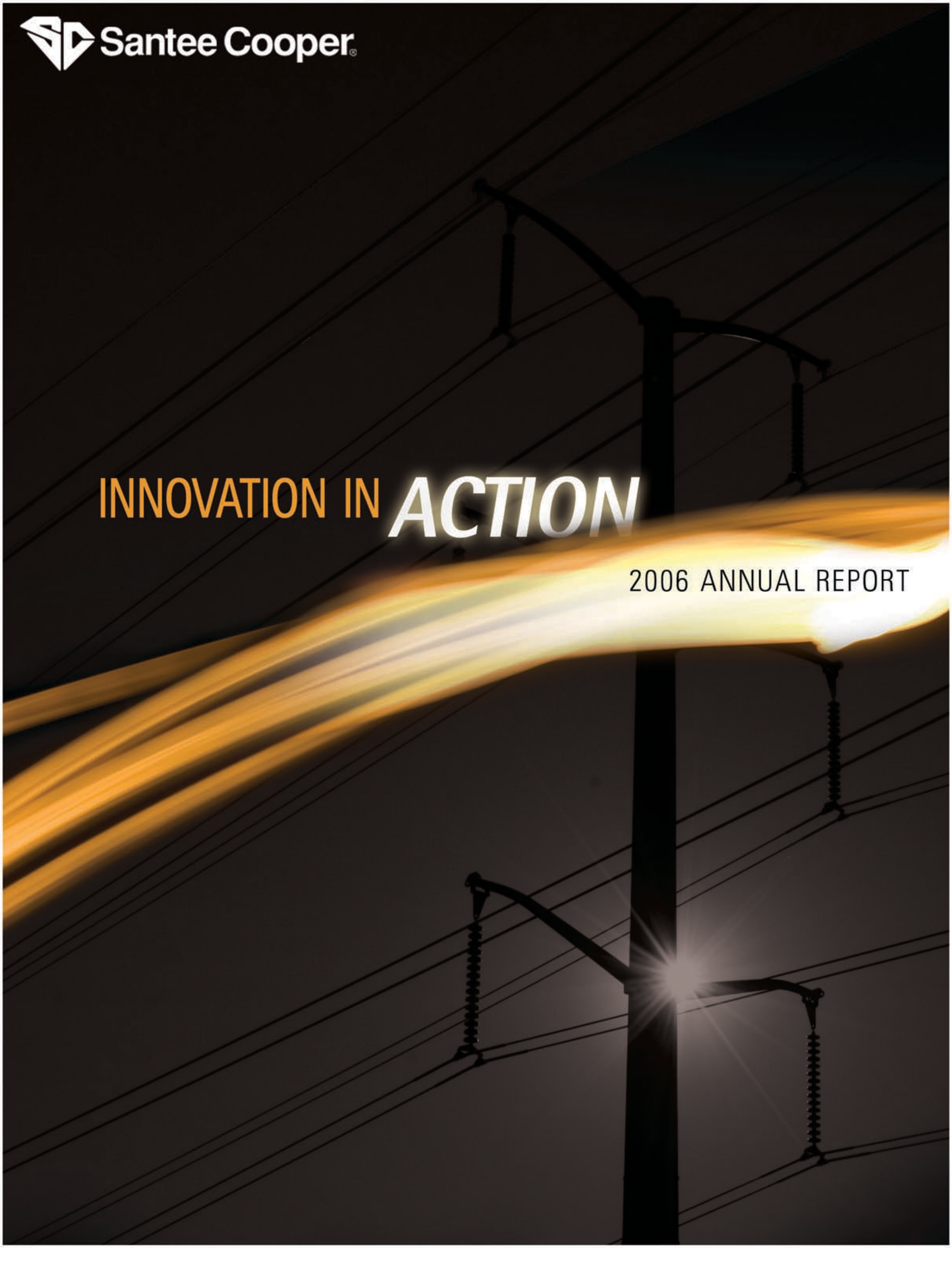

Santee Cooper
INNOVATION IN ACTION
2006 ANNUAL REPORT

Santee Cooper's Mission

The mission of Santee Cooper is to be the state's leading resource for improving the quality of life for the people of South Carolina.

To fulfill this mission, Santee Cooper is committed to:

- being the lowest-cost producer and distributor of reliable energy, water, and other essential services;
- providing excellent customer service;
- maintaining a quality workforce through effective employee involvement and training;
- operating according to the highest ethical standards;
- protecting our environment; and
- being a leader in economic development.

Innovation in Action

Innovation played a key role in our successes. We see innovation throughout all that we do. In 2006, our employees implemented breakthrough strategies to meet the growing demand for energy, use fuel more efficiently and reliably, save money, conserve energy, boost economic development and protect our environment while overcoming significant challenges related to the growth of South Carolina.

INNOVATION
EXECUTIVE REPORT

Executive Report

Santee Cooper's performance was strong in 2006.

