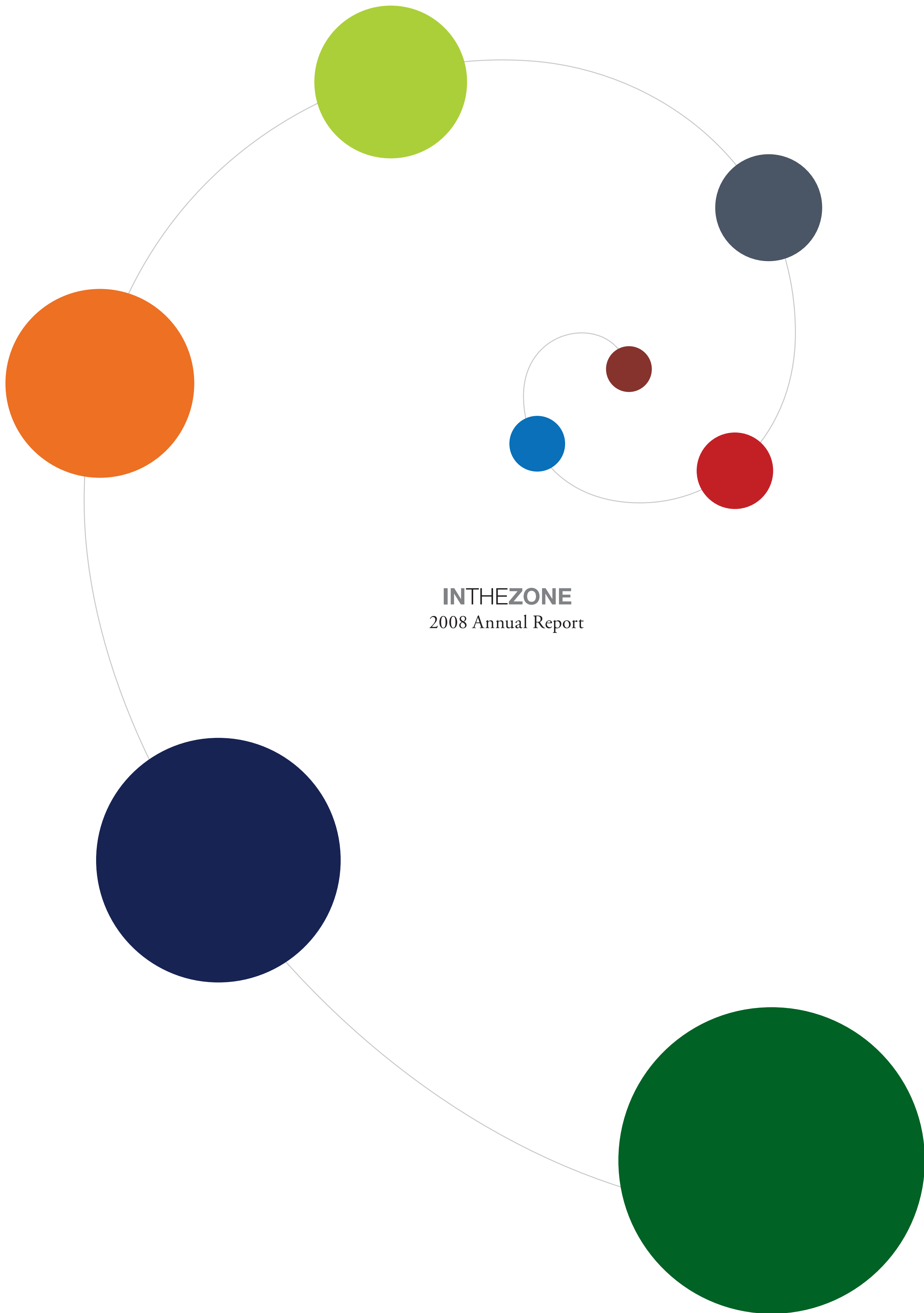
santee cooper



INTHEZONE

2008 Annual Report

EXECUTIVE MESSAGE

To be sure, 2008 was a year of challenge, uncertainty and, yes, opportunity. Energy issues shared center stage with economic challenges at the national, state and local level. Talk of potential energy and environmental legislation, customer growth, new generation, increased costs, and the economy dominated conversations from the halls of Congress to the coffee shops on Main Street.

Indeed, leaders are weighing difficult issues at a pace not seen in many years. Santee Cooper continues to be influential in these discussions that can shape the future of the energy industry and your state-owned electric and water utility. Our job is to do what is best for our customers and our state, and our mission is to be the state's leading resource for improving the lives of all South Carolinians. It is a job we take seriously, by working tirelessly to provide reliable, low-cost power that is environmentally responsible, by providing excellent customer service, and by all the many other ways we add value to our beautiful state and the 2 million people who ultimately rely on our power.

Our continuing challenge is to plan and build for tomorrow's growth. Projections say there will be 1 million more South Carolinians here in 2025 than there are now, and we are making progress towards meeting that need. Additionally, Santee Cooper's Board of Directors set a goal that by 2020, 40 percent of the energy we provide will come from non-greenhouse gas emitting resources, biomass fuels, conservation and energy efficiency, and we highlight in these pages the top milestones in our first year journeying to that goal. These two lofty challenges keep us focused, and we remain confident that we will move forward on both fronts successfully.

It was not an easy year, but it was remarkable. We secured a key permit for our Pee Dee Energy Campus, addressing air quality, and we are satisfied with progress on the other two, a water quality permit and a federal Corps of Engineers Environmental Impact Statement. Santee Cooper is out in front on new nuclear power development, too; we filed an application at the Nuclear Regulatory Commission (NRC) to build two nuclear reactors, in partnership with South Carolina Electric and Gas (SCE&G) Co. We also have an Engineering, Procurement and Construction (EPC) contract for those units.

Santee Cooper advanced our renewable generation initiatives, opening a new biogas generating station in Anderson County and contracting with a proposed biomass plant in Newberry County, among other key developments.

On the financial front, we held a successful retail bond sale that strategically positions Santee Cooper for continued progress in 2009. Our October bond offering was significantly oversubscribed and that, combined with the volume of retail sales, was incredible because it came during a period of extreme market turmoil. In a conference call summing up the sale, our Goldman Sachs' advisor credited the success to "Santee Cooper's readiness, flexibility and dexterity."

Navigating today's challenges requires just that: readiness, flexibility and dexterity. As 2009 advances, we will stay in the zone, focused on our mission and delivering the win for our customers and our state.

O.L. Thompson III
Chairman
Board of Directors

Lonnie Carter
President and Chief Executive Officer

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To call 2008 challenging is an understatement. The nation entered a recession, the presidential election fueled hope in some and uncertainty in others, and the cost of everything we consider essential in life – from groceries to energy – increased dramatically.

Businesses cut back or shuttered their doors. Customers stopped spending money. Banks stopped lending it. And yet, even as Santee Cooper joined in the belt-tightening, we look back on a significant set of accomplishments on ongoing base load generation and renewable energy initiatives. We opened a new water treatment system. And we dedicated new economic development ventures that meant more jobs for our communities and our state.

Through the hard work and dedication of our employees, by remaining focused and in the zone, Santee Cooper made 2008 a remarkable year.

CONCENTRATION

CROSS UNITS 3 AND 4

On October 16, some 300 people gathered at Cross Generating Station to dedicate Cross Units 3 and 4 and celebrate completion of the largest station in the Santee Cooper franchise. At about 2,400 total megawatts, Cross Generating Station took 25 years to build and stands today as the largest coal-fired generating station in South Carolina and second-largest station of any fuel source in the state.

Showing concentration in the face of steel and labor shortages and permitting delays, workers completed the construction marathon with a sprint to the finish. Noting that Cross was built ahead of schedule and on budget, Chief Operating Officer Bill McCall called the project "a historic success."

The $1.4 billion project to add Units 3 and 4 to the generating lineup was the utility's largest capital investment, and approximately a third of that cost represents spending for environmental control technology. The units feature the newest and best available environmental control equipment and are among the cleanest of their sort in the country. Furthermore, these highly efficient units will maximize the electricity produced per ton of coal, minimizing operating costs to the utility's customers.

Unit 3 launched into commercial operation January 1, 2007, and Unit 4 joined the fleet on October 1, 2008. At the height of construction, the project employed 1,810 workers. The full-time team at Cross Generating Station today exceeds 225 people.

Cross Generating Station remains an important player in Santee Cooper's balanced plan to meeting the state's energy needs while being protective of the environment.

DEDICATION

NEW RENEWABLE ENERGY

In 2008, Santee Cooper capitalized on its dedication to renewable energy, opening a new landfill biogas Green Power generating station and several new Green Power Solar Schools, announcing plans to purchase power from a biomass generating plant when it comes online in 2011, launching a new solar research initiative and installing new wind energy research towers in Georgetown and Horry counties.

September 1 was opening day for the 3.2-megawatt Anderson Regional Landfill Generating Station, fueled by renewable methane biogas naturally occurring at the Anderson Regional Landfill.

The $3.8-million Santee Cooper Green Power station is the state-owned utility's fourth biogas-powered generating station and provides enough power for about 1,500 homes. Added with Santee Cooper's existing landfill-biogas powered generating stations in Lee, Richland and Horry counties, it brings the utility's renewable landfill generation to more than 17 megawatts. Santee Cooper was the first utility to generate and market Green Power in South Carolina, in 2001.

Dotting the state with school-based solar panels, Santee Cooper dedicated eight new Green Power Solar Schools in 2008, bringing the total number of solar energy demonstration projects the utility has launched at middle schools in South Carolina to 13.

Teaming up with the state's electric cooperatives, Santee Cooper is well on its way to the goal of 20 Green Power Solar Schools, one in each cooperative territory. The projects include a 2-kilowatt solar panel on the school grounds, linked to computer technology that enables students and teachers to monitor solar energy output in real time. The schools also receive a renewable energy curriculum that meets state science and math standards for sixth grade.

In the area of wind energy, Santee Cooper is leading the way by researching the viability of large- and small-scale turbines in coastal South Carolina communities.

The utility has installed two 150-foot wind towers with anemometers measuring wind speed, direction and frequency along the coast of Horry and Georgetown counties. The most recent tower was installed this summer in Georgetown, in the University of South Carolina's Baruch Research Facility. Data will be collected for approximately a year and, if it supports the next phase, be a precursor to a wind research project three miles offshore.

Meanwhile, the utility is looking to equip four coastal schools with small-scale wind turbines and has begun installing 60-foot wind towers to document wind patterns at Coastal Carolina University's Atlantic Center and Georgetown High School. Two other schools will also be drafted to receive study towers.

Georgetown High's science students are suiting up to help decide whether the research data supports installing a small turbine. The 1.8-kilowatt turbines need wind speeds of eight miles per hour to turn. The wind turbines would be connected to the Internet to enable hands-on, real-time classroom studies into the opportunities and limitations of renewable wind energy.

In 2008, Santee Cooper signed with Rollcast Energy to buy 50 megawatts of renewable biomass power – enough to power 25,000 homes. Rollcast is building a biomass generating station in Newberry County and expects to begin generating electricity in 2011.

The $170 million Newberry facility is expected to create 27 new permanent jobs with up to an estimated additional 200 jobs that could be generated as a result of contractor services and construction. It will generate biomass from area logging residues and urban wood debris.

One obstacle to the use of solar energy is difficulty storing the energy so that it can be utilized when the sun isn't shining. Hydrogen can be stored and transported, and so is a recognized energy storage solution that has applications for powering vehicles or electrical generation. Renewable energy-sourced hydrogen is a fast-growing research and development field across the country.

To further this research, Santee Cooper and the Center for Hydrogen Research announced a contract late in the year that advances hydrogen generation from renewable energy sources. Santee Cooper is pitching $230,000 to the Center for a photovoltaic array (PV) to test renewable-generated hydrogen as a storage solution for solar energy.

The PV array will take the field early in 2009 at the Center's Education, Training and Development Laboratory at Aiken County's Savannah River Research Campus. Part of Santee Cooper's contribution will also be used for on-site and Internet-based education and research opportunities for students and the public. Funding is provided through Santee Cooper's Green Power program, which the state's 20 electric cooperatives support and promote.

COORDINATION

NEW NUCLEAR POWER

In recognition of the opportunities new nuclear power offers in fuel diversity and emissions-free generation, Santee Cooper cleared two hurdles in 2008 that brought us closer to construction of new nuclear power generation.

In March, Santee Cooper and SCE&G delivered to the NRC an application for a combined construction and operating license for the reactors.

Coordinating with our nuclear partner, SCE&G, we announced in May a contractual agreement with Westinghouse Electric Company, LLC, and a subsidiary of The Shaw Group Inc., Stone & Webster, Inc. The contract is for the design and construction of two 1,117-megawatt nuclear electric-generating units at the site of our V.C. Summer Nuclear Station, near Jenkinsville, S.C.

Milestones in 2009 include public scoping meetings by the NRC regarding the application, and decisions that would further commit the utilities financially to the project. The utilities estimate the project cost will be about $10 billion; Santee Cooper's share of the cost and energy output is 45 percent.

Santee Cooper is committed to expanding our nuclear power generation. We currently own one-third of the V.C. Summer Nuclear Station, and we have worked with SCE&G for 24 years on safely and efficiently operating this station. Nuclear power is the only emissions-free source of base load generation. It is safe, affordable, reliable and proven, and it will strengthen and diversify Santee Cooper's base load generation.

AGILITY

CONSERVATION

Santee Cooper is already conserving 550 megawatts, mostly through demand side management programs with our industrial customers. By 2020 we expect to control 650 megawatts in demand-side programs and to generate another 445 megawatts through new conservation and renewable energy initiatives. That means we could be displacing the need for 1,100 megawatts of base load electrical generation, or two large scale units.

Working towards this 2020 goal, Santee Cooper continued to aggressively promote the use of compact fluorescent light (CFL) bulbs. On Earth Day, we launched a significant giveaway, offering each of our residential customers one dozen energy efficient CFLs, free of charge. The goal was to get customers to try the CFLs, see firsthand how efficient they are and replace all of their incandescent bulbs with the CFLs.

If all of our customers had picked up their bulbs, we would have given away 1.6 million CFLs. We gave out about half that. Because 40 percent of our customers are absentee, reflecting the ownerships of rental and vacation homes throughout our coastal direct-serve communities, we actually reached more than 75 percent of our customers who live in our service area. And so while we consider our giveaway a tremendous success, it also shows that motivating customers to be energy efficient is a real coaching challenge.

As we have for more than four decades, Santee Cooper will continue improving our playbook for promoting conservation and energy efficiency programs, providing the strategy and **agility** tirelessly to change customer habits.

STRENGTH

BOND SALE

In late October, as national and international financial markets set loss records almost daily, the Santee Cooper Board of Directors approved what one underwriter called a "historic" sale of $667 million revenue obligation bonds.

