,041.50	\$63,683.00	\$294,473.50	\$1,391,060.00
Duke Energy Carolinas .....	27,727.10	52,808.05	250,595.10	1,232,012.15
Progress Energy Carolinas .....	35,320.00	70,215.00	334,445.00	1,570,875.00
South Carolina Electric & Gas Company .....	38,685.00	75,595.00	357,205.00	1,710,575.00

## HISTORICAL SALES

### Historical Demand, Sales and Revenues

The following table sets forth the territorial peak demand including firm off-system sales to other utilities, if any, on the Authority's System as well as the million kWh ("GWh") sales and electric revenues of the Authority for the years 2001 through 2010.

	<u>Peak Demand(1)</u>		<u>Sales</u>		<u>Revenue From Sales</u>		
	<u>Annual</u>		<u>Annual</u>		<u>Amount</u>	<u>Annual</u>	<u>Cents</u>
	<u>Increase</u>		<u>Increase</u>		<u>(Dollars in</u>	<u>Increase</u>	<u>Per</u>
	<u>(Decrease)</u>		<u>(Decrease)</u>		<u>Thousands)</u>	<u>(Decrease)</u>	<u>kWh</u>
	<u>MW</u>		<u>GWh</u>				
2001 .....	4,822	23.8	22,400	1.2	955,951	12.7	4.27
2002 .....	4,817	(0.1)	24,121	7.7	1,019,113	6.2	4.23
2003 .....	5,396	12.0	24,060	0.0	1,033,500	1.4	4.30
2004 .....	5,111	(5.3)	24,451	1.6	1,136,042	9.9	4.65
2005 .....	5,393	5.5	25,064	2.5	1,334,057	17.5	5.33
2006 .....	5,218	(3.2)	25,422	1.4	1,396,252	4.6	5.49
2007 .....	5,584	7.0	27,221	7.1	1,448,327	3.7	5.32
2008 .....	5,672	1.6	26,687	(2.0)	1,568,618	8.3	5.88
2009 .....	5,612	(1.1)	25,813	(3.3)	1,683,469	7.3	6.52
2010 .....	5,762	2.7	28,182	9.2	1,875,263	11.4	6.65
Annual Compound Growth Rate (2001-2010) .....		1.7		1.6		6.5	

(1) Includes firm off-system sales to other utilities.

The following tables set forth sales and revenues by customer class for the years 2006 through 2010.

<u>Sales (GWh)</u>										
<u>Year</u>										
<u>Class of Customers</u>	<u>2006</u>		<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
	<u>% of</u>	<u>Total</u>	<u>% of</u>	<u>Total</u>	<u>% of</u>	<u>Total</u>	<u>% of</u>	<u>Total</u>	<u>% of</u>	<u>Total</u>
Wholesale .....	13,805	54.3	15,628	57.4	15,511	58.1	15,607	60.5	17,231	61.1
Large Industrial .....	8,049	31.7	7,872	28.9	7,478	28.0	6,501	25.2	6,953	24.7
Residential, Commercial, Small Industrial and Other .	<u>3,568</u>	<u>14.0</u>	<u>3,721</u>	<u>13.7</u>	<u>3,698</u>	<u>13.9</u>	<u>3,705</u>	<u>14.3</u>	<u>3,998</u>	<u>14.2</u>
Total .....	<u>25,422</u>	<u>100.0</u>	<u>27,221</u>	<u>100.0</u>	<u>26,687</u>	<u>100.0</u>	<u>25,813</u>	<u>100.0</u>	<u>28,182</u>	<u>100.0</u>

<u>Revenues (Dollars in Thousands)</u>										
<u>Year</u>										
<u>Class of Customers</u>	<u>2006</u>		<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
	<u>% of</u>	<u>Total</u>	<u>% of</u>	<u>Total</u>	<u>% of</u>	<u>Total</u>	<u>% of</u>	<u>Total</u>	<u>% of</u>	<u>Total</u>
Wholesale .....	\$ 753,041	52.8	\$ 822,554	56.8	\$ 916,860	58.5	\$ 1,028,193	61.1	1,142,582	60.9
Large Industrial .....	362,527	27.0	343,350	23.7	359,712	22.9	346,318	20.6	376,247	20.1
Residential, Commercial, Small Industrial and Other .	<u>280,684</u>	<u>20.2</u>	<u>282,423</u>	<u>19.5</u>	<u>292,046</u>	<u>18.6</u>	<u>308,958</u>	<u>18.3</u>	<u>356,435</u>	<u>19.0</u>
Total .....	<u>\$1,396,252</u>	<u>100.0</u>	<u>\$1,448,327</u>	<u>100.0</u>	<u>\$1,568,618</u>	<u>100.0</u>	<u>\$1,683,469</u>	<u>100.0</u>	<u>1,875,264</u>	<u>100.0</u>

## FINANCIAL INFORMATION

### Historical Operating Results

A summary of the Authority's revenues available for debt service, lease payments and other purposes for years 2006 through 2010 is set forth below:

	Calendar Year (Dollars in Thousands)				
	2010	2009	2008	2007	2006
Operating Revenues .....	\$1,894,902	\$1,702,001	\$1,586,303	\$1,464,825	\$1,413,343
Other Income(1) .....	<u>126</u>	<u>3,946</u>	<u>13,666</u>	<u>20,856</u>	<u>36,298</u>
Total .....	\$1,895,028	\$1,705,947	\$1,599,969	\$1,485,681	\$1,449,641
Operating Expenses(2) .....	<u>1,318,814</u>	<u>1,201,140</u>	<u>1,121,693</u>	<u>1,008,718</u>	<u>1,012,227</u>
Revenues Available for Debt Service, Lease Payments and Other Purposes .....	576,214	504,807	478,276	476,963	437,414
Debt Service on Revenue Bonds(3) .....	<u>0</u>	<u>3,298</u>	<u>6,878</u>	<u>10,824</u>	<u>11,756</u>
Balance Available for Revenue Obligations, Lease Payments and Other Purposes ....	576,214	501,509	471,398	466,139	425,658
Debt Service on Revenue Obligations .....	<u>362,506</u>	<u>339,875</u>	<u>276,464</u>	<u>258,316</u>	<u>228,573</u>
Balance Available for Lease Payments and Other Purposes .....	213,708	161,634	194,934	207,823	197,085
Debt Service on Lease Payments .....	<u>1,936</u>	<u>2,664</u>	<u>3,014</u>	<u>3,317</u>	<u>3,370</u>
Balance Available for Other Purposes ....	<u>\$ 211,772</u>	<u>\$ 158,970</u>	<u>\$ 191,920</u>	<u>\$ 204,506</u>	<u>\$ 193,715</u>
Debt Service Coverage(4):					
Revenue Bonds, Revenue Obligations and Lease Payments .....	1.58	1.45	1.67	1.75	1.79

(1) Excludes gains on sale of leased lots or rail cars.

(2) Excludes depreciation and sums in lieu of taxes paid by Special Reserve Fund.

(3) This category of bonds is no longer outstanding.

(4) Calculation of coverage does not include debt service on Commercial Paper Notes.

## Management's Comments on Selected Financial Information

The following table sets forth selected financial information of the Authority for years 2010 and 2009.

### *Calendar Year 2010 Versus 2009*

	Year	
	2010	2009
	(Audited)	
	(Dollars in Thousands)	
Operating revenues .....	\$ 1,894,902	\$ 1,702,001
Operating expenses .....	<u>(1,509,003)</u>	<u>(1,382,739)</u>
Operating income .....	385,899	319,262
Interest charges .....	(244,708)	(234,204)
Costs to be recovered from future revenue (expense) .....	(26,468)	3,883
Other non-operating revenues .....	<u>292</u>	<u>512</u>
Income before transfers .....	115,015	89,453
Capital contributions and transfers .....	<u>(18,514)</u>	<u>(20,511)</u>
Change in net assets .....	96,501	68,942
Total net assets - beginning .....	<u>1,660,963</u>	<u>1,592,021</u>
Total net assets - ending .....	<u>\$ 1,757,464</u>	<u>\$ 1,660,963</u>

Operating revenues increased \$192.9 million or 11% . The increase was due to a 9% increase in kWh sales, higher demand rates, and the 2009 rate increase.

Operating expenses increased \$126.3 million or 9%. Fuel and purchased power increased \$103.3 million mainly due to the 9% increase in kWh sales. Non-fuel generation costs increased \$8.2 million due to station outages. Administrative and general expenses increased \$5.9 million due to higher insurance and other post-employment benefit costs. Depreciation expense increased \$9.8 million primarily because of a depreciation rate adjustment on coal cars and paved roads. Fluctuations in the other expense categories accounted for the remaining decrease of approximately \$900,000.

Operating income increased by \$66.6 million or 21% as a result of the above variances.

Interest charges increased \$10.5 million or 4% due to additional bond activity.

The expense for costs to be recovered from future revenue increased by \$30.4 million due to a higher debt principal component.

Other non-operating revenues decreased \$220,000 or 43% mainly due to a \$3.2 million reduction in interest and investment revenue, a \$900,000 decrease in miscellaneous income, and a \$3.9 million increase in the change in fair value of investments.

Capital contributions and transfers decreased by \$2.0 million or 10% because of a decrease in the projected revenues.

The change in net assets totaled \$96.5 million, a \$27.6 million or 40% increase.

As a result of the variances above, total net assets were approximately \$1.8 billion, a \$96.5 million increase.

*The Three Months Ended March 31, 2011 Versus March 31, 2010*

	Three Months Ended March 31,	
	<u>2011</u>	<u>2010</u>
	<u>(Unaudited)</u>	
	(Dollars in Thousands)	
Operating revenues .....	\$ 479,117	\$ 490,689
Operating expenses .....	<u>(368,459)</u>	<u>(358,487)</u>
Operating income .....	110,658	132,202
Interest charges .....	(64,889)	(60,674)
Costs to be recovered from future revenue (expense) .....	(4,181)	(6,727)
Other non-operating revenues (expenses) .....	<u>2,114</u>	<u>(1,053)</u>
Income before transfers .....	43,702	63,748
Capital contributions and transfers .....	<u>(8,937)</u>	<u>(8,894)</u>
Change in net assets .....	34,765	54,854
Total net assets - beginning .....	<u>1,757,464</u>	<u>1,660,963</u>
Total net assets - ending .....	<u><u>\$1,792,229</u></u>	<u><u>\$1,715,817</u></u>

Operating revenues for the three months ended March 31, 2011 totaled approximately \$479.1 million, decreasing \$11.6 million or 2%. The variance can be attributed primarily to a 6% decrease in kWh sales and lower demand revenues.

Operating expenses increased \$10.0 million or 3%. Fuel and purchased power increased \$10.1 million or 4% due mainly to outages at Cross Units 3 and 4. Non-fuel generation expense increased \$1.6 million primarily resulting from Summer Unit 1 related costs. Depreciation expense decreased by \$1.9 million mainly due to an adjustment for coal cars and paved roads. Fluctuations in the other expense categories accounted for the remaining increase of approximately \$200,000.

As a result of the above variances, operating income decreased \$21.5 million or 16%.

Interest charges increased \$4.2 million or 7% due to additions resulting from the bond activity.

The expense for costs to be recovered from future revenue decreased by \$2.5 million primarily because 2010 recorded the final amortization of a deferral based on a 1991 accounting methodology change. This impact was partially offset by an increase in the 2011 debt principal component.

Other non-operating revenues (expense) increased approximately \$3.2 million. The variance resulted primarily from income accruals related to the Subsidy Payments for the 2010C Bonds.

Capital contributions and transfers increased \$43,000 because of an increase in the January 2011 payment to the State. The increase resulted from higher projected revenues.

The change in net assets was \$34.8 million, a \$20.1 million decrease.

As a result of the variances above, net assets totaled approximately \$1.8 billion, a \$76.4 million increase.

*The Three Months Ended March 31, 2011 Compared to Budget for the Same Period*

	<u>Actual</u>	<u>Budget</u>
	(Unaudited)	
	(Dollars in Thousands)	
Operating revenues .....	\$ 479,117	\$ 465,437
Operating expenses .....	<u>(368,459)</u>	<u>(367,453)</u>
Operating income .....	110,658	97,984
Interest charges .....	(64,889)	(55,787)
Costs to be recovered from future revenue (expense) .....	(4,181)	(3,741)
Other non-operating revenues (expenses) .....	<u>2,114</u>	<u>314</u>
Income before transfers .....	43,702	38,770
Capital contributions and transfers .....	<u>(8,937)</u>	<u>(4,659)</u>
Change in net assets .....	<u>\$ 34,765</u>	<u>\$ 34,111</u>

Operating revenues for the three months ended March 31, 2011 were higher than budgeted by \$13.7 million or 3% primarily due to higher than projected fuel rates and kWh sales.

Operating expenses were higher than budgeted by \$1.0 million. This was driven by fuel and purchased power costs being above budget by \$12.2 million because of higher than forecasted kWh sales. Non-fuel generation expense was \$3.2 million below budget due to lower material and contract service costs. Transmission operating & maintenance expense was \$2.3 million less than budgeted due to adjustments for transmission service charges. Administrative and general expenses were \$2.7 million less than budgeted due to underruns in labor, benefits, and contract services. Variances among the other expense categories accounted for the remaining \$3.0 million in underruns.

Operating income was \$12.7 million or 13% higher than budgeted due to the above variances.

Primarily as a result of a timing difference between actual and budget related to funded interest on ongoing construction projects, interest charges were higher than budgeted by \$9.1 million or 16%.

The expense for costs to be recovered from future revenue was higher than budgeted by \$440,000 or 12% due primarily to the debt principal component resulting from the addition of bond issues after budget preparation.

Other non-operating revenue was \$1.8 million higher than budgeted due primarily to accruals for the Subsidy Payments for the 2010C Bonds.

Capital contributions and transfers were \$4.3 million higher than budgeted because of timing between the budget and actuals. The actual amount includes six months of accruals related to the January 2011 payment, while the budgeted amount includes only three months of accruals related to the July 2011 payment.

As a result of the variances noted above, the change in net assets was \$654,000 higher than budgeted.



## Balance Sheet

	March 31, 2011	December 31, 2010
	(Unaudited)	(Audited)
<u>Assets</u>		
(Dollars in Thousands)		
<b>Current Assets</b>		
Unrestricted Cash and Cash Equivalents .....	\$ 96,968	\$ 100,799
Unrestricted Investments .....	19,613	24,574
Restricted Cash and Cash Equivalents .....	98,750	148,119
Restricted Investments .....	16,930	109,340
Account Receivable less Provision for Uncollectible .....	153,636	200,978
Other Current Assets .....	873,653	841,217
<b>Total Current Assets</b> .....	<u>\$1,259,550</u>	<u>\$1,425,027</u>
<b>Noncurrent Assets</b>		
Unrestricted Cash and Cash Equivalents .....	\$ 984	\$ 2,057
Unrestricted Investments .....	97,287	95,967
Restricted Cash and Cash Equivalents .....	152,240	332,280
Restricted Investments .....	526,531	447,356
Utility Plant .....	7,642,410	7,593,184
Accumulated Depreciation .....	(2,763,357)	(2,719,756)
Investment in Associated Company .....	10,959	10,769
Regulatory Assets - Asset Retirement Obligation .....	183,041	179,307
Other Noncurrent and Regulatory Assets .....	53,521	53,942
Deferred Debits .....	546,014	541,944
<b>Total Noncurrent Assets</b> .....	<u>\$6,449,630</u>	<u>\$6,537,050</u>
<b>Total Assets</b> .....	<u>\$7,709,180</u>	<u>\$7,962,077</u>
<u>Liabilities</u>		
Long-Term Debt - Net .....	\$4,629,348	\$4,755,108
Current Liabilities .....	819,208	981,495
Noncurrent and Other Liabilities .....	468,395	468,010
<b>Total Liabilities</b> .....	<u>\$5,916,951</u>	<u>\$6,204,613</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt .....	\$ (53,583)	\$ (62,332)
Restricted for Debt Service .....	32,317	126,512
Restricted for Capital Projects .....	97,649	79,079
Restricted for Other .....	205,340	204,305
Unrestricted .....	1,510,506	1,409,900
<b>Total Net Assets</b> .....	<u>\$1,792,229</u>	<u>\$1,757,464</u>
<b>Total Liabilities and Net Assets</b> .....	<u>\$7,709,180</u>	<u>\$7,962,077</u>

## **CAPITAL IMPROVEMENT PROGRAM**

### **General**

While the Authority is currently reviewing its capital improvement program, in its most recent financial projections, the Authority's capital improvement program for years 2011 through 2013 consists of contractual obligations associated with the cancelled Pee Dee Unit 1, two future nuclear units and general improvements to the Authority's System, including improvements to existing power supply facilities, extensions of and improvements to transmission and distribution facilities, environmental compliance, and other improvements to general facilities.

The total cost of the capital improvement program in years 2011 through 2013 is estimated to be approximately \$2,300,000,000, which includes approximately \$13,000,000 for Pee Dee Unit 1, approximately \$1,664,500,000 for two future nuclear units, approximately \$33,500,000 for environmental compliance expenditures, and approximately \$589,000,000 for general improvements to the System. The cost of the capital improvement program will be provided from Revenues of the Authority, additional Revenue Obligations, and Commercial Paper Notes and other short-term obligations of the Authority, as determined by the Authority.

Several recent developments have caused the Authority to begin re-evaluating its capital improvement program and long-term power supply plan. First, the on-going economic downturn has reduced the overall demand for electricity. In addition, proposed federal regulation of carbon emissions along with other proposed Environmental Protection Agency (the "EPA") regulations would significantly increase the operating costs of coal-fired generating stations, thereby causing the Authority to evaluate the possibility of mothballing or retiring certain existing resources. See "REGULATORY MATTERS -- Environmental Matters." Finally, as described under "CUSTOMER BASE -- Wholesale," previously anticipated sales to Central will be reduced. Based on these factors, on April 23, 2010, the Authority's Board of Directors canceled the units planned for the Pee Dee site. The Authority plans to apply the unspent bond proceeds for Pee Dee Unit 1 as well as any proceeds from the sale of certain assets acquired for Pee Dee Unit 1 to reduce borrowing on construction projects. Unrecovered costs associated with Pee Dee Unit 1 will be recovered through customer rates. In light of these developments, the Authority is also reviewing other aspects of its capital improvement program and long-term power supply plan, including its level of participation in the two future nuclear units and other wholesale power sales opportunities. See "CAPITAL IMPROVEMENT PROGRAM -- Future Nuclear Unit."

### **Long-Term Power Supply Plan**

The Authority's overall power supply objective is to continue to satisfy the electric power and energy needs of its customers with economical and reliable service. The Authority reviews, from time to time, its power resources and requirements and considers the possible addition of new power resources, which may include nuclear, natural gas, oil and coal fired units, as well as long-term power purchase agreements.

As described above under "CAPITAL IMPROVEMENT PROGRAM -- General," the Authority is currently evaluating the impact of recent developments on its generation resource plan.

### **Future Nuclear Units**

The Authority and SCE&G plan to construct and operate two new nuclear units at Summer Nuclear Station ("Summer 2" and "Summer 3") and submitted an application for a Combined Construction and Operating License ("COL") for the two new units to the NRC in March 2008. SCE&G, acting for itself and as agent for the Authority, entered into an Engineering, Procurement and Construction ("EPC") Agreement with Westinghouse Electric Company, Inc. ("Westinghouse") and Stone & Webster, Inc. for the engineering, procurement, and construction of two 1100 MW nuclear generating units utilizing Westinghouse's AP1000 nuclear reactor design. The Authority's Board of Directors has authorized the Authority to expend up to \$1,900,000,000 on the project through 2011.

The Authority and SCE&G have entered into a Bridge Agreement specifying an Authority ownership interest of 45% in each of the two units. The Bridge Agreement allows either or both parties to withdraw from the project under certain circumstances. The Authority and SCE&G are developing a permanent Design and Construction Agreement and a permanent Operating and Decommissioning Agreement that will replace the Bridge Agreement. The Authority anticipates Summer 2 will begin commercial operation in 2016 and Summer 3 in 2019.

As described under “CAPITAL IMPROVEMENT PROGRAM - General”, the Authority is evaluating its level of participation in the two future nuclear units. As a part of this evaluation, on March 16, 2011 the Authority entered into a non-binding Letter of Intent (“LOI”) with OUC. The LOI sets forth certain understandings and agreements between OUC and the Authority with respect to (i) OUC’s evaluation of a potential power purchase agreement with an option to acquire a portion of the Authority’s ownership interest and (ii) the basic terms for the negotiation of the definitive agreements for OUC’s participation in the development of the two new nuclear units.

The Authority filed Part I and Part II applications with the DOE under the DOE’s Loan Guarantee Program for nuclear facilities. The Authority is requesting a DOE loan guarantee for its portion of the project costs. On May 5, 2009, the Authority was notified by the DOE that the VC Summer nuclear project and the Authority had been selected for further due diligence and negotiations leading to a conditional commitment. Further due diligence has commenced. The Authority does not know, at this time, whether it will obtain a loan guarantee.

Individuals opposed to nuclear power could challenge the Authority's attempts to pursue the project. The Authority intends to pursue regulatory approvals notwithstanding opposition.

The March 2011 earthquake and tsunami in Japan caused significant damage to several nuclear generating units located along the Japanese coast. As a result, on April 6, 2011, a number of environmental groups filed a petition with the NRC requesting it to initiate a comprehensive review of the event to develop "lessons learned" for new reactor designs and to suspend the AP1000 design certification rulemaking until the NRC decides whether any such "lessons learned" should be included in the AP1000 design and operational procedures. Subsequently, on April 18, 2011, a number of environmental groups filed a complementary petition with the NRC requesting it to exercise its supervisory jurisdiction over all pending new reactor licensing and related rulemaking proceedings to ensure the consideration in those proceedings of new and significant information regarding the safety and environmental implications of the event at the Fukushima Daiichi Nuclear Power Station in Japan. The Authority cannot predict what impact, if any, the problems experienced in Japan and subsequent petitions might have on the permitting process in the U.S. However, to date the Authority has not identified any immediate impact to the licensing process resulting from the Japanese event, and expects to receive the COL for Summer Units 2 and 3 in a timeframe adequate for commercial operation of Summer Units 2 and 3 in 2016 and 2019, respectively.

On May 20, 2011 the chairman of the NRC issued a statement that the NRC continues to have technical questions regarding Westinghouse's AP1000 reactor design. The questions relate to the shield building and peak accident pressures expected within the containment. Westinghouse has stated it will continue to work with the NRC as part of the licensing process to address its concerns. The Authority cannot predict what impact, if any, this development may have on the project schedule.

### **Biomass Projects**

The Authority has entered into purchase power agreements with Southeast Renewable Energy (“SRE”) for 45 MWs of biomass-fueled energy to be produced at three 15 MW plants around the state and with North Star Renewable Energy (“NSRE”) for an additional 21 MWs of biomass-fueled energy.

The SRE plants are scheduled to be built in the counties of Allendale, Dorchester and Kershaw. The plants are expected to be online in 2012 or 2013. The projects would provide about sixty new jobs, twenty per plant, and support others in the logging, trucking, and related industries. The SRE contracts have thirty year terms. The NSRE plant is scheduled to be built in Horry County and expected to come online in 2013. The contract has a twenty year term and the plant will have similar benefits as a SRE plant.

### **General Improvements**

The Authority's general improvement program consists primarily of extensions and improvements to the Authority's existing generating facilities, transmission and distribution systems, and general plant.

## **Regional Water Systems**

Pursuant to the Act, the Authority is permitted to construct, own and operate facilities to treat, transmit and sell potable water at wholesale within the counties of Berkeley, Calhoun, Charleston, Clarendon, Colleton, Dorchester, Orangeburg and Sumter, South Carolina.

The Authority owns and operates the Lake Moultrie Regional Water System and the Lake Marion Regional Water System. Under current State law and by contract, each of the regional water systems is required to be self supporting.

The Authority sells water at wholesale from the Lake Moultrie System to the Lake Moultrie Water Agency, a joint municipal water system consisting of four governmental entities. The Lake Moultrie System treatment plant has a capacity of 36 million gallons per day.

The Authority sells water at wholesale from the Lake Marion Regional Water System to the Lake Marion Regional Water Agency, a joint municipal water system consisting of eight governmental entities. The treatment plant portion of the water system was completed and declared commercial on May 1, 2008, and further development of the system is ongoing.