The issue included approximately $407 million tax-exempt bonds and $260 million taxable bonds. Maturities range from 2010 to 2038. The all-in true interest cost was calculated at 6.14 percent.

Financial advisors credited Santee Cooper's strong credit ratings and financial performance for the successful sale, which was oversubscribed across the spectrum of maturities. Fitch rated the bonds at AA, Moody's assigned an Aa2 rating, and Standard & Poor's rated the bonds AA-. All three investment rating firms affirmed their long-term favorable ratings of Santee Cooper as well.

In its rating, Fitch said, "The 'AA' rating reflects Santee Cooper's strong financial profile… strong financial metrics, solid liquidity, and timely cost recovery mechanisms. Additional credit support is provided by Santee Cooper's sound power resource planning, reliable and low-cost power supply, and good management policies and practices."

Santee Cooper's debt to equity ratio for 2008 was 72/28.

Generation availability for 2008 was 93.39 percent, transmission reliability was 99.99 percent and distribution reliability was 99.99 percent.

ACCURACY

FUEL COSTS

Santee Cooper is committed to providing low cost, reliable power in an environmentally responsible manner. It's an especially tall order in the current economic climate, where the market price of our major generating fuel – coal – roughly doubled.

Increases in global demand and mining costs contributed to the rise in coal prices, although it remains the most affordable fuel source for base load generation.

Even as other utilities handed off fuel increases to customers earlier in 2008, Santee Cooper customers did not feel the impact of the higher fuel costs until the fall, because of long-term contracts Santee Cooper negotiated with coal suppliers, and because the utility successfully built up our coal inventory during a price dip in early 2007.

Santee Cooper continues to do all it can to perform accurately and hold down expenses that customers ultimately pay. The utility has cut its budget for 2009, is delaying or cutting construction projects, is not filling vacant positions that are not critical, and has conducted energy audits on all of its facilities to help ensure Santee Cooper is operating as efficiently as possible. Santee Cooper is also communicating energy-saving tips directly to customers, through bill stuffers, Web information and more.

DETERMINATION

SAFE DRINKING WATER

Celebrating a victory for public health and economic development along the I-95 corridor, federal, state and local dignitaries dedicated a new water treatment plant in May that stands as a tribute to determination and regional cooperation. The Lake Marion Regional Water System will provide safe, reliable drinking water to as many as six counties and two municipalities in the area. The Town of Santee is already receiving water from the system.

U.S. Rep. James Clyburn secured most of the funding for the $35 million project, and municipal, county and state sources provided the rest. Construction, which began in late 2004, was overseen by the U.S. Army Corps of Engineers. The Corps' role will continue as waterlines are constructed. Santee Cooper owns, operates and will maintain it.

"This is a tremendous day for the communities in the six-county region around Lake Marion that will ultimately benefit from the clean, safe drinking water this project will provide," Clyburn said at the dedication. "Access to potable water is also a key component to attracting economic development to the I-95 corridor, and we are beginning to realize the investments this water project will make possible in this region."

ENDURANCE

PEE DEE ENERGY CAMPUS

South Carolina continues to grow, and Santee Cooper needs to generate additional base load power in the next few years. To meet that need, the utility is advancing plans to construct the Pee Dee Energy Campus.

We made significant progress in the permitting stage of this project in 2008. The S.C. Department of Health and Environmental Control issued an air quality permit for the Pee Dee Energy Campus in mid-December. The permit is among the most stringent air permits in the United States, and it is moving through an expected appeals process now.

The Pee Dee Energy Campus is a 21st Century coal-fired plant that will be built in Florence County with the highest and best available environmental control technology. It will endure as one of the cleanest coal-fired plants in the country.

It will burn less coal per megawatt than current models, meaning our customers and our state will benefit from its increased efficiency. And the environmental control technology at Pee Dee will reduce sulfur dioxide by as much as 98 percent, reduce nitrogen oxide by as much as 90 percent, reduce mercury by as much as 95 percent and reduce particulate matter by more than 99 percent. It will meet or exceed all state and federal environmental regulations.

PERSPECTIVE

LOOKING AHEAD

Santee Cooper observes its 75th anniversary in 2009, and although the economic climate is requiring an "all hands on deck" approach, we will take time to reflect on our history and accomplishments, drawing pages from old playbooks to sharpen our perspective on the seasons to come.

The utility's leadership will wrestle with continuing challenges over new nuclear power, building the Pee Dee Energy Campus, growing renewable energy and conservation programs, and managing increasing capital costs. The utility is evaluating its rate structure and likely will implement in 2009 the first rate adjustment since 1996. These will be weighty issues and will include thorough public review and input. Through it all, we will remain focused on going the distance in quality power and water supply, customer service and economic development, to ensure South Carolina's continued prosperity.

Santee Cooper's future remains bright. We have a talented, dedicated roster of employees, and we have programs in place to recruit skilled workers into the future. We continue to succeed in building generation on budget and in time to meet the need. Our leadership is forward-focused, and their energy, ideas and commitment to South Carolina remain strong.

It was true for the first 75 years and will remain so: in every business area, Santee Cooper works to fulfill its mission, to be the state's leading resource for improving the lives of all South Carolinians. Our strategy remains the same: providing low-cost, dependable power, through excellent customer service and employee performance, and through our continued role as a valued corporate citizen. We take our responsibilities seriously. We are ready for the challenges of tomorrow. We are in the zone.

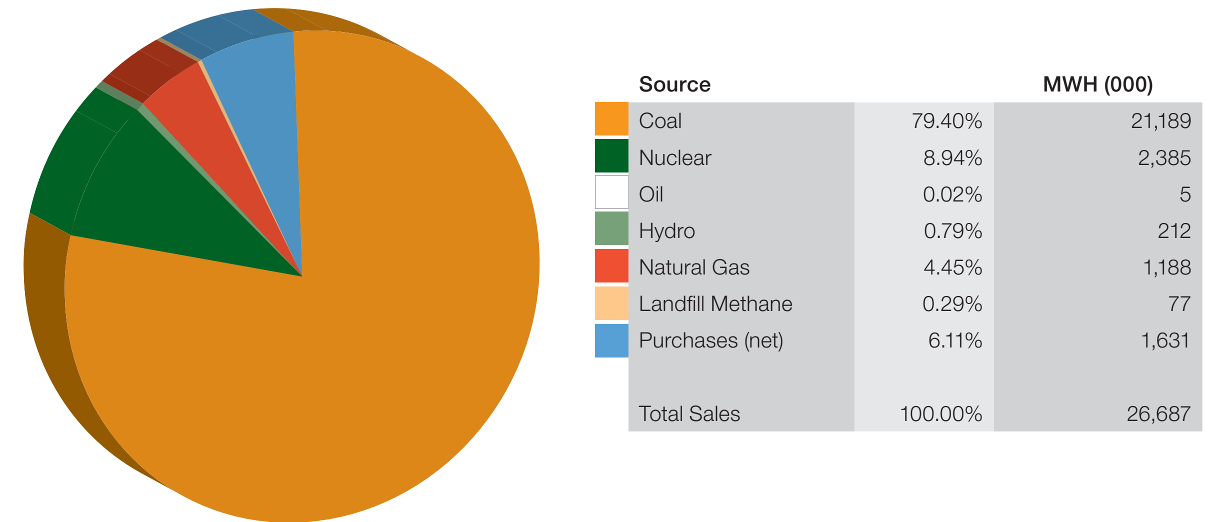
CORPORATE STATISTICS

SYSTEM DATA 2008

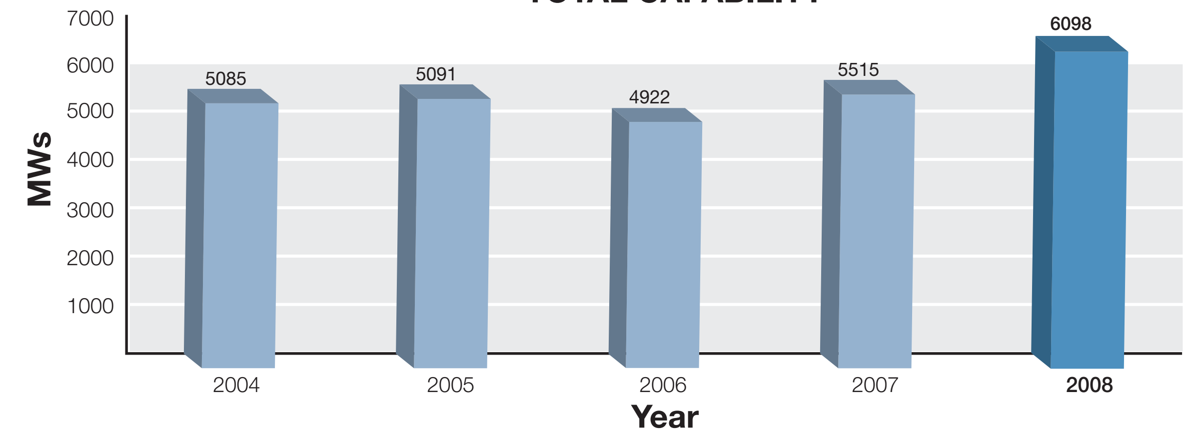
Miles of transmission lines	4,872
Miles of distribution lines	2,669
Number of transmission substations	102
Number of distribution substations	80
Number of Central delivery points	474

	2008	2007	2006	2005	2004
FINANCIAL (Thousands):					
Total Revenues & Income	$1,603,653	$1,494,467	$1,457,376	$1,382,395	$1,166,030
Total Expenses & Interest Charges	$1,484,446	$1,391,844	$1,359,494	$1,268,956	$1,073,529
Other	($ 22,048)	($ 1,478)	$ 4,885	$ 34,374	$ 10,373
Reinvested Earnings	$ 97,159	$ 101,145	$ 102,767	$ 147,813	$ 102,874
OTHER FINANCIAL:					
Debt Service Coverage	1.67	1.75	1.79	2.01	1.81
Debt / Equity Ratio	72/28	69/31	69/31	67/33	71/29
STATISTICAL:					
Number of Customers (at Year-End);					
Retail Customers	162,657	161,317	156,462	148,988	143,081
Military and Large Industrial	31	31	33	32	32
Wholesale	4	4	4	4	4
Total Customers	162,692	161,352	156,499	149,024	143,117
Generation:					
Coal	21,189	22,811	19,621	19,033	19,160
Nuclear	2,385	2,826	2,503	2,485	2,745
Hydro	212	337	335	482	432
Natural Gas	1,188	1,097	2,007	2,067	1,674
Oil	5	17	29	55	31
Landfill Gas	77	64	61	44	23
Total Generation (GWh)	25,056	27,152	24,556	24,166	24,065
Purchases, Net Interchanges, etc. (GWh)	2,463	880	1,733	1,957	1,417
Wheeling, Interdepartmental, and Losses	(832)	(811)	(867)	(1,059)	(1,031)
Total Energy Sales (GWh)	26,687	27,221	25,422	25,064	24,451
Summer Peak Generating Capability (net MW)	5,672	5,089	4,511	4,505	4,499
Territorial Peak Demand (MW)	5,650	5,563	5,195	5,371	5,088

2008 GENERATION BY FUEL MIX

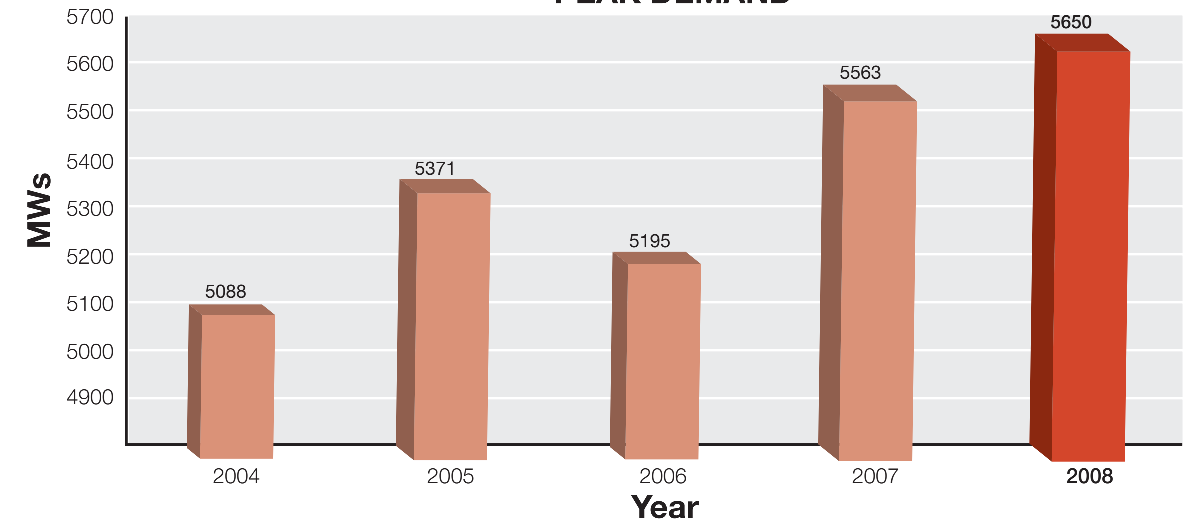


TOTAL CAPABILITY*



* Total summer peak capability including firm purchases.

PEAK DEMAND



FINANCE-AUDIT COMMITTEE CHAIRMAN'S LETTER

The Finance-Audit Committee of the Board of Directors is comprised of five independent directors: Barry D. Wynn, Chairman; G. Dial DuBose; William A. Finn; David A. Springs; and Cecil E. Viverette.

The committee meets regularly with members of management and Internal Audit to review and discuss their activities and responsibilities.

The Finance-Audit Committee oversees Santee Cooper's financial reporting and internal auditing processes on behalf of the Board of Directors.

Periodic financial statements and reports from management and the internal auditors pertaining to operations and representations were received. 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.

Barry Wynn
Chairman
Finance-Audit Committee

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL STATEMENTS

As management of South Carolina Public Service Authority (Authority), we offer this narrative overview and analysis of the financial activities of the Authority for the years ended December 31, 2008, 2007 and 2006. 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 as 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, 2008, 2007 and 2006 are summarized as follows:

	2008	2007	2006
		(Thousands)	
ASSETS			
Plant - net	**$4,505,530**	$4,260,791	$3,876,291
Current assets	**861,295**	810,286	742,585
Other noncurrent assets	**859,566**	609,677	592,220
Deferred debits	**285,433**	312,296	329,397
Total assets	**$ 6,511,824**	$5,993,050	$5,540,493
LIABILITIES & NET ASSETS			
Long-term debt - net	**$3,928,521**	$ 3,347,112	$3,090,030
Current liabilities	**612,143**	738,713	638,352
Other noncurrent liabilities	**379,139**	396,687	387,725
Net assets	**1,592,021**	1,510,538	1,424,386
Total liabilities and net assets	**$ 6,511,824**	$5,993,050	$5,540,493

2008 COMPARED TO 2007

ASSETS

- Net plant increased by $244.7 million. Additions minus retirements to utility plant were $790.2 million in 2008. The addition of the Cross 4 unit represented over 75 percent of this increase. Accumulated depreciation increased by $131.7 million, of which almost $20.0 million was due to the depreciation on the Cross 3 and 4 units. The remaining increase resulted from the annual depreciation of the Authority's other system assets. Construction work in progress showed a decrease of approximately $413.8 million resulting mainly from Cross 4 being transferred from Construction work in progress to Utility plant. This was partially offset by ongoing construction related to V.C. Summer units 2 and 3, Pee Dee 1, and environmental compliance.

- Current assets increased $51.0 million due primarily to increases in Unrestricted investments, Restricted investments and Prepayments. These were offset by reductions in Fuel inventories.

- Other noncurrent assets increased $249.9 million primarily due to an increase in Restricted cash and cash equivalents and Restricted investments.

- Deferred debits decreased $26.9 million due mainly to a decrease in the Cost to be recovered from future revenue regulatory asset.

LIABILITIES

- Long-term debt increased $581.4 million due to the net effect of principal repayments and new money issues.

- Current liabilities decreased $126.6 million due to decreases in Commercial paper notes outstanding and Accounts payable. These were partially offset by increases in Other current liabilities, Current portion of long-term debt and Accrued interest on long-term debt.

- Other noncurrent liabilities decreased $17.5 million due to increases in regulatory liabilities for Asset retirement obligation offset by a reduction in Construction liabilities.

- Net assets increased $81.5 million due principally to increases in Invested in capital assets, net of related debt, Restricted for other and Unrestricted assets, offset by a decrease Restricted for capital projects.

2007 COMPARED TO 2006

ASSETS

- Net plant increased by $384.5 million. Additions minus retirements to utility plant were $931.0 million in 2007. The addition of the Cross 3 unit represented over 70 percent of this increase. This was reduced by changes in Accumulated depreciation and Construction work in progress. Accumulated depreciation increased by $162.1 million, of which almost $20.0 million was due to the depreciation on the Cross 3 unit. The remaining increase resulted from the annual depreciation of the Authority's other system assets. The decrease in Construction work in progress was $384.4 million and resulted from Cross 3 being transferred from Construction work in progress to Utility plant. This was partially offset by ongoing construction related to Cross 4, Pee Dee 1, coal cars and environmental compliance.

- Current assets increased $67.7 million principally due to increases in Fuel and Material inventories.

- Other noncurrent assets increased $17.5 million primarily due to an increase in Restricted cash and cash equivalents and Unrestricted investments.

- Deferred debits decreased $17.1 million due to receiving payment for a billable project.

LIABILITIES

- Long-term debt increased $257.1 million due to the net effect of bond refinancing, principal repayments and new money issues.

- Current liabilities increased $100.4 million due to increases in Commercial paper notes outstanding and Current portion of long-term debt. These were partially offset by a decrease in Accounts payable.

- Other noncurrent liabilities increased $9.0 million primarily due to increases in regulatory liabilities for Asset retirement obligation and the unfunded portions of pension and other post employment benefits offset by a reduction in Construction liabilities.

- Net assets increased $86.2 million due to the increases in Unrestricted assets, Restricted for debt service and 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, 2008, 2007 and 2006 are summarized as follows:

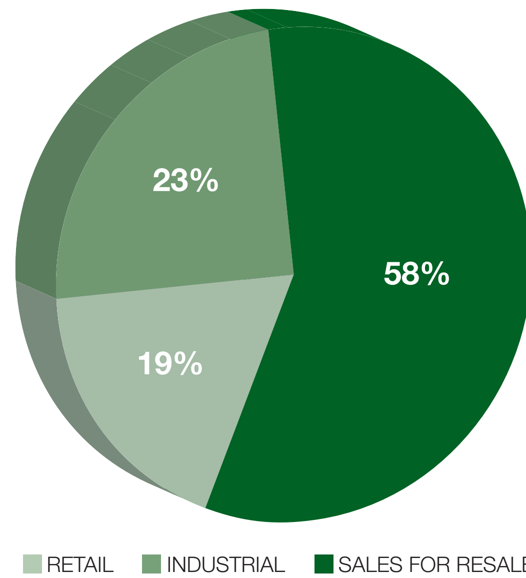
	2008	2007	2006
		(Thousands)	
Operating revenues	**$ 1,586,303**	$1,464,825	$1,413,343
Operating expenses	**1,284,275**	1,198,157	1,173,989
Operating income	**$ 302,028**	$ 266,668	$ 239,354
Interest charges	**(200,171)**	(193,687)	(185,505)
Costs to be recovered from future revenue	**(22,048)**	(1,478)	4,885
Other income	**17,350**	29,642	44,033
Transfers out	**(15,676)**	(14,993)	(14,951)
Change in net assets	**$ 81,483**	$ 86,152	$ 87,816
Ending net assets	**$ 1,592,021**	$1,510,538	$1,424,386

2008 COMPARED TO 2007

Operating Revenues

Operating revenues for 2008 increased $121.5 million or 8 percent over the prior year. This was due mostly to increases in both demand and fuel related revenues. Energy sales for 2008 totaled 26.7 million megawatts compared to approximately 27.2 million for 2007. The decrease in megawatt sales was primarily in the industrial and sales for resale customer categories.

2008 Sales of Electricity* By Customer Class



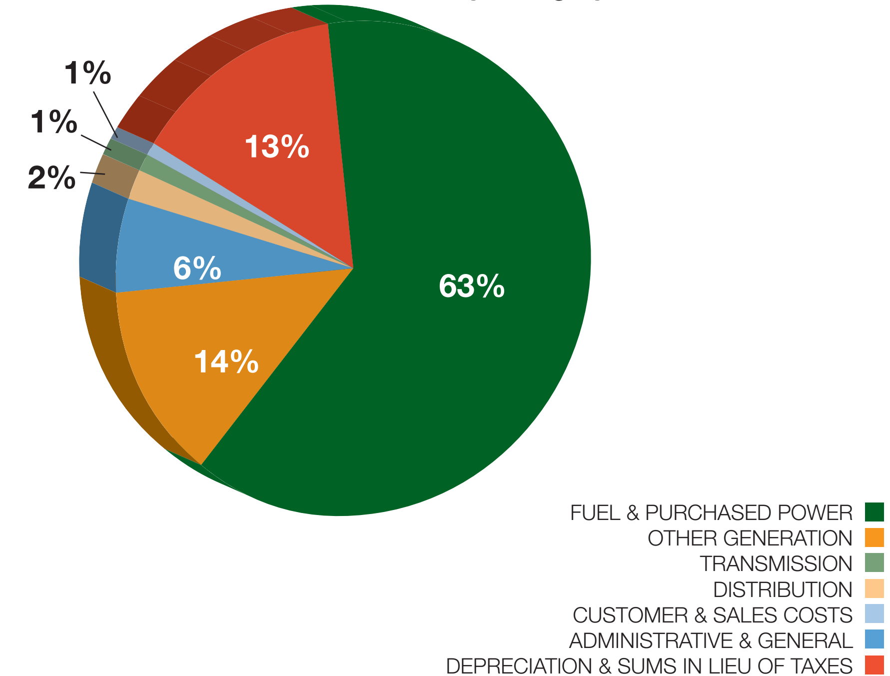
Sales of Electricity*	2008	2007	2006
		(Thousands)	
Retail	$ 291,681	$ 282,089	$ 280,374
Industrial	359,712	343,350	362,527
Sales for Resale	916,861	822,555	753,041
Totals	$1,568,254	$1,447,994	$1,395,942

* Excludes interdepartmental sales of $365,000 for 2008, $334,000 for 2007 and $310,000 for 2006.

Operating Expenses

Operating expenses for 2008 reflected a net increase of $86.1 million or 7 percent compared to 2007. Fuel and purchased power expenses accounted for approximately 63.0 percent of the current year's electric operating expenses and increased approximately 12 percent over 2007. Managing fuel costs continues to be a challenge. The Authority does this 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). For 2008, fuel and purchased power expense was $88.5 million higher than the prior year due to the start-up of the Cross 4 Unit and higher fuel and energy market prices than in 2007. Other generation operating and maintenance costs increased by approximately $11.8 million due to Cross 4 coming online, environmental equipment and station outages. Depreciation expense showed a decrease over last year of $27.1 million due to implementation of new depreciation rates on January 1, 2008.

2008 Electric Operating Expenses By Category



Electric Operating Expenses	2008	2007	2006
		(Thousands)	
Fuel & Purchased Power	$ 808,869	$ 720,334	$ 759,040
Other Generation	178,520	166,723	139,435
Transmission	23,824	22,893	21,952
Distribution	14,384	13,156	12,751
Customer & Sales Costs	19,702	13,239	12,654
Administrative & General	74,046	70,185	64,167
Depreciation & Sums in Lieu of Taxes	161,741	188,744	161,148
Totals	$1,281,086	$1,195,274	$1,171,147

Net Below-the-Line Items

- Interest charges for 2008 were $6.5 million or 3 percent higher than 2007 resulting mainly from the 2007 and 2008 bond activity.

- Costs to be recovered from future revenue increased expenses by $20.6 million when compared to last year due to the affect of new depreciation rates implemented at the start of 2008.

- Other income decreased $12.3 million or 41 percent. This resulted primarily from lower land sales and the change in the fair value of investments compared to 2007.

- Transfers out represents the dollars paid by the Authority to the State of South Carolina. There was an increase of $683,000 over 2007 which resulted from an increase in projected revenues from the prior year.

2007 COMPARED TO 2006

Operating Revenues

Operating revenues for 2007 increased $51.5 million or 4 percent over the prior year. The increase in energy sales and demand related revenues were the major factors. Energy sales exceeded 27.2 million megawatts primarily due to a significant increase in the sales for resale customer category.

Operating Expenses

Operating expenses for 2007 reflected a net increase of $24.2 million or 2 percent compared to 2006. Fuel expenses accounted for about 60 percent of the electric operating expenses. The Authority strives to mitigate fuel costs with a combination of long-term and short-term contracts, a fuel-related risk hedging program and a variety of solid fuels (petcoke, coal, and synfuel). For 2007, fuel and purchased power expense was $38.7 million less than the prior year due to the availability of Cross 3 Unit in 2007. The Authority continued to burn synfuel throughout calendar year 2007 resulting in approximately $7.3 million savings to our customers which was reflected in the fuel expense and revenue reported. The IRS provision for synfuel processing ended on December 31, 2007. Other generation operating and maintenance costs increased by approximately $27.3 million due to additional costs of operating Cross 3, environmental equipment and station outages. Depreciation expense showed an increase over last year of $27.8 million due to Cross 3 going commercial on January 1 of this year.

Net Below-the-Line Items

- Interest charges for 2007 were $8.2 million or 4 percent higher than 2006 as a result of the 2006 and 2007 bond transactions.

- Costs to be recovered from future revenue increased expenses by $6.4 million when compared to last year due to higher principal payments and a decrease in the depreciation component.

- Other income decreased $14.4 million or 33 percent. Interest income decreased $10.4 million due to lesser funds available for investment. In addition, gains from land sales were $3.9 million less than the prior year.

- Transfers out represents the dollars paid by the Authority to the State of South Carolina. There was an increase of $42,000 over 2006 which resulted from an increase in projected revenues when compared to 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 2008 capital improvement program budgeted for years 2009 through 2011 in the amount of $2.7 billion is expected to be expended as follows:

	2008	2007	2006
	Budget 2009-11	Budget 2008-10	Budget 2007-09
Capital Improvement Expenditures		(Thousands)	
Cross 3 & Cross 4 Units	**$ 31,000**	$ 173,000	$ 465,000
Environmental Compliance	**36,000**	18,000	49,000
General Improvements to the System	**720,000**	727,000	647,000
Pee Dee 1 Unit	**462,000**	468,000	534,000
Future Nuclear Units	**1,495,000**	329,000	190,000
Totals	**$2,744,000**	$1,715,000	$1,885,000

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 Pee Dee Unit 1, two future nuclear units, general improvements to the Authority's system and environmental compliance expenditures. In addition, the program includes funds for ongoing minor construction work for Cross Units 3 and 4, which went commercial on January 1, 2007 and October 1, 2008, respectively.

The Authority's estimated three-year capital improvement program for the years ended December 31, 2007 and 2006 was $1.7 and $1.9 billion, respectively.

DEBT SERVICE COVERAGE

The Authority's debt service coverage (not including commercial paper) at December 31, 2008, 2007, and 2006 was 1.67, 1.75 and 1.79, respectively.