## **REGULATORY MATTERS**

### **The Electric Utility Industry Generally**

The electric utility industry in general has been affected by regulatory changes, market developments and other factors which have impacted, and will probably continue to impact, the financial condition and competitiveness of electric utilities and the level of utilization of facilities, such as those of the Authority. Such factors include, among others, (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (c) changes that might result from national energy policies, (d) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and strategic alliances of competing electric (and gas) utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of producing low cost electricity, (e) increased competition from independent power producers, marketers and brokers, (f) self-generation by certain industrial and commercial customers, (g) issues relating to the ability to issue tax-exempt obligations, (h) restrictions on the ability to sell to nongovernmental entities electricity from projects financed with outstanding tax-exempt obligations, (i) changes from projected future load requirements, (j) increases in costs, and (k) shifts in the availability and relative costs of different fuels. Any of these factors (as well as other factors) could have an effect on the financial condition of any given electric utility, including the Authority, and likely will affect individual utilities in different ways.

The Authority cannot determine with certainty what effects such factors will have on its business operations and financial condition, but the effects could be significant. Extensive information on the electric utility industry is available from sources in the public domain, and potential purchasers of the 2011A Bonds should obtain and review such information.

### **FERC Matters**

The Authority operates its Jefferies Hydro Station and certain other property, including the Pinopolis Dam on the Cooper River and the Santee Dam on the Santee River, which are major parts of the Authority's integrated hydroelectric complex, under a license issued by the FERC pursuant to the Federal Power Act ("FPA"). The project is currently undergoing relicensing and a Notice of Intent ("NOI") to relicense was filed with the FERC on November 13, 2000. The preliminary license application was submitted to stakeholders for review in March 2003 and the final license application was submitted March 12, 2004. Due to a number of Additional Information Requests, the relicensing process has extended beyond the license expiration date. The FERC has issued a standing annual license renewal until a final license is issued.

The FERC issued a Ready for Environmental Analysis notice in March 2006. The FERC also has revised its National Environmental Policy Act scoping document from an Environmental Assessment to an Environmental Impact Statement ("EIS") due in part to the size and complexity of the Authority project. The FERC issued its Final EIS in October, 2007. The South Carolina Department of Natural Resources, the U.S. Fish and Wildlife Service, and the Authority have jointly signed and filed a settlement agreement with the FERC that

among other things, identifies fish passage and outflow guidelines during the term of the next license. NOAA Fisheries chose not to join in the settlement agreement and has submitted mandatory fishway conditions under §18 of the FPA and flow recommendations under §10 of that Act that are inconsistent with the settlement agreement. On July 15, 2010 National Marine Fisheries Service submitted a draft biological opinion containing recommendations for the endangered shortnose sturgeon. The recommendations, if adopted, would result in substantial additional costs for operating the project. The Authority cannot predict when the FERC may resolve the issue or the final outcome. The Authority submitted a response on September 10, 2010.

### **Environmental Matters**

Both federal and State regulatory agencies have imposed various environmental control requirements affecting the Authority's facilities. These requirements relate primarily to airborne pollution, the discharge of pollutants into waters and the disposal of hazardous wastes. Standards related to environmental controls are subject to change, and litigation by environmental groups and others may affect the construction of facilities or their operation. The Authority endeavors to insure that its facilities comply with applicable environmental regulations and standards; however, no assurance can be given that normal operations will not encounter occasional technical difficulties, or that necessary authorizations and permits will be received, or that standards as to environmental suitability will not be changed in a manner which will affect adversely the Authority or its operations. The Authority cannot now estimate the precise effect of existing and potential regulations and legislation upon any of its existing and proposed facilities and operations, nor the impact of additional costs which may be incurred in effecting compliance with potential regulations and legislation.

*Air Quality.* Pursuant to the Clean Air Act ("CAA"), as amended, the EPA promulgated primary and secondary national ambient air quality standards ("NAAQS") with respect to certain air pollutants, including particulate matter, SO<sub>2</sub> and nitrogen oxide ("NO<sub>x</sub>"). These standards are to be achieved by the application of control strategies developed by the states and included in implementation plans which must be approved by the EPA to become effective. The Department of Health and Environmental Control (the "DHEC") has adopted a State Implementation Plan ("SIP"), which has been approved by the EPA, generally designed to achieve the primary and secondary air quality standards.

The EPA has promulgated the New Source Performance Standards ("NSPS") regulations establishing stringent emission standards for particulate matter, SO<sub>2</sub> and NO<sub>x</sub> emissions for fossil-fuel fired steam generators, the construction of which commenced after August 17, 1971, or which after such date are modified in such a way as to have the potential to significantly increase emissions of regulated air pollutants. In addition, in June 1979 the EPA promulgated revised NSPS regulations for electric utility steam generating units which apply to units on which construction commenced after September 18, 1978. These standards not only provide for more stringent particulate, NO<sub>x</sub> and SO<sub>2</sub> emission limits than the previous standards, but also specify SO<sub>2</sub> emissions compliance, SO<sub>2</sub> removal efficiency, NO<sub>x</sub> emissions compliance, emissions monitoring, and reporting requirements on a 30 day rolling average basis. In May 2005 the EPA revised the NSPS regulations establishing more stringent emissions standards and monitoring requirements for SO<sub>2</sub> and NO<sub>x</sub> for combustion turbines which commenced construction, modification, or reconstruction after October 3, 1977.

On June 15, 2005, the EPA finalized amendments to the July 1999 regional haze rule. These amendments apply to the provisions of the regional haze rule that require emission controls known as best available retrofit technology ("BART") for industrial facilities emitting air pollutants that reduce visibility by causing or contributing to regional haze. The Authority has submitted to the DHEC a BART dispersion modeling demonstration that shows that BART-eligible sources owned/operated by the Authority are exempt from further BART determination. The DHEC has approved this demonstration and has included the exemption in their SIP submittal.

The EPA has promulgated regulations designed to prevent significant deterioration of air quality in portions of a state where air quality is now better than the NAAQS. Winyah Units 3 and 4, Cross Station, Rainey Station, Hilton Head Turbine No. 3 and the Lee County Landfill Generation Facility are subject to and, the Authority believes, are in compliance with the Prevention of Significant Deterioration ("PSD") regulations. Subsequently completed generating facilities will also be subject to the PSD regulations.

The Authority maintains operating permits for each of its existing generating facilities and believes these facilities are operating in compliance with the requirements of the permits. Title V operating permits are maintained for the Rainey, Cross, Winyah, Grainger and Jefferies Generating Stations, the Hilton Head and Myrtle Beach Turbine sites, and the landfill gas generating facilities located at the Horry County, Lee County, Richland County, and Anderson County Landfills. The new Berkeley County Landfill facility is currently operating under a state construction permit until the Title V operating permit is issued by the DHEC. The Georgetown County Landfill facility is operating under a State-Only operating permit. Conditional major operating permits are maintained for five diesel engine sites located in the upstate, which include Webb, Honea Path, Sediver, Thermal Kem, and Valenite. The Cornell Dublier diesel engine facility is no longer owned by the Authority.

Congress has enacted comprehensive amendments to the 1990 CAA, including the addition of a new federal Acid Rain program to deal with acid precipitation. The Authority has evaluated the potential impact of this legislation, including new limits on the allowable rates of emission of SO<sub>2</sub> and NO<sub>x</sub> beginning in 2000 for boilers. To comply with these regulations, the Authority has purchased SO<sub>2</sub> emission credits and upgraded the sulfur removal capabilities of existing units to meet SO<sub>2</sub> emission limitations. To meet acid rain NO<sub>x</sub> limits, the Authority retrofitted the combustion systems on some of its boilers with NO<sub>x</sub> control technology. In addition, the Authority has installed continuous emission monitoring equipment to comply with monitoring requirements.

The EPA in 1998 issued regulations creating more demanding limits on NO<sub>x</sub> emissions in 22 eastern states, including South Carolina, and issued a call for revised SIP to meet the more stringent emission requirements. The EPA approved the State's NO<sub>x</sub> SIP on June 28, 2002, and it is now in effect.

The EPA has promulgated the Clean Air Interstate Rule (the "CAIR"). The CAIR, which addresses SO<sub>2</sub> and NO<sub>x</sub> emissions, was published in the federal register May 12, 2005 and took effect July 11, 2005. The Authority participated in the stakeholders process initiated by the DHEC to develop proposed regulations for the SIP for the CAIR. These regulations were published and finalized in the South Carolina State Register on June 22, 2007. A number of parties, including the Authority, challenged the CAIR. The CAIR was vacated by the D.C. Circuit Court of Appeals in July 2008. In December 2008, the D.C. Circuit Court granted EPA's request that the CAIR be remanded to EPA. The CAIR is back in effect while EPA develops a replacement rule that will be consistent with the Court's July 2008 findings. In 2009, the CAIR limits for NO<sub>x</sub> are in effect for both annual and ozone season, and the Authority is operating its system accordingly. In 2010, the CAIR SO<sub>2</sub> limits are in effect, and the Authority is operating its system accordingly. The EPA issued a proposed replacement to the CAIR rule, the Clean Air Transport Rule ("CATR"), on August 2, 2010 and the Authority has submitted comments to EPA on the proposed rule.

On May 3, 2011, the EPA issued a proposed rule for National Emission Standards for Hazardous Air Pollutants ("NESHAPs") from Coal and Oil-Fired Electric Utility Steam Generating Units and proposed to revise the NSPS for Fossil-Fuel-Fired Electric Utility Industrial-Commercial-Institutional and Small Industrial-Commercial-Institutional Steam Generating Units. The NESHAP portion of this proposed rule proposes Maximum Achievable Control Technology emissions limitations for mercury, non-mercury metallic hazardous air pollutants, and acid gases also referred to as the Utility MACT. The revised NSPS portion of this proposed rule proposes Best Demonstrated Technology emission standards for PM, SO<sub>2</sub> and NO<sub>x</sub>. The Authority is currently evaluating the potential impacts of this proposed rule to its existing units.

The CAA requires that air quality in every state meet health based NAAQS. The most recent national ambient air quality standard for ozone was issued March 12, 2008 and is stricter than the previous standard. The most recent national ambient air quality standard for nitrogen dioxide was issued February 9, 2010 (effective April 12, 2010) and is stricter than the previous standard. The most recent national ambient air quality standard for SO<sub>2</sub> was issued June 22, 2010 and is stricter than the previous standard. The Authority is following these regulatory changes and is evaluating the impact from these revised NAAQS standards.

The EPA announced September 21, 2006 that it was revising the NAAQS to tighten the daily standard on PM 2.5. The new rule on PM 2.5 went into effect on December 18, 2006. It lowered the 24-hour standard for PM 2.5 to 35 micrograms per cubic meter, nearly cutting in half the current standard of 65 micrograms per cubic meter. The annual standard for PM 2.5 remained at the level the agency set in 1997. States must begin implementation of the PM2.5 standard in 2011.

*Greenhouse Gases.* On December 9, 2009, the EPA finalized an endangerment finding that the six Greenhouse Gases ("GHGs") (carbon dioxide ("CO<sub>2</sub>"), methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride) collectively endanger human health and welfare. This laid the

groundwork for future regulation under existing CAA authorities. On March 29, 2010, the EPA completed its reconsideration of the December 18, 2008 memorandum entitled “EPA’s Interpretation of Regulations that determine pollutants covered by federal PSD Program”. The final action confirms that any new pollutant that the EPA may regulate becomes covered under the PSD program on the date when the EPA rule regulating that new pollutant takes effect. It then clarifies that the compliance date for GHGs was January 2, 2011 when the Mobile Source Rule took effect.

On May 13, 2010, the EPA issued the final rule for GHG emissions that “tailors” both the PSD program and Title V program for greenhouse gas emissions (the “Tailoring Rule”). Under this rule, the following dates and limits will apply:

1) January 2, 2011 through June 30, 2011: Existing PSD sources undertaking projects that will increase GHG emissions in excess of 75,000 tons per year will be subject to the PSD review for GHGs and would require implementation of Best Available Control Technology for the emission source. In a similar manner, existing Title V sources will be subjected to Title V requirements for GHGs if a project exceeds 75,000 TPY GHGs.

2) July 1, 2011 through June 30, 2013: In addition to step one above, any source that undertakes a new project that exceeds 100,000 TPY of GHG emissions will be subject to PSD and Title V requirements.

The Authority, along with 24 other petitioners, has filed a petition for review of the Tailoring Rule.

Congress continues to consider legislation that will reduce GHG emissions from major sources, including electric utilities, as well as implementation of other complementary measures to reduce GHG emissions. The Authority cannot predict with certainty the type and stringency of GHG reduction obligations that the EPA or Congress may establish at some point in the future. Nor can the Authority predict the necessary technology and compliance costs that might be imposed under those future regulations or laws. However, any regulation or law requiring stringent CO<sub>2</sub> emissions controls, or offsetting emissions reductions, may have an effect on the Authority’s operations and future financial performance. The Authority is unable to predict the extent of such effect.

On September 22, 2009, the EPA announced a final rule on the new GHG reporting program. Beginning January 1, 2010, the Authority is required to annually report GHG emissions data to the EPA for any of its facilities that emit 25,000 metric tons or more of CO<sub>2</sub> or equivalent per year. At a minimum, this reporting requirement will apply to the Authority’s larger generating facilities. The rule requires the first annual report, covering calendar year 2010, to be submitted to the EPA by September 20, 2011.

*Water Quality.* The Federal Water Pollution Control Act, renamed in 1977 the Clean Water Act (“CWA”), prohibits the discharge of pollutants, including heat, from point sources into waters of the United States, except as authorized in the National Pollutant Discharge Elimination System (“NPDES”) permit program. The CWA also requires that cooling water intake structures reflect the “best technology available for minimizing adverse environmental impact.” The DHEC has been delegated NPDES permitting authority by the EPA and administers the program for the State. The DHEC has stated that if there should be a delay in renewing permits beyond the expiration of the existing permits, the permits will be extended by operation of law, and the Authority may still discharge pursuant to Section 1-23-370 of the Code of Laws of South Carolina 1976, as amended.

Industrial wastewater discharges from all stations and the regional water plants are governed by NPDES permits. The status of the Authority’s permits is shown below:

<b>Facility</b>	<b>Permit Type</b>	<b>Effective Date</b>	<b>Expiration Date</b>	<b>Renewal Application Date</b>
Cross Generating Station	Individual	Nov. 3, 2006	Aug. 31, 2010	Mar. 4, 2010
Grainger Generating Station	Individual	Oct. 1, 2002	Sep. 30, 2006	Mar. 28, 2006
Jefferies Generating Station	Individual	Mar. 1, 2003	Feb. 29, 2008	Aug. 30, 2007
Rainey Generating Station	Individual	Mar. 1, 2010	Mar. 31, 2013	Oct. 2, 2012
Winyah Generating Station	Individual	Mar. 1, 2007	Jul. 31, 2011	Feb. 1, 2011
Regional Water Systems	General	Nov. 1, 2010	Oct. 30, 2015	May 3, 2015

Although several of the Authority's NPDES Permits have expired, as stated the facilities may continue to discharge by operation of law. As shown in the above Table, new applications were submitted within the 180 day time frame required by S.C. Regulation 61-9, Section 122.21 (D).

The DHEC reissued the "NPDES General Permit for Storm Water Discharges Associated With Industrial Activities (Industrial General Permit)" on November 12, 2010 with an effective date of January 1, 2011 and an expiration date of January 1, 2016. The new Permit (SCR000000) has specific requirements for various industrial sectors based on Standard Industrial Classification Codes, including steam electric generating stations. The new permit required submittal of a NOI and implementation of revised Stormwater Pollution Prevention Plans by April 1, 2011.

Section 316(b) of the Clean Water Act requires that NPDES permits for facilities with cooling water intake structures ensure that the structures reflect the best technology available to minimize adverse environmental impacts from impingement and entrainment of fish and egg larvae. The EPA published the draft rule in the Federal Register on April 20, 2011. Compliance dates are geared to the time EPA issues the final rule, which must be signed by July 27, 2012 under terms of a settlement agreement. The Authority is reviewing the draft rule to determine the potential impact to the Authority's generating facilities.

*Industrial Solid Waste Landfills.* At Cross Generating Station, dry disposal of coal combustion residuals ("CCRs or coal ash") into an industrial Class 2 solid waste landfill is governed by a Consent Agreement executed on April 29, 2011 between the Authority and the DHEC, which provides for operation of the landfill until December 31, 2015.

The Authority has commenced work on permitting additional Class 3 landfills at the Cross facility. On May 18, 2010, a joint federal and state application form for activities affecting waters of the US (joint 404 and 401) was submitted to the Corps and the DHEC for wetland impacts in the location of the new proposed landfills. On October 8, 2010, the Authority submitted a Determination of Need ("DON") and consistency letter and the associated documentation to the DHEC. On April 20, 2011, the DHEC published a DON and consistency letter for public comment.

*Spill Prevention Control and Countermeasures.* The EPA revised and finalized sections of the CWA relating to Spill Prevention Control and Countermeasures ("SPCC") on December 26, 2006. These revisions require that regulated facilities, including generating stations, substations and auxiliary facilities, amend their current SPCC plans to meet the new standard. The Authority is in compliance with the new standards that will become effective November 1, 2011.

*Safe Drinking Water Act.* The Authority continues to monitor for Safe Drinking Water Act regulatory issues impacting drinking water systems as the Authority's Regional Water Systems, generating stations, substations and other auxiliary facilities. The DHEC has regulatory authority of potable water systems in the State. The State Primary Drinking Water Regulation, R.61-58, governs the design, construction and operational management of all potable water systems in the State subject to and consistent with the requirements of the Safe Drinking Water Act and the implementation of federal drinking water regulations. The Authority endeavors to manage its potable water systems for compliance with R.61-58.

*Hazardous Substances and Wastes.* Section 311 of the CWA imposes substantial penalties for spills of oil or Federal EPA-listed hazardous substances into water and for failure to report such spills. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") provides for the reporting requirements to cover the release of hazardous substances generally into the environment, including water, land and air. When these substances are processed, stored, or handled, reasonable and prudent methods are employed to prevent a release to the environment.

Additionally, the EPA regulations under the Toxic Substances Control Act impose stringent requirements for labeling, handling, storing and disposing of polychlorinated biphenyls ("PCB") and associated equipment. There are regulations covering PCB notification and manifesting, restrictions on disposal of drained electrical equipment, spill cleanup record-keeping requirements, etc. The Authority has a comprehensive PCB management program in response to these regulations.

Under the CERCLA and Superfund Amendments and Reauthorization Act ("SARA"), the Authority could be held responsible for damages and remedial action at hazardous waste disposal facilities utilized by it, if such facilities become part of a Superfund effort. CERCLA liability, which is strict, joint and several, can be imposed on any generator of hazardous substances who arranged for disposal or treatment at the affected facility.



Moreover, under SARA, the Authority must comply with a program of emergency planning and a “Community Right-To-Know” program designed to inform the public about more routine chemical hazards present at the facilities. Both programs have stringent enforcement provisions.

The Authority endeavors to comply with the applicable provisions of CERCLA and SARA, but it is not possible to determine if some liability may be imposed in the future for past waste disposal or compliance with new regulatory requirements. In addition to handling hazardous substances, the Authority generates solid waste associated with the combustion of coal, the vast majority of which is fly ash, bottom ash and scrubber sludge. These wastes are exempt from hazardous wastes regulation under the Resource Conservation and Recovery Act (“RCRA”). However, on June 21, 2010, the EPA issued a proposed rule to regulate CCRs. Two co-equal proposals were put forth to address the disposal of all CCRs including fly ash, bottom ash, and gypsum. Under the first proposal, the EPA would list these CCRs as special wastes subject to regulation under subtitle C of RCRA, when destined for disposal in landfills or surface impoundments. Under the second proposal, the EPA would regulate the CCRs under subtitle D of RCRA, the section for non-hazardous wastes. No estimate relative to the cost of implementing any new regulations, when promulgated, can be made at this time.

Certain waste including spent boiler cleaning solutions, waste solvents and certain waste oils may be considered hazardous wastes. The Authority endeavors to maintain compliance with the RCRA and South Carolina Hazardous Waste Management regulations and believes its facilities are currently operating substantially in compliance with the regulations.

Also under RCRA, the Authority may be required to undertake corrective action with respect to any leaking underground petroleum storage tank and is liable for the costs of any corrective action taken by the EPA, including compensating third parties for personal injuries and property damage. The Authority is required by the EPA and the DHEC to maintain documentation of sufficient funds or insurance to cover environmental impacts. The Authority is required to register each underground petroleum tank with the DHEC and obtain permits to operate on an annual basis. Operation of these tanks is governed by both state and federal regulations with daily monitoring of inventory, recording of maintenance, and inspections of equipment to ensure tightness of the system and prohibit releases into the environment. Most recently, both the EPA and the DHEC have implemented a certification program for operators of these tanks with which the Authority will comply.

*Homeland Security.* The Department of Homeland Security (the “DHS”) has promulgated regulations under the Homeland Security Act of 2002 relating to anti-terrorism standards at major industrial facilities. Facilities that store or process chemicals in quantities exceeding established thresholds must submit a screening assessment to the DHS. Based on these assessments, the DHS may impose additional requirements, including a security vulnerability assessment and a Site Security Plan (“SSP”). The Authority submitted screening assessments for Cross, Winyah, and Jefferies Generating Stations. The Authority later completed a security vulnerability assessment for Jefferies Station as required by the DHS. The DHS required completion of a SSP for Jefferies Generation Station which was completed and submitted the DHS by the compliance date of October 18, 2010. The Authority has been proactive in conducting security assessments independently and with guidance from the DHEC since 2001, and will continue to comply with this new and evolving body of regulations.

## **Nuclear Matters**

The Summer Nuclear Station is subject to regulation by the NRC. SCE&G and the Authority were required to obtain liability insurance and a United States Government indemnity agreement for the Summer Nuclear Station in order for the NRC operating license to be issued. This primary insurance and the retrospective assessment are to insure against the maximum liability under the federal Price-Anderson Act for any public claims arising from a nuclear incident. The Energy Policy Act of 2005 extends the Price-Anderson Act until 2025.

The NRC requires that a licensee of a nuclear reactor provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable NRC regulations, the Authority established an external trust to comply with the new regulations. The Authority began making deposits into the external decommissioning fund in September 1990.

In addition to providing for the minimum requirements imposed by the NRC, the Authority established in 1983 an internal decommissioning fund. Based on the most recent decommissioning cost estimates developed by SCE&G, both the internal and external funds, which had a combined market value of approximately \$166 million at December 31, 2010, along with investment earnings, are estimated to provide sufficient funds for the Authority's one-third share of the total estimated decommissioning costs.

## **LITIGATION**

Except as noted below, there are no actions, suits, or governmental proceedings pending or, to the knowledge of the Authority, threatened before any court, administrative agency, arbitrator or governmental body which would, if determined adversely to the Authority, have a material adverse effect on its financial condition. However, even if determined adversely to the Authority, no such actions, suits, or governmental proceedings would have a material adverse effect on the Authority's ability to transact its business or meet its obligations under the Revenue Obligation Resolution.

An action was instituted in the U.S. District Court, Charleston, South Carolina, by a number of landowners located along the Santee River primarily in Williamsburg and Georgetown Counties, South Carolina. The plaintiffs contend, through various causes of action, that the Authority is liable to them for damage to their real estate as a result of flooding that has occurred since the Corps' Cooper River Rediversion Project was completed in 1985. A jury trial held in 1997 resulted in a verdict against the Authority on certain causes of action. The Authority has entered into a settlement agreement with the plaintiffs and to date has paid approximately \$221 million, including interest to the plaintiffs. On March 30, 2011, the District Court entered an order requiring the Authority to pay approximately \$10.3 million in costs and attorneys fees to the plaintiffs. All remaining issues in the District Court action are expected to be resolved by the end of 2011. Once the Judgment amount has been finally determined, the Authority intends to satisfy it through payment to the landowners and seek indemnification from the Corps. The U. S. Army Contract Board of Appeals has determined that the contract between the Corps and the Authority requires that the Corps indemnify the Authority for certain claims arising out of the construction and operation of the project. No estimate of the amount or timing of recovery from the Corps can be made at this time.

## **UNDERWRITING**

Pursuant to the provisions of a Bond Purchase Agreement, Goldman, Sachs & Co., J. P. Morgan Securities LLC and Wells Fargo Securities, (the "Underwriters") have jointly and severally agreed, subject to certain conditions, to purchase the 2011A Bonds from the Authority at an Underwriters' discount of \$\_\_\_\_\_. The Underwriters will be obligated to purchase all of the 2011A Bonds if any are purchased. The public offering prices may be changed, from time to time, by the Underwriters.

The 2011A Bonds may be offered and sold to certain dealers (including Underwriters and other dealers depositing the 2011A Bonds into investment trusts) at prices lower than such public offering prices.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates currently provide, and may provide in the future, various financial services, including entering into revolving credit agreements relating to commercial paper notes, for the Authority, for which they received or will receive customary fees and expenses. Certain of the Underwriters or their affiliates may hold certain of the bonds being refunded and, to the extent certain of the underwriters do hold such bonds, will receive a portion of the proceeds from this offering.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

## **FINANCIAL ADVISOR**

The Authority has retained Barclays Capital Inc. of New York, New York, as Financial Advisor in connection with the issuance of the 2011A Bonds.