BOND RATINGS

Bond ratings assigned by the various agencies for years 2008, 2007 and 2006 were as follows:

Agency / Lien Level	2008	2007	2006
Fitch Ratings			
Revenue Bonds	**AA**	AA	AA
Revenue Obligations	**AA**	AA	AA
Commercial Paper	**F1+**	F1+	F1+
Moody's Investors Service, Inc.			
Revenue Bonds	**Aa2**	Aa2	Aa2
Revenue Obligations	**Aa2**	Aa2	Aa2
Commercial Paper	**P-1**	P-1	P-1
Standard & Poor's Rating Services			
Revenue Bonds	**AA-**	AA-	AA-
Revenue Obligations	**AA-**	AA-	AA-
Commercial Paper	**A1+**	A1+	A1+

BOND MARKET TRANSACTIONS FOR YEARS 2008, 2007 AND 2006

Par Amount	Type	Date Closed	Purpose	Comments
Year 2008				
$406,985,000	Revenue Obligations: 2008 Series A	10/30/2008	To finance a portion of the tax-exempt construction for Cross Unit No. 3, Cross Unit No. 4, Pee Dee Unit No. 1, V. C. Summer Unit No. 2, V. C. Summer Unit No. 3, ongoing transmission system construction/improvements; and capital improvements	Tax-exempt bonds. All-in true interest cost of 5.77 percent.
$260,000,000	Revenue Obligations: 2008 Series B	10/30/2008	To finance a portion of the taxable construction for Cross Unit No. 4, Pee Dee Unit No. 1, V. C. Summer Unit No. 2, V. C. Summer Unit No. 3, and SIP Call and New Source Review environmental requirements	Taxable bonds. All-in true interest cost of 7.56 percent.
$ 18,811,500	Revenue Obligations: 2008 Series M-Current Interest Bearing Bonds (CIBS)	10/30/2008	To finance a portion of the Authority's capital improvements	Tax-exempt mini-bonds.
$ 5,620,200	Revenue Obligations: 2008 Series M-Capital Appreciation Bonds (CABS)	10/30/2008	To finance a portion of the Authority's capital improvements	Tax-exempt mini-bonds.
Year 2007				
$342,525,000	Revenue Obligations: 2007 Series A	08/08/2007	To finance a portion of the tax-exempt construction for Cross Unit No. 4, Pee Dee Unit No. 1, SIP Call and New Source Review environmental requirements, and ongoing transmission construction/improvements; and capital improvements	Tax-exempt bonds. All-in true interest cost of 4.74 percent.
$ 97,970,000	Revenue Obligations: 2007 Refunding Series B	10/04/2007	Refund portion of 1997 Refunding Series A Bonds	Gross savings of $8.6 million over the life of the bonds.
Year 2006				
$470,765,000	Revenue Obligations: 2006 Series A	02/01/2006	To finance a portion of the tax-exempt construction for Cross Unit No. 3, Cross Unit No. 4, SIP Call and New Source Review environmental requirements, and ongoing transmission system construction/improvements	Tax-exempt bonds. All-in true interest cost of 4.58 percent.
$ 129,115,000	Revenue Obligations: 2006 Series B	02/01/2006	To finance a portion of the taxable construction for Cross Unit No. 3, Cross Unit No. 4, SIP Call and New Source Review environmental requirements, and ongoing transmission system construction/ improvements	Taxable bonds. All-in true interest cost of 5.18 percent.
$ 7,268,000	Revenue Obligations: 2006 Series M-Current Interest Bearing Bonds (CIBS)	11/15/2006	To finance a portion of the Authority's capital improvements	Tax-exempt mini-bonds.
$ 2,632,600	Revenue Obligations: 2006 Series M-Capital Appreciation Bonds (CABS)	11/15/2006	To finance a portion of the Authority's capital improvements	Tax-exempt mini-bonds.
$ 114,755,000	Revenue Obligations: 2006 Refunding Series C	11/16/2006	Refund the following: 1999 Series A (partial) 2002 Series B (partial)	Gross savings of $11.2 million over the life of the bonds.

(Note: There are no 2009 bond market transactions known to date.)

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, 2008 and 2007, 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.

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, 2008 and 2007, 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 other information included in the annual report is presented for purposes of additional analysis and is 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, L.L.P.

Cherry, Bekaert + Holland LLP

Raleigh, North Carolina
February 26, 2009

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COMBINED BALANCE SHEETS
South Carolina Public Service Authority
as of December 31, 2008 and 2007

	2008	2007
	(Thousands)	
ASSETS		
Current assets		
Unrestricted cash and cash equivalents	$ 75,851	$ 92,814
Unrestricted investments	91,152	19,765
Restricted cash and cash equivalents	122,890	119,431
Restricted investments	108,992	85,814
Receivables, net of allowance for doubtful accounts of $1,048 and $687 at December 31, 2008 and 2007, repectively	156,706	152,049
Materials inventory	85,926	79,833
Fuel inventory		
Fossil fuels	135,395	185,890
Nuclear fuel - net	35,729	42,675
Interest receivable	3,325	3,049
Prepaid expenses and other current assets	45,329	28,966
Total current assets	861,295	810,286
Noncurrent assets		
Unrestricted cash and cash equivalents	515	506
Unrestricted investments	93,635	85,881
Restricted cash and cash equivalents	248,272	91,936
Restricted investments	346,111	258,614
Capital assets		
Utility plant	6,378,692	5,588,507
Long lived assets - asset retirement cost	33,078	33,078
Accumulated depreciation	(2,396,865)	(2,265,144)
Total utility plant - net	4,014,905	3,356,441
Construction work in progress	488,585	902,278
Other physical property - net	2,040	2,072
Investment in associated companies	8,447	7,651
Regulatory asset - asset retirement obligation	160,981	163,963
Regulatory assets - derivative and hedging instruments	1,605	1,126
Deferred debits and other noncurrent assets		
Unamortized debt expenses	34,649	33,031
Costs to be recovered from future revenue	227,609	249,657
Other	23,175	29,608
Total noncurrent assets	5,650,529	5,182,764
Total assets	$6,511,824	$5,993,050

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, 2008 and 2007

	2008	2007
	(Thousands)	
LIABILITIES		
Current liabilities		
Current portion of long-term debt	$ 110,491	$ 106,771
Accrued interest on long-term debt	92,597	85,068
Commercial paper	152,807	283,252
Accounts payable	159,224	192,067
Other current liabilities	97,024	71,555
Total current liabilities	612,143	738,713
Noncurrent liabilities		
Construction liabilities	26,233	55,652
Asset retirement obligation liability	303,872	290,604
Total long-term debt (net of current portion)	4,006,517	3,422,458
Unamortized refunding and other costs	(77,996)	(75,346)
Long-term debt - net	3,928,521	3,347,112
Other deferred credits and noncurrent liabilities	49,034	50,431
Total noncurrent liabilities	4,307,660	3,743,799
Total liabilities	4,919,803	4,482,512
NET ASSETS		
Invested in capital assets, net of related debt	559,785	508,590
Restricted for debt service	109,049	107,283
Restricted for capital projects	9,654	26,087
Restricted for other	199,744	169,833
Unrestricted	713,789	698,745
Total net assets	1,592,021	1,510,538
Total liabilities and net assets	$6,511,824	$5,993,050

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COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

South Carolina Public Service Authority

Years Ended December 31, 2008 and 2007

	2008	2007
	(Thousands)	
Operating revenues		
Sale of electricity	$1,568,254	$1,447,994
Sale of water	5,739	5,012
Other operating revenue	12,310	11,819
Total operating revenues	1,586,303	1,464,825
Operating expenses		
Electric operating expenses		
Production	89,808	83,579
Fuel	659,282	663,463
Purchased and interchanged power	149,587	56,871
Transmission	16,158	15,696
Distribution	9,831	9,139
Customer accounts	14,866	9,740
Sales	4,836	3,499
Administrative and general	69,935	66,044
Electric maintenance expense	105,042	98,499
Water operation expense	1,768	1,524
Water maintenance expense	414	469
Total operation and maintenance expenses	1,121,527	1,008,523
Depreciation and amortization	158,625	185,647
Sums in lieu of taxes	4,123	3,987
Total operating expenses	1,284,275	1,198,157
Operating income	$ 302,028	$ 266,668
Nonoperating revenues (expenses)		
Interest and investment revenue	$ 14,143	$ 15,394
Net increase in the fair value of investments	4,908	9,569
Interest expense on long-term debt	(179,265)	(167,570)
Other interest expense	(20,906)	(26,117)
Costs to be recovered from future revenue	(22,048)	(1,478)
Other - net	(1,701)	4,679
Total nonoperating revenues (expenses)	(204,869)	(165,523)
Income before transfers	97,159	101,145
Capital Contributions & Transfers		
Distribution to the State	(15,720)	(14,993)
Equity contributions	44	0
Total capital contributions & transfers	(15,676)	(14,993)
Change in net assets	81,483	86,152
Total net assets-beginning	1,510,538	1,424,386
Total net assets-ending	$1,592,021	$1,510,538

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, 2008 and 2007

	2008	2007
	(Thousands)	
Cash flows from operating activities		
Receipts from customers	$1,581,285	$1,480,561
Payments to non-fuel suppliers	(290,263)	(421,818)
Payments for fuel	(650,383)	(655,408)
Purchased power	(145,238)	(54,766)
Payments to employees	(134,568)	(130,566)
Other receipts - net	121,982	199,183
Net cash provided by operating activities	482,815	417,186
Cash flows from non-capital related financing activities		
Distribution to the State of South Carolina	(15,720)	(14,993)
Equity contributions	44	0
Net cash used in non-capital related financing activities	(15,676)	(14,993)
Cash flows from capital-related financing activities		
Proceeds from sale of bonds	691,416	440,495
Net commercial paper issuance	(130,719)	88,418
Repayment and refunding of bonds	(102,008)	(182,303)
Interest paid on borrowings	(179,160)	(173,328)
Construction and betterments of utility plant	(414,292)	(588,603)
Debt premium	(16,154)	11,374
Other - net	(2,414)	504
Net cash used in capital-related financing activities	(153,331)	(403,443)
Cash flows from investing activities		
Net (decrease) increase in investments	(184,908)	50,235
Interest on investments	13,853	16,753
Proceeds from sale of surplus property	88	591
Net cash provided by investing activities	(170,967)	67,579
Net increase in cash and cash equivalents	142,841	66,329
Cash and cash equivalents-beginning	304,687	238,358
Cash and cash equivalents-ending	$ 447,528	$ 304,687

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, 2008 and 2007

	2008	2007
	(Thousands)	
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$302,028	$266,668
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	168,258	196,458
Net power gains involving associated companies	(39,377)	(39,342)
Distributions from associated companies	35,496	35,844
Advances to associated companies	(15)	12
Other income	379	300
Changes in assets and liabilities		
Accounts receivable - net	(4,657)	15,749
Inventories	44,402	(56,353)
Prepaid expenses	(16,363)	(1,263)
Other deferred debits	6,100	16,165
Accounts payable	(37,225)	(24,920)
Other current liabilities	25,282	3,529
Other noncurrent liabilities	(1,493)	4,339
Net cash provided by operating activities	$482,815	$ 417,186
Composition of cash and cash equivalents		
Current		
Unrestricted cash and cash equivalents	$ 75,851	$ 92,814
Restricted cash and cash equivalents	122,890	119,431
Noncurrent		
Unrestricted cash and cash equivalents	515	506
Restricted cash and cash equivalents	248,272	91,936
Cash and cash equivalents at the end of the year	$447,528	$304,687

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 commercial paper in addition to bonds 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 Statement No. 71, "Accounting for the Effects of Certain Types of Regulation" (FASB 71). This Statement 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. Fuel expense for all customers are billed utilizing rates and contracts, the majority of which include fuel adjustment provisions based on either the actual costs for the previous month or the actual weighted average costs for the previous three-month period.

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 2008 or 2007. 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 and the Board in establishing appropriate composite depreciation rates. Annual depreciation provisions, expressed as a percentage of average depreciable utility plant in service, were approximately 2.8 and 3.5 percent for each of the periods ended December 31, 2008 and 2007, respectively. Amortization of 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) and Nebraska Public Power District (NPPD).

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:

TEA Investment

Years Ended December 31,	2008	2007
	(Thousands)	
Balance as of January 1,	$7,502	$7,510
Reduction to power costs and increases in electric revenues	36,276	35,836
Less: Distributions from TEA	(35,495)	(35,844)
Balance as of December 31,	$8,283	$7,502

At December 31, 2008, the Authority had a payable to TEA of $16.2 million for power and gas purchases. The Authority also had a receivable due from TEA of approximately $600,000 for power sales and sales of excess gas capacity at December 31, 2008.

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 Financial Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others" (FIN 45). 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 and at December 31, 2008, the trade guarantees are an amount not to exceed approximately $100.8 million.

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

Colectric provides public power utilities with key project and business management resources. Colectric 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 Colectric initiatives based on individual utility needs.

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 strategic sourcing initiative intended to achieve major cost savings through volume purchasing leverage.

The Authority's exposure relating to Colectric is limited to its capital investment in Colectric, any accounts receivable from Colectric and any indemnifications related to agreements between Colectric and the Authority. These indemnifications are within the scope of FIN 45. The Authority's initial investment in Colectric was $413,000. The balance in the Authority's Member Equity account at December 31, 2008 was approximately $164,000.

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 that have not been billed are accrued. Accrued revenue for retail customers totaled $11.1 million in 2008 and $10.4 million in 2007.

Fuel costs are reflected in operating expenses as fuel is consumed.

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 "Transfers out" 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 $15.7 million in 2008 and $15.0 million in 2007.

L - Accounting for Derivative Instruments – During 2008, the Authority elected early implementation of GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" (GASB 53). 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. Previously, the Authority followed the requirements of FASB No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FASB 133) as amended by FASB No. 149.

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. In 2008, the Authority increased its natural gas hedge position; additional hedges were placed and the hedge timeframe was extended to protect against possible future high demand for natural gas due to legislative issues. Additionally in 2008, due to the increased volatility of crude oil and its impact on the Authority's fuel cost, the Authority entered into crude oil hedge positions.

For year end 2008, the Authority recorded net unrealized losses of $23.4 million for natural gas and $3.7 million for crude oil; recognized $1.4 million in natural gas net losses; and realized but not yet recognized net losses of $2.1 million for natural gas and $1.2 million for crude oil associated with hedging transactions.

For year end 2007, the Authority recorded $155,000 in net unrealized gains, recognized $6.5 million in net losses and realized but not yet recognized $2.4 million in net losses associated with natural gas hedging transactions.

Following is a summary of the Authority's derivative activity for years ended December 31, 2008 and 2007:

Cash Flow Hedges:			
Years Ended December 31,		2008	2007
	Classification (1)	Amount (Millions)	
Fair Value			
Natural Gas	Regulatory Assets/Liabilities	($ 23.4)	$ 0.2
Crude Oil	Regulatory Assets/Liabilities	($ 3.7)	$ 0.0
Changes in Fair Value			
Natural Gas	Regulatory Assets/Liabilities	($ 23.6)	$ 7.5
Crude Oil	Regulatory Assets/Liabilities	($ 3.7)	($ 1.3)
Notional			
		MBTUs	
Natural Gas		15,240	4,810
		Barrels (000s)	
Crude Oil		391	0

(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 - Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations" (SFAS 143) addresses financial accounting and reporting for legal obligations associated with the retirement of long-lived assets and the related retirement costs. The standard applies to legal obligations associated with the retirement of long-lived assets that result from acquisition, construction and/or normal use of the asset. The Authority has a one-third undivided interest in the V.C. Summer Nuclear Station ("Summer") and is therefore subject to the requirements of SFAS 143 due to legal and regulatory requirements related to nuclear decommissioning. Summer was placed in service in 1983 and in 2004, the Nuclear Regulatory Commission (NRC) extended the operating license to August 6, 2042.

SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. The fair value of a liability is added to the carrying amount of the associated asset. This carrying amount, called the Asset Retirement Cost (ARC) is then depreciated over the life of the asset. The asset retirement obligation liability increases due to the passage of time based on the time value of money until the retirement obligation is settled.

SFAS 143 was effective for fiscal years beginning after June 15, 2002, and was adopted by the Authority on January 1, 2003. At December 31, 2008 and 2007, the Authority recorded an asset retirement obligation (ARO) on its one-third share of Summer of approximately $246.2 million and $235.9 million, respectively. Approximately $22.7 million was recorded on the accompanying balance sheets as an associated ARC within "Capital assets." The ARC was recorded commencing on the in-service date of the nuclear facility.

In March 2005, FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47). FIN 47 clarifies the accounting for conditional asset retirement obligations as used in SFAS 143. It requires that an entity recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the fair value of the liability can be reasonably estimated. Uncertainty about the timing or method of settlement of a conditional asset retirement obligation is factored into the measurement of the liability when sufficient information exists.

FIN 47, together with SFAS 143, provides guidance for recording and disclosing liabilities related to future legally enforceable obligations to retire assets (ARO). At December 31, 2008 and 2007, the Authority recorded an ARO on the closing of its ash ponds of approximately $57.6 million and $54.7 million, respectively. 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:

Reconciliation of Asset Retirement Obligation Liability		
Years Ended December 31,	2008	2007
	(Millions)	
Balance as of January 1,	$290.6	$277.9
Accretion expense	13.3	12.7
Balance as of December 31,	$303.9	$290.6

N - Review of New Accounting Standards - In November 2006, GASB issued Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" (GASB 49). GASB 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the Statement 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 landfill closure and post closure care and nuclear power plant decommissioning. GASB 49 was effective for periods beginning after December 15, 2007. The Authority believes it is in compliance with this Statement and its adoption has no material effect on the Authority's financial position or results of operations. See Note 10 for disclosure.

In May 2007, GASB issued Statement No. 50, "Pension Disclosure - an amendment of GASB Statements No. 25 and No. 27" (GASB 50). GASB 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB). The reporting changes required by this Statement amend applicable note disclosure and required supplemental information (RSI) requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers," to conform with requirements of GASB 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," and GASB 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." GASB 50 was effective for the Authority for 2008. The Authority believes it is in compliance with this Statement and its adoption has no material effect on the Authority's financial position or results of operations. See Notes 11 and 12 for disclosure.

In June 2008, GASB issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" (GASB 53). GASB 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex arrangements used by governments to manage specific risks or to make investments. This Statement improves financial reporting by requiring governments to measure derivative instruments at fair value. These improvements should allow users of those financial statements to more fully understand a government's resources available to provide services. This Statement is effective for periods beginning after June 15, 2009; however, the Authority elected early implementation during 2008. The Authority believes it is in compliance with this Statement and does not expect a material effect on its financial position or results of operations. See Note 1 – L for disclosure.

O - Issued But Not Yet Effective Pronouncements - In June 2007, GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets" (GASB 51). This Statement came about due to questions raised regarding the inclusion of intangible assets as capital assets for accounting and financial reporting purposes as the result of GASB 34. Examples of intangible assets include easements, water rights, timber rights, patents, licenses and software. The objective of this Statement is to establish accounting and reporting requirements for intangible assets that reduce inconsistencies between intangible and tangible assets with respect to recognition, initial measurement and amortization period. GASB 51 establishes six criteria for recognition, measurement and amortization. The Authority currently adheres to the criteria established in GASB 51 and therefore, does not expect any material effect on its financial position or results of operations. This Statement is effective for periods beginning after June 15, 2009.

In November 2007, GASB issued Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments" (GASB 52). Accounting standards previously required permanent and term endowments to report land and other real estate held as investments at their historical cost. Endowments exist to invest resources for the purpose of generating income. Other entities that exist for similar purposes are pension and other postemployment benefit plans and IRS Section 457 deferred compensation plans which report land and other real estate held as investments at their fair value. GASB 52 establishes consistent standards for the reporting of land and other real estate held as investments. It requires endowments to report their land and real estate investments at fair value. The Statement requires that governments report the changes in fair value as investment income and to disclose the methods and assumptions used to determine fair value. This Statement is effective for periods beginning after June 15, 2008 and is not expected to have a material effect on the Authority's financial position or results of operations since the Authority does not control endowments with booked land or real estate, nor does it anticipate this activity in the future.

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 71, 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. The recovery of outstanding amounts recorded as costs to be recovered from future revenue will coincide with the repayment of the applicable outstanding debt of the Authority.

NOTE 3 – CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
		(Thousands)		
Utility Plant	$5,588,507	$ 821,462	($ 31,277)	$6,378,692
Long lived-assets retirement cost	33,078	0	0	33,078
Accumulated depreciation	(2,265,144)	(162,972)	31,251	(2,396,865)
Total utility plant-net	$3,356,441	$ 658,490	($26)	$4,014,905
Construction work in progress	902,278	401,024	(814,717)	488,585
Other phyical property-net	2,072	94	(126)	2,040
Totals	$4,260,791	$1,059,608	($814,869)	$4,505,530

NOTE 4 – CASH AND INVESTMENTS HELD BY TRUSTEE:

Cash and investments as of December 31, 2008 are classified in the accompanying financial statements as follows:

Combined Balance Sheet:	(Thousands)
Current assets	
Unrestricted cash and cash equivalents	$ 75,851
Unrestricted investments	91,152
Restricted cash and cash equivalents	122,890
Restricted investments	108,992
Noncurrent assets	
Unrestricted cash and cash equivalents	515
Unrestricted investments	93,635
Restricted cash and cash equivalents	248,272
Restricted investments	346,111
Total cash and investments	$1,087,418

Cash and investments as of December 31, 2008 consist of the following:

Cash/Deposits	$ 68,070
Investments	1,019,348
Total cash and investments	$1,087,418

Unexpended funds from the sale of bonds, debt service funds, other special funds and 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 various debt resolutions. 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 10 year maximum maturity. Certificate of Deposits and Repurchase Agreements are also authorized with a maximum maturity of one year.

In compliance with GASB 31, all equity and debt securities be 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, 2008 and 2007, the Authority had investments totaling approximately $1,019.3 million and $754.4 million, respectively.

As of December 31, 2008, the Authority's cash and investments carried at fair market value included nuclear decommissioning funds of $156.9 million with unrealized holding gains of $12.1 million. As of December 31, 2007,

decommissioning funds totaled approximately $141.2 million including unrealized holding gains of $14.5 million. In accordance with the provisions of FASB 71, 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 10 years or less. For the year ended December 31, 2008, the Authority made total investment purchases and sales at cost of approximately $37.0 billion and $36.7 billion, respectively. Of these amounts, the Authority's investment purchases and sales at cost for its decommissioning funds were $279.8 million and $276.2 million, respectively. Compared to the year ended December 31, 2007, the Authority's total investment purchases and sales at cost were approximately $37.1 billion and $37.0 billion, respectively. Of these amounts, investment purchases and sales at cost for the decommissioning funds were $219.9 million and $216.6 million, respectively.

The Authority's repurchase agreements at December 31, 2008 totaled approximately $128.3 million. 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 indenture and 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, 2008, all of the agency securities held by the Authority were rated AAA by Fitch and Aaa by Moody's Investors.

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, 2008, 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, 2008, the Authority had deposits exposed to custodial credit risk as follows:

Depository Account Type	Bank Balance
	(Thousands)
Uninsured and collateral held by Bank's agent not in Authority's name	$1,101

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 are as follows:

Issuer	Investment Type	Fair Value
		(Thousands)
Federal Home Loan Bank	Federal agency securities	$367,695
Federal National Mortgage Association	Federal agency securities	$384,781

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:

Investment Type	Fair Value	Weighted Average Maturity
	(Thousands)	(Years)
Certificates of Deposits	$ 2,000	0.28
Federal Agency Discount Notes	436,950	0.11
Federal Agency Securities	410,108	4.40
Repurchase Agreements	128,346	0.01
U.S. Treasury Obligations	41,944	4.71
Total	$1,019,348	
Portfolio Weighted Average Maturity		1.95

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 $46.8 million par in U.S. Treasury Strips ranging in maturity from February 15, 2009 to May 15, 2019. They also hold $57.2 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 October 15, 2009 to November 15, 2026. 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, 2008 and 2007 consisted of the following:

	2008	2007	Interest Rate(s) (1)	Call Price (1)
		(Thousands)	(%)	(%)
Capitalized Lease Obligations (Net): (mature through 2014)	$ 7,983	$ 10,398	5.00	N/A
Revenue Bonds: (mature through 2032)				
1997 Tax-exempt Refunding Series A	99,515	99,515	4.875-5.125	100.5
1998 Tax-exempt Refunding Series B	20,950	21,735	4.50-5.25	101
Total Revenue Bonds	120,465	121,250		
Revenue Obligations: (mature through 2042)				
1999 Tax-exempt Improvement Series A	56,195	63,265	5.50-5.625	101
1999 Taxable Improvement Series B	53,995	58,975	7.22-7.42	Non-callable
2001 Tax-exempt Improvement Series A	37,785	40,025	4.50-5.25	101
2002 Tax-exempt Refunding Series A	88,650	96,510	5.125-5.50	101
2002 Tax-exempt Improvement Series B	271,140	271,140	5.00-5.375	100
2002 Taxable Improvement Series C	0	20,970	N/A	N/A
2002 Tax-exempt Refunding Series D	345,435	374,125	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	429,675	434,340	3.00-5.00	100
2004 Taxable Improvement Series B	17,635	17,635	3.57-4.52	P&I Plus Make-Whole Premium
2004 Tax-exempt Improvement Series M - CIBS	19,329	19,433	4.25-4.90	100
2004 Tax-exempt Improvement Series M - CABS	9,460	9,128	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	270,405	278,005	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	10,834	10,897	3.65-4.35	100
2005 Tax-exempt Improvement Series M - CABS	4,952	4,765	4.00-4.35	Accreted Value
2006 Tax-exempt Improvement Series A	461,060	465,550	3.375-5.00	100
2006 Taxable Improvement Series B	118,045	129,115	4.90-5.05	P&I Plus Make-Whole Premium
2006 Tax-exempt Improvement Series M - CIBS	7,238	7,253	3.75-4.20	100
2006 Tax-exempt Improvement Series M - CABS	2,810	2,725	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	341,250	342,525	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	406,985	0	5.00-5.75	100
2008 Taxable Improvement Series B	260,000	0	6.808-8.368	P&I Plus Make-Whole Premium
2008 Tax-exempt Improvement Series M - CIBS	18,812	0	3.00-4.80	100
2008 Tax-exempt Improvement Series M - CABS	5,670	0	3.80-4.80	Accreted Value
Total Revenue Obligations	3,988,560	3,397,581		
Less: Current Portion - Long-term Debt	110,491	106,771		
Total Long-term Debt - (Net of current portion)	$4,006,517	$3,422,458		

(1) Apply only to bonds outstanding as of 12/31/2008.

Long-term debt activity for the year ended December 31, 2008 was as follows:

	Gross LTD Beginning Balances	Increases	Decreases	Gross LTD Ending Balances	Current Portion LTD	Net LTD Ending Balances
			(Thousands)			
Capitalized Leases	$ 10,398	$ 0	($ 2,415)	$ 7,983	$ 2,383	$ 5,600
Revenue Bonds	121,250	0	(785)	120,465	825	119,640
Revenue Obligations	3,397,581	692,201	(101,222)	3,988,560	107,283	3,881,277
Totals	$3,529,229	$692,201	($ 104,422)	$ 4,117,008	$110,491	$4,006,517

Maturities of long-term debt are as follows:

	Capitalized Leases	Revenue Bonds	Revenue Obligations	Total Principal	Total Interest	Total
Year Ending December 31,			(Thousands)			
2009	$ 2,383	$ 825	$ 103,400	$ 106,608	$ 196,655	$ 303,263
2010	1,685	3,370	120,040	125,095	204,602	329,697
2011	1,444	10,685	115,325	127,454	197,833	325,287
2012	1,243	15,995	113,220	130,458	190,949	321,407
2013	983	1,010	140,197	142,190	184,087	326,277
2014-2018	245	5,920	1,136,663	1,142,828	723,693	1,866,521
2019-2023	0	8,120	933,011	941,131	466,810	1,407,941
2024-2028	0	23,830	371,014	394,844	315,659	710,503
2029-2033	0	50,710	443,395	494,105	195,758	689,863
2034-2038	0	0	468,920	468,920	70,487	539,407
2039-2042	0	0	43,375	43,375	1,992	45,367
Total	$ 7,983	$120,465	$3,988,560	$4,117,008	$2,748,525	$6,865,533

Refunded and defeased bonds outstanding, original loss on refunding, and the unamortized loss at December 31, 2008 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	$ 995
1997 Refunding Series A	$ 100,000 of the 1978 Series 68,325 of the 1991 Refunding & Improvement Series B 37,495 of the 1991 Series D	0	16,990	4,507
Commercial Paper	$ 76,050 of the 1973 Series 105,605 of the 1977 Series 81,420 of the 1978 Series	0	2,099	488
1998 Refunding Series B	$ 25,000 of the 1992 Series B	0	1,970	856
2002 Refunding Series A	$ 113,380 of the 1992 Refunding Series A	0	23,378	9,213
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	34,844
2003 Refunding Series A	$ 336,385 of the 1993 Refunding Series C 15,750 of the 1995 Refunding Series A	0	57,064	40,922
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	17,820
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	55,201
2005 Refunding Series C	$ 86,335 of the 1993 Refunding Series C	0	12,125	9,648
2006 Refunding Series C	$ 105,005 of the 1999 Series A 10,000 of the 2002 Series B	115,005	7,054	3,818
2007 Refunding Series B	$ 105,370 of the 1997 Refunding Series A	0	8,832	7,527
Total		$115,005	$303,501	$185,839

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 $4.3 billion and $4.0 billion at December 31, 2008 and 2007, respectively.

On October 17, 2008, the Authority's Board authorized the sale of approximately $24.4 million Revenue Obligations, 2008 Series M (2008 M Bonds). The 2008 M Bonds consisted of Current Interest Bearing Bonds issued in denominations of $500 and Capital Appreciation Bonds issued in denominations of $200. The 2008 M 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 3.00 percent in 2013 to 4.80 in 2028.

On October 24, 2008, the Authority's Board authorized the sale of approximately $667.0 million Revenue Obligations, 2008 Series A & B (2008 A & B Bonds). The 2008 Tax-exempt Series A (2008 A Bonds) totaled approximately $407.0 million. The 2008 Taxable Series B (2008 B Bonds) totaled $260.0 million. The 2008 B Bonds were issued as taxable bonds to comply with IRS Private Use Regulations. The 2008 A & B Bonds were issued October 30, 2008, at an all-in true interest cost of 6.14 percent (aggregate true interest cost). The 2008 A & B Bonds will mature between January 1, 2010 and January 1, 2038.

As of December 31, 2008, the Authority is in compliance with all debt covenants. All Authority debt is secured by a lien upon and pledge of the Authority's revenues. 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.