## **TAX MATTERS**

### **Federal Tax Treatment**

In the opinion of Bond Counsel interest on the Series 2011A Bonds is included in the gross income of the registered owners thereof for federal income tax purposes.

### **Federal Income Tax Generally**

INTEREST ON THE SERIES 2011A BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. OWNERS OF THE SERIES 2011A BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES AND FOREIGN TAX CONSEQUENCES OF THEIR ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SERIES 2011A BONDS.

General information reporting requirements will apply to payments of principal and interest made on a Series 2011A Bond and the proceeds of the sale of a Series 2011A Bond to non-corporate holders of the Series 2011A Bonds, and “backup withholding” at a rate of 28% will apply to such payments if the owner fails to provide an accurate taxpayer identification number in the manner required or fails to report all interest required to be shown on its federal income tax returns. A beneficial owner of a Series 2011A Bond that is a U.S. owner can obtain complete exemption from backup withholding by providing a properly completed Internal Revenue Service (“IRS”) Form W-9 (Request for Taxpayer Identification Number and Certification).

Under the Code, interest on any Series 2011A Bond whose beneficial owner is a nonresident alien, foreign corporation or other non-United States person (Nonresident) is generally not subject to United States income tax or withholding tax (including backup withholding) if the Nonresident provides the payor of interest on the Series 2011A Bonds with an appropriate statement as to its status as a Nonresident. This statement can be made on IRS Form W-8BEN or a successor form. If, however, the Nonresident conducts a trade or business in the United States and the interest on the Series 2011A Bonds held by the Nonresident is effectively connected with such trade or business, that interest will be subject to United States income tax but will generally not be subject to United States withholding tax (including backup withholding).

THE FOREGOING DISCUSSION OF TAX MATTERS WAS NOT INTENDED OR WRITTEN BY BOND COUNSEL TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON AN OWNER OF THE SERIES 2011A BONDS. THE FOREGOING DISCUSSION OF TAX MATTERS WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SERIES 2011A BONDS. EACH PROSPECTIVE OWNER OF THE SERIES 2011A BONDS SHOULD SEEK ADVICE BASED ON THE PROSPECTIVE OWNER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

### **State Tax Exemption**

Bond Counsel is of the further opinion that the Series 2011A Bonds and the interest thereon are exempt from all taxation by the State of South Carolina, its counties, municipalities and school districts except estate, transfer or certain franchise taxes. Interest paid on the Series 2011A Bonds is currently subject to the tax imposed on banks by Section 12-11-20, Code of Laws of South Carolina 1976, as amended, which is enforced by the South Carolina Department of Revenue and Taxation as a franchise tax. The opinion of Bond Counsel is limited to the laws of the State of South Carolina and federal tax laws. No opinion is rendered by Bond Counsel concerning the taxation of the Series 2011A Bonds or the interest thereon under the laws of any other jurisdiction.

## **APPROVAL OF LEGAL PROCEEDINGS**

Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, Bond Counsel to the Authority, will render an opinion with respect to the validity and tax treatment of the 2011A Bonds. A copy of such opinion will be attached to the 2011A Bonds and will be in substantially the form set forth in Appendix IV. Certain legal matters will be passed upon on behalf of the Authority by James E. Brogdon, Jr., its Executive Vice President and General Counsel.

## **CONTINUING DISCLOSURE**

Pursuant to a Continuing Disclosure Agreement to be executed by the Authority simultaneously with the delivery of the 2011A Bonds (the “Continuing Disclosure Agreement”), the Authority will covenant for the benefit of the Holders and the “Beneficial Owners” (as hereinafter defined) of the 2011A Bonds to provide certain financial information and operating data relating to the System by not later than six months (presently, by each June 30) after the end of each of the Authority’s fiscal years, commencing with the report for the fiscal year ending December 31, 2011 (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events with respect to the 2011A Bonds, if material. The Annual Report will be filed by or on behalf of the Authority with each Nationally Recognized Municipal Securities Information Repository and with the State Information Depository, if any, established by the State. The notices of such material events will be filed by or on behalf of the Authority with the Municipal Securities Rulemaking Board and with such State Information Depository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in the Continuing Disclosure Agreement, the proposed form of which is included in its entirety in Appendix III. These covenants have been made in order to assist the underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5)(the “Rule”).

As provided in the Continuing Disclosure Agreement, failure by the Authority to comply with any provision of the Continuing Disclosure Agreement does not constitute an event of default under the Revenue Obligation Resolution; however, any Holder or “Beneficial Owner” of the 2011A Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority to comply with its obligations under the Continuing Disclosure Agreement. “Beneficial Owner” is defined in the Continuing Disclosure Agreement to mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2011A Bonds (including persons holding 2011A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2011A Bonds for federal income tax purposes. If any person seeks to cause the Authority to comply with its obligations under the Continuing Disclosure Agreement, it is the responsibility of such person to demonstrate that it is a “Beneficial Owner” within the meaning of the Continuing Disclosure Agreement.

## **MISCELLANEOUS**

The agreements of the Authority with the owners of the 2011A Bonds are fully set forth in the Revenue Obligation Resolution. This Official Statement is not to be construed as a contract with the purchasers of the 2011A Bonds. Any statements herein involving matters of opinion or estimates, whether or not expressly so stated, are intended merely as such and not as representations of fact. This Official Statement has been approved by the Board of Directors of the Authority.

South Carolina Public Service Authority

Elaine G. Peterson  
Executive Vice President and  
Chief Financial Officer

## AUDIT COMMITTEE CHAIRMAN'S LETTER

The Audit Committee of the Board of Directors is comprised of independent directors: John T. Molnar, Chairman; G. Dial Dubose; William A. Finn; and Cecil Vivarette.

The committee receives regular reports from members of management and Internal Audit regarding their activities and responsibilities.

The Audit Committee oversees Santee Cooper's financial reporting, internal controls and audit process on behalf of the board of directors.

Periodic financial statements and reports pertaining to operations and representations were received from management and the internal auditors. In fulfilling its responsibilities, the committee also reviewed the overall scope and specific plans for the respective audits by the internal auditors and the independent public accountants. The committee discussed the company's financial statements and the adequacy of its system of internal controls. The committee met with the independent public accountants and with the General Auditor to discuss the results of the audit, the evaluation of Santee Cooper's internal controls, and the overall quality of Santee Cooper's financial reporting.

A handwritten signature in black ink, appearing to read "John T. Molnar". The signature is fluid and cursive, with a large initial "J" and "M".

John T. Molnar  
Chairman  
2010 Audit Committee

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## OVERVIEW OF FINANCIAL STATEMENTS

As management of South Carolina Pubic Service Authority (Authority), we offer this narrative overview and analysis of the financial activities of the Authority for the years ended December 31, 2010, 2009 and 2008. We encourage you to read this information in conjunction with additional information furnished in the Authority's audited financial statements that follow this narrative.

### Statement of Net Assets

Assets and liabilities of proprietary funds should be presented to distinguish between current and long-term assets and liabilities.

### Statement of Revenues, Expenses and Changes in Net Assets

This statement provides the operating results of the Authority broken into the various categories of operating revenues and expenses, non-operating revenues and expenses, as well as revenues from capital contributions.

### Statement of Cash Flows

Sources and uses of cash are classified using the direct method resulting from operating, non-capital financing, capital and related financing or investing activities.

### Notes to the Financial Statements

The notes are used to explain some of the information in the financial statements and provide more detailed data.

## FINANCIAL CONDITION OVERVIEW

The Authority's Combined Balance Sheets as of December 31, 2010, 2009 and 2008 are summarized as follows:

	2010	2009	2008
	(Thousands)		
<b>ASSETS</b>			
Plant - net	\$4,873,428	\$4,817,143	\$4,505,530
Current assets	1,425,027	1,211,584	861,295
Other noncurrent assets	1,121,678	988,721	859,566
Deferred debits	541,944	511,409	285,433
<b>Total assets</b>	<b>\$7,962,077</b>	<b>\$7,528,857</b>	<b>\$6,511,824</b>
<b>LIABILITIES &amp; NET ASSETS</b>			
Long-term debt - net	\$4,755,108	\$4,472,566	\$3,928,521
Current liabilities	981,495	940,785	612,143
Other noncurrent liabilities	468,010	454,543	379,139
Net assets	1,757,464	1,660,963	1,592,021
<b>Total liabilities and net assets</b>	<b>\$7,962,077</b>	<b>\$7,528,857</b>	<b>\$6,511,824</b>

## 2010 Compared to 2009

### ASSETS

- Net plant increased by \$56.3 million. Additions minus retirements to utility plant were \$124.9 million in 2010. The addition of coal cars, Cross Unit 4, and distribution and transmission capital projects accounted for approximately 75 percent of the increase. Accumulated depreciation increased by \$155.4 million, of which almost \$80.0 million was due to the depreciation of the steam generation plant assets. The remaining increase resulted from the annual depreciation of the Authority's other system assets. Construction work in progress showed a net increase of approximately \$86.8 million. This resulted primarily from additions of \$353.0 million related to V.C. Summer Units 2 and 3 less a transfer of \$253.0 million related to the cancellation of Pee Dee Unit 1.
- Current assets increased \$213.4 million due primarily to increases in Unrestricted cash and cash equivalents, Receivables, Fuel inventories, and Prepaid expenses and other current assets. These were offset by a reduction in Restricted cash and cash equivalents.
- Other noncurrent assets increased \$133.0 million primarily due to an increase in Restricted cash and cash equivalents, Restricted investments, and Regulatory assets.
- Deferred debits increased \$30.5 million due mainly to increases in Other deferred debits offset by decreases in Unamortized debt expense and the Costs to be recovered from future revenue regulatory asset.

### LIABILITIES

- Long-term debt increased \$282.5 million due to the net effect of principal repayments and impact of 2010 bond issues.
- Current liabilities increased \$40.7 million due to increases in Current portion of long-term debt and Accounts payable offset by decreases in Commercial paper and Other current liabilities.
- Other noncurrent liabilities increased \$13.5 million due primarily to increases in Regulatory liabilities for asset retirement obligation and Other deferred credits and liabilities offset by a decrease in Construction fund liabilities.
- Net assets increased \$96.5 million due mainly to increases in Restricted for debt service, Restricted for capital projects, and Unrestricted net assets. These were offset by decreases in Invested in capital assets, net of related debt and Restricted for other.

## 2009 Compared to 2008

### ASSETS

- Net plant increased by \$311.6 million. Additions minus retirements to utility plant were \$116.2 million in 2009. Additions to the Cross Unit 4, slope protection at the Lake Moultrie dams, the Customer Care and Billing system, and transmission capital projects represented over 67 percent of this increase. Accumulated depreciation increased by \$167.5 million, of which almost \$80.0 million was due to the depreciation of the steam generation plant assets. The remaining increase resulted from the annual depreciation of the Authority's other system assets. Construction work in progress showed an increase of approximately \$362.9 million mainly from additions related to V.C. Summer Units 2 and 3, and Pee Dee Unit 1.

- Current assets increased \$350.3 million due primarily to increases in Restricted cash and cash equivalents and Fuel inventories. These were offset by reductions in Unrestricted cash and cash equivalents and Unrestricted and Restricted investments.
- Other noncurrent assets increased \$129.2 million primarily due to an increase in Restricted cash and cash equivalents, Restricted investments, and Regulatory assets.
- Deferred debits increased \$226.0 million due mainly to increases in Unamortized debt expense, Costs to be recovered from future revenue regulatory asset, and an increase in a long-term receivable.

## LIABILITIES

- Long-term debt increased \$544.0 million due to the net effect of principal repayments and new money issues.
- Current liabilities increased \$328.6 million due to increases in Current portion of long-term debt, Accrued interest on long-term debt, Commercial paper notes outstanding, Accounts payable, and Other current liabilities.
- Other noncurrent liabilities increased \$75.4 million due primarily to increases in Regulatory liabilities for Asset retirement obligation and post employment obligations.
- Net assets increased \$68.9 million due mainly to increases in Restricted for other and Unrestricted net assets offset by a decrease in Invested in capital assets, net of related debt.

## **RESULTS OF OPERATIONS**

The Authority's Combined Statements of Revenues, Expense and Changes in Net Assets for years ended December 31, 2010, 2009 and 2008 are summarized as follows:

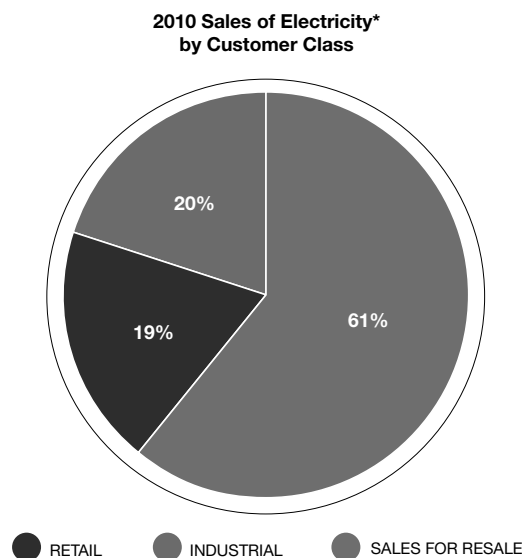
	2010	2009	2008
	(Thousands)		
Operating revenues	\$ 1,894,902	\$ 1,702,001	\$ 1,586,303
Operating expenses	1,509,003	1,382,739	1,284,275
Operating income	385,899	319,262	302,028
Interest charges	(244,708)	(234,204)	(200,171)
Costs to be recovered from future revenue	(26,468)	3,883	(22,048)
Other income	292	512	17,350
Transfers out	(18,514)	(20,511)	(15,676)
<b>Change in net assets</b>	<b>\$ 96,501</b>	<b>\$ 68,942</b>	<b>\$ 81,483</b>
<b>Ending net assets</b>	<b>\$ 1,757,464</b>	<b>\$ 1,660,963</b>	<b>\$ 1,592,021</b>



## 2010 Compared to 2009

### OPERATING REVENUES

Operating revenues for 2010 increased \$192.9 million or 11 percent over the prior year. This was due primarily to a 9 percent increase in kWh sales, the 2009 rate increase, and higher demand revenues. Energy sales for 2010 totaled 28.2 million megawatts compared to approximately 25.8 million for 2009. Although megawatt sales increased in all customer categories, the primary increase was in the sales for resale customer category.



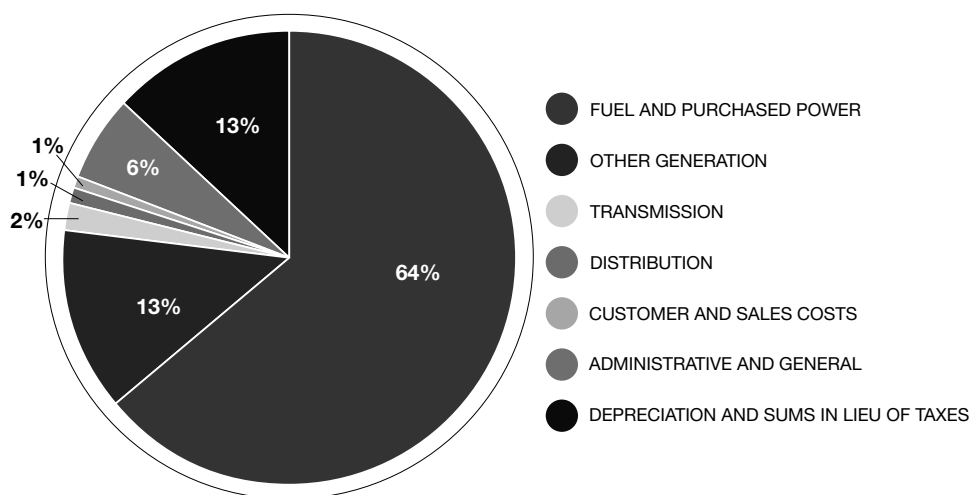
	2010	2009	2008
<b>Sales of Electricity*</b>	(Thousands)		
Retail	\$ 355,992	\$ 308,572	\$ 291,681
Industrial	376,247	346,318	359,712
Sales for Resale	1,142,582	1,028,192	916,861
Totals	\$ 1,874,821	\$ 1,683,082	\$ 1,568,254

\*Excludes interdepartmental sales of \$443 for 2010, \$386 for 2009 and \$365 for 2008.

OPERATING EXPENSES

Operating expenses for 2010 reflected a net increase of \$126.3 million or 9 percent compared to 2009. Fuel and purchased power expenses accounted for approximately 64.0 percent of the current year's electric operating expenses and increased approximately 12 percent. The Authority manages fuel costs with a combination of long-term and short-term contracts, a fuel related risk hedging program and the blend of a variety of fuels (natural gas, oil, nuclear and coal). Compared to 2009, fuel and purchased power expense was \$103.3 million higher due to the 9 percent increase in kWh sales, higher coal purchase prices, and additional station outages. Other generation operating and maintenance costs increased by approximately \$8.2 million due primarily to station outages and environmental expense. Depreciation expense showed an increase over last year of \$9.8 million due primarily to adjustments related to coal cars and paved roads.

**2010 Electric Operating Expenses  
by Category**



	2010	2009	2008
Electric Operating Expenses	(Thousands)		
Fuel & Purchased Power	\$ 968,464	\$ 865,199	\$ 808,869
Other Generation	193,783	185,617	178,520
Transmission	29,370	29,713	23,824
Distribution	14,527	14,461	14,384
Customer & Sales Costs	21,177	20,860	19,702
Administrative & General	88,668	82,724	74,046
Depreciation & Sums in Lieu of Taxes	189,319	180,701	161,741
Totals	\$ 1,505,308	\$ 1,379,275	\$ 1,281,086

NET BELOW-THE-LINE ITEMS

- Interest charges for 2010 were \$10.5 million or 4 percent higher than 2009 resulting mainly from the 2009 and 2010 bond activity.
- Costs to be recovered from future revenue increased expenses by \$30.4 million when compared to last year primarily due to the impact of a higher adjusted principal component compared to 2009.
- Other income decreased \$220,000. This resulted primarily from lower interest income and the change in the fair value of investments compared to 2009.
- Transfers out represents the dollars paid by the Authority to the State of South Carolina. There was a decrease of \$2.0 million below 2009 which resulted from a decrease in projected revenues from the prior year.

**2009 Compared to 2008**OPERATING REVENUES

Operating revenues for 2009 increased \$115.7 million or 7 percent over the prior year. This was due mostly to increases in both demand and fuel related revenues. Energy sales for 2009 totaled 25.8 million megawatts compared to approximately 26.7 million for 2008. The decrease in megawatt sales was primarily in the industrial and sales for resale customer categories.

OPERATING EXPENSES

Operating expenses for 2009 reflected a net increase of \$98.5 million or 8 percent compared to 2008. Fuel and purchased power expenses accounted for approximately 63 percent of the current year's electric operating expenses and increased approximately 7 percent. The Authority manages fuel costs with a combination of long-term and short-term contracts, a fuel related risk hedging program and the blend of a variety of fuels (natural gas, oil, nuclear and coal). Compared to 2008, fuel and purchased power expense increased \$56.3 million due to both higher coal purchase prices and energy market prices. Other generation operating and maintenance costs increased by approximately \$7.1 million due primarily to station outages and environmental equipment. Depreciation expense showed an increase over last year of \$17.2 million due to the addition of Cross Unit 4 and large transmission line projects.

NET BELOW-THE-LINE ITEMS

- Interest charges for 2009 were \$34.0 million or 17 percent higher than 2008 resulting mainly from the 2008 and 2009 bond activity.
- Costs to be recovered from future revenue expense decreased by \$25.9 million when compared to last year primarily due to the impact of a higher depreciation component due to Cross Unit 4.
- Other income decreased \$16.8 million. This resulted primarily from lower interest income and the change in the fair value of investments compared to 2008.
- Transfers out represents the dollars paid by the Authority to the State of South Carolina. There was an increase of \$4.8 million over 2008 which resulted from an increase in projected revenues from the prior year.

## CAPITAL IMPROVEMENT PROGRAM

The purpose of the capital improvement program is to continue to meet the energy and water needs of the Authority's customers with economical and reliable service. The Authority's 2010 capital improvement program budgeted for years 2011 through 2013 in the amount of \$2.3 billion is expected to be expended as follows:

	2010 Budget 2011-13	2009 Budget 2010-12	2008 Budget 2009-11
Capital Improvement Expenditures		(Thousands)	
Cross Units 3 & 4	\$ 0	\$ 9,000	\$ 31,000
Environmental Compliance	54,000	53,000	36,000
General Improvements to the System	586,000	670,000	720,000
Pee Dee Unit 1	14,000	21,000	462,000
Future Nuclear Units	1,654,000	1,376,000	1,495,000
Totals	\$ 2,308,000	\$ 2,129,000	\$ 2,744,000

The cost of the capital improvement program will be funded from revenues of the Authority which are set aside in the Capital Improvement Fund, along with additional revenue obligations, commercial paper notes and other short-term obligations, as determined by the Authority.

The Authority's capital improvement program includes funds for contractual obligations associated with the cancelled Pee Dee Unit 1, two future nuclear units, general improvements to the Authority's system and environmental compliance expenditures.

The Authority's estimated three-year capital improvement program for the years ended December 31, 2009 and 2008 was \$2.1 and \$2.7 billion, respectively.

## DEBT SERVICE COVERAGE

The Authority's debt service coverage (not including commercial paper) at December 31, 2010, 2009, and 2008 was 1.58, 1.45 and 1.67, respectively.

## BOND RATINGS

Bond ratings assigned by the various agencies for years 2010, 2009 and 2008 were as follows:

Agency / Lien Level	2010	2009	2008
<b>Fitch Ratings</b>			
* Revenue Bonds	Not Applicable	AA	AA
Revenue Obligations	AA	AA	AA
Commercial Paper	F1+	F1+	F1+
<b>Moody's Investors Service, Inc.</b>			
* Revenue Bonds	Not Applicable	Aa2	Aa2
Revenue Obligations	Aa2	Aa2	Aa2
Commercial Paper	P-1	P-1	P-1
<b>Standard &amp; Poor's Rating Services</b>			
* Revenue Bonds	Not Applicable	AA-	AA-
Revenue Obligations	AA-	AA-	AA-
Commercial Paper	A1+	A1+	A1+

\* The remaining bonds outstanding under this lien level were refunded in May 2009.