NOTE 6 - COMMERCIAL PAPER:

The Board has authorized the issuance of commercial paper notes not to exceed 20 percent of the aggregate Authority debt (including outstanding commercial paper notes) outstanding as of the last day of the most recent fiscal year for which audited financial statements of the Authority are available. The paper is issued for valid corporate purposes with a term not to exceed 270 days. For the years ended December 31, 2008 and 2007, the information related to commercial paper was as follows:

	2008	2007
Effective interest rate (at December 31)	2.03%	3.52%
Average annual amount outstanding (000's)	$331,543	$295,396
Average maturity	92 Days	47 Days
Average annual effective interest rate	2.33%	3.92%

At December 31, 2008 the Authority had a Revolving Credit Agreement with Dexia Credit Local and BNP Paribas for $450.0 million. This agreement is used to support the Authority's issuance of commercial paper. Under the agreement, there were loans totaling $56.5 million during October 2008. These loans were repaid on October 30, 2008. There were no borrowings under the agreement during 2007.

Commercial paper outstanding was as follows:

Years Ended December 31,	2008	2007
	(Thousands)	
Commercial Paper-Gross	$152,830	$283,549
Less: Unamortized Discount on Taxable Commercial Paper	(23)	(297)
Commercial Paper-Net	$152,807	$283,252

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 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 the Summer Nuclear Station, 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, 2008 and 2007, the plant accounts before depreciation included approximately $521.8 million and $499.0 million, respectively, representing the Authority's investment, including capitalized interest, in the Summer Nuclear Station. The accumulated depreciation at December 31, 2008 and 2007 was $293.5 million and $286.5 million, respectively. For the years ended December 31, 2008 and 2007, the Authority's share of operation and maintenance expenses included $57.5 million and $56.7 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 Summer Nuclear Station 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 $156.9 million (adjusted to market) at December 31, 2008, along with investment earnings, are estimated to provide sufficient funds for the Authority's one-third share of the total decommissioning costs. As such, additional deposits were suspended in 2006. Deposits may be reinstated based on future studies and conditions.

In 2004, the NRC granted a twenty-year extension to Summer Nuclear Station's operating license, extending it to August 6, 2042.

The Energy Policy Act of 1992 gave the Department of Energy (DOE) the authority to assess utilities for the decommissioning of its facilities used for the enrichment of uranium included in nuclear fuel costs. In order to decommission these facilities, the DOE estimated that it would need to charge utilities a total of $150.0 million, indexed for inflation, annually for 15 years based on enrichment services used by utilities in past periods. Based on an estimate from SCE&G covering the 15 years, the Authority had met its obligation to pay its one-third share of the estimated liability at the end of 2007.

In December 2007, SCE&G entered into a contract with Westinghouse Electric Company, LLC for plant modifications at Summer Nuclear Station. These modifications are to be completed during the 2009 refueling outage. The Authority's one third-share of the contract equals approximately $2.4 million, including a 20 percent initial payment. The Authority's remaining commitment as of December 31, 2008 is $1.6 million.

In February 2006, the Authority and SCE&G announced they will consider the possibility of constructing a new, jointly owned nuclear generation facility. On October 20, 2006, the Authority's Board authorized management to expend up to $390.0 million through 2010 in continuing actions necessary to design, permit, procure, construct and install two 1100 MW units 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 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 Combined Construction and Operating License 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 Bridge Agreement allows either, or both, parties to withdraw from the project under certain circumstances.

NOTE 8 - LEASES:

The Authority has capital lease contracts with Central Electric Power Cooperative, Inc. (Central), covering a steam electric generating plant, transmission facilities and various other facilities. The remaining lease terms range from one to six 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.

In addition, during 2004, the Authority became a joint participant with Central in the Rural Utilities Service (RUS) cushion of credit payments programs (COC). This program allows the borrower to build up a cushion of money for future application toward their debt while earning 5 percent interest. During 2008 and 2007, approximately $149,000 and $3.3 million, respectively, in lease payments were made from the COC account. As of December 31, 2008, the Authority's portion of the joint account was depleted. At December 31, 2007, the balance was approximately $149,000.

Future minimum lease payments on Central leases at December 31, 2008 are as follows:

Year ending December 31,	
	(Thousands)
2009	$2,737
2010	1,934
2011	1,610
2012	1,343
2013	1,023
2014	252
Total minimum lease payments	$8,899
Less amounts representing interest	(916)
Principal Payments	$7,983

Property under capital leases and related accumulated amortization included in utility plant at December 31, 2008, totaled approximately $89.2 million and $86.2 million, respectively, and at December 31, 2007, totaled $89.4 million and $84.4 million, respectively.

Operating lease payments totaled approximately $6.9 million and $7.6 million during the years ended December 31, 2008 and 2007, 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 term of the current coal car lease expires February 28, 2009. The approximate amount for the coal car lease to be paid for the year 2009 is $297,000. Future lease or purchase options will be evaluated based on fuel requirements.

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.

Saluda is a generation cooperative that provided wholesale electric service to each of the five electric cooperatives (the "Saluda Cooperatives") that were members of Saluda. Under agreements between Central and the Saluda Cooperatives, each of the Saluda Cooperatives would become a member of Central at the earlier of (i) such time as Saluda River's members' requirement contracts with Saluda River are terminated or (ii) such time as Saluda ceases its corporate existence or (iii) January 31, 2009. At such time, the Saluda Cooperatives would become all requirements customers of Central and receive their power requirements from the Authority under the Coordination Agreement. Effective October 1, 2008, Saluda's members terminated their contract with Saluda and became members of Central.

Central, under the terms of the contract with the Authority, has the right to audit costs billed to them under the cost of service contract. Differences as a result of this process are accrued if they are probable and estimable. To the extent that differences arise due to this process, 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 2008 and 2007 were not material to the Authority's overall operating revenue.

In light of changes in the electric industry, Central recently requested that the Authority and Central begin formal negotiations to consider changes to Central's agreement which currently ends March 23, 2023. The Authority and Central have begun discussions to address Central's concerns. The Authority can make no prediction of the outcome of these discussions at this time.

NOTE 10 - COMMITMENTS AND CONTINGENCIES:

Budget - The Authority's capital budget provides for expenditures of approximately $588.9 million during the year ending December 31, 2009 and $2,155.1 million during the two years thereafter. These expenditures include $2,027.3 million for new generating units being constructed to begin operation in 2012, 2014, 2016 and 2019, and $36.2 million for environmental compliance expenditures. The total estimated project costs of the new generating units to begin operation in 2012 through 2019 are $6,538.7 million. Capital expenditures will be financed by internally generated funds and a combination of taxable and tax-exempt debt.

Purchase Commitments - The Authority has long-term coal purchase contracts with estimated outstanding contracted obligations after December 31, 2008. The Authority's obligations (with and without market reopener contracts) are outlined below and are based on the Authority's contract rates and management's best estimate of future expenditures under long-term arrangements.

Year Ending December 31,	With Reopeners	Without Reopeners
	(Thousands)	
2009	$ 816,219	$ 816,219
2010	677,081	310,551
2011	487,785	178,125
2012	349,885	60,625
2013	178,625	63,125
Total	$2,509,595	$1,428,645

The Authority has three outstanding minimum obligations under existing long-term purchased power contracts as of December 31, 2008. The first obligation is approximately $67.7 million with a remaining term of 26 years. The second obligation is approximately $38.4 million with a term of four years. The third obligation is approximately $681.0 million with a delivery beginning 2011 with a term of twenty years. Also, as of December 31, 2008, 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.

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 South Carolina Electric and Gas Company Transmission Function for Network Integration Transmission Service to the Authority. The initial term of both agreements is through July 2023 with annual obligations of approximately $8.5 million and $200,000, respectively. The agreements are for network transmission service for the load of the five member distribution cooperatives of New Horizon which are also members of Central Electric Power Cooperative, Inc.

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.

The Authority has commitments for nuclear fuel and nuclear fuel conversion, enrichment and fabrication contracts. As of December 31, 2008, these commitments total approximately $183.5 million over the next eight years. The enrichment and fabrication component of these commitments totaling $55.8 million are contingent upon the operating requirements of the nuclear unit.

In 2003, the Authority amended the Rainey Generating Station Long-Term Service Agreement (LTSA) with General Electric International, Inc. (GEII) in the approximate amount of $90.0 million, excluding escalation. The agreement 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. In exchange for reduced pricing and added features, the contract term was extended through the second major inspection for Rainey 1 (expected to be completed in 2024) and through the second hot gas path inspections for Rainey 2A and 2B (expected to be completed in 2016), but can be terminated for convenience at the end of 2009, and on Rainey 2A and 2B in 2009, depending on unit operation. The previous agreement was in the approximate amount of $76.0 million, excluding escalation, and was effective through 2009. The Authority's Board has approved recovery of the LTSA on a straight-line basis over the term of the agreement.

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 will supply parts, repair services and technical direction for one combustion inspection and one hot gas path inspection for each of the three gas turbines. The term of the agreement, which is dependent upon unit operation, is expected to be ten years.

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 have not exceeded commercial insurance coverage in any of the past three years. 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 2008, 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 2008 or 2007. 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, 2008, the amount of the self-insured liabilities for auto, dental, worker's compensation and environmental remediation was approximately $2.1 million. The liability is the Authority's best estimate based on available information.

Changes in the reported liability were as follows:

Year Ended December 31:	2008	2007
	(Thousands)	
Unpaid claims and claim expense at beginning of year	$2,140	$2,402
Incurred claims and claim adjustment expenses:		
Add: Provision for insured events of the current year	3,550	2,360
Less: Payments for current and prior years	(3,570)	(2,622)
Total unpaid claims and claim expenses at end of year	$2,120	$2,140

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 (Retirement System).

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. 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 about $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 10 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 $2.7 million for the primary policy and $2.7 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 $1.4 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, 2008.

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 and the NOx State Implementation Plan (SIP) Call Programs, the EPA recently promulgated two Clean Air Regulations: Clean Air Interstate Rule (CAIR), and Clean Air Mercury Rule (CAMR). Both CAIR and CAMR were effective in July 2005. Together, they address further reductions in SO2, NOx and Mercury (Hg). The Authority, along with other utilities, has challenged the SO2 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. On February 8, 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. All mercury CEMS will be installed and certified by June 1, 2009. There will not be any cap and trade requirements. In October, 2008 the Department of Justice (DOJ) appealed the CAMR vacature on EPA's behalf to the U.S. Supreme Court. CAIR was vacated by the DC Circuit Court on July 11, 2008. On September 24, 2008, EPA filed a petition for remand. On December 23, 2008, the court approved the CAIR remand provided EPA addresses the issues the court brought up in the July 11, 2008 decision. The Authority will continue to evaluate the court's ruling and any subsequent actions 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 the expenditure of capital costs of approximately $428.5 million to achieve emissions reductions over the period ending 2013. These capital costs are expected to be largely offset by savings resulting from a reduced need to purchase emission credits.

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. 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 continues to operate in compliance with this permit.

Industrial wastewater discharges from all stations and the regional water plants are governed by NPDES permits. Cross Generating Station's individual NPDES permit was reissued on November 3, 2006 and it expires on August 31, 2010. Grainger Generating Station's individual NPDES permit was reissued effective October 1, 2002, with an expiration date of September 30, 2006. An application for renewal of the Grainger Generating Station individual NPDES permit was submitted on March 28, 2006. The Jefferies Generating Station individual NPDES permit was reissued effective March 1, 2003, with an expiration date of February 29, 2008. An application for renewal of the Jefferies permit was submitted to DHEC on August 29, 2007. The Winyah Generating Station individual NPDES permit was reissued effective October 1, 2000, with an expiration date of September 30, 2005. An application for renewal of the Winyah Generating Station individual NPDES permit was submitted on March 29, 2005. The permit was reissued with an effective date of March 1, 2007 and it expires on July 31, 2011. The Rainey Generating Station individual NPDES permit was reissued effective August 1, 2003, with an expiration date of July 31, 2008. An application for renewal of the Rainey permit was submitted to DHEC on January 31, 2008. The Authority's regional water system's general NPDES permit was reissued effective October 1, 2001 with an expiration date of October 31, 2006. An application for renewal was submitted April 24, 2006.

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 July 1, 2009.

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 MPDES 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 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 were 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 landfill closure and post-closure care and nuclear power plant decommissioning.

The Authority had recorded approximately $182,000 for pollution remediation liabilities at December 31, 2008. 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 in response to the terrorist attacks of September 11, 2001. 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 facilities which store chemicals in the screening threshold quantity which are limited to Cross, Winyah and Jefferies Stations (public water systems are exempt). DHS also required the completion of a Security Vulnerability Assessment for Jefferies. The Authority has been proactive in conducting security assessments independently and with guidance from DHEC since 2001, and will continue to comply with this evolving body of regulations.

Open Access Transmission Tariff - On April 24, 1996, the FERC issued Orders 888 and 889: the implementing rules for mandatory non-discriminatory open access over the transmission systems of jurisdictional entities. Order 888 required each jurisdictional transmission owner to file with FERC by July 9, 1996 a pro forma open access transmission tariff (OATT).

Order 888 also requires that a non-jurisdictional utility, such as the Authority, must agree to provide comparable transmission service over its transmission facilities in order to receive service from a jurisdictional utility under its OATT.

In order to ensure it would be able to receive transmission service from jurisdictional utilities, in 1997 the Authority adopted an open access transmission tariff substantially in conformance with the tariff required to be filed by jurisdictional utilities.

On May 19, 2006, the FERC issued a Notice of Proposed Rulemaking (NOPR) to consider possible reforms to Order 888 and the pro forma OATT. The purpose of the NOPR is to ensure that the OATT achieves its original purpose, namely, that transmission services are provided on a basis that is just, reasonable and not unduly discriminatory or preferential. This is the first comprehensive review of OATT since Order 888 was issued in 1996. FERC issued a Final Rule in this rule-making proceeding on February 16, 2007 (Order 890) making substantial revisions to the pro forma OATT. Among other things, Order 890 eliminates the existing wide discretion that transmission providers have in calculating Available Transfer Capability, requires transmission providers to participate in an open, transparent, and coordinated planning process and makes other modifications to improve and clarify ambiguous provisions, among other things. On January 18, 2007, the Authority's Board adopted an Amended and Restated OATT that incorporates into the Authority's open access transmission tariff the pro forma tariff changes promulgated by Order 890.

Energy Policy Act of 2005 - The Energy Policy Act of 2005 (EPACT 2005) is the first comprehensive energy legislation enacted by Congress since the Energy Policy Act of 1992 (EPACT 1992). However, unlike EPACT 1992, EPACT 2005 does not represent a fundamental change from the immediate past.

EPACT 2005 includes several provisions intended to promote the use of nuclear power, including the extension of the Price-Anderson Act for 20 years (until 2025), as well as on a limited basis, provisions intended to encourage the construction of advanced nuclear facilities including possible loan guarantees, standby support and production tax credits.