**Bond Market Transactions for Years 2010, 2009 and 2008**

Year 2010				
Revenue Obligations: 2010 Series M1 - Current Interest Bearing Bonds (CIBS)		Par Amount: \$	20,584,000	Date Closed: May 14, 2010
Purpose:	To finance a portion of the Authority's capital improvements			
Comments:	Tax-exempt minibonds			
Revenue Obligations: 2010 Series M1 - Capital Appreciation Bonds (CABS)		Par Amount: \$	7,140,600	Date Closed: May 14, 2010
Purpose:	To finance a portion of the Authority's capital improvements			
Comments:	Tax-exempt minibonds			
Revenue Obligations: 2010 Series A - LIBOR Index Bonds		Par Amount: \$	234,861,000	Date Closed: July 8, 2010
Purpose:	To retire certain outstanding taxable commercial paper notes of the Authority			
Comments:	Taxable bonds with variable interest rate set monthly based on the London Interbank Offered Rate (LIBOR) plus 25 basis points			
Revenue Obligations: 2010 Refunding Series B		Par Amount: \$	231,060,000	Date Closed: November 10, 2010
Purpose:	Refund a portion of the following: 2001 Series A, 2002 Series B, and 2002 Refunding Series D			
Comments:	Gross savings of \$22.8 million over the life of the bonds			
Revenue Obligations: 2010 Series M2 - Current Interest Bearing Bonds (CIBS)		Par Amount: \$	12,161,000	Date Closed: November 18, 2010
Purpose:	To finance a portion of the Authority's capital improvements			
Comments:	Tax-exempt minibonds			
Revenue Obligations: 2010 Series M2 - Capital Appreciation Bonds (CABS)		Par Amount: \$	4,880,200	Date Closed: November 18, 2010
Purpose:	To finance a portion of the Authority's capital improvements			
Comments:	Tax-exempt minibonds			
Revenue Obligations: 2010 Series C - (Build America Bonds)		Par Amount: \$	360,000,000	Date Closed: December 21, 2010
Purpose:	To finance a portion of the tax-exempt construction for V. C. Summer Units 2 and 3 - (The bond proceeds are taxable but will be used to pay tax-exempt expenditures)			
Comments:	Taxable bonds with an all-in true interest cost of 4.24 percent			
Year 2009				
Revenue Obligations: 2009 Refunding Series A		Par Amount: \$	115,025,000	Date Closed: May 20, 2009
Purpose:	Refund the following: 1997 Refunding Series A and 1998 Refunding Series B			
Comments:	Gross savings of \$10.8 million over the life of the bonds			
Revenue Obligations: 2009 Series B		Par Amount: \$	\$164,130,000	Date Closed: May 20, 2009
Purpose:	To finance a portion of the tax-exempt construction for Pee Dee Unit 1, V. C. Summer Units 2 and 3, ongoing transmission system construction / improvements and New Source Review environmental requirements			
Comments:	Tax-exempt bonds with an all-in true interest cost of 4.83 percent			
Revenue Obligations: 2009 Series C		Par Amount: \$	87,040,000	Date Closed: May 20, 2009
Purpose:	To finance a portion of the taxable construction for Pee Dee Unit 1, V. C. Summer Units 2 and 3, and New Source Review environmental requirements			
Comments:	Taxable bonds with an all-in true interest cost of 6.10 percent			
Revenue Obligations: 2009 Refunding Series D		Par Amount: \$	39,725,000	Date Closed: November 5, 2009
Purpose:	Refund the following: 1999 Series A			
Comments:	Gross savings of \$2.3 million over the life of the bonds			
Revenue Obligations: 2009 Series E		Par Amount: \$	284,845,000	Date Closed: November 5, 2009
Purpose:	To finance a portion of the tax-exempt construction for V. C. Summer Units 2 and 3, and extraordinary working capital expenses			
Comments:	Tax-exempt bonds with an all-in true interest cost of 4.21 percent			
Revenue Obligations: 2009 Series F		Par Amount: \$	100,000,000	Date Closed: November 5, 2009
Purpose:	To finance a portion of the taxable construction for V. C. Summer Units 2 and 3			
Comments:	Taxable bonds with an all-in true interest cost of 5.82 percent			
Year 2008				
Revenue Obligations: 2008 Series A		Par Amount: \$	406,985,000	Date Closed: October 30, 2008
Purpose:	To finance a portion of the tax-exempt construction for Cross Units 3 and 4, Pee Dee Unit 1, V. C. Summer Unit 2 and 3, ongoing transmission system construction/improvements and capital improvements			
Comments:	Tax-exempt bonds with all-in true interest cost of 5.77 percent			
Revenue Obligations: 2008 Series B		Par Amount: \$	260,000,000	Date Closed: October 30, 2008
Purpose:	To finance a portion of the taxable construction for Cross Unit 4, Pee Dee Unit 1, V. C. Summer Units 2 and 3, and SIP Call and New Source Review environmental requirements			
Comments:	Taxable bonds with an all-in true interest cost of 7.56 percent.			
Revenue Obligations: 2008 Series M - Current Interest Bearing Bonds (CIBS )		Par Amount: \$	18,811,500	Date Closed: October 30, 2008
Purpose:	To finance a portion of the Authority's capital improvements			
Comments:	Tax-exempt minibonds			
Revenue Obligations: 2008 Series M - Capital Appreciation Bonds (CABS)		Par Amount: \$	5,620,200	Date Closed: October 30, 2008
Purpose:	To finance a portion of the Authority's capital improvements			
Comments:	Tax-exempt minibonds			

## REPORT OF INDEPENDENT AUDITORS

The Advisory Board and Board of Directors  
The South Carolina Public Service Authority  
Moncks Corner, South Carolina



We have audited the accompanying combined balance sheets of the South Carolina Public Service Authority (a component unit of the state of South Carolina) as of December 31, 2010 and 2009, and the related combined statements of revenues, and expenses and changes in net assets, and cash flows for each of the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the South Carolina Public Service Authority and do not purport to, and do not, present fairly the financial position of the State of South Carolina, as of and for the years ended December 31, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Public Service Authority as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis section listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Corporate Statistics, Audit Committee Chairman's Letter, Leadership and Other Locations sections as listed in the table of contents of the annual report are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on it.

*Cherry, Bekaert & Holland LLP*

**CHERRY, BEKAERT & HOLLAND, L.L.P.**

Raleigh, North Carolina  
February 23, 2011

**Combined Balance Sheets**

South Carolina Public Service Authority

As of December 31, 2010 and 2009

	2010	2009
	(Thousands)	
<b>ASSETS</b>		
<b>Current assets</b>		
Unrestricted cash and cash equivalents	\$ 100,799	\$ 61,826
Unrestricted investments	24,574	26,695
Restricted cash and cash equivalents	148,119	349,354
Restricted investments	109,340	91,248
Receivables, net of allowance for doubtful accounts of \$1,510 and \$1,148 at December 31, 2010 and 2009, respectively	200,978	153,398
Materials inventory	98,224	93,019
Fuel inventory		
Fossil fuels	430,376	347,979
Nuclear fuel - net	57,456	39,793
Interest receivable	2,398	4,173
Prepaid expenses and other current assets	252,763	44,099
<b>Total current assets</b>	<b>1,425,027</b>	<b>1,211,584</b>
<b>Noncurrent assets</b>		
Unrestricted cash and cash equivalents	2,057	705
Unrestricted investments	95,967	92,465
Restricted cash and cash equivalents	332,280	99,336
Restricted investments	447,356	559,893
Capital assets		
Utility plant	6,614,682	6,494,365
Long lived assets - asset retirement cost	33,078	33,078
Accumulated depreciation	(2,719,756)	(2,564,325)
Total utility plant - net	<b>3,928,004</b>	<b>3,963,118</b>
Construction work in progress	938,254	851,442
Other physical property - net	7,170	2,583
Investment in associated companies	10,769	9,727
Regulatory asset - asset retirement obligation	179,307	176,471
Other noncurrent and regulatory assets	53,942	50,124
Deferred debits		
Unamortized debt expenses	35,866	37,962
Costs to be recovered from future revenue	205,023	231,491
Other	301,055	241,956
<b>Total noncurrent assets</b>	<b>6,537,050</b>	<b>6,317,273</b>
<b>Total assets</b>	<b>\$ 7,962,077</b>	<b>\$ 7,528,857</b>

The accompanying notes are an integral part of these combined financial statements.



**Combined Balance Sheets (continued)**

South Carolina Public Service Authority

As of December 31, 2010 and 2009

	2010	2009
	(Thousands)	
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 369,346	\$ 128,223
Accrued interest on long-term debt	113,134	114,420
Commercial paper	159,338	276,551
Accounts payable	266,519	169,397
Other current liabilities	73,158	252,194
<b>Total current liabilities</b>	<b>981,495</b>	<b>940,785</b>
<b>Noncurrent liabilities</b>		
Construction liabilities	13,061	21,488
Asset retirement obligation liability	332,279	317,754
Total long-term debt (net of current portion)	4,785,274	4,513,209
Unamortized refunding and other costs	(30,166)	(40,643)
Long-term debt - net	4,755,108	4,472,566
Other deferred credits and noncurrent liabilities	122,670	115,301
<b>Total noncurrent liabilities</b>	<b>5,223,118</b>	<b>4,927,109</b>
<b>Total liabilities</b>	<b>6,204,613</b>	<b>5,867,894</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	(62,332)	221,548
Restricted for debt service	126,512	119,587
Restricted for capital projects	79,079	41,066
Restricted for other	204,305	380,119
Unrestricted	1,409,900	898,643
<b>Total net assets</b>	<b>1,757,464</b>	<b>1,660,963</b>
<b>Total liabilities and net assets</b>	<b>\$ 7,962,077</b>	<b>\$ 7,528,857</b>

**Combined Statements of Revenues, Expenses and Changes in Net Assets**

South Carolina Public Service Authority

Years Ended December 31, 2010 and 2009

	2010	2009
	(Thousands)	
<b>Operating revenues</b>		
Sale of electricity	\$ 1,874,821	\$ 1,683,082
Sale of water	6,274	5,811
Other operating revenue	13,807	13,108
<b>Total operating revenues</b>	<b>1,894,902</b>	<b>1,702,001</b>
<b>Operating expenses</b>		
Electric operating expenses		
Production	95,061	89,629
Fuel	932,553	838,821
Purchased and interchanged power	35,911	26,378
Transmission	20,995	22,462
Distribution	9,649	9,789
Customer accounts	16,181	16,825
Sales	4,996	4,035
Administrative and general	85,023	79,564
Electric maintenance expense	115,620	111,071
Water operation expense	2,104	1,915
Water maintenance expense	535	474
<b>Total operation and maintenance expenses</b>	<b>1,318,628</b>	<b>1,200,963</b>
Depreciation and amortization	185,694	175,868
Sums in lieu of taxes	4,681	5,908
<b>Total operating expenses</b>	<b>1,509,003</b>	<b>1,382,739</b>
<b>Operating income</b>	<b>385,899</b>	<b>319,262</b>
<b>Nonoperating revenues (expenses)</b>		
Interest and investment revenue	7,896	11,067
Net increase in the fair value of investments	(4,173)	(8,117)
Interest expense on long-term debt	(235,253)	(219,562)
Other interest expense	(9,455)	(14,642)
Costs to be recovered from future revenue	(26,468)	3,883
Other - net	(3,431)	(2,438)
<b>Total nonoperating revenues (expenses)</b>	<b>(270,884)</b>	<b>(229,809)</b>
<b>Income before transfers</b>	<b>115,015</b>	<b>89,453</b>
<b>Capital Contributions &amp; Transfers</b>		
Distribution to the State	(18,514)	(20,511)
<b>Total capital contributions &amp; transfers</b>	<b>(18,514)</b>	<b>(20,511)</b>
<b>Change in net assets</b>	<b>96,501</b>	<b>68,942</b>
<b>Total net assets-beginning</b>	<b>1,660,963</b>	<b>1,592,021</b>
<b>Total net assets-ending</b>	<b>\$ 1,757,464</b>	<b>\$ 1,660,963</b>

The accompanying notes are an integral part of these combined financial statements.

**Combined Statements of Cash Flows**

South Carolina Public Service Authority

Years Ended December 31, 2010 and 2009

	2010	2009
	(Thousands)	
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 1,846,960	\$ 1,705,209
Payments to non-fuel suppliers	(371,444)	(587,697)
Payments for fuel	(921,981)	(828,968)
Purchased power	(35,986)	(26,453)
Payments to employees	(155,364)	(152,484)
Other receipts - net	(280,052)	182,110
<b>Net cash provided by operating activities</b>	<b>82,133</b>	<b>291,717</b>
<b>Cash flows from non-capital related financing activities</b>		
Distribution to the State of South Carolina	(18,514)	(20,511)
<b>Net cash used in non-capital related financing activities</b>	<b>(18,514)</b>	<b>(20,511)</b>
<b>Cash flows from capital-related financing activities</b>		
Proceeds from sale of bonds	870,687	790,765
Net commercial paper issuance	(117,336)	123,844
Repayment and refunding of bonds	(357,070)	(264,966)
Interest paid on borrowings	(233,395)	(195,562)
Construction and betterments of utility plant	(220,141)	(551,993)
Debt premium	4,475	21,094
Other - net	(37,367)	(2,384)
<b>Net cash used in capital-related financing activities</b>	<b>(90,147)</b>	<b>(79,202)</b>
<b>Cash flows from investing activities</b>		
Net decrease in investments	88,891	(138,528)
Interest on investments	9,671	10,217
<b>Net cash provided by investing activities</b>	<b>98,562</b>	<b>(128,311)</b>
<b>Net increase in cash and cash equivalents</b>	<b>72,034</b>	<b>63,693</b>
<b>Cash and cash equivalents-beginning</b>	<b>511,221</b>	<b>447,528</b>
<b>Cash and cash equivalents-ending</b>	<b>\$ 583,255</b>	<b>\$ 511,221</b>

The accompanying notes are an integral part of these combined financial statements.

**Combined Statements of Cash Flows (continued)**

South Carolina Public Service Authority

Years Ended December 31, 2010 and 2009

	2010	2009
	(Thousands)	
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 385,899	\$ 319,262
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	203,627	185,750
Net power gains involving associated companies	(15,533)	(12,167)
Distributions from associated companies	12,006	8,065
Advances to associated companies	26	(44)
Other income and expense	514	364
Changes in assets and liabilities		
Accounts receivable - net	(47,580)	3,308
Inventories	(87,602)	(219,677)
Prepaid expenses	(208,664)	1,230
Other deferred debits	(59,161)	(218,950)
Accounts payable	96,407	5,943
Other current liabilities	(183,727)	152,379
Other noncurrent liabilities	(14,079)	66,254
<b>Net cash provided by operating activities</b>	<b>\$ 82,133</b>	<b>\$ 291,717</b>
<b>Composition of cash and cash equivalents</b>		
<b>Current</b>		
Unrestricted cash and cash equivalents	\$ 100,799	\$ 61,826
Restricted cash and cash equivalents	148,119	349,354
<b>Noncurrent</b>		
Unrestricted cash and cash equivalents	2,057	705
Restricted cash and cash equivalents	332,280	99,336
<b>Cash and cash equivalents at the end of the year</b>	<b>\$ 583,255</b>	<b>\$ 511,221</b>

## NOTES

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

**A - Reporting Entity** - The South Carolina Public Service Authority (the “Authority” or “Santee Cooper”), a component unit of the State of South Carolina, was created in 1934 by the State legislature. The Santee Cooper Board of Directors (Board) is appointed by the Governor of South Carolina with the advice and consent of the Senate. The purpose of the Authority is to provide electric power and wholesale water to the people of South Carolina. Capital projects are funded by bonds, commercial paper and internally generated funds. As authorized by State law, the Board sets rates charged to customers to pay debt service and operating expenses and to provide funds required under bond covenants.

**B - System of Accounts** - The accounting records of the Authority are maintained on an accrual basis in accordance with accounting principles generally accepted in the United States (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting and the Financial Accounting Standards Board (FASB) that do not conflict with rules issued by the GASB. The Authority’s combined financial statements include the accounts of the Lake Moultrie and Lake Marion Regional Water Systems after elimination of inter-company accounts and transactions. The accounts are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) for the electric system and the National Association of Regulatory Utility Commissioners (NARUC) for the water systems. The Authority also complies with policies and practices prescribed by its Board and to practices common in both industries. As the Board is authorized to set rates, the Authority has historically followed FASB Accounting Standard Codification 980, “Regulated Operations” (FASB ASC 980). This Standard provides for the reporting of assets and liabilities consistent with the economic effect of the rate structure. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**C - Reclassifications** – To achieve conformity and comparability, the Authority may reclassify certain amounts in prior year financial statements where applicable.

**D - Cash and Cash Equivalents** - For purposes of the Combined Statements of Cash Flows, the Authority considers highly liquid investments with original maturities of ninety days or less and cash on deposit with financial institutions as Restricted and Unrestricted cash and cash equivalents. “Restricted” refers to those funds limited by law, regulations or Board action as to their allowable disbursement. “Unrestricted” refers to all other funds not meeting the requirements of restricted.

**E – Inventory** - Material and fuel inventories are carried at weighted average costs. At the time of issuance or consumption, an expense is recorded at the weighted average cost.

**F - Utility Plant** - Utility plant is recorded at cost, which includes materials, labor, overhead and interest capitalized during construction. Interest is only capitalized when interest payments are funded through borrowings. There was no interest capitalized in 2010 or 2009. Other interest expense is recovered currently through rates. The costs of maintenance, repairs and minor replacements are charged to appropriate operation and maintenance expense accounts. The costs of renewals and betterments are capitalized. The original cost of utility plant retired and the cost of removal, less salvage, are charged to accumulated depreciation.

**G - Depreciation** - Depreciation is computed using composite rates on a straight-line basis over the estimated useful lives of the various classes of the plant. Composite rates are applied to the net carrying basis of various classes of plant which includes

appropriate adjustments for cost of removal and salvage. The Authority periodically has depreciation studies performed by independent parties to assist management in establishing appropriate composite depreciation rates. Annual depreciation provisions, expressed as a percentage of average depreciable utility plant in service, were approximately 2.9 and 2.8 percent for the periods ended December 31, 2010 and 2009, respectively. Amortization of property under capitalized leases is also included in depreciation expense.

**H - Investment in Associated Companies** - The Authority is a member of The Energy Authority (TEA) with a 22 percent ownership interest. Other members include City Utilities of Springfield (Missouri), Gainesville Regional Utilities (Florida), JEA (Florida), MEAG Power (Georgia), Nebraska Public Power District (NPPD), and Cowlitz Public Utility District (Washington).

TEA markets wholesale power and coordinates the operation of the generation assets of its members to maximize the efficient use of electrical energy resources, reduce operating costs and increase operating revenues of the members. TEA is expected to accomplish the foregoing without impacting the safety and reliability of the electric system of each member. TEA does not engage in the construction or ownership of generation or transmission assets. In addition, TEA assists members with fuel hedging activities and acts as an agent in the execution of forward gas transactions. The Authority accounts for its investment in TEA under the equity method of accounting.

All of TEA's revenues and costs are allocated to the members. The following table summarizes the transactions applicable to the Authority:

<b>TEA Investment</b>		
<b>Years Ended December 31,</b>	<b>2010</b>	<b>2009</b>
	(Thousands)	
Balance as of January 1,	\$ 9,519	\$ 8,283
Reduction to power costs and increases in electric revenues	13,074	9,301
Less: Distributions from TEA	12,006	8,065
Balance as of December 31,	\$ 10,587	\$ 9,519

At December 31, 2010 and 2009, the Authority had a payable to TEA of \$29.1 million and \$4.4 million, respectively, for power and gas purchases. The Authority also had a receivable due from TEA of approximately \$5.2 million and \$3.7 million for power sales and sales of excess gas capacity at December 31, 2010 and 2009, respectively.

The Authority's exposure relating to TEA is limited to the Authority's capital investment, any accounts receivable and trade guarantees provided by the Authority. These guarantees are within the scope of FASB ASC 952, "Franchisors". Upon the Authority making any payments under its electric guarantee, it has certain contribution rights with the other members of TEA in order that payments made under the TEA member guarantees would be equalized ratably, based upon each member's equity ownership interest in TEA. After such contributions have been affected, the Authority would only have recourse against TEA to recover amounts paid under the guarantee. The term of this guarantee is generally indefinite, but the Authority has the ability to terminate its guarantee obligations by causing to be provided advance notice to the beneficiaries thereof. Such termination of its guarantee obligations only applies to TEA transactions not yet entered into at the time the termination takes effect. The Authority's support of TEA's trading activities is limited based on the formula derived from the forward value of TEA's trading positions at a point in time. The formula was approved by the Authority's Board. At December 31, 2010, the trade guarantees are an amount not to exceed approximately \$70.9 million.

The Authority is also a member of Coletric Partners (Coletric) with a 25 percent ownership interest. In addition to the Authority, Coletric's members and participants are: Florida Municipal Power Agency, Gainesville Regional Utilities, JEA, MEAG Power, Nebraska Public Power District and Orlando Utilities Commission.

Coletric provides public power utilities with key project and business management resources. Coletric also specializes in the development, project management, operations and maintenance of public power utilities' electric generation and gas infrastructure facilities. The members may elect to participate in Coletric initiatives based on individual utility needs.

Currently, the Authority participates in two of Coletric's initiatives. The first involves managing the major gas turbine overhauls thereby promoting the sharing of spare parts and technical expertise. The second initiative is a strategic sourcing initiative intended to achieve major cost savings through volume purchasing leverage.

The Authority's exposure relating to Coletric is limited to its capital investment in Coletric, any accounts receivable from Coletric and any indemnifications related to agreements between Coletric and the Authority. These indemnifications are within the scope of FASB ASC 952. The Authority's initial investment in Coletric was \$413,000. The balance in the Authority's Member Equity account at December 31, 2010 and 2009 was approximately \$182,000 and \$208,000.

**I - Bond Issuance Costs and Refunding Activity** - Unamortized debt discount, premium and expense are amortized to income over the terms of the related debt issues. Gains or losses on refunded debt are amortized to income over the shorter of the remaining life of the refunded debt or the life of the new debt.

**J - Revenue Recognition and Fuel Costs** - Substantially all wholesale and industrial revenues are billed and recorded at the end of each month. Revenues for electricity delivered to retail customers but not billed are accrued monthly. Accrued revenue for retail customers totaled \$14.3 million in 2010 and \$11.5 million in 2009.

Fuel costs are reflected in operating expenses as fuel is consumed. Fuel expense for all customers is billed utilizing rates and contracts, the majority of which include fuel adjustment provisions based on either the accrual costs for the previous month or the actual weighted average costs for the previous three-month period.

**K - Payment to the State** - The Authority is operated for the benefit of the people of South Carolina (the "State") and was created by Act No. 887 of the Acts of the State of South Carolina for 1934 and acts supplemental thereto and amendatory thereof (Code of Laws of South Carolina 1976, as amended – Sections 58-31-10 through 58-31-50) (the "Act"). Nothing in the Act prohibits the Authority from paying to the State each year up to one percent of its projected operating revenues, as such revenues would be determined on an accrual basis from the combined electric and water systems. The Authority recognizes the distributions (shown as "Capital contributions & transfers – Distribution to the State" on the Combined Statements of Revenues, Expenses and Changes in Net Assets) as a reduction to net assets when paid.

Payments made to the State totaled approximately \$18.5 million in 2010 and \$20.5 million in 2009.

**L - Accounting for Derivative Instruments** – The Authority elected early implementation of GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" (GASB 53) in 2008. The annual changes in the fair value of effective hedging derivative instruments are required to be deferred – reported as deferred inflows and deferred outflows on the balance sheet. Deferral of changes in fair value generally lasts until the transaction involving the hedged item ends.

Natural gas, a core business commodity input for the Authority, has historically been hedged in an effort to mitigate gas cost risk by reducing cost volatility and improving cost effectiveness.

Unrealized gains and losses related to such activity are deferred in a regulatory account and recognized in earnings as fuel costs are incurred in the production cycle.

During 2010, the Authority recorded net unrealized losses of \$23.5 million for natural gas and a net unrealized gain of \$5.6 million for crude oil; recognized net losses of \$10.4 million for natural gas and \$4.1 million for crude oil; and realized but not yet recognized net losses of \$2.7 million for natural gas and realized but not yet recognized net gain of approximately \$700,000 for crude oil associated with hedging transactions.

During 2009, the Authority recorded net unrealized losses of \$20.4 million for natural gas and a net unrealized gain of \$6.7 million for crude oil; recognized net losses of \$24.6 million for natural gas and \$4.0 million for crude oil; and realized but not yet recognized net losses of \$1.5 million for natural gas and realized but not yet recognized net gain of \$1.0 million for crude oil associated with hedging transactions.

Following is a summary of the Authority's derivative activity for years ended December 31, 2010 and 2009:

Cash Flow Hedges:			
Years Ended December 31,	Classification (1)	2010	2009
		(Millions)	
Fair Value			
Natural Gas	Regulatory Assets/Liabilities	\$ (23.5)	\$ (20.4)
Crude Oil	Regulatory Assets/Liabilities	\$ 5.6	\$ 6.7
Changes in Fair Value			
Natural Gas	Regulatory Assets/Liabilities	\$ (3.1)	\$ 3.0
Crude Oil	Regulatory Assets/Liabilities	\$ (1.1)	\$ 10.4
Notional			
Natural Gas		MBTUs	
		14,840	12,170
		Barrels (000s)	
Crude Oil		319	420
(1) The Authority records fair value transactions related to hedging under current and noncurrent sections of the Combined Balance Sheets.			

**M - Retirement of Long-Lived Assets** – The Authority has a one-third undivided interest in the V.C. Summer Nuclear Station (“Summer”) and is therefore subject to the requirements of FASB ASC 410, “Asset Retirement and Environmental Obligations” due to legal and regulatory requirements related to nuclear decommissioning.

At December 31, 2010 and 2009, the Authority recorded an asset retirement obligations (ARO) on its one-third share of Summer of approximately \$268.3 million and \$257.0 million, respectively. For the years ended 2010 and 2009, approximately \$22.7 million was recorded on the accompanying balance sheets as an associated Asset Retirement Cost (ARC) within “Capital assets.” The ARC was recorded commencing on the in-service date of the nuclear facility.

FASB ASC 410 provides guidance for recording and disclosing liabilities related to future legally enforceable obligations to retire assets. At December 31, 2010 and 2009, the Authority recorded an ARO on the closing of its ash ponds of approximately \$64.0



million and \$60.7 million, respectively. For the years ended 2010 and 2009, approximately \$10.4 million was recorded as an associated ARC within “Capital assets” on the accompanying balance sheets.

The asset retirement obligation is adjusted each period for any liabilities incurred or settled during the period, accretion expense and any revisions made to the estimated cash flows.

The following table summarizes the Authority’s transactions:

<b>Reconciliation of Asset Retirement Obligation Liability</b>		
Years Ended December 31,	<b>2010</b>	<b>2009</b>
	(Millions)	
Balance as of January 1,	<b>\$ 317.8</b>	<b>\$ 303.9</b>
Accretion expense	<b>14.5</b>	<b>13.9</b>
Balance as of December 31,	<b>\$ 332.3</b>	<b>\$ 317.8</b>

**N - Review of New Accounting Standards** - In June 2007, GASB issued Statement No. 51, “Accounting and Financial Reporting for Intangible Assets” (GASB 51). This Statement became effective for periods beginning after June 15, 2009. The Authority believes it is in compliance with the criteria established in GASB 51 and therefore, the impact of this statement would have no material effect on the financial position or results of operations of the Authority.

In February 2009, GASB issued Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” (GASB 54). This Statement became effective for periods beginning after June 15, 2010. The Authority believes GASB 54 does not apply and therefore, it would have no impact on the Authority’s financial position, overall cash flow or balances or results of operations.

In December 2009, GASB issued Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”, (GASB 58). The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB 58 was effective for reporting periods beginning after June 15, 2009. The Authority is in sound financial condition; therefore, the Statement does not apply since the Authority has not petitioned for bankruptcy protection.

**O - Issued But Not Yet Effective Pronouncements** - In June 2010, GASB issued Statement No. 59, “Financial Instruments Omnibus”, (GASB 59). This statement is effective for reporting periods beginning after June 15, 2010. GASB 59 is not expected to have a material effect on the Authority’s financial position, overall cash flow or balances or results of operations.

In November 2010, GASB issued Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”, (GASB 60). GASB 60 is effective for periods beginning after December 15, 2011 and is not expected to have a material effect on the Authority’s financial position, overall cash flow or balances or results of operations.

In November 2010, GASB issued Statement No. 61, “The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34” (GASB 61). GASB 61 is effective for periods beginning after June 15, 2012. This statement is not expected to have a material impact on the Authority’s financial position, overall cash flow or balances or results of operations.

In December 2010, GASB issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" (GASB 62). This statement is effective for periods beginning after December 15, 2011, and is not expected to have a material impact on the Authority's financial position, overall cash flow or balances or results of operations.

## NOTE 2 – COSTS TO BE RECOVERED FROM FUTURE REVENUE:

The Authority's electric rates are established based upon debt service and operating fund requirements. Depreciation is not considered in the cost of service calculation used to design rates. In accordance with FASB ASC 980, the differences between debt principal maturities (adjusted for the effects of premiums, discounts, expenses and amortization of deferred gains and losses) and depreciation on debt financed assets are recognized as costs to be recovered from future revenue (CTBR). The recovery of outstanding amounts recorded as CTBR will coincide with the repayment of the applicable outstanding debt of the Authority.

At December 31, 2010 and 2009, the CTBR Regulatory Asset balance was \$205.0 million and \$231.5 million, respectively. CTBR expense totaled \$26.5 million for 2010 compared to a \$3.9 million reduction in the expense for 2009.

## NOTE 3 – CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2010 and 2009 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
(Thousands)				
<b>YEAR 2010</b>				
Utility Plant	\$ 6,494,365	\$ 154,814	\$ (34,497)	\$ 6,614,682
Long lived-assets retirement cost	33,078	0	0	33,078
Accumulated depreciation	(2,564,325)	(189,928)	34,497	(2,719,756)
<b>Total utility plant-net</b>	3,963,118	(35,114)	0	3,928,004
Construction work in progress	851,442	248,522	(161,710)	938,254
Other physical property-net	2,583	4,587	0	7,170
<b>Totals</b>	\$ 4,817,143	\$ 217,995	\$ (161,710)	\$ 4,873,428
<b>YEAR 2009</b>				
Utility Plant	\$ 6,378,692	\$ 129,940	\$ (14,267)	\$ 6,494,365
Long lived-assets retirement cost	33,078	0	0	33,078
Accumulated depreciation	(2,396,865)	(181,727)	14,267	(2,564,325)
<b>Total utility plant-net</b>	4,014,905	(51,787)	0	3,963,118
Construction work in progress	488,585	500,562	(137,705)	851,442
Other physical property-net	2,040	543	0	2,583
<b>Totals</b>	\$ 4,505,530	\$ 449,318	\$ (137,705)	\$ 4,817,143

During 2010, the Authority's Board cancelled the construction of the units planned for the Pee Dee site. Accordingly, construction charges were reclassified from Construction work in progress to "Prepaid expenses and other current assets" and "Deferred debits-other" on the Combined Balance Sheets. The Authority is confident certain assets are marketable and can be sold. Currently, the Authority cannot determine how much will be recovered through the sale of assets originally purchased for those units. The Authority's Board has determined unrecovered costs associated with Pee Dee will be recovered through customer rates. In addition, the Authority plans to apply the unspent bond proceeds for Pee Dee as well as any proceeds received from the sale of certain Pee Dee assets to reduce borrowings on other capital projects.

#### NOTE 4 – CASH AND INVESTMENTS HELD BY TRUSTEE:

Cash and investments as of December 31, 2010 and 2009 are classified in the accompanying financial statements as follows:

Combined Balance Sheets:	2010	2009
	(Thousands)	
<b>Current assets</b>		
Unrestricted cash and cash equivalents	\$ 100,799	\$ 61,826
Unrestricted investments	24,574	26,695
Restricted cash and cash equivalents	148,119	349,354
Restricted investments	109,340	91,248
<b>Noncurrent assets</b>		
Unrestricted cash and cash equivalents	2,057	705
Unrestricted investments	95,967	92,465
Restricted cash and cash equivalents	332,280	99,336
Restricted investments	447,356	559,893
<b>Total cash and investments</b>	<b>\$ 1,260,492</b>	<b>\$ 1,281,522</b>
Cash and investments as of December 31 consisted of the following:		
Cash/Deposits	\$ 42,599	\$ 57,898
Investments	1,217,893	1,223,624
<b>Total cash and investments</b>	<b>\$ 1,260,492</b>	<b>\$ 1,281,522</b>

Unexpended funds from the sale of bonds, debt service funds, other special funds cash and investments are held and maintained by custodians and trustees. Their use is designated in accordance with applicable provisions of various bond resolutions, lease agreements and the Enabling Act included in the South Carolina Code of Laws.

The Authority's investments are authorized by the Enabling Act included in the South Carolina Code of Laws, the Authority's investment policy and the Revenue Obligation Resolution. Authorized investment types include Federal Agency Securities, State

of South Carolina General Obligation Bonds and U.S. Treasury Obligations, all of which are limited to a ten year maximum maturity. Certificate of Deposits and Repurchase Agreements are also authorized with a maximum maturity of one year.

All equity and debt securities are recorded at their fair value with gains and losses in fair value reflected as a component of non-operating income in the Combined Statements of Revenues, Expenses and Changes in Net Assets. As of December 31, 2010 and 2009, the Authority had investments totaling approximately \$1,217.9 million and \$1,223.6 million, respectively.

As of December 31, 2010, the Authority's cash and investments carried at fair market value included nuclear decommissioning funds of \$166.2 million with unrealized holding gains of \$15.3 million. As of December 31, 2009, decommissioning funds totaled approximately \$155.0 million including unrealized holding gains of \$12.0 million. In accordance with the provisions of FASB ASC 980, earnings, both realized and unrealized, on the decommissioning fund assets are credited to the "Regulatory asset - asset retirement obligation" and not as a separate component of non-operating income in the Combined Statements of Revenues, Expenses and Changes in Net Assets.

All of the Authority's investments, with the exception of decommissioning funds, are limited to a maturity of ten years or less. For the year ended December 31, 2010, the Authority made total investment purchases and sales each at a cost of approximately \$43.2 billion. Included in these amounts, the Authority's investment purchases and sales at cost for its decommissioning funds were each \$1.0 billion. Compared to the year ended December 31, 2009, the Authority's total investment purchases and sales at cost were approximately \$46.7 billion and \$46.5 billion, respectively. Of these amounts, investment purchases and sales at cost for the decommissioning funds were \$521.3 million and \$517.6 million, respectively.

The Authority's repurchase agreements at December 31, 2010 and 2009 totaled approximately \$410.1 million and \$310.8 million, respectively. The Authority requires that securities underlying repurchase agreements have a market value of at least 102 percent of the cost of the repurchase agreement. Securities underlying repurchase agreements are delivered by broker/dealers to the Authority's custodial agents.

Common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk are as follows:

**Credit Risk** - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investments. This is measured by the assignment of rating by a nationally recognized statistical rating organization. State law and restrictions established by bond resolution limit investments in debt securities to those securities issued by the U.S. government and agencies or instrumentalities of the United States created pursuant to an Act of Congress. Examples of these agencies' securities are Federal Home Loan Bank and Federal National Mortgage Association. As of December 31, 2010 and 2009, all of the agency securities held by the Authority were rated AAA by Fitch Ratings and Aaa by Moody's Investors Service, Inc.

**Custodial Credit Risk** - The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of December 31, 2010, all of the Authority's investment securities are held by the Trustee or Agent of the Authority and therefore there is no custodial risk for investment securities.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At December 31, 2010 and 2009, the Authority had exposure to custodial credit risk for deposits as follows:

Depository Account Type	Bank Balance	
	2010	2009
	(Thousands)	
Uninsured and collateral held by Bank's agent not in Authority's name	\$ 750	\$ 33,646

**Concentration of Credit Risk** - The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities) that represent five percent or more of total Authority investments at December 31, 2010 and 2009 were as follows:

Security Type / Issuer	Fair Value	
	2010	2009
<b>Federal Agency Fixed Income Securities</b>	(Thousands)	
Federal Home Loan Bank	\$ 327,931	\$ 310,553
Federal National Mortgage Association	225,204	331,471
Federal Farm Credit Bank	75,336	141,731
Federal Home Loan Mortgage Corp	112,610	67,851

**Interest Rate Risk** - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority manages its exposure to interest rate risk by investing in securities that mature as necessary to provide the cash flow and liquidity needed for operations.

The following table shows the distribution of the Authority's investments by maturity at December 31, 2010 and 2009:

Investment Type	2010		2009	
	Fair Value	Weighted Average Maturity	Fair Value	Weighted Average Maturity
	(Thousands)	(Years)	(Thousands)	(Years)
Certificates of Deposits	\$ 1,800	0.24	\$ 1,900	0.25
Federal Agency Discount Notes	269,127	0.11	307,660	0.21
Federal Agency Securities	491,916	3.86	559,516	3.10
Repurchase Agreements	410,068	0.01	310,840	0.01
TLGP	0	0.00	3,003	0.58
U.S. Treasury Notes and Strips	44,982	6.18	40,705	3.83
Total	\$ 1,217,893		\$ 1,223,624	
Portfolio Weighted Average Maturity		1.78		1.58

The Authority holds zero coupon bonds which are highly sensitive to interest rate fluctuations in both the Nuclear Decommissioning Trust and Nuclear Decommissioning Fund. Together these accounts hold \$58.6 million par in U.S. Treasury Strips ranging in maturity from February 15, 2011 to May 15, 2039. They also hold \$56.9 million par in government agency zero coupon securities (i.e. Resolution Corp, FNMA, FICO and REFCORP Securities) in the two portfolios ranging in maturity from November 15, 2014 to April 15, 2030. Zero coupon bonds or U.S. Treasury Strips are subject to wider swings in their market value than coupon bonds. These portfolios are structured to hold these securities to maturity or early redemption. The Authority has a buy and hold strategy for these portfolios. Based on the Authority's current decommissioning assumptions, it is anticipated that no funds will be needed any earlier than 2043. The Authority has no other investments that are highly sensitive to interest rate fluctuations.

**Foreign Currency Risk** - Foreign currency risk exists when there is a possibility that changes in exchange rates could adversely affect investment or deposit fair market value. The Authority is not authorized to invest in foreign currency and therefore has no exposure.

**NOTE 5: LONG-TERM DEBT OUTSTANDING:**

The Authority's long-term debt at December 31, 2010 and 2009 consisted of the following:

	2010	2009	Interest Rate(s) (1)	Call Price (1)
	(Thousands)		(%)	(%)
Capitalized Lease Obligations: (mature through 2014)	\$ 3,914	\$ 5,599	5.00	N/A
Revenue Obligations: (mature through 2050)				
1999 Tax-exempt Improvement Series A	0	7,940	N/A	N/A
1999 Taxable Improvement Series B	43,135	48,725	7.27-7.42	Non-callable
2001 Tax-exempt Improvement Series A	2,565	35,445	5.00	Non-callable
2002 Tax-exempt Refunding Series A	71,615	80,360	5.125-5.50	101
2002 Tax-exempt Improvement Series B	141,890	267,325	5.125-5.375	100
2002 Tax-exempt Refunding Series D	215,425	330,635	5.00-5.25	100
2003 Tax-exempt Refunding Series A	335,030	335,030	4.75-5.00	100
2004 Tax-exempt Improvement Series A	386,905	392,995	3.00-5.00	100
				P&I Plus Make-Whole Premium
2004 Taxable Improvement Series B	14,970	17,635	3.89-4.52	
2004 Tax-exempt Improvement Series M - CIBS	19,140	19,251	4.25-4.90	100
2004 Tax-exempt Improvement Series M - CABS	10,090	9,786	4.375-5.00	Accreted Value
2005 Tax-exempt Refunding Series A	125,295	125,295	5.25-5.50	100
2005 Tax-exempt Refunding Series B	251,250	270,405	5.00	100
2005 Tax-exempt Refunding Series C	78,150	78,150	4.125-4.75	100
2005 Tax-exempt Improvement Series M - CIBS	10,681	10,784	3.65-4.35	100
2005 Tax-exempt Improvement Series M - CABS	5,341	5,154	4.00-4.35	Accreted Value
2006 Tax-exempt Improvement Series A	449,705	453,085	3.40-5.00	100
				P&I Plus Make-Whole Premium
2006 Taxable Improvement Series B	96,250	110,295	4.90-5.05	
2006 Tax-exempt Improvement Series M - CIBS	7,113	7,183	3.75-4.20	100
2006 Tax-exempt Improvement Series M - CABS	3,022	2,926	4.00-4.20	Accreted Value
2006 Tax-exempt Refunding Series C	114,755	114,755	4.00-5.00	100
2007 Tax-exempt Improvement Series A	324,535	332,250	4.00-5.00	100
2007 Tax-exempt Refunding Series B	97,970	97,970	4.00-5.00	Non-callable
2008 Tax-exempt Improvement Series A	401,985	406,985	5.00-5.75	100
				P&I Plus Make-Whole Premium
2008 Taxable Improvement Series B	260,000	260,000	6.808-8.368	
2008 Tax-exempt Improvement Series M - CIBS	18,732	18,791	3.00-4.80	100
2008 Tax-exempt Improvement Series M - CABS	6,112	5,913	3.80-4.80	Accreted Value
2009 Tax-exempt Refunding Series A	112,410	115,025	2.00-5.00	100
2009 Tax-exempt Improvement Series B	164,130	164,130	3.00-5.25	100
				P&I Plus Make-Whole Premium
2009 Taxable Improvement Series C	87,040	87,040	3.72-6.224	
2009 Tax-exempt Refunding Series D	39,725	39,725	3.00-5.00	Non-callable
2009 Tax-exempt Improvement Series E	284,845	284,845	3.00-5.00	100
				P&I Plus Make-Whole Premium
2009 Taxable Improvement Series F	100,000	100,000	5.74	
2010 Tax-exempt Improvement Series M1 - CIBS	20,584	0	1.35-4.30	100
2010 Tax-exempt Improvement Series M1 - CABS	7,322	0	3.50-4.30	Accreted Value

**NOTE 5: LONG-TERM DEBT OUTSTANDING (CONTINUED):**

The Authority's long-term debt at December 31, 2010 and 2009 consisted of the following:				
	2010	2009	Interest Rate(s) (1)	Call Price (1)
	(Thousands)		(%)	(%)
2010 Taxable Libor Index Floating Rate Series A	234,861	0	1 Month LIBOR plus 0.25%	100
2010 Tax-exempt Refunding Series B	231,060	0	3.00-5.00	100
2010 Tax-exempt Improvement Series M2 - CIBS	12,161	0	1.60-3.875	100
2010 Tax-exempt Improvement Series M2 - CABS	4,907	0	2.875-3.875	Accreted Value
2010 Taxable Improvement Series C (Build America Bonds) (2)	360,000	0	6.454	P&I Plus Make-Whole Premium
Total Revenue Obligations	5,150,706	4,635,833		
Less: Current Portion - Long-term Debt	369,346	128,223		
Total Long-term Debt - (Net of current portion)	\$4,785,274	\$4,513,209		

(1) Apply only to bonds outstanding as of 12/31/2010.

(2) These bonds were issued as "Build America Bonds" under the American Recovery and Reinvestment Act of 2009 and are eligible to receive an interest subsidy payment from the United States Department of Treasury in an amount equal to 35% of interest payable on the bonds.



Long-term debt activity for the years ended December 31, 2010 and 2009 was as follows:						
	Gross LTD Beginning Balances	Increases	Decreases	Gross LTD Ending Balances	Current Portion LTD	Net LTD Ending Balances
(Thousands)						
YEAR 2010						
Capitalized Lease Obligations	\$ 5,599	\$ 0	\$ (1,685)	\$ 3,914	\$ 1,444	\$ 2,470
Revenue Obligations	4,635,833	871,944	(357,071)	5,150,706	367,902	4,782,804
<b>Totals</b>	<b>\$ 4,641,432</b>	<b>\$ 871,944</b>	<b>\$ (358,756)</b>	<b>\$ 5,154,620</b>	<b>\$ 369,346</b>	<b>\$ 4,785,274</b>
YEAR 2009						
Capitalized Lease Obligations	\$ 7,983	\$ 0	\$ (2,384)	\$ 5,599	\$ 1,685	\$ 3,914
Revenue Bonds	120,465	0	(120,465)	0	0	0
Revenue Obligations	3,988,560	791,773	(144,500)	4,635,833	126,538	4,509,295
<b>Totals</b>	<b>\$ 4,117,008</b>	<b>\$ 791,773</b>	<b>\$ (267,349)</b>	<b>\$ 4,641,432</b>	<b>\$ 128,223</b>	<b>\$ 4,513,209</b>

Maturities and projected interest payments of long-term debt are as follows:							
	PRINCIPAL			INTEREST			TOTAL
	Capitalized Lease Obligations	Revenue Obligations	Total Principal	Capitalized Lease Obligations	Revenue Obligations	Total Interest (2)	
Year Ending December 31,	(Thousands)						
2011 (1)	\$ 1,444	\$ 361,781	\$ 363,225	\$ 166	\$ 238,843	\$ 239,009	\$ 602,234
2012	1,243	129,965	131,208	100	245,830	245,930	377,138
2013	982	176,058	177,040	41	238,459	238,500	415,540
2014	245	426,750	426,995	7	221,233	221,240	648,235
2015	0	224,388	224,388	0	202,807	202,807	427,195
2016-2020	0	1,121,113	1,121,113	0	854,258	854,258	1,975,371
2021-2025	0	762,505	762,505	0	606,147	606,147	1,368,652
2026-2030	0	609,981	609,981	0	455,233	455,233	1,065,214
2031-2035	0	518,650	518,650	0	299,922	299,922	818,572
2036-2040	0	453,420	453,420	0	161,676	161,676	615,096
2041-2045	0	66,095	66,095	0	114,544	114,544	180,639
2046-2050	0	300,000	300,000	0	48,405	48,405	348,405
Total	\$ 3,914	\$ 5,150,706	\$ 5,154,620	\$ 314	\$ 3,687,357	\$ 3,687,671	\$ 8,842,291

(1) Year 2011 Interest includes projected interest for 2010 Taxable Series A (LIBOR Index Bonds).

(2) Does not reflect impact of subsidy interest payments on 2010 Taxable Series C (Build America Bonds - Direct Payment - Federally Taxable).

Refunded and defeased bonds outstanding, original loss on refunding, and the unamortized loss at December 31, 2010 are as follows:				
Refunding Issue	Refunded Bonds	Refunded and Defeased Bonds Outstanding	Original Loss	Unamortized Loss
	(Thousands)			
Cash Defeasance	\$ 20,000 of the 1982 Series A	\$ 0	\$ 2,763	\$ 847
Commercial Paper	\$ 76,050 of the 1973 Series 105,605 of the 1977 Series 81,420 of the 1978 Series	0	2,099	283
2002 Refunding Series A	\$ 113,380 of the 1992 Refunding Series A	0	23,378	6,070
2002 Refunding Series D	\$ 293,250 of the 1993 Refunding Series A 25,900 of the 1993 Refunding Series B-1 25,900 of the 1993 Refunding Series B-2 132,095 of the 1993 Refunding Series C	0	73,613	17,682
2003 Refunding Series A	\$ 336,385 of the 1993 Refunding Series C 15,750 of the 1995 Refunding Series A	0	57,064	35,134
2005 Refunding Series A	\$ 74,970 of the 1995 Refunding Series A 37,740 of the 1995 Refunding Series B 20,080 of the 1996 Refunding Series A	0	23,864	14,090
2005 Refunding Series B	\$ 2,590 of the 1995 Refunding Series A 100,320 of the 1995 Refunding Series B 192,305 of the 1996 Refunding Series A 21,505 of the 1996 Refunding Series B	0	73,749	44,374
2005 Refunding Series C	\$ 86,335 of the 1993 Refunding Series C	0	12,125	8,362
2006 Refunding Series C	\$ 105,005 of the 1999 Series A 10,000 of the 2002 Series B	10,000	7,054	1,531
2007 Refunding Series B	\$ 105,370 of the 1997 Refunding Series A	0	8,832	5,425
2009 Refunding Series A	\$ 99,515 of the 1997 Refunding Series A 20,125 of the 1998 Refunding Series B	0	8,707	7,718
2010 Refunding Series B	\$ 30,430 of the 2001 Series A 118,600 of the 2002 Series B 84,780 of the 2002 Refunding Series D	233,810	22,954	22,538
Total		\$ 243,810	\$ 316,202	\$ 164,054

The fair value of the Authority's debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Authority for debt with the same remaining maturities. Based on the borrowing rates currently available to the Authority for debt with similar terms and average maturities, the fair value of debt was approximately \$5.5 billion and \$4.4 billion at December 31, 2010 and 2009, respectively.

On May 1, 2010, the Authority's Board authorized the sale of approximately \$27.7 million Revenue Obligations, 2010 Series M1 (2010M1 Bonds). The 2010M1 Bonds consisted of Current Interest Bearing Bonds issued in denominations of \$500 and Capital Appreciation Bonds issued in denominations of \$200. The 2010M1 Bonds were issued directly by the Authority to residents of the State, customers of the Authority, members of electric cooperatives organized under the laws of the State and electric customers of the City of Bamberg and City of Georgetown. Interest rates range from 1.35 percent in 2013 to 4.30 percent in 2030.

On October 15, 2010, the Authority's Board authorized the sale of approximately \$231.1 million Revenue Obligations, 2010 Series Refunding Series B (2010B Bonds). This refunding reduced the Authority's total debt service over the life of its bonds by approximately \$22.8 million, resulting in an economic gain of approximately \$18.9 million. The 2010B Bonds were issued November 10, 2010 at an aggregate all-in true interest cost of 3.30 percent. The 2010B Bonds will mature between January 1, 2013 and January 1, 2033.

On November 1, 2010, the Authority's Board authorized the sale of approximately \$17.0 million Revenue Obligations, 2010 Series M2 (2010M2 Bonds). The 2010M2 Bonds consisted of Current Interest Bearing Bonds issued in denominations of \$500 and Capital Appreciation Bonds issued in denominations of \$200. The 2010M2 Bonds were issued directly by the Authority to residents of the State, customers of the Authority, members of electric cooperatives organized under the laws of the State and electric customers of the City of Bamberg and City of Georgetown. Interest rates range from 1.60 percent in 2015 to 3.875 percent in 2030.

On December 9, 2010, the Authority's Board authorized the sale of \$360.0 million Revenue Obligations, 2010 Series C (Build America Bonds – Direct Payment – Federally Taxable) (2010C Bonds). Build America Bonds provide a federal subsidy through a refundable tax credit paid to state or local governmental issuers by the Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors in taxable bonds. The 2010C Bonds were issued on December 21, 2010 at an aggregate all-in true interest cost of 4.24 percent. The 2010C Bonds will mature January 1, 2050.

As of December 31, 2010, the Authority is in compliance with all debt covenants. The Authority's bond indentures provide for certain restrictions, the most significant of which are:

- (1) the Authority covenants to establish rates sufficient to pay all debt service, required lease payments, capital improvement fund requirements and all costs of operation and maintenance of the Authority's electric and water systems and all necessary repairs, replacements and renewals thereof; and
- (2) the Authority is restricted from issuing additional parity bonds unless certain conditions are met.