EPACT 2005 introduces a new Section 211A of the Federal Power Act (FPA), "Open Access by Unregulated Transmitting Utilities." Under Section 211A, FERC has authority to require an otherwise non-jurisdictional transmission owner owning or operating transmission facilities, such as the Authority, to provide transmission services at (1) rates that are comparable to those they charge themselves and (2) terms and conditions that are comparable to those they charge themselves and that are not unduly discriminatory or preferential. EPACT 2005 also introduces a new Section 217 of the FPA, "Native Load Service Obligation." Under this provision, any load-serving entity with a service obligation, including an otherwise non-jurisdictional transmission owner, is entitled to use its transmission capacity to meet its native load service obligation in preference to other uses of the grid.

EPACT 2005 introduces a new Section 215 of the FPA which authorizes the FERC to certify an entity as the nation's Electric Reliability Organization (ERO) that would propose reliability standards that would be reviewed by FERC before becoming final. On July 20, 2006, the FERC issued an order certifying the North American Electric Reliability Corporation (NERC) as ERO.

On April 4, 2006, NERC submitted 107 proposed reliability standards to FERC for approval under Section 215 of the FPA. FERC has opened a rule making proceeding to consider those proposed standards. A Final Order was issued on March 16, 2007 approving 83 of the proposed standards and holding 24 of the proposed standards in abeyance. Since the date NERC submitted the initial group of reliability standards to FERC, NERC has submitted additional reliability standards to FERC for approval, including reliability standards relating to critical infrastructure protection.

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 appealed the decision to the Fourth Circuit Court of Appeals which, after oral arguments, remanded the case to the District Court. The Authority has entered into a settlement agreement with the plaintiffs which will involve mediation of the claims and a non-jury hearing regarding those claims which cannot be resolved through mediation. Pursuant to this agreement, the claims of five landowners have been resolved with the Authority recently paying $13.4 million for those claims. The claims of the remaining landowners are expected to be resolved by the end of 2009. The U.S. Army Contract Board of Appeals has determined that the contract between the Corp and the Authority requires that the Corp 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 other 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 Authority filed a Motion to Dismiss which was denied and has filed an Answer. No determination regarding class certification has been made by the Court. No estimate relative to potential loss to the Authority can be made at this time.

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 (System), 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 System for each of the years ended December 31, 2008, 2007 and 2006 was approximately $114.0 million, $105.0 million and $101.0 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 55 with 25 years of service. The System 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 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 System 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. Each participant is entitled to be paid for up to 45 days of accumulated unused annual vacation leave upon retirement.

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 System at the prevailing rate (currently 6.50 percent). Through June 30, 2008, the Authoriy contributed 9.06 percent of total payroll for retirement. Beginning July 1, 2008, the percentage increased to 9.24 percent. For 2008, the Authority also contributed an additional 0.15 percent of total payroll for group life. The contribution requirement for the years ended December 31, 2008, 2007 and 2006 was approximately $11.0 million, $9.7 million and $8.4 million, respectively, from the Authority and $7.4 million, $6.8 million and $6.4 million, respectively from employees. The Authority made 100 percent of the required contributions for each of the years ended December 31, 2008, 2007 and 2006.

The System 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 System retirement plan which is a defined benefit plan. The contribution amounts are the same, (6.50 percent employee cost and 9.06 percent through June 30, 2008 and 9.24 percent beginning July 1, 2008 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. The Authority had 43 employees participating in the State ORP as of December 31, 2008 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 Statement No. 87, "Employers' Accounting for Pensions" (FASB 87). The established pension plan generates earnings which are shared proportionately and used to reduce the allocated funding.

As of December 31, 2008 and 2007, the Authority had over-funded its share of the plan FASB 87 requirements by $11.2 million and $10.9 million, respectively. This receivable however, is offset by the result of the Authority adopting SFAS 158 during 2007. SFAS 158 resulted in the Authority recording a regulatory asset and liability on the balance sheet for approximately $23.3 million and $6.6 million for the unfunded portion of pension benefits at December 31, 2008 and 2007, 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, 2008.

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 include 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 the 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 2008 and 2007 was approximately $1.3 million and $1.5 million, respectively. At December 31, 2008 and 2007 the accrued liability was approximately $4.9 million and $4.8 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 10 years of service, employees earn an additional day of vacation leave for each year of service over 10 until they reach the maximum of 25 days per year. Employees earn annually 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 accumulated vacation leave at the pay rate then in effect. In addition, the Authority pays employees upon retirement 20 percent of their accumulated 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 28 years of service or at age 60 with at least 20 years of service. Currently, approximately 563 retirees meet these requirements. For employees hired May 2, 2008 or thereafter, the number of years of earned service necessary to quality 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 - The Authority has elected the unfunded pay-as-you-go option (or cash disbursement) method pursuant to GASB 45 to record the net OPEB obligations. The Authority's annual contribution for these benefits is equal to the actual disbursements during the year for health care benefits for retired employees. This method of funding will result in increasing contributions over time whereby the more retirees, the greater the disbursements as a percentage of employee payroll. The unfunded actuarial accrued liability for the Authority as of June 30, 2006 was $137.5 million. For each of the years ended December 31, 2008 and 2007, these costs totaled approximately $2.7 million and $2.4 million, respectively, and were based on premiums provided by the EIP.

The Authority is required to contribute the annual required contribution of the employer (ARC), 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 thirty years.

Annual OPEB Cost - The Authority's annual OPEB cost (expense) for the current and prior years is as follows:

Year Ended December 31:	2008	2007
	(Thousands)	
Beginning Liability Balance	$ 5,829	$ 0
Add: Annual OPEB Cost	9,420	9,420
Less: Annual OPEB Cost Contributed	(2,792)	(3,591)
Net OPEB Obligation	$12,457	$5,829

Funded Status and Funding Progress - The funded status of the plan through December 31, 2008 was as follows:

	(Thousands)
Actuarial Accrued Liability (AAL)	$137,543
Actuarial Value of Plan Assets	0
Unfunded Actuarial Accured Liability (UAAL)	$137,543
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 having the following characteristics:

(1) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement; and
(2) each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

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	None	$ 137,543	$ 137,543	0.00%

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, 2008 and 2007 were approximately $8.4 million and $8.1 million, respectively.

In addition, the Authority adopted the balance sheet recognition provision of SFAS 158 during 2007. A regulatory asset and liability of approximately $1.0 and $1.6 million was recorded for the unfunded portion of other post-employment benefit costs for V.C. Summer employees at December 31, 2008 and 2007, 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, 2008.

NOTE 13 - CREDIT RISK AND MAJOR CUSTOMERS:

Sales to two major customers for the years ended December 31, 2008 and 2007 were as follows:

	2008	2007
	(Thousands)	
Central (including Saluda)	$839,000	$737,000
Alumax of South Carolina	$157,000	$142,000

No other customer accounted for more than 10 percent of the Authority's sales for either of the years ended December 31, 2008 or 2007.

The Authority maintains an allowance for uncollectible accounts based upon the expected collectibility of all accounts receivable.

SCHEDULE OF BONDS OUTSTANDING (1)

AS OF DECEMBER 31, 2008 (in thousands)

	REVENUE BONDS				REVENUE OBLIGATIONS			
	1997A Refunding Series		1998B Refunding Series		1999A Tax-Exempt Series		1999B Taxable Series	
Maturity Date Jan 1	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt
2009			4 1/2	825	5 1/2	7,480	7.22	5,270
2010	4 7/8	2,505	4.70	865	5 1/2	7,940	7.27	5,590 *
2011	4.90	9,780	4 3/4	905	5 1/2	18,325	7.27	38,390 *
2012	5.00	15,040	5 1/4	955 *	5 5/8	10,910	7.32	1,465
2013			5 1/4	1,010 *	5 5/8	11,540	7.37	1,580
2014			5.00	1,065 *			7.42	1,700
2015			5.00	1,120 *				
2016			5.00	1,180 *				
2017			5.00	1,245 *				
2018			5.00	1,310 *				
2019			5.00	1,380 *				
2020			5.00	1,455 *				
2021			5.00	1,530 *				
2022			5.00	1,615 *				
2023	5.00	440 *	5.00	1,700 *				
2024	5.00	465 *	5.00	1,790 *				
2025	5.00	485 *	5.00	1,000 *				
2026	5.00	510 *						
2027	5.00	6,595 *						
2028	5.00	12,985 *						
2029	5.00	13,635 *						
2030	5 1/8	14,315 *						
2031	5 1/8	15,050 *						
2032	5 1/8	7,710 *						
2033								
2034								
2035								
2036								
2037								
2038								
2039								
2040								
2041								
2042								
Add:								
Total Outstanding								
As of 12/31/08		99,515		20,950		56,195		53,995
Bonds Redeemed								
As of 12/31/08		9,670		5,865		37,120		71,325
Bonds Refunded								
As of 12/31/08		105,370		0		105,005		0
Less:								
Accreted Value								
as of 12/31/08		-		-		-		-
Net:								
Original Issue Amt.		214,555		26,815		198,320		125,320

	REVENUE OBLIGATIONS					
	2001A Improvement Series		2002A Refunding Series		2002B Tax-Exempt Series	
Maturity Date Jan 1	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt
2009	4 1/2	2,340	5 1/2	8,290	5.00	3,815
2010		2,450 (2)	5 1/2	8,745	5.00	6,835
2011			5 1/2	10,110		
2012	5.00	2,565	5 1/2	11,555	5 3/8	7,175
2013	5.00	2,690	5 1/2	12,190	5 3/8	7,565
2014	5.00	2,830	5 1/2	7,310	5 3/8	7,970
2015	5 1/4	2,965	5 1/2	2,155	5 3/8	8,395
2016	5 1/4	3,125	5 1/2	2,315	5 3/8	8,850
2017	5 1/4	3,290	5 1/2	2,480	5 3/8	9,325
2018	5 1/4	2,800	5 1/2	2,615	5 3/8	9,825
2019	5 1/4	2,945	5 1/2	6,185	5.00	2,000
2020	5 1/4	3,100	5 1/8	8,700		
2021	4 3/4	3,265 *	5 1/8	6,000		
2022	4 3/4	3,420 *				
2023						
2024						
2025						
2026						
2027						
2028						
2029						
2030						
2031					5 1/8	2,555 *
2032					5 1/8	30,280 *
2033					5 1/4	31,835
2034					5 1/8	33,505 *
2035					5 1/8	35,220 *
2036					5 1/8	27,025 *
2037					5 1/8	38,965 *
2038						
2039						
2040						
2041						
2042						
Add:						
Total Outstanding						
As of 12/31/08		37,785		88,650		271,140
Bonds Redeemed						
As of 12/31/08		8,500		19,385		0
Bonds Refunded						
As of 12/31/08		0		0		10,000
Less:						
Accreted Value						
as of 12/31/08		-		-		-
Net:						
Original Issue Amt.		46,285		108,035		281,140

SCHEDULE OF BONDS OUTSTANDING (1)
AS OF DECEMBER 31, 2008 (in thousands)

REVENUE OBLIGATIONS

Maturity Date Jan 1	2002D Refunding Series		2003A Refunding Series		2004A Tax-Exempt Series		2004B Taxable Series	
	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt
2009	5.00	14,800			5.00	36,680		
2010	5.00	30,430			5.00	6,090	3.57	2,665
2011	5 1/4	5,800			3.00	505	3.89	2,750
2012	5 1/4	30,095			5.00	6,395	4.17	2,870
2013	5 1/4	36,500			5.00	6,740	4.33	2,985
2014	5 1/4	42,160			5.00	7,070	4.47	3,115
2015	5 1/4	27,645	5.00	23,575	5.00	7,430	4.52	3,250
2016	5.00	18,340	5.00	27,285	5.00	18,250		
2017	5.00	19,195	5.00	18,980	5.00	41,540		
2018	5.00	20,095	5.00	13,985	5.00	44,525		
2019	5.00	31,095	5.00	19,120	5.00	34,245		
2020	5.00	40,860	5.00	22,960	5.00	35,400		
2021	5.00	28,420	5.00	26,125	5.00	38,255		
2022			5.00	28,380	5.00	66,780		
2023					4 3/8	3,135		
2024					4 1/2	3,265		
2025					5.00	3,415 *		
2026			5.00	29,920	5.00	3,585 *		
2027			5.00	25,355	5.00	3,755 *		
2028			4 3/4	20,565	5.00	3,945 *		
2029			4 3/4	21,540	5.00	4,145 *		
2030			4 3/4	22,555	5.00	4,345 *		
2031			4 3/4	23,630	5.00	4,570 *		
2032			4 3/4	11,055	5.00	4,790 *		
2033					5.00	5,035 *		
2034					5.00	5,285 *		
2035					5.00	5,550 *		
2036					5.00	5,825 *		
2037					5.00	6,120 *		
2038					5.00	6,345 *		
2039					5.00	6,660 *		
2040								
2041								
2042								
Add:								
Total Outstanding As of 12/31/08		345,435		335,030		429,675		17,635
Bonds Redeemed As of 12/31/08		95,325		0		5,195		0
Bonds Refunded As of 12/31/08		0		0		0		0
Less:								
Accreted Value as of 12/31/08		-		-		-		-
Net:								
Original Issue Amt.		440,760		335,030		434,870		17,635

REVENUE OBLIGATIONS

Maturity Date Jan 1	2004M Tax-Exempt Series		2005A Refunding Series		2005B Refunding Series		2005C Refunding Series	
	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt
2009								
2010					5.00	19,155		
2011					5.00	10,255		
2012					5.00	8,915		
2013					5.00	9,355		
2014			5 1/2	8,635	5.00	5,660		
2015	4 1/4	12,769	5 1/2	11,395				
2016	4 3/8	5,670 (3)	5 1/2	17,705				
2017			5 1/4	4,880	5.00	18,690		
2018			5 1/4	5,190	5.00	19,580		
2019			5 1/4	14,520	5.00	20,505		
2020			5 1/4	28,900	5.00	21,555		
2021			5 1/4	23,890	5.00	43,650		
2022			5 1/4	10,180	5.00	67,485		
2023	4.90	6,560			5.00	25,600	4 3/4	26,060
2024	5.00	3,790 (3)					4 3/4	25,440
2025								26,650 (4)
2026								
2027								
2028								
2029								
2030								
2031								
2032								
2033								
2034								
2035								
2036								
2037								
2038								
2039								
2040								
2041								
2042								
Add:								
Total Outstanding As of 12/31/08		28,789 (3)		125,295		270,405		78,150
Bonds Redeemed As of 12/31/08		893		0		7,600		0
Bonds Refunded As of 12/31/08		0		0		0		0
Less:								
Accreted Value as of 12/31/08		1,729		-		-		-
Net:								
Original Issue Amt.		27,954		125,295		278,005		78,150

SCHEDULE OF BONDS OUTSTANDING (1)

AS OF DECEMBER 31, 2008 (in thousands)