All Authority debt (Electric and Water Systems) issued pursuant to the Revenue Obligation Resolution is payable solely from and secured by a lien upon and pledge of the applicable Electric and Water Revenues of the Authority. Revenue Obligations are senior to:

- (1) payment of expenses for operating and maintaining the System; and
- (2) payments for debt service on Capitalized Leases and payments made into the Capital Improvement Fund.

At December 31, 2010, the Authority had approximately \$5.2 billion in outstanding Revenue Obligations. Estimated interest payments remaining on these bonds total approximately \$3.7 billion. These bonds were issued between the years 1999 and 2010 and will mature during years 2011 through 2050. Proceeds from these bonds were/will be used to fund a portion of the Authority's on-going capital program or retire or refund certain outstanding debt of the Authority.

#### **NOTE 6 - VARIABLE RATE DEBT:**

The Board has authorized the issuance of variable rate debt not to exceed 20 percent of the aggregate Authority debt outstanding (including commercial paper notes) as of the last day of the most recent fiscal year for which audited financial statements of the Authority are available. The lien and pledge of Revenues securing variable rate debt issued as Revenue Obligations is senior to that securing commercial paper notes.

On June 25, 2010, the Authority's Board authorized the sale of approximately \$234.9 million Revenue Obligations, 2010 Series A (LIBOR Index Bonds) (2010A Bonds). The 2010A Bonds were issued July 8, 2010 and will bear interest from their delivery date and will be payable on the fifteenth day of each month. The interest rate is variable and is set monthly based on the London Interbank Offered Rate ("LIBOR") plus 25 basis points. The 2010A Bonds will mature on July 15, 2011.

Commercial paper is issued for valid corporate purposes with a term not to exceed 270 days. The information related to commercial paper was as follows:

<b>Years Ended December 31,</b>	<b>2010</b>	<b>2009</b>
Effective interest rate (at December 31)	<b>0.30%</b>	0.43%
Average annual amount outstanding (000's)	<b>\$251,916</b>	\$145,500
Average maturity	<b>69 Days</b>	128 Days
Average annual effective interest rate	<b>0.36%</b>	0.61%

At December 31, 2010, the Authority had a Revolving Credit Agreement with Wells Fargo Bank, N.A. and J. P. Morgan Chase Bank, N.A. for \$375.0 million. This agreement is used to support the Authority's issuance of commercial paper. There were no borrowings under the agreement during 2010.

Commercial paper outstanding was as follows:

<b>Years Ended December 31,</b>	<b>2010</b>	<b>2009</b>
	<b>(Thousands)</b>	
Commercial Paper-Gross	<b>\$ 159,338</b>	\$ 276,674
Less: Unamortized Discount on Taxable Commercial Paper	<b>0</b>	(123)
Commercial Paper-Net	<b>\$ 159,338</b>	\$ 276,551

**NOTE 7 - SUMMER NUCLEAR STATION:**

The Authority and South Carolina Electric and Gas (SCE&G) are parties to a joint ownership agreement providing that the Authority and SCE&G shall own Unit 1 at the Summer Nuclear Station with undivided interests of 33 1/3 percent and 66 2/3 percent, respectively. SCE&G is solely responsible for the design, construction, budgeting, management, operation, maintenance and decommissioning of Unit 1 and the Authority is obligated to pay its ownership share of all costs relating thereto. The Authority receives 33 1/3 percent of the net electricity generated. At December 31, 2010 and 2009, the plant accounts before depreciation included approximately \$529.4 million and \$522.7 million, respectively, representing the Authority's investment, including capitalized interest, in Unit 1. The accumulated depreciation at December 31, 2010 and 2009 was \$306.8 million and \$301.7 million, respectively. For the years ended December 31, 2010 and 2009, the Authority's share of operation and maintenance expenses totaled \$71.9 million and \$64.0 million, respectively.

Nuclear fuel costs are being amortized based on energy expended using the unit-of-production method. Costs include a component for estimated disposal expense of spent nuclear fuel. This amortization is included in fuel expense and is recovered through the Authority's rates.

In 2002, SCE&G commenced a re-racking project of the on-site spent fuel pool. The new pool storage capability will permit full core off-load through 2018. Further on-site storage, if required, will be accomplished through dry cask storage or other technology as it becomes available.

The Nuclear Regulatory Commission (NRC) requires a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable NRC regulations, the Authority established an external trust fund and began making deposits into this fund in September 1990. In addition to providing for the minimum requirements imposed by the NRC, the Authority makes deposits into an internal fund in the amount necessary to fund the difference between a site-specific decommissioning study completed in 2006 and the NRC's imposed minimum requirement. Based on these estimates, the Authority's one-third share of the estimated decommissioning costs of the Unit 1 equals approximately \$178.9 million in 2006 dollars. As deposits are made, the Authority debits FERC account 532 - Maintenance of Nuclear Plant, an amount equal to the deposits made to the internal and external trust funds. These costs are recovered through the Authority's rates. Based on current decommissioning cost estimates, these funds, which totaled approximately \$166.2 million (adjusted to market) at December 31, 2010, along with future deposits into both the external and internal decommissioning accounts and investment earnings, are estimated to provide sufficient funds for the Authority's one-third share of the total decommissioning costs.

In 2004, the NRC granted a twenty-year extension to the operating license for Unit 1, extending it to August 6, 2042.

In February 2006, the Authority and SCE&G announced they would consider the possibility of constructing two jointly owned 1100 MW nuclear units (Units 2 and 3) at Summer Nuclear Station. In March 2008, SCE&G acting for itself and as agent for the Authority, submitted an application for a Combined Construction and Operating License (COL) to the NRC. On May 22, 2008, the Authority's Board reaffirmed the management authorization to take actions necessary to design, permit, procure, and install two 1100 MW nuclear generating units and further authorized management to execute a Limited Agency Agreement appointing SCE&G to act as the Authority's agent in connection with the performance of an Engineering, Procurement, and Construction (EPC) Contract. This authorization includes the expenditure of up to \$1.9 billion through December 31, 2011 to obtain the COL and fund the Authority's share of the EPC Contract and associated Owner's Costs for the project. On May 23, 2008, SCE&G acting for itself, and as agent for the Authority, executed an EPC Contract with Westinghouse Electric Company, Inc. and Stone & Webster, Inc. for the engineering, procurement, and construction of two 1100 MW nuclear generating units. The Authority and SCE&G have entered into a short term Bridge Agreement specifying an Authority ownership interest of 45 percent in the two units. The Authority anticipates the Bridge Agreement will be replaced by more permanent agreements governing construction, operation, and decommissioning of the units. The Authority and SCE&G are developing a Permanent

Design and Construction Agreement and a Permanent Operating and Decommissioning Agreement that will replace the Bridge Agreement. The Bridge Agreement allows, and the Permanent Design and Construction Agreement will allow, either or both parties to withdraw from the project under certain circumstances. The Authority expects to receive the COL in late 2011 and to achieve commercial operation on Unit 2 in 2016 and Unit 3 in 2019.

#### NOTE 8 - LEASES:

The Authority has remaining capital lease contracts with Central Electric Power Cooperative, Inc. (Central), covering transmission and various other facilities. The remaining lease terms range from one to four years. Quarterly lease payments are based on a sum equal to the interest on and principal of Central's indebtedness to the Rural Utilities Service (formerly Rural Electrification Administration) for funds borrowed to construct the above mentioned facilities. The Authority has options to purchase the leased properties at any time during the period of the lease agreements for sums equal to Central's indebtedness remaining outstanding on the properties at the time the options are exercised or to return the properties at the termination of the lease. The Authority plans to exercise each and every option to acquire ownership of such facilities prior to expiration of the leases.

Future minimum lease payments on Central leases at December 31, 2010 are as follows:

Year ending December 31,	
	(Thousands)
2011	\$ 1,610
2012	1,343
2013	1,023
2014	252
Total minimum lease payments	4,228
Less amounts representing interest	314
Principal Payments	\$ 3,914

Property under capital leases and related accumulated amortization included in utility plant at December 31, 2010, totaled approximately \$27.5 million and \$25.8 million, respectively, and at December 31, 2009, totaled \$88.4 million and \$87.4 million, respectively.

Operating lease payments totaled approximately \$4.9 million and \$4.2 million during the years ended December 31, 2010 and 2009, respectively. Included in these operating lease payments are periodic expenses related to leased coal cars, which are initially reflected in fuel inventory and subsequently reported in fuel expense based on the tons burned. The terms of the current coal car leases expire June 2011, June 2012, and December 2013, although, cars may be returned early with proper notice, without penalty, if demand is reduced. The maximum amounts for the coal car leases to be paid for the years 2011 through 2013 are \$2.2 million, \$1.2 million and \$462,000, respectively. Future lease options will be evaluated based on fuel requirements.

In addition, as of December 31, 2010, the Authority has a lease agreement for a hydro electric generating facility. The lease agreement is automatically extended for five-year periods until terminated by either party by giving a two-year notice. The obligation is a \$600,000 per year payment for the lease, in addition to operating expenses associated with the facility.

**NOTE 9 - CONTRACTS WITH ELECTRIC POWER COOPERATIVES:**

Central is a generation and transmission cooperative that provides wholesale electric service to each of the 20 distribution cooperatives which are members of Central. Power supply and transmission services are provided to Central in accordance with a power system coordination and integration agreement (the Coordination Agreement). Under this agreement, the Authority is the sole supplier of energy needs for Central, excluding energy Central receives from the Southeastern Power Administration (SEPA), small amounts provided by Broad River Electric Cooperative's ownership interest in a small run of the river hydro electric plant and small amounts purchased from others.

Central, under the terms of the Coordination Agreement, has the right to audit costs billed to them through the cost of service. Any differences found as a result of this process are accrued if they are probable and estimable. To the extent that differences arise, prospective adjustments are made to the cost of service and are reflected in operating revenues in the accompanying Combined Statements of Revenues, Expenses and Changes in Net Assets. Such adjustments in 2010 and 2009 were not material to the Authority's overall operating revenue.

In September 2008, Central requested that the Authority and Central begin formal negotiations to consider changes to the Central Agreement in light of changes in the electric industry. Subsequently, the Authority and Central began meetings to discuss Central's concerns. During those discussions, Central informed the Authority that it had an opportunity to obtain, from another supplier, a portion of its requirements related to five of its member cooperatives located in the upper part of the State, (the "Upstate Load"): Blue Ridge Electric Cooperative, Inc., Broad River Electric Cooperative, Inc., Laurens Electric Cooperative, Inc., Little River Electric Cooperative, Inc. and York Electric Cooperative, Inc. Central requested that the Authority allow it to pursue that opportunity.

In September 2009, the Authority and Central entered into an agreement which, among other things, permits Central to purchase the electric power and energy requirements necessary to serve the Upstate Load from a supplier other than the Authority. Central and the new supplier have obtained the necessary regulatory approvals and a majority of the Upstate Load will transition to the new supplier over a seven-year period beginning in 2013; by 2019, approximately 1,000 MW will be transitioned to the new supplier. The agreement also provides that neither party will exercise any rights to terminate the Central Agreement before December 31, 2030; the parties agree to negotiate in good faith, terms and conditions by which the rights of the Authority and Central to terminate the Central Agreement will be deferred beyond 2030.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES:**

**Budget** - The Authority's capital budget provides for expenditures of approximately \$516.4 million during the year ending December 31, 2011 and \$1,791.6 million during the two years thereafter. These expenditures include \$1,654.0 million for new nuclear generating units being constructed to begin operation in 2016 and 2019, \$14.0 million for contractual obligations associated with the cancelled Pee Dee Unit 1, and \$54.0 million for environmental compliance expenditures. The total estimated project cost, including related transmission improvements, of the 45 percent ownership interest in the new nuclear generating units which are scheduled to begin operation in 2016 through 2019 is \$5,149.0 million. Capital expenditures will be financed by internally generated funds and a combination of taxable and tax-exempt debt.

**Purchase Commitments** - The Authority has contracted for long-term coal purchases under contracts with estimated outstanding minimum obligations after December 31, 2010. The disclosure of minimum obligations below (including market re-opener contracts) is based on the Authority's contract rates and represents management's best estimate of future expenditures under long-term arrangements.

Year Ending December 31,		
	With Re-openers	Without Re-openers
	(Thousands)	
2011	\$ 681,132	\$ 681,132
2012	480,308	364,514
2013	438,920	391,875
2014	228,000	228,000
2015	234,500	234,500
2016 - 2024	271,280	271,280
Total	\$2,334,140	\$2,171,301

The Authority has the following outstanding obligations under existing long-term purchased power contracts as of December 31, 2010:

Contracts with Minimum Fixed Payment Obligations:			
Number of Contracts	Delivery Beginning	Remaining Term	Obligations (Millions)
1	1985	24 Years	\$62.5
1	2011	4 Years	\$38.4
Contracts with Power Receipt and Payment Obligations (1):			
Number of Contracts	Delivery Beginning	Remaining Term	Obligations (Millions)
1	2010	15 Years	\$397.6
1	2012	20 Years	\$621.3
1	2013	20 Years	\$266.0
3	2013	30 Years	\$788.4
(1) Payment required upon receipt of power. Assumes no change in indices or escalation.			

The Authority entered into agreements effective October 1, 2008 whereby New Horizon Electric Cooperative, Inc. assigned its interests, rights and obligations in contracts with Duke Energy Corporation and SCE&G for network integration transmission service to the Authority. The agreements are for network transmission service for the Upstate Load as defined in NOTE 9 –



**CONTRACTS WITH ELECTRIC POWER COOPERATIVES.** The initial term of both agreements is through July 2023 with annual obligations of approximately \$8.1 million and \$374,000, respectively. As stated in the last paragraph of NOTE 9, the majority of the Upstate Load will transition to a new supplier. The Authority's obligation for transmission service for this load will decrease in approximately the same proportion. At the end of the transition period, the Authority will no longer be responsible for purchasing transmission service for the load served by the new supplier.

CSX Transportation, Inc. (CSX) provides substantially all rail transportation service for the Authority's coal-fired generating units. During 2002, a new agreement was signed with an effective date of January 1, 2003. This contract will continue to apply a price per ton of coal moved, with the minimum being set at four million tons per year. Currently the Authority is negotiating an extension of the contract.

The Authority has commitments for nuclear fuel and nuclear fuel conversion, enrichment and fabrication contracts. As of December 31, 2010, these contracts total approximately \$221.0 million over the next 13 years. The enrichment and fabrication component of these commitments from 2011 through 2013 totaling \$21.0 million are contingent upon the operating requirements of the nuclear unit.

In 2009, the Authority amended the Rainey Generating Station Long-Term Parts and Long-Term Service Contract with General Electric International, Inc. (GEII). In lieu of exercising its option to terminate the Contract for convenience and to pursue non-OEM parts and services, the Authority negotiated an amendment with reduced pricing for maintenance and fixed escalation. The contract provides a contract performance manager (CPM), initial spare parts, parts and services for specified planned maintenance outages, remote monitoring and diagnostics of the turbine generators, and combustion tuning for the gas turbines. The amended contract value is approximately \$103.5 million, including escalation. The contract term extends through the second major inspection for Rainey 1 (expected to be completed in 2024) and through the second hot gas path inspection for Rainey 2A (expected to be completed in 2014) and for Rainey 2B (expected to be completed in 2017). The contract can be terminated for convenience at the end of 2015. The Authority's Board has approved recovery of contract expenditures on a straight-line basis over the term of the contract.

On January 31, 2005, the Authority entered a \$4.0 million Parts and Services Agreement with GEII for maintenance of the Rainey 3, 4 and 5 gas turbines. GEII's scope of work includes the supply of parts, repair services, and technical direction for one combustion inspection and one hot gas path inspection for each of the three gas turbines. The combustion inspections have been completed. The remaining scope includes three hot gas path inspections (approximately \$3.0 million). The term of the agreement, which is dependent on unit operation, is expected to end in 2016.

Effective November 1, 2000, the Authority contracted with Transcontinental Gas Pipeline Corporation (TRANSCO) to supply gas transportation needs for its Rainey Generating Station. This is a firm transportation contract covering a maximum of 80,000 decatherms per day for 15 years.

**Risk Management** - The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. The Authority purchases commercial insurance to cover these risks, subject to coverage limits and various exclusions. Settled claims resulting from these risks did not exceed commercial insurance coverage in 2008 or 2009. However, during 2010 settled claims resulting from the Santee River Flooding Case exceeded coverage limits and were paid by the Authority (see Note 10 – Legal Matters). Policies are subject to deductibles ranging from \$250 to \$1.0 million, with the exception of named storm losses which carry deductibles from \$1.0 million up to \$5.0 million. Also a \$1.4 million general liability self-insured layer exists between the Authority's primary and excess liability policies. During 2010, there were no losses incurred or reserves recorded for general liability.

The Authority is self-insured for auto, dental, worker's compensation and environmental incidents that do not arise out of an insured event. The Authority purchases commercial insurance, subject to coverage limits and various exclusions, to cover

automotive exposure in excess of \$2.0 million per incident. Risk exposure for the dental plan is limited by plan provisions. There have been no third-party claims for environmental damages for 2010 or 2009. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

At December 31, 2010 and 2009, the amount of the self-insured liabilities for auto, dental, worker's compensation and environmental remediation was approximately \$2.3 million and \$1.8 million, respectively. The liability is the Authority's best estimate based on available information.

Changes in the reported liability were as follows:

Year Ended December 31:	2010	2009
	(Thousands)	
Unpaid claims and claim expense at beginning of year	\$ 1,753	\$ 2,120
Incurred claims and claim adjustment expenses:		
Add: Provision for insured events of the current year	3,548	2,027
Less: Payments for current and prior years	3,038	2,394
Total unpaid claims and claim expenses at end of year	\$ 2,263	\$ 1,753

The Authority pays insurance premiums to certain other State agencies to cover risks that may occur in normal operations. The insurers promise to pay to, or on behalf of, the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. Several State funds accumulate assets, and the State itself assumes all risks for the following:

- (1) claims of covered employees for health benefits (Employee Insurance Program); not applicable for worker's compensation injuries; and
- 2) claims of covered employees for basic long-term disability and group life insurance benefits (Employee Insurance Program and Retirement System).

Employees elect health coverage through the State's self-insured plans. All other coverage listed above is through the applicable State self-insured plan except that additional group life and long-term disability premiums are remitted to commercial carriers. The Authority assumes the risk for claims of employees for unemployment compensation benefits and pays claims through the State's self-insured plan.

**Nuclear Insurance** - The maximum liability for public claims arising from any nuclear incident has been established at \$12.5 billion by the Price-Anderson Indemnification Act. This \$12.5 billion would be covered by nuclear liability insurance of \$300.0 million per site, with potential retrospective assessments of up to \$117.5 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed \$17.5 million per incident, per year). Based on its one-third interest in Summer Nuclear Station, the Authority could be responsible for the maximum assessment of \$39.2 million, not to exceed approximately \$5.8 million per incident, per year. This amount is subject to further increases to reflect the effect of (i) inflation, (ii) the licensing for operation of additional nuclear reactors, and (iii) any increase in the amount of commercial liability insurance required to be maintained by the NRC.

Additionally, SCE&G and the Authority maintain, with Nuclear Electric Insurance Limited (NEIL), \$500.0 million primary and \$1.5 billion excess property and decontamination insurance to cover the costs of cleanup of the facility in the event of an accident. In addition to the premiums paid on the primary and excess policies, SCE&G and the Authority could also be assessed a retrospective premium, not to exceed ten times the annual premium of each policy, in the event of property damage to any nuclear generating facility covered by NEIL. Based on current annual premiums and the Authority's one-third interest, the Authority's maximum retrospective premium would be approximately \$2.9 million for the primary policy and \$3.0 million for the excess policy. SCE&G and the Authority also maintain accidental outage insurance to cover replacement power costs (within policy limits) associated with an insured property loss. This policy also carries a potential retrospective assessment of \$1.6 million.

The Authority is self-insured for any retrospective premium assessments, claims in excess of stated coverage, or cost increases due to the purchase of replacement power associated with an uninsured event. Management does not expect any retrospective assessments, claims in excess of stated coverage, or cost increases for any periods through December 31, 2010.

**Clean Air Act** - The Authority endeavors to ensure that its facilities comply with applicable environmental regulations and standards.

In addition to the existing Clean Air Act (CAA) Federal Acid Rain Program, the EPA promulgated in 2005 two Clean Air Act Regulations: the Clean Air Mercury Rule (CAMR) and the Clean Air Interstate Rule (CAIR). The CAIR program required revisions to the South Carolina State Implementation Plans (SIP) accordingly for NO<sub>x</sub>. The Authority, along with other utilities, challenged the SO<sub>2</sub> allocation portion of CAIR, and participated in a stakeholders' process to develop with the South Carolina Department of Health and Environmental Control (DHEC), a regulation for CAIR and CAMR in South Carolina. The proposed regulation for CAIR and CAMR was approved by the state legislature and went into effect June 22, 2007. However, both CAIR and CAMR have been subject to DC Circuit Court review and subsequent decisions.

In 2008, the CAMR was vacated by the DC Circuit Court. In place of the state promulgated CAMR, South Carolina utilities and DHEC finalized a Memorandum of Agreement (MOA) in which the Authority committed to install and certify mercury Continuous Emissions Monitoring Systems (CEMS) at a set of agreed-upon coal-fired units, and collaborate with the South Carolina utilities and DHEC to provide support for a state-wide assessment evaluating the mercury deposition resulting from coal-fired power plants in South Carolina. In 2009, the mercury CEMS were installed at the specified Authority units and utilities began initial reporting. There are no cap and trade requirements.

Also in 2008, the DC Circuit Court remanded CAIR back to EPA without vacatur with the requirement for EPA to develop a replacement rule. CAIR and the CAIR Federal Implementation Programs (FIPs) – including the CAIR trading programs – remain in place, until EPA issues a new rule to replace CAIR. The CAIR replacement rule, the Clean Air Transport Rule (CATR) was proposed by EPA in 2010. The Authority participated in the public comment process for CATR. The Final Rule is anticipated in 2011. The Authority will continue to evaluate the courts ruling and any subsequent action by EPA.

The Authority has been operating under a settlement agreement, called the Consent Decree, which became effective June 24, 2004. The settlement with EPA and DHEC was related to certain environmental issues associated with coal-fired units. It involved the payment of a civil penalty, an agreement to perform certain environmentally beneficial projects, and capital costs to achieve emissions reductions over the period ending 2013. The capital costs are expected to be largely offset by savings resulting from a reduced need to purchase emission credits.

Currently there are both legislative and regulatory efforts to reduce greenhouse gas emissions. The Authority continues to review proposed greenhouse gas regulations to assess potential impacts to its operations. In 2010, EPA finalized the Prevention of Significant Deterioration (PSD) Tailoring Rule for regulating greenhouse gases through the PSD permitting process under the existing CAA. EPA issued Best Available Control Technology (BACT) Guidance in 2010 for use under the rule effective July 1,

2011. The Authority will continue to monitor both regulatory and legislative efforts to reduce greenhouse gas emissions to access potential impacts to its operations.

The EPA is in the process of proposing regulations to reduce the emissions of mercury and other hazardous air pollutants (HAPs) from coal-fired electric utility boilers through the maximum achievable control technology (MACT) regulatory process. As a part of EPA rule development, the Authority participated in the EPA's mandatory Information Collection Request (ICR) for mercury and other HAPs for its coal-fired and oil-fired units. The ICR required facility and fuel information as well as stack testing at Cross, Winyah and Jefferies generating stations. The proposed MACT rule is anticipated in March 2011. The Authority will review the proposed regulations when released to determine impacts to its operations.

**Safe Drinking Water Act** - The Authority continues to monitor for Safe Drinking Water Act regulatory issues impacting drinking water systems at Santee Cooper's regional water systems, generating stations, substations and other auxiliary facilities such as Wampee and Somerset. DHEC has regulatory authority of potable water systems in South Carolina. The State Primary Drinking Water Regulation, R.61-58, governs the design, construction and operational management of all potable water systems in South Carolina subject to and consistent with the requirements of the Safe Drinking Water Act and the implementation of federal drinking water regulations. The Authority endeavors to manage its potable water systems for compliance with R.61-58.

**Clean Water Act** - The Clean Water Act (CWA) prohibits the discharge of pollutants, including heat, from point sources into waters of the United States, except as authorized in the National Pollutant Discharge Elimination System (NPDES) permit program. The CWA also requires that cooling water intake structures reflect the best technology available for minimizing adverse environmental impact. DHEC has been delegated NPDES permitting authority by the EPA and administers the program for the State. For applications submitted prior to the renewal application date, DHEC has stated that if there should be a delay in renewing permits beyond the expiration of the existing permits, the permits will be extended by operation of law and the Authority may still discharge pursuant to Section 1-23-370 of the Code of Laws of South Carolina 1976, as amended.

Each station's stormwater discharge is covered under the State's NPDES General Permit No. SCR000000. The Authority continually strives to operate in compliance with this permit.

Industrial wastewater discharges from all stations and the regional water plants are governed by NPDES permits.

The status of the Authority's permits is shown below:

Facility	Permit Type	Effective Date	Expiration Date	Renewal Application Date
Cross Generating Station	Individual	Nov 3, 2006	Aug 31, 2010	Mar 4, 2010
Grainger Generating Station	Individual	Oct 1, 2002	Sep 30, 2006	Mar 28, 2006
Jefferies Generating Station	Individual	Mar 1, 2003	Feb 29, 2008	Aug 29, 2007
Rainey Generating Station	Individual	Mar 1, 2010	Mar 31, 2013	N/A *
Winyah Generating Station	Individual	Mar 1, 2007	Jul 31, 2011	Feb 1, 2011
Regional Water Systems	General	Oct 1, 2001	Oct 31, 2006	Apr 24, 2006

\* Renewal applications must be submitted to SC DHEC 180 days or more prior to the listed expiration date.

The EPA revised sections of the CWA relating to Spill Prevention Control and Counter-measures (SPCC). These revisions require that regulated facilities, including generating stations, substations and auxiliary facilities, amend their current SPCC

plans to meet the standard. The Authority continues to be in compliance with the new standard before the regulatory required implementation date of November 1, 2011. By that date, facilities must amend or prepare, and implement SPCC Plans in accordance with revisions to the SPCC rule promulgated since 2002.

The EPA published regulations implementing Section 316(b) of the CWA for existing electric generating facilities in the Federal Register on July 9, 2004. These regulations require that cooling water intake structures reflect the Best Technology Available (BTA) for minimizing adverse environmental impacts such as the impingement of fish and shellfish on the intake structures and the entrainment of eggs and larvae through cooling water systems. These regulations, which became effective September 7, 2004, establish performance standards for reduction in impingement mortality and entrainment. On July 9, 2007 the EPA published in the Federal Register a Suspension of Regulations Establishing Requirements for Cooling Water Intake Structures, known as the EPA 316(b) Phase II rule. Even though this rule was suspended, the NPDES permit continues to require that a compliance plan be submitted in the form of a Comprehensive Demonstration Study (CDS) to DHEC. Jefferies Generating Station and the Grainger Generating Station NPDES permits additionally require submission of a CDS. With the suspension of the rule, DHEC granted a variance from this specific permit condition with qualifying conditions. A letter dated December 14, 2007 from DHEC stated that Jefferies and Grainger would not be required to complete the CDS process at this time but requested an interim partial CDS be submitted in regards to certain activity already completed. Thus, the Authority's facilities affected by the new rule, Jefferies and Grainger Stations, are currently in compliance with the requirements.

**Hazardous Substances and Wastes** - Section 311 of the CWA imposes substantial penalties for spills of Federal EPA-listed hazardous substances into water and for failure to report such spills. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) provides for the reporting requirements to cover the release of hazardous substances generally into the environment, including water, land and air. When these substances are processed, stored, or handled, reasonable and prudent methods are employed to prevent a release to the environment.

Additionally, the EPA regulations under the Toxic Substances Control Act impose stringent requirements for labeling, handling, storing and disposing of polychlorinated biphenyls (PCB) and associated equipment. There are regulations covering PCB notification and manifesting, restrictions on disposal of drained electrical equipment, spill cleanup record-keeping requirements, etc. The Authority has recently updated a comprehensive PCB management program in response to these regulations.

Under the CERCLA and Superfund Amendments and Reauthorization Act (SARA), the Authority could be held responsible for damages and remedial action at hazardous waste disposal facilities utilized by it, if such facilities become part of a Superfund effort. CERCLA liability, which is strict, joint and several, can be imposed on any generator of hazardous substances who arranged for disposal or treatment at the affected facility. Moreover, under SARA, the Authority must comply with a program of emergency planning and a "Community Right-To-Know" program designed to inform the public about more routine chemical hazards present at the facilities. Both programs have stringent enforcement provisions.

The Authority endeavors to comply with the applicable provisions of CERCLA and SARA, but it is not possible to determine if some liability may be imposed in the future for past waste disposal or compliance with new regulatory requirements. In addition to handling hazardous substances, the Authority generates solid waste associated with the combustion of coal, the vast majority of which is fly ash, bottom ash, gypsum and scrubber sludge. These wastes are presently exempt from hazardous wastes regulation under the Resource Conservation and Recovery Act (RCRA).

Also under RCRA, the Authority may be required to undertake corrective action with respect to any leaking underground petroleum storage tank and is liable for the costs of any corrective action taken by the EPA, including compensating third parties for personal injuries and property damage. The Authority implemented a program which assessed all underground storage tanks (USTs). As a result of the assessment, the number of USTs was significantly reduced. The Authority is required by the EPA and DHEC to maintain documentation of sufficient funds or insurance to cover environmental impacts.

**Pollution Remediation Obligations** – During 2008, the Authority adopted GASB 49, which addresses standards for pollution (including contamination) remediation obligations for remediation activities such as site assessments and cleanups. GASB 49 excludes pollution prevention or control obligations with respect to current operations and future pollution remediation activities that are required upon retirement of an asset, such as land fill closure and post closure care and nuclear power plant decommissioning.

The Authority had recorded approximately \$181,000 and \$182,000 for pollution remediation liabilities for years ended December 31, 2010 and 2009, respectively. The liabilities are recorded at the current value of the costs. The method used to estimate the liabilities consists of weighting a range of possible estimated job cost amounts and calculating a weighted average cost. The weights and estimated costs are developed using professional engineering judgment acquired through years of estimating and completing many pollution remediation projects. The Authority foresees no cost recoveries at this time which would reduce the recorded estimated liabilities.

**Homeland Security** - The Department of Homeland Security (DHS) was established by the Homeland Security Act of 2002. These regulations are housed in Title 6 of the Code of Federal Regulations. Some of these regulations deal with issues involving major industrial facilities. Particularly relevant is 6 CFR 27, which relates to anti-terrorism standards at facilities which store or process chemicals. This regulation required the submittal of a screening assessment for certain facilities which store chemicals in excess of the screening threshold quantity. The Authority has been proactive in conducting security assessments independently and with guidance from DHEC and DHS since 2001, and will continue to comply with this evolving body of regulations.

**Legal Matters** - Landowners located along the Santee River contend that the Authority is liable for damage to their real estate as a result of flooding that has occurred since the U.S. Army Corps of Engineers' (the "Corps") Cooper River Rediversion Project (the "Project") was completed in 1985. A jury trial held in 1997 in the U.S. District Court, Charleston, SC, returned a verdict against the Authority on certain causes of action. The Authority has entered into a settlement agreement with the plaintiffs which involve mediation of the claims and non-jury hearings regarding those claims which cannot be resolved through mediation. Pursuant to this agreement, the claims of five landowners were resolved with the Authority paying \$15.6 million for those claims. The claims of seven landowners were tried in July 2009. On February 5, 2010, the Court entered an amended judgment in the amount of approximately \$55.0 million plus prejudgment interest at eight percent compounded annually. The Authority paid the judgment amount, approximately \$206.0 million including interest, on March 1, 2010. All remaining issues in the District Court action are expected to be resolved in 2011. The U.S. Army Contract Board of Appeals has determined that the contract between the Corps and the Authority requires that the Corps indemnify the Authority for certain claims arising out of the construction and operation of the Project. The Authority will seek recovery from the Corps with regard to payment of these claims. No estimate relative to potential loss to the Authority can be made at this time.

In late 2007 an action was instituted in the Court of Common Pleas, Horry County, South Carolina, by an Authority retail customer, seeking to represent himself and others similarly situated, as a class seeking damages against the Authority. The plaintiff makes claims related to the propriety of the Authority's rates and rate making process. The action has been resolved through a court approved settlement. The settlement will not have a material adverse effect on the financial position of the Authority.

The Authority is also a party in various other claims and lawsuits that arise in the conduct of its business. Although the results of litigation cannot be predicted with certainty, in the opinion of management, the ultimate disposition of these matters will not have material adverse effect on the financial position or results of operations of the Authority.

**NOTE 11 - RETIREMENT PLAN:**

Substantially all Authority regular employees must participate in one of the components of the South Carolina Retirement System (SCRS), a cost sharing, multiple-employer public employee retirement system, which was established by Section 9-1-20 of the South Carolina Code of Laws. The payroll for active employees covered by the SCRS for each of the years ended December 31, 2010, 2009 and 2008 was approximately \$121.5 million, \$122.0 million and \$114.0 million, respectively.

Vested employees who retire at age 65 or with 28 years of service at any age are entitled to a retirement benefit, payable monthly for life. The annual benefit amount is equal to 1.82 percent of their average final compensation times years of service. Benefits fully vest on reaching five years of service. Reduced retirement benefits are payable as early as age 60 or 55 with 25 years of service. The SCRS also provides death and disability benefits. Benefits are established by State statute.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allowed SCRS employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit or disability retirement benefits. Effective July 1, 2005, TERI employees began "re-contributing" to the SCRS at the prevailing rate. However, no service credit is earned under the new regulations. The group life insurance of one times annual salary was re-established for TERI participants.

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement plans be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws (as amended) prescribes requirements relating to membership, benefits and employee/employer contributions.

All employees are required by State statute to contribute to the SCRS at the prevailing rate (currently 6.50 percent). The Authority contributed 9.24 percent of the total payroll for SCRS retirement. For 2010, the Authority also contributed an additional 0.15 percent of total payroll for group life. The contribution requirement for the years ended December 31, 2010, 2009 and 2008 was approximately \$12.0 million, \$12.0 million and \$11.0 million, respectively, from the Authority and \$7.9 million, \$7.9 million and \$7.4 million, respectively from employees. The Authority made 100 percent of the required contributions for each of the years ended December 31, 2010, 2009 and 2008.

The SCRS issues a stand-alone financial report that includes all required supplementary information. The report may be obtained by writing to: South Carolina Retirement System, P.O. Box 11960, Columbia, S.C. 29211.

Effective July 1, 2002, new employees have a choice of type of retirement plan in which to enroll. The State Optional Retirement Plan (State ORP) which is a defined contribution plan is an alternative to the SCRS retirement plan which is a defined benefit plan. The contribution amounts are the same, (6.50 percent employee cost and 9.24 percent employer cost) however, 5.0 percent of the employer amount is directed to the vendor chosen by the employee and the remaining 4.24 percent is to the Retirement System. As of December 31, 2010, the Authority had 40 employees participating in the State ORP and consequently the related payments are not material.

The Authority is the non-operating owner (one-third share) of SCE&G's V.C. Summer Nuclear Station. As such, the Authority is responsible for funding its share of pension requirements for the nuclear station personnel in accordance with FASB ASC 715, "Employers' Accounting for Pensions". Any earnings generated from the established pension plan are shared proportionately and used to reduce the allocated funding.

As of December 31, 2010 and 2009, the Authority had over-funded its share of the plan FASB ASC 715 requirements by \$6.8 million and \$8.5 million, respectively. This receivable however, is offset by a regulatory liability as a result of the Authority adopting FASB ASC 715 during 2007. The Authority's regulatory asset and liability balances were approximately \$19.9 million and \$19.7 million for the unfunded portion of pension benefits at December 31, 2010 and 2009, respectively. Additional information may be obtained by reference to the SCANA Corporation Annual Report on Form 10K as filed with the Securities Exchange Commission as of December 31, 2010.

The Authority also provides retirement benefits to certain employees designated by management and the Board under supplemental executive retirement plans. Benefits are established and may be amended by management and the Authority's Board and includes retirement benefit payments for a specified number of years and death benefits. The cost of these benefits is actuarially determined annually. Beginning in 2006, the supplemental executive retirement plans were segregated into internal and external funds. The qualified benefits are funded externally with the annual cost set aside in a trust administered by a third party. The pre-2006 retiree benefits and the non-qualified benefits are funded internally with the annual cost set aside and managed by the Authority. The total cost for the years 2010 and 2009 was approximately \$1.4 million and \$1.5 million, respectively. At December 31, 2010 and 2009 the accrued liability was approximately \$5.1 million and \$5.0 million, respectively.

#### **NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS:**

**Vacation / Sick Leave** - During their first 10 years of service, full-time employees can earn up to 15 days vacation leave per year. After 11 years of service, employees earn an additional day of vacation leave for each year of service over 11 until they reach the maximum of 25 days per year. Employees earn two hours per pay period, plus twenty additional hours at year-end for sick leave.

Employees may accumulate up to 45 days of vacation leave and 180 days of sick leave. Upon termination, the Authority pays employees for unused vacation leave at the pay rate then in effect. In addition, the Authority pays employees upon retirement 20 percent of their sick leave at the pay rate then in effect.

**Plan Description** - The Authority participates in an agent multiple-employer defined benefit healthcare plan whereby the South Carolina Employee Insurance Program (EIP) provides certain health, dental and life insurance benefits for eligible retired employees of the Authority. The retirement benefits available are defined by the EIP and substantially all of the Authority's employees may become eligible for these benefits if they retire at any age with a minimum of 10 years of earned service or at age 60 with at least 20 years of service. Currently, approximately 640 retirees meet these requirements. For employees hired May 2, 2008 or thereafter, the number of years of earned service necessary to qualify for funded retiree insurance is 15 years for a one-half contribution, and 25 years for a full contribution. The EIP may be contacted at: Employee Insurance Program, Financial Services, P.O. Box 11661, Columbia, S.C. 29211-1661.

**Funding Policy** - Prior to 2010, the Authority used the unfunded pay-as-you-go option (or cash disbursement) method pursuant to GASB 45 to record the net OPEB obligations. During 2010, the Authority established an irrevocable trust with Synovus Trust Company and elected the funding policy method. This method of funding will result in decreasing contributions over time whereby the more retirees, the lesser the disbursements as a percentage of employee payroll.



**Annual OPEB Cost** - The Authority's annual OPEB cost, the annual required contribution of the employer (ARC), is an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The Authority's annual OPEB cost contributed for these benefits is equal to the actual disbursements during the year for health care benefits for retired employees plus annual funding amounts for the trust. The Authority's annual OPEB cost (expense) for the current and prior years was as follows:

Year Ended December 31:	2010	2009
	(Thousands)	
Beginning Liability Balance	\$ 19,855	\$ 12,457
Add: Annual OPEB Cost	8,858	10,348
Less: Annual OPEB Cost Contributed	14,367	2,950
Add/Less: Trust Market Value Adjustment	68	0
Net OPEB Obligation	\$ 14,414	\$ 19,855

**Funded Status and Funding Progress** - The funded status of the plan based on the latest actuarial study dated June 30, 2008 is as follows:

	(Thousands)
Actuarial Accrued Liability (AAL)	\$107,113
Actuarial Value of Plan Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	\$107,113
Funded Ratio (Actuarial Value of Plan Assets / AAL)	0.00%

Actuarial valuations of an ongoing plan involve estimates such as mortality rates and potential rising health costs. The unfunded actuarial accrued liabilities (UAAL) were amortized as a level percent of active member payroll over a period of 30 years. A 30-year amortization period is the maximum period that complies with the GASB requirements.

**Actuarial Methods and Assumptions** - Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an individual entry-age actuarial cost method to accumulate the value of the member's benefit at the time of retirement.

The Entry Age Normal actuarial cost method has been used to calculate the ARC for this valuation. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability. The ARC is expected to increase at approximately the same rate as active member payroll. This is both an acceptable and reasonable cost method.

REQUIRED SUPPLEMENTARY INFORMATION				
Schedule of Funding Progress				
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a / b)
		(Thousands)		(%)
6/30/2006	\$0	\$137,543	\$137,543	0.00
6/30/2008	\$0	\$107,113	\$107,113	0.00

**V.C. Summer OPEB** - The Authority is the non-operating owner (one-third share) of SCE&G's V.C. Summer Nuclear Station. As such the Authority is responsible for funding its share of other post-employment benefit costs for the station's employees. The Authority's liability balances as of December 31, 2010 and 2009 were approximately \$8.9 million and \$8.6 million, respectively.

In addition, the Authority adopted the balance sheet recognition provision of FASB ASC 715 during 2007. At December 31, 2010 and 2009, respectively, regulatory asset and liability balances of approximately \$2.0 million and \$1.7 million were recorded for the unfunded portion of other post-employment benefit costs for V.C. Summer employees. Additional information may be obtained by reference to the SCANA Corporation Annual Report on Form 10K as filed with the Securities Exchange Commission as of December 31, 2010.

#### NOTE 13 - CREDIT RISK AND MAJOR CUSTOMERS:

Sales to two major customers for the years ended December 31, 2010 and 2009 were as follows:

	2010	2009
	(Thousands)	
Central (including Saluda)	\$ 1,096,000	\$ 997,000
Alumax of South Carolina	\$ 176,000	\$ 169,000

No other customer accounted for more than 10 percent of the Authority's sales for either of the years ended December 31, 2010 or 2009. The Authority maintains an allowance for uncollectible accounts based upon the expected collectibility of all accounts receivable.

#### NOTE 14 – SUBSEQUENT EVENT(S):

We have evaluated subsequent events through February 23, 2011 in conjunction with the preparation of these financial statements which is the date the financial statements were available to be issued. As of this date, the Authority has no subsequent events to report.

**SUMMARY OF CERTAIN PROVISIONS OF THE REVENUE OBLIGATION RESOLUTION**

The following statements are summaries of certain provisions of the Revenue Obligation Resolution. Except as otherwise provided in this Official Statement, terms used under this caption which are defined in the Revenue Obligation Resolution, including, but not limited to those defined hereinafter, are used herein as so defined. Certain other provisions of the Revenue Obligation Resolution are summarized under the caption "SECURITY FOR THE 2011A BONDS."

**Definitions of Certain Terms Used in Revenue Obligation Resolution**

The following words and phrases are defined in the Revenue Obligation Resolution as hereinafter set forth.

"Capital Costs" shall mean the Authority's costs of (i) physical construction of or acquisition of real or personal property or interests therein for any project, together with incidental costs (including legal, administrative, engineering, consulting and technical services, insurance and financing costs), working capital and reserves deemed necessary or desirable by the Authority (including but not limited to costs of supplies, fuel, fuel assemblies and components or interests therein), and other costs properly attributable thereto; (ii) all capital improvements or additions, including but not limited to, renewals or replacements of or repairs, additions, improvements, modifications or betterments to or for any project; (iii) the acquisition of any other property (tangible or intangible), capital improvements or additions, or interests therein, deemed necessary or desirable by the Authority for the conduct of its business; (iv) any other purpose for which bonds, notes or other obligations of the Authority may be issued under the Enabling Act or under other applicable State statutory provisions (whether or not also classifiable as an operating expense); and (v) the payment of principal, interest, and redemption, tender or purchase price of (a) any Obligations, Commercial Paper or other indebtedness issued by the Authority for the payment of any of the costs specified above, including capitalized interest on such indebtedness, or (b) any indebtedness issued by the Authority to refund any indebtedness described in the preceding clause (a).

"Government Obligations" shall mean direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Investment Securities" shall mean any of the following which at the time are legal investments under the laws of the State of South Carolina for the moneys held hereunder then proposed to be invested therein: (1) Government Obligations; (2) certificates which evidence ownership of the rights to payment of the principal of or interest on Government Obligations; (3) bonds, debentures, notes or participation certificates issued by the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Export-Import Bank of the United States, Federal Land Bank, the Federal National Mortgage Association, the Tennessee Valley Authority, or any other agency or corporation which is or may hereafter be created by or pursuant to an Act of Congress of the United States as an agency or instrumentality thereof; (4) obligations of state and local government municipal bond issuers, provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of non-callable obligations described in (1), (2), or (3) of this subparagraph, the maturing principal of and interest on which when due and payable, shall provide sufficient funds to pay the principal of and interest on such obligations of state and local government municipal bond issuers (5) Public Housing Bonds, or Project Notes, fully secured by contracts with the United States; (6) repurchase agreements with banks that are members of the federal reserve system or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York that are secured by securities described in (1) and (3) above having a current market value at least equal to one hundred two per cent (102%) of the amount of the repurchase agreement; (7) obligations of the State of South Carolina, (8) obligations of other states and investment contracts which obligations or investment contracts are rated at the time of purchase by each rating agency then maintaining a rating on the Obligations at the request of the Authority (each, a "Rating Agency") in one of the three highest rating categories (as determined without regard to any refinement or graduation of such rating by a numerical modifier or otherwise, a "Rating Category") of such Rating Agency; (9) deposits in interest bearing deposits or certificates of deposit or similar arrangements issued by any bank or national banking association (including the Trustee), which deposits, to the extent not insured by the Federal

Deposit Insurance Corporation, shall be secured by Government Obligations (or, when the Authority's Revenue Obligations, 1999 Tax-Exempt Series A and 1999 Taxable Series B, are no longer Outstanding, obligations described in clauses (2), (3), (4) or (7) of this paragraph), having a current market value (exclusive of accrued interest) at least equal to one hundred five percent (105%) of the amount of such deposits, which Government Obligations or obligations described in clauses (2), (3), (4) or (7) of this paragraph shall have been deposited in trust by such bank or national association with the trust department of the Trustee or with a federal reserve bank or branch or, with the written approval of the Authority and the Trustee, with another bank, trust company or national banking association for the benefit of the Authority and the appropriate fund or account as collateral security for such deposits; (10) corporate securities, including commercial paper and fixed income obligations, which are, at the time of purchase, rated by a Rating Agency in one of its three highest Rating Categories for comparable types of obligations; and (11) such other investments from time to time allowed under applicable law.

"Obligations" shall mean any obligations, issued in any form of debt, authorized by a supplemental resolution, including but not limited to bonds, notes, bond anticipation notes, and Qualified Swaps, which are delivered under the Revenue Obligation Resolution.

"Operation and Maintenance Expenses" shall mean the Authority's expenses of operating the System, including, but not limited to, all costs of purchased power, operation, maintenance, generation, production, transmission, distribution, repairs, replacements, engineering, transportation, administration and general, audit, legal, financial, pension, retirement, health, hospitalization, insurance, taxes and any other expenses actually paid or accrued, of the Authority applicable to the System, as recorded on its books pursuant to generally accepted accounting principles, subject to the limitations with respect to take or pay contracts as set forth under "Take or Pay Contracts." Operation and Maintenance Expenses shall not include (1) any costs or expenses for new construction, (2) charges for depreciation, (3) voluntary payments in lieu of taxes or (4) any taxes or tax payments now or hereafter required to be made to the State or any political subdivisions only out of surplus revenues, for example, payments required by Code Sections 58-31-90, 58-31-100 (2) and (3), and 58-31-110, Code of Laws of South Carolina 1976.

"Permitted Investments" shall mean the obligations referred to in (1), (2), (3) and (4) of the definition of the term "Investment Securities".

"Qualified Swap" shall mean, to the extent from time to time permitted by law, with respect to Obligations, any financial arrangement (i) which is entered into by the Authority with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Obligations of the Authority as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Obligations); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, executed by the Authority for the purpose of moderating interest rate fluctuations or otherwise, and (iii) which has been designated in writing to the Trustee by the Authority as a Qualified Swap with respect to such Obligations.

"Qualified Swap Provider" shall mean an entity whose senior long term obligations, other senior unsecured long term obligations or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, are rated either (i) at least as high as the third highest Rating Category of each Rating Agency, but in no event lower than any Rating Category designated by each such Rating Agency for the Obligations subject to such Qualified Swap, or (ii) any such lower rating categories which each such Rating Agency indicates in writing to the Authority and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Obligations subject to such Qualified Swap that is in effect prior to entering into such Qualified Swap.

"Revenues" shall mean all the revenues, income, profits, tolls, rents, charges and returns of the Authority derived from its ownership or operation of the System, including the proceeds of any insurance covering business interruption loss relating to the System, but excluding other insurance proceeds and customer deposits.

## **System**

The Authority's System, as defined in the Revenue Obligation Resolution, consists generally of (a) facilities for the purpose of acquiring, controlling, storing, preserving, treating, distributing and selling water for (i) navigation, power, irrigation, reclamation, or sale to residential, commercial, agricultural or industrial customers or other governmental entities; and (b) plants, works, structures, facilities and equipment for the generation, manufacture, transmission or distribution of water power and electric power and energy, and of any other forms of power and energy when authorized by the Enabling Act. The System shall not include separate projects established by the Authority for any corporate purpose of the Authority other than those projects and purposes described hereinabove, nor separate systems described under "Separate Systems."