REVENUE OBLIGATIONS

Maturity Date Jan 1	2005M Tax-Exempt Series		2006A Tax-Exempt Series		2006B Taxable Series		2006M Tax-Exempt Series	
	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt
2009			3 3/8	7,975	4.90	7,750		
2010			5.00	3,380	4.90	14,045		
2011			3.40	3,165	4.90	13,000		
2012	3.65	3,865	3 1/2	4,065	4.95	10,000		
2013			3.60	5,000	5.00	13,750	3 3/4	2,628
2014			3 5/8	5,000	5.00	28,250		
2015			5.00	10,000	5.05	31,250		
2016	4.00	7,939 (3)	5.00	34,400				
2017				39,655 (5)				
2018			5.00	13,285			4.00	4,219 (3)
2019			5.00	21,700				
2020			5.00	9,375				
2021			4 1/8	4,880				
2022			4.20	4,000				
2023	4.35	3,982 (3)	5.00	16,500			4.20	3,200 (3)
2024			5.00	24,700				
2025			5.00	25,000				
2026			5.00	18,000				
2027			5.00	19,000				
2028			5.00	23,400				
2029			5.00	24,600				
2030				26,080 (6)				
2031			5.00	24,565 *				
2032			5.00	9,870 *				
2033			5.00	10,370 *				
2034			5.00	10,870 *				
2035			5.00	11,370 *				
2036			5.00	11,955 *				
2037			5.00	12,735 *				
2038			5.00	13,370 *				
2039			5.00	12,795 *				
2040								
2041								
2042								
Add:								
Total Outstanding As of 12/31/08		15,786 (3)		461,060		118,045		10,048 (3)
Bonds Redeemed As of 12/31/08		179		9,705		11,070		92
Bonds Refunded As of 12/31/08		0		0		0		0
Less:								
Accreted Value as of 12/31/08		599		-		-		239
Net: Original Issue Amt.		15,367		470,765		129,115		9,901

REVENUE OBLIGATIONS

Maturity Date Jan 1	2006C Refunding Series		2007A Tax-Exempt Series		2007B Refunding Series		2008M Tax-Exempt Series	
	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt
2009			4.00	9,000				
2010			4.00	7,715				
2011			4.00	8,025				
2012			4.00	8,345				
2013			5.00	8,065		15,115 (15)	3.00	4,494
2014		12,550 (7)		8,465 (9)		15,865 (16)		
2015		13,165 (8)		7,225 (10)		12,160 (17)		
2016	5.00	13,800	5.00	9,855	5.00	8,185		
2017	5.00	14,515		11,460 (11)	5.00	8,530		
2018	5.00	9,205		11,975 (12)	5.00	21,410	3.80	4,736 (3)
2019	5.00	9,685		11,840 (13)		16,705 (18)		
2020	5.00	10,180	5.00	11,965				
2021	5.00	10,710	5.00	14,475				
2022	5.00	11,260	5.00	16,875				
2023			5.00	9,650			4 1/2	4,983 (3)
2024				3,740 (14)				
2025			5.00	13,625				
2026			5.00	9,475				
2027			4 1/2	10,000				
2028			5.00	9,285 *			4.80	10,269 (3)
2029			5.00	9,320 *				
2030			5.00	9,785 *				
2031			5.00	10,280 *				
2032			5.00	10,785 *				
2033			5.00	11,185 *				
2034			5.00	11,750 *				
2035			5.00	12,335 *				
2036	4 1/2	9,685	5.00	12,950 *				
2037			5.00	13,600 *				
2038			5.00	14,280 *				
2039			5.00	14,995 *				
2040			5.00	2,830 *				
2041			5.00	2,975 *				
2042			5.00	3,120 *				
Add:								
Total Outstanding As of 12/31/08		114,755		341,250		97,970		24,482
Bonds Redeemed As of 12/31/08		0		1,275		0		0
Bonds Refunded As of 12/31/08		0		0		0		0
Less:								
Accreted Value as of 12/31/08		-		-		-		50
Net: Original Issue Amt.		114,755		342,525		97,970		24,432

SCHEDULE OF BONDS OUTSTANDING (1)
AS OF DECEMBER 31, 2008 (in thousands)

Maturity Date Jan 1	REVENUE OBLIGATIONS 2008A Tax-Exempt Series Int. Rate	Amt		2008B Taxable Series Int. Rate	Amt		Total Principal Maturities(21)	Total Revenue Interest(21)		Total Debt Service(21)
2009							104,225	196,301		300,526
2010	5.00	5,000					123,410	204,353		327,763
2011	5.00	5,000					126,010	197,667		323,677
2012	5.00	5,000					129,215	190,851		320,066
2013							141,207	184,047		325,254
2014					235,000	(20)	392,645	168,163		560,808
2015	5.00	5,000					179,499	151,371		330,870
2016	5.00	5,000					181,900	145,667	(22)	327,567
2017	5.00	5,000					198,785	133,222		332,007
2018	5.00	5,000					189,755	125,263	(22)	315,018
2019				8.368	25,000		216,925	113,119		330,044
2020							194,450	102,350		296,800
2021							201,200	92,405		293,605
2022	5 1/8	11,200	*				221,195	81,837		303,032
2023	5 1/8	5,550	*				107,361	77,101	(22)	184,462
2024	5 3/8	12,220	*				75,410	73,663	(22)	149,073
2025	5 3/8	12,875	*				83,050	65,672		148,722
2026	5 3/8	13,565	*				75,055	61,709		136,764
2027	5 3/8	14,295	*				79,000	57,831		136,831
2028	5 3/8	1,880	*				82,329	56,783	(22)	139,112
2029	5 1/2	23,330	*				96,570	49,452		146,022
2030	5 1/2	24,620	*				101,700	44,437		146,137
2031	5 1/2	25,975	*				106,625	39,155		145,780
2032	5 1/2	27,395	*				101,885	33,818		135,703
2033	5 1/2	28,900	*				87,325	28,897		116,222
2034	5 1/2	30,490	*				91,900	24,207		116,107
2035	5 1/2	32,170	*				96,645	19,294		115,939
2036	5 1/2	33,940	*				101,380	14,163		115,543
2037	5 1/2	35,805	*				107,225	8,757		115,982
2038		37,775	* (19)				71,770	4,065		75,835
2039							34,450	1,308		35,758
2040							2,830	376		3,206
2041							2,975	230		3,205
2042							3,120	78		3,198
Add:										
Total Outstanding										
As of 12/31/08		406,985			260,000		4,109,026	2,747,610		6,856,636
Bonds Redeemed										
As of 12/31/08		0			0		374,974			
Bonds Refunded										
As of 12/31/08		0			0		220,375			
Less:										
Accreted Value										
as of 12/31/08		-			-		2,616			
Net:										
Original Issue Amt.		406,985			260,000		4,701,758			

SCHEDULE OF BONDS OUTSTANDING FOOTNOTES

(1) Rounding may cause small variances.

(2) The 2010 maturity has a split coupon; $2,000,000 at 5.00% and $450,000 at 4.00%.

(3) Includes accretion on Capital Appreciation Bonds through 12/31/08.

(4) The 2025 maturity includes principal in the amount of $24,745,000 at an interest rate of 4.75% and principal in the amount of $1,905,000 at an interest rate of 4.125%.

(5) The 2017 maturity includes principal in the amount of $4,655,000 at an interest rate of 4.00% and principal in the amount of $35,000,000 at an interest rate of 5.00%.

(6) The 2030 maturity includes principal in the amount of $6,080,000 at an interest rate of 4.50% and principal in the amount of $20,000,000 at an interest rate of 5.00%.

(7) The 2014 maturity includes principal in the amount of $10,000,000 at an interest rate of 5.00% and principal in the amount of $2,550,000 at an interest rate of 4.00%.

(8) The 2015 maturity includes principal in the amount of $10,000,000 at an interest rate of 5.00% and principal in the amount of $3,165,000 at an interest rate of 4.00%.

(9) The 2014 maturity includes principal in the amount of $7,570,000 at an interest rate of 4.00% and principal in the amount of $895,000 at an interest rate of 5.00%.

(10) The 2015 maturity includes principal in the amount of $5,730,000 at an interest rate of 4.10% and principal in the amount of $1,495,000 at an interest rate of 5.00%.

(11) The 2017 maturity includes principal in the amount of $7,150,000 at an interest rate of 4.25% and principal in the amount of $4,310,000 at an interest rate of 5.00%.

(12) The 2018 maturity includes principal in the amount of $2,425,000 at an interest rate of 4.25% and principal in the amount of $9,550,000 at an interest rate of 5.00%.

(13) The 2019 maturity includes principal in the amount of $4,335,000 at an interest rate of 4.25% and principal in the amount of $7,505,000 at an interest rate of 5.00%.

(14) The 2024 maturity includes principal in the amount of $1,095,000 at an interest rate of 4.50% and principal in the amount of $2,645,000 at an interest rate of 5.00%.

(15) The 2013 maturity includes principal in the amount of $3,180,000 at an interest rate of 4.00% and principal in the amount of $11,935,000 at an interest rate of 5.00%.

(16) The 2014 maturity includes principal in the amount of $1,685,000 at an interest rate of 4.00% and principal in the amount of $14,180,000 at an interest rate of 5.00%.

(17) The 2015 maturity includes principal in the amount of $4,725,000 at an interest rate of 4.00% and principal in the amount of $7,435,000 at an interest rate of 5.00%.

(18) The 2019 maturity includes principal in the amount of $450,000 at an interest rate of 4.00% and principal in the amount of $16,255,000 at an interest rate of 5.00%.

(19) The 2038 maturity includes principal in the amount of $31,370,000 at an interest rate of 5.50% and principal in the amount of $6,405,000 at an interest rate of 5.75%.

(20) The 2014 maturity includes principal in the amount of $145,000,000 at an interest rate of 7.308% and principal in the amount of $90,000,000 at an interest rate of 6.808%.

(21) Included in year that payment is made.

(22) Includes remaining accretion on Capital Appreciation Bonds.

SCHEDULE OF REFUNDED BONDS OUTSTANDING
AS OF DECEMBER 31, 2008 (IN THOUSANDS)

Call Date	January 1, 2010		January 1, 2010	
Series	1999A		2002B	
Original Maturity Jan 1	Tax-Exempt Series		Tax-Exempt Series	
	Int. Rate	Amt	Int. Rate	Amt
2009				
2010				
2011				
2012				
2013				
2014	5 3/4	12,220		
2015	5 3/4	12,940		
2016	5 1/2	13,690		
2017	5 1/2	14,470		
2018	5 1/2	9,230		
2019	5 1/2	9,755		
2020	5 1/2	10,305		
2021	5 1/2	10,890		
2022	5 1/2	11,505		
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036			5 1/2	10,000
2037				
2038				
2039				
2040				
2041				
2042				
Totals per Series		105,005		10,000
Totals per Call Date				115,005

BOARD OF DIRECTORS

Santee Cooper is governed by an 11-member board of directors that is appointed by the governor, deemed fully qualified by the Senate Public Utilities Review Committee and confirmed by the state Senate. The board consists of directors representing each of the six congressional districts, each of the three counties where Santee Cooper serves retail customers directly, two directors with previous electric cooperative experience and the chairman appointed at-large. Currently, the Berkeley County seat is vacant.

O.L. THOMPSON III
CHAIRMAN
AT-LARGE
MT. PLEASANT, S.C.

President and CEO of O.L. Thompson Construction Co., Inc, that includes Thompson Trucking Co., Inc and Wando Concrete.

G. DIAL DUBOSE
1ST VICE CHAIRMAN
3RD CONGRESSIONAL DISTRICT
EASLEY, S.C.

Real estate consultant at Nalley Commercial Properties in Easley, S.C.

CLARENCE DAVIS
2ND VICE CHAIRMAN
2ND CONGRESSIONAL DISTRICT
COLUMBIA, S.C.

Partner in Nelson Mullins Riley & Scarborough LLP, a Columbia-based law firm.

WILLIAM A. FINN
1ST CONGRESSIONAL DISTRICT
CHARLESTON, S.C.

Chairman of AstenJohnsen, Inc., a specialty textile company for the printing and papermaking industries based in Charleston, S.C.

J. CALHOUN LAND, IV
6TH CONGRESSIONAL DISTRICT
MANNING, S.C.

Partner in Land, Parker and Welch, a general practice Manning law firm.

DR. JOHN MOLNAR
HORRY COUNTY
MYRTLE BEACH, S.C.

Medical Director for Grand Strand Regional Medical Center, Emergency Department.

JAMES W. SANDERS, SR.
5TH CONGRESSIONAL DISTRICT
GAFFNEY, S.C.

Pastor of Bethel Baptist Church in Gaffney for 56 years and active in numerous civic and business organizations.

DAVID A. SPRINGS
GEORGETOWN COUNTY
MURRELLS INLET, S.C.

Retired Consulting Engineer for electric cooperatives and municipal utilities with Southern Engineering Company of Georgia.

CECIL VIVERETTE
AT-LARGE
HILTON HEAD ISLAND, S.C.

Retired President and CEO of Rappahannock Electric Cooperative in Virginia.

BARRY WYNN
4TH CONGRESSIONAL DISTRICT
SPARTANBURG, S.C.

President of Colonial Trust Company, a private trust company specializing in investment management and estate services.

ADVISORY BOARD

Mark Sanford
Governor

Mark Hammond
Secretary of State

Henry D. McMaster
Attorney General

Richard A. Eckstrom
Comptroller General

Converse A. Chellis III
State Treasurer

EXECUTIVE MANAGEMENT

Lonnie N. Carter	*President and Chief Executive Officer*
Bill McCall	*Executive Vice President and Chief Operating Officer*
Elaine G. Peterson	*Executive Vice President and Chief Financial Officer*
James E. Brogdon Jr.	*Senior Vice President and General Counsel*
R.M. Singletary	*Senior Vice President of Corporate Services*

MANAGEMENT

SENIOR VICE PRESIDENTS

Terry L. Blackwell	*Power Delivery*
Maxie C. Chaplin*	*Generation*

VICE PRESIDENTS

S. Thomas Abrams	*Planning & Power Supply*
Jeffrey D. Armfield	*Business Services and Treasurer*
Wm. Glen Brown	*Human Resource Management*
Zack W. Dusenbury	*Retail Operations*
Glenda W. Gillette	*Administration*
Thomas L. Kierspe	*Engineering and Construction Services*
L. Phil Pierce	*Fossil and Hydro Generation*
Suzanne H. Ritter	*Corporate Planning and Bulk Power*
Marc Tye	*Conservation and Renewable Energy*
Laura G. Varn	*Corporate Communications and Media Relations*

AUDITOR
Stephon Terrell Thompson

CORPORATE SECRETARY
Pamela J. Williams — *Associate General Counsel – Corporate Affairs*

**Maxie C. Chaplin retired December 31, 2008.*

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