## **Revenue Fund**

The Revenue Obligation Resolution continues, for so long as any of the Revenue Obligations are Outstanding, the Revenue Fund. The Revenue Fund shall be held in trust and administered by the Authority. The Authority covenants and agrees in the Revenue Obligation Resolution to pay into the Revenue Fund, as promptly as practical after the receipt thereof, all Revenues.

## **Funds and Accounts**

For the purpose of providing for the payment of the principal of, premium, if any, and interest on the Revenue Obligations, the Revenue Obligation Resolution creates a Revenue Obligation Fund. Payments into the Revenue Obligation Fund shall be made prior to the payments required to be made from, or retained in, the Revenue Fund to cover the cost of operation and maintenance of the System and the payments required to be made into the Lease Fund and the Capital Improvement Fund.

## **Order of Payments From Revenue Fund**

Under the Revenue Obligation Resolution, moneys shall be disbursed by the Authority from the Revenue Fund in the following order:

1. *Revenue Obligation Fund*: To pay when due to the Trustee the Revenue Obligation Fund Payments.
2. *Operating and Maintenance*: To pay expense of operation and maintenance.
3. *Lease Fund*: To pay when due into the Lease Fund an amount equal to the next due lease payments.
4. *Capital Improvement Fund*: To pay during each Fiscal Year into the Capital Improvement Fund amounts at least equal to the Minimum Capital Improvement Requirement.

Any moneys remaining in the Revenue Fund each month after making the payments referenced above may be used by the Authority for any corporate purpose of the Authority.

## **Certain Moneys Not Required to be Deposited in Revenue Fund**

The Revenue Obligation Resolution does not require the deposit into the Revenue Fund of any of the revenues, income, receipts, profits or other moneys of the Authority derived by the Authority through the ownership or operation of any separate system described under the section "Separate System" or through the ownership or operation of any separate project referred to under the section "System".

## **Authorization of Revenue Obligations**

At any time one or more series of Revenue Obligations may be issued pursuant to the Revenue Obligation Resolution, upon the terms set forth in a Series Resolution, for any corporate purpose of the Authority, including the refunding or purchase of Revenue Obligations, provided there is no default under the Revenue Obligation Resolution.

## **Separate Systems**

The System shall not include (i) any facilities for the purpose of providing water for sale to residential, commercial, agricultural or industrial customers or other governmental entities, or (ii) any facilities for the generation of any form of power and energy, or for the transmission and distribution of any form of power and energy, and any incidental properties constructed, acquired or leased in connection therewith, constructed or acquired by the Authority as a separate system, and if constructed or acquired with the proceeds of sale of bonds or other evidences of indebtedness, which bonds or other evidences of indebtedness are payable solely from the revenues or other income derived from the ownership or operation of such separate utility system, and may be further secured by a pledge of Revenues junior and subordinate to the pledge securing the Revenue Obligations and payable therefrom, but only after the revenues and other income derived from the ownership or operation of such separate utility system and pledged to the payment of such bonds or other indebtedness are so applied in accordance with the proceedings providing for the issuance of such bonds or other indebtedness.

## **Junior Lien Obligations**

Nothing in the Revenue Obligation Resolution shall prevent the Authority from issuing bonds, notes, bond anticipation notes, warrants, certificates or other obligations or evidences of indebtedness the payment of which shall be made from the proceeds of Revenue Obligations or other indebtedness of the Authority or from Revenues, and if payable from Revenues shall be made junior and subordinate to the payment of the Revenue Obligations. The Authority may create special funds to provide for the payment of such obligations, payments to which shall be made after payments to the Revenue Obligation Fund, and may, if the Authority so provides, but need not be, junior to the payments into the Lease Fund.

## **Insurance**

The Revenue Obligation Resolution requires the Authority to insure such of its various properties as are usually insured by utilities owning like properties in similar amounts and coverages, with insurance companies, and to carry liability insurance in reasonable amounts.

## **Sale, Lease or Other Disposition of Properties**

Subject to the next sentence, the Authority may sell, lease, or otherwise dispose of any part of its properties on such terms and conditions as may be prescribed by its Board of Directors. The Authority shall not take any action described in the preceding sentence unless, in the judgment of the Authority's Board of Directors, such action is desirable in the conduct of the Authority's business and does not materially impair the Authority's ability to comply with the rate covenant provisions of the Revenue Obligation Resolution.

## **Take or Pay Contracts**

The Revenue Obligation Resolution does not prohibit the Authority from entering into take or pay contracts, including take or pay contracts with a separate system described under section "Separate Systems," to purchase power under conditions whereby payments the Authority is required to make may be calculated, in whole or in part, on the basis of power which the Authority does not purchase, require or obtain for whatever reasons. However, payments made by the Authority under such a take or pay contract for power not available for any reason other than an emergency or forced outage lasting not more than one year or normal and regularly scheduled maintenance outage may not be treated as Operation and Maintenance Expenses.

## **Capital Improvement Fund**

The Revenue Obligation Resolution requires the deposit annually into the Capital Improvement Fund of an amount at least equal to the Minimum Capital Improvement Requirement defined as follows: an amount, which, together with the amounts deposited in the Capital Improvement Fund in the two immediately preceding Fiscal Years, will be at least equal to 8% of the revenues required by the Revenue Obligation Resolution to be paid into the Revenue Fund in the three immediately preceding Fiscal Years. Certain payments not made into the Capital Improvement Fund may be considered as a payment towards fulfillment of the Minimum Capital Improvement Requirement.

The moneys on deposit in the Capital Improvement Fund shall be used solely to pay Capital Costs.

## **Lease Fund**

The Authority covenants that there will be paid monthly into the Lease Fund the amounts necessary to make payments under leases of properties or facilities leased to the Authority and used for the purpose of generating, transmitting and distributing all forms of power and energy.

## **Events of Default and Remedies Under the Revenue Obligation Resolution**

A happening of one or more of the following constitutes an Event of Default under the Revenue Obligation Resolution:

(a) default in the due and punctual payment of any interest on any Revenue Obligation which shall continue for a period of 30 days; or

(b) default in the due and punctual payment of the principal of any Revenue Obligation, whether at the stated maturity thereof, at the mandatory redemption date, at the redemption date or upon declaration; or

(c) the Authority shall violate or fail to perform any of its covenants or agreements contained in the Revenue Obligation Resolution for 90 days after written notice of default is given to it by the Bond Fund Trustee or by the holder of any Revenue Obligation; or

(d) a default shall have occurred in respect of any bond, debenture, note or other evidence of indebtedness of the Authority, or in respect of any obligations of the Authority under any financing lease, whether now outstanding or existing or issued or otherwise undertaken hereafter, or under any indenture, resolution, lease or other agreement or instrument under which any such bond, debenture, note or other evidence of indebtedness or any such lease obligation has been or may be issued or by which any of the foregoing is or may be governed or evidenced, which default shall have resulted in the principal amount of such bond, debenture, note or other evidence of indebtedness or lease obligation becoming due and payable prior to its stated maturity or which default shall have been a default in the payment of principal when due and payable; or

(e) a decree or order by a court having jurisdiction in the premises shall have been entered judging the Authority as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of the Authority under the Federal bankruptcy laws or any similar applicable Federal or South Carolina law, and such decree or order shall have continued undischarged or unstayed for a period of forty (40) days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Authority or any of its property, or for the winding-up or liquidation of the Authority or any of its property, shall have been undischarged and unstayed for a period of sixty (60) days; or

(f) the Authority shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or

consent seeking reorganization or arrangement under the Federal bankruptcy laws or any similar applicable Federal or South Carolina law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Authority or of any of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its insolvency or inability to pay its debts generally as they become due, or any action shall be taken by the Authority in furtherance of any of the foregoing aforesaid purposes.

If an Event of Default has occurred, and shall not have been remedied, the Trustee or the holders of not less than 25% in principal amount of the Revenue Obligations then outstanding may declare the principal of all Revenue Obligations and the interest accrued thereon to be immediately due and payable, but such declaration may be rescinded under certain circumstances.

After the occurrence of an Event of Default and prior to the curing of such Event of Default, the Trustee may, to the extent permitted by law, take possession and control of the System and operate and maintain the same, prescribe rates for capacity or power sold or supplied through the facilities of the System, collect the gross revenues resulting from such operation and perform all of the agreements and covenants contained in any contract which the Authority is then obligated to perform. In such event, such gross revenues shall be applied, first to the payment of the reasonable expenses and liabilities of the Trustee and thereafter to the payment of operating expenses and principal of and interest on the Revenue Obligations. After all sums then due in respect of the Revenue Obligations have been paid, and after all Events of Default have been cured or secured, to the satisfaction of the Trustee, the Trustee is required to relinquish possession and control of the System to the Authority. At any such time the Trustee shall be entitled to the appointment of a receiver of the business and property of the System, of the moneys, securities and funds of the Authority pledged under the Revenue Obligation Resolution, and of the Revenues, and of the income therefrom, with all such powers as the court or courts making such appointment shall confer.

The Revenue Obligation Resolution empowers the Trustee to file proofs of claims for the benefit of the holders of the Revenue Obligations in bankruptcy, insolvency, or reorganization proceedings and to institute suit for the collection of sums due and unpaid in connection with the Revenue Obligations, to enforce specific performance of covenants contained in the Revenue Obligation Resolution or to obtain injunctive or other appropriate relief for the protection of the holders of the Revenue Obligations.

No holder of Revenue Obligations has any right to institute suit to enforce any provision of the Revenue Obligation Resolution or the execution of any trust thereunder (except to enforce the payment of principal or interest installments as they mature), unless the Trustee has been requested by the holders of not less than 25% in principal amount of the Revenue Obligations then outstanding to exercise the powers granted it by the Revenue Obligation Resolution or to institute such suit and unless the Trustee has refused or failed, within 60 days after the receipt of such request and after having been offered adequate security and indemnity, to comply with such request. In the event the Trustee has failed or refused to comply with the aforesaid request, the Revenue Obligation Resolution provides for the creation of an "Owners Committee."

### **Modifications of the Revenue Obligation Resolution**

Modifications of the Revenue Obligation Resolution and of the rights and duties of the Authority and the holders of Revenue Obligations may be made with the consent of the Authority and written consent of the holders of not less than a majority of the Revenue Obligations at the time outstanding; provided that no modification shall be made which will (i) extend the fixed maturity date for the payment of any Revenue Obligation, or reduce the principal amount of or interest rate on any such Revenue Obligation or extend the time of payment of interest thereon or reduce any premium payable upon the prepayment or redemption thereof, or advance the date upon which any Revenue Obligation may first be called for redemption; or (ii) reduce the percentage of Revenue Obligations the holders of which are required to consent to any amendment to the Revenue Obligation Resolution; or (iii) give any Revenue Obligation or Revenue Obligations any preference over any other Revenue Obligation or Revenue Obligations or reduce the payments required to be made to the Revenue Obligation Fund, without the consent of the holders of all the Revenue Obligations affected thereby.



**Defeasance**

The obligations of the Authority under the Revenue Obligation Resolution shall be fully discharged and satisfied as to any Revenue Obligation and such Revenue Obligation shall no longer be deemed to be outstanding thereunder when payment of the principal of and the applicable redemption premium, if any, on such Revenue Obligation plus interest to the due date thereof (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with the Trustee therefor in trust irrevocably appropriated and set aside exclusively for such payment (i) moneys sufficient to make such payments or (ii) Permitted Investments, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and, except for the purposes of such payment, such Revenue Obligation shall no longer be secured by or entitled to the benefits of the Revenue Obligation Resolution; provided that, with respect to Revenue Obligations to be redeemed or otherwise prepaid prior to the stated maturities thereof, notice of such redemption or prepayment shall have been given or irrevocable provision shall have been made for the giving of such notice.

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## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered as of the \_\_\_ day of June, 2011, by and between SOUTH CAROLINA PUBLIC SERVICE AUTHORITY (the "Authority"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (the "Obligation Fund Trustee"), in connection with the issuance by the Authority of its \$\_\_\_\_\_ Revenue Obligations, 2011 Series A (the "2011A Bonds"), pursuant to a resolution adopted by the Board of Directors of the Authority on April 26, 1999 (as supplemented and amended from time to time, the "Revenue Obligation Resolution"). The Authority and the Obligation Fund Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority and the Obligation Fund Trustee for the benefit of the Holders and Beneficial Owners of the 2011A Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Revenue Obligation Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2011A Bonds (including persons holding 2011A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2011A Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the Treasurer of the Authority or his or her designee, or such other officer or employee as the Authority shall designate in writing to the Obligation Fund Trustee from time to time.

"Dissemination Agent" shall mean any Dissemination Agent designated in writing by the Authority and which has filed with the Obligation Fund Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") System at [www.emma.msrb.org](http://www.emma.msrb.org), or any successor National Repository as determined by the Securities and Exchange Commission.

"Participating Underwriter" shall mean Goldman, Sachs & Co., J. P. Morgan Securities LLC and Wells Fargo Securities, which are the original underwriters of the 2011A Bonds required to comply with the Rule in connection with offering of the 2011A Bonds. The term "Participating Underwriter" shall not include Barclays Capital Inc.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as in effect as of the date hereof.

"State" shall mean the State of South Carolina.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purposes of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of execution of this Disclosure Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall provide, or shall cause the Dissemination Agent to provide, not later than six months after the end of the Authority's fiscal year (presently December 31), commencing with the fiscal year ending December 31, 2011, to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Authority's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5 of this Disclosure Agreement.

(b) Not later than fifteen Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the Authority shall provide the Annual Report to any Dissemination Agent and the Obligation Fund Trustee (if the Obligation Fund Trustee is not the Dissemination Agent). If by such date, the Obligation Fund Trustee has not received a copy of the Annual Report, the Obligation Fund Trustee shall contact the Authority and any Dissemination Agent to determine if the Authority is in compliance with the provisions of subsection (a) above.

(c) If the Obligation Fund Trustee is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Obligation Fund Trustee shall send a notice to the National Repository and to the State Repository, if any, in substantially the form attached as Exhibit A.

(d) Any Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the National Repository and the State Repository, if any; and

(ii) file a report with the Authority and (if the Dissemination Agent is not the Obligation Fund Trustee) the Obligation Fund Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Authority's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Authority for the prior fiscal year, prepared substantially in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, or such other accounting principles as the Authority may be required to employ from time to time pursuant to state law or regulation. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) of this Disclosure Agreement, the Annual Report shall contain unaudited financial statements in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report within fifteen days after they become available.

(b) To the extent such items are not included in the audited financial statements referred to in subsection (a) above, the financial and statistical data of the Authority as of a date not earlier than the end of the preceding fiscal year for the type of information included in the tables entitled "DEBT SERVICE SCHEDULE," "HISTORICAL SALES - Historical Demand, Sales and Revenues," and "FINANCIAL INFORMATION - Historical Operating Results" contained in the Official Statement of the Authority dated June \_\_, 2011, prepared in connection with the issuance of the 2011A Bonds (the "Official Statement"), as well as information of the type contained in the Official Statement concerning: (A) the percentage of revenues from sales to (i) Central Electric Power Cooperative Inc., (ii) Alumax of South Carolina, Inc. (iii) Nucor Corporation, (iv) the remaining eight largest industrial customers of the Authority, and (v) the remaining wholesale customers of the Authority; (B) the data set forth in the Official Statement in the fourth paragraph under the caption "POWER SUPPLY AND POWER MARKETING – Power Resources – *Non-Nuclear Generating Availability*",

(C) the data set forth in the Official Statement under the caption "POWER SUPPLY AND POWER MARKETING – Power Resources – *Summer Nuclear Station*" and (D) the data set forth in the Official Statement in the first paragraph under the caption "POWER SUPPLY AND POWER MARKETING - Fuel Supply." Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the National Repository. The Authority shall clearly identify each such other document so included by reference.

SECTION 5.        Reporting of Significant Events.

(a)        The Authority shall give, or cause to be given, in a timely manner, to the National Repository and to the State Repository, if any, notice of the occurrence of any of the following events with respect to the 2011A Bonds, within 10 business days of the occurrence thereof:

1.        principal and interest payment delinquencies;
2.        non-payment related defaults, if material;
3.        unscheduled draws on debt service reserves reflecting financial difficulties;
4.        unscheduled draws on credit enhancements reflecting financial difficulties;
5.        substitution of credit or liquidity providers, or their failure to perform;
6.        adverse tax opinions, IRS notices or events affecting the tax status of the Bonds;
7.        modifications to the rights of Bondholders, if material;
8.        call of any of the 2011A Bonds for redemption, if material;
9.        defeasance of any of the 2011A Bonds;
10.       release, substitution or sale of property securing repayment of the 2011A Bonds, if material;
11.       rating changes;
12.       tender offers;
13.       bankruptcy, insolvency, receivership or similar event of the Authority;
14.       merger, consolidation or acquisition of the Authority, if material;
15.       appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b)        The Obligation Fund Trustee shall, within one Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Authority promptly notify the Obligation Fund Trustee in writing to report the event.

(c)        Whenever the Authority obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Obligation Fund Trustee pursuant to subsection (b) or otherwise, the Authority shall promptly notify the Obligation Fund Trustee in writing. Such notice shall (i) instruct the Obligation Fund Trustee to report the occurrence, or (ii) inform the Obligation Fund Trustee that the Authority shall report such occurrence.

SECTION 6. Termination of Reporting Obligation. The Authority's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2011A Bonds. If such termination occurs prior to the final maturity of the 2011A Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5 of this Disclosure Agreement.

SECTION 7. Notice of Failure to Provide Information. The Authority shall give, or cause to be given, in a timely manner, to the National Repository and to the State Repository, if any, notice of the failure to provide the Annual Report in the manner set forth in Sections 3 and 4 of this Disclosure Agreement.

SECTION 8. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. Neither the Dissemination Agent nor the Obligation Fund Trustee shall be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Disclosure Agreement.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority may amend this Disclosure Agreement (and the Obligation Fund Trustee shall agree to any evidence of such amendment requested by the Authority), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) of this Disclosure Agreement, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person (as such term is defined in the Rule) with respect to the 2011A Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2011A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the 2011A Bonds in the same manner as provided in the Revenue Obligation Resolution for amendments to the Revenue Obligation Resolution with the consent of such Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interest of the Beneficial Owners of the 2011A Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5 of this Disclosure Agreement, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Authority or the Obligation Fund Trustee to comply with any provision of this Disclosure Agreement, the Obligation Fund Trustee may (and, at the request of the holders of at least 25% aggregate principal amount of Outstanding 2011A Bonds, shall), or any holder or Beneficial Owner of the 2011A Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority or Obligation Fund Trustee, as the case may be, to comply with its obligation under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Revenue Obligation Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority or the Obligation Fund Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

IN WITNESS WHEREOF, the Authority and the Obligation Fund Trustee have caused this Disclosure Agreement to be executed and attested by their authorized officers or officials, as of the day and year first above written.

SOUTH CAROLINA PUBLIC  
SERVICE AUTHORITY

By: \_\_\_\_\_

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A.

By: \_\_\_\_\_

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: South Carolina Public Service Authority

Name of Bond Issue: \$\_\_\_\_\_ Revenue Obligations, 2011 Series A (LIBOR Index Bonds) (the "2011A Bonds").

Date of Issuance: June \_\_, 2011

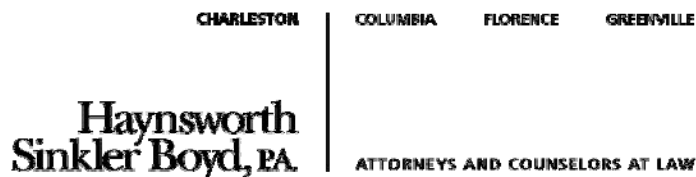
NOTICE IS HEREBY GIVEN that South Carolina Public Service Authority has not provided an Annual Report with respect to the above-named 2011A Bonds as required by Section 4.07 of the Twenty-seventh Series and Supplemental Resolution adopted by the Authority on \_\_\_\_\_, 2011. [The Authority anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated:

\_\_\_\_\_  
Trustee on behalf of Authority

cc: The Authority





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[Date of Delivery]

Board of Directors  
 South Carolina Public Service Authority  
 One Riverwood Drive  
 Moncks Corner, South Carolina 29461

\$\_\_\_\_\_ South Carolina Public Service Authority Revenue Obligations,  
 2011 Taxable Series A (LIBOR Index Bonds)

Dear Sirs:

We have acted as bond counsel and have examined a certified copy of the Transcript of Proceedings and other proofs submitted to us, including the Constitution and Statutes of the State of South Carolina, in relation to the issuance by South Carolina Public Service Authority (the "Authority") of the Authority's \$\_\_\_\_\_ Revenue Obligations, 2011 Taxable Series A (LIBOR Index Bonds) (the "2011 A Bonds").

The 2011 A Bonds recite that they are issued for valid corporate purposes of the Authority under the authority of and in full compliance with the Constitution and Statutes of the State of South Carolina, including Title 58, Chapter 31, Code of Laws of South Carolina 1976, as amended, and proceedings of the Board of Directors of the Authority duly adopted, including a resolution adopted by the Board of Directors of the Authority on April 26, 1999 (as supplemented and amended from time to time, the "Revenue Obligation Resolution"). All capitalized terms used herein and not defined shall have the meaning ascribed to such terms in the Revenue Obligation Resolution.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Revenue Obligation Resolution and in the certified Transcript of Proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing statutes, regulations and court decisions, as follows:

1. The 2011 A Bonds have been authorized and issued in accordance with the Constitution and Statutes of the State of South Carolina and constitute valid and legally binding special obligations of the Authority payable solely from and secured by a lien upon

Board of Directors  
South Carolina Public Service Authority  
[Date of Deliver]  
Page 2

and pledge of the Revenue Fund and the revenues of the Authority's System and other monies paid into the Revenue Fund (collectively, the "Revenues"), all as set forth and provided in the Revenue Obligation Resolution, on a parity with bonds heretofore and hereafter issued by the Authority pursuant to the Revenue Obligation Resolution on a parity with the 2011 A Bonds.

2. Interest on the 2011 A Bonds is included in gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the 2011 A Bonds.

4. The 2011 A Bonds and the interest thereon are exempt from all state, county, school district, municipal, and all other taxes or assessments of the State of South Carolina, except inheritance, estate, transfer or certain franchise taxes.

We express no opinion regarding the accuracy, completeness, or sufficiency of any offering material relating to the 2011 A Bonds.

It is to be understood that the rights of the owners of the 2011 A Bonds and the enforceability of the 2011 A Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

Very truly yours,

## DESCRIPTION OF BOOK-ENTRY ONLY SYSTEM

Unless and until the book-entry only system has been discontinued, the 2011A Bonds will be available only in book-entry form in principal amounts of \$1,000 or any integral multiple thereof. The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the 2011A Bonds. The 2011A Bonds will be issued initially as fully registered 2011A Bonds registered in the name of Cede & Co., DTC’s partnership nominee or such other name as may be requested by an authorized representative of DTC. One fully registered Bond will be issued for each maturity of 2011A Bonds and will be deposited with DTC.

Beneficial ownership interests in the 2011A Bonds will be available only in book-entry form. Beneficial Owners of the 2011A Bonds (“Beneficial Owners”) will not receive physical bond certificates representing their interests in the 2011A Bonds purchased. So long as DTC or its nominee is the registered owner of the 2011A Bonds, references in this Official Statement to the Owners of the 2011A Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners.

THE FOLLOWING DESCRIPTION OF DTC, ITS PROCEDURES AND RECORD KEEPING ON BENEFICIAL OWNERSHIP INTERESTS IN THE 2011A BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS ON THE 2011A BONDS TO DTC PARTICIPANTS (AS HEREIN DEFINED) OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2011A BONDS AND OF OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of certificated 2011A Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“*DTCC*”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the 2011A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2011A Bonds on DTC’s records. The ownership interest of each actual purchaser of the 2011A Bonds (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of beneficial ownership interests in the 2011A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2011A Bonds, unless the use of the book-entry system for the 2011A Bonds is discontinued.

To facilitate subsequent transfers, all of the 2011A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the 2011A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2011A Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2011A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2011A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the 2011A Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2011A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to the Registrar as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting and voting rights to those Direct Participants to whose accounts the 2011A Bonds are credited on the record date identified in a listing attached to the omnibus proxy.

Payments of principal, interest and any redemption premiums on the 2011A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Registrar or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Paying Agent's responsibility, disbursement of such payments to Direct Participants is DTC's responsibility, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants. THE AUTHORITY CAN GIVE NO ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

DTC may discontinue providing its services as securities depository with respect to the 2011A Bonds any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, 2011A Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2011A Bond certificates will be printed and delivered to DTC.

THE AUTHORITY AND THE REGISTRAR AND PAYING AGENT HAVE NO RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE 2011A BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE RESOLUTION AUTHORIZING THE ISSUANCE OF SUCH 2011A BONDS TO BE GIVEN TO OWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS UPON ANY PARTIAL REDEMPTION OF THE 2011A BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2011A BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

**The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.**

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