Innovation played a key role in our successes. We see innovation throughout all that we do. In 2006, our employees implemented breakthrough strategies to meet the growing demand for energy, use fuel more efficiently and reliably, save money, conserve energy, boost economic development and protect our environment while overcoming significant challenges related to the growth of South Carolina.

2006 MILESTONES

The increased emphasis on renewable energy, the beginning of a new building era in the company's history and new conservation measures only begin to highlight the ways in which Santee Cooper added value to the state in 2006.

In April, the board approved Santee Cooper's new generation plan to meet future load growth, which involves constructing a new 600-megawatt (MW) supercritical coal-fired facility in Florence County on our Pee Dee site by 2012 and exploring additional nuclear energy. We are proceeding with the necessary steps before we make a final decision on more nuclear power.

We were efficient in 2006 completing one half of the largest capital expenditure in our history. Our Cross Unit 3 became commercially operational on Jan. 1, 2007. On time and on budget, employees and more than 1,700 contractors weathered tight deadlines and other substantial hurdles to deliver a state-of-the-art and environmentally cutting-edge facility. Cross Unit 3 will significantly reduce the amount of purchased power and natural gas we need, thereby helping customers save money.

Our reliability rates continue to be the envy of the energy industry. We achieved a generation availability rate of 93.59 percent, transmission rate of 99.9976 percent and distribution rate of 99.9962 percent. Our overall average customer satisfaction rating remained high at 99 percent.

We maintained some of the highest municipal electric utility financial ratings in the nation. Those include an AA rating from both Fitch Ratings and Moody's Investors Services and an AA- rating from Standard & Poor's. As part of a $599,880,000 bond offering in January, we were very successful in targeting the retail segment of the market and selling over $52 million to retail investors in South Carolina. In October, the board approved the sale of $9.9 million worth of tax-free mini-bonds to help fund capital improvement projects. A refunding bond sale also in November resulted in the sale of $114,755,000 of the 2006 Series C bonds. The net present-value savings were $8.1 million, which equated to a 7.08 percent savings. Our debt to equity ratio of 69/31 remains stable.

We unveiled our next phase of Green Power with the opening of the state's first solar Green Power site at Coastal Carolina University in October.

Our economic development activities flourished. As examples, 2006 saw the groundbreaking of American Gypsum's $125 million wallboard facility on our Winyah Station site and the announcement of Builders FirstSource's $5 million expansion project in the Loris Commerce Center. It was also the first full year of the implementation of our economic development initiatives, in which we dedicated funds for our site certification, strategic economic development planning and professional development opportunities. The electric cooperatives have been supportive and helpful with these efforts.

Since 1988, when Santee Cooper joined with the South Carolina Electric Cooperatives to create the Palmetto Economic Development Corporation, the South Carolina Power Team has been involved in more than 400 new industrial locations and expansions, representing $6.6 billion in capital investment and more than 37,000 new jobs. In 2006, 1,864 new jobs, $196.4 million in new capital investments and 18,250 new kilowatts of needed capacity came about due to our efforts and those of our partners.

CHALLENGES AWAIT

The issues surrounding growth and increased energy consumption dominated our thinking and planning process in 2006, and will continue for the next several years.

Our single biggest challenge is meeting the load growth. Electricity demand is expected to rise more than 30 percent during the next 15 years in the Southeast, one of the fastest-growing regions in the United States. The U.S. Census Bureau reports that nearly 40 percent of the nation's population will live in the South by the year 2030.

Santee Cooper's growth rate in its direct serve area has averaged 3.5 percent over the past five years. Santee Cooper serves one of the state's fastest growing areas, Myrtle Beach, directly. And Santee Cooper generates and transmits power to the vast majority of the state's growing rural areas through the state's 20 electric cooperatives.

As further evidence of the growth, this year Santee Cooper experienced a record number of new retail customers, 7,474, which far surpassed our previous record of 6,303 in 1997.

This growth phenomenon presents challenges for Santee Cooper.

We are up for these challenges and are working to implement our long-term generation plan to meet this load growth. We must manage the process in a way that protects the environment, keeps power costs low and reliable and maintains the quality of life we enjoy.

We were the only public power utility in 2006 to announce it is exploring the viability of additional nuclear power. We do not take this quest lightly and fully comprehend the ramifications and magnitude our future decision will have on our company's history and direction.

Conservation and the use of renewables are critical, and our role is to encourage and give the proper economic signals. However, it will take a combination of conserving and building to meet our growing number of customers' energy demands.

We must remain vigilant, as we will be expending significant amounts of capital to build our next generation of power plants and transmission and distribution facilities. Santee Cooper is well respected in the financial markets and will continue to work hard to retain our strong financial position.

The issue of climate change continues to gain momentum in the public arena. The solutions to reducing carbon emissions include greater energy conservation, increased use of renewables, additional nuclear power facilities and advances in research and technologies. We will continue to fully participate in this important discussion and gauge the impact to our customers, our environment and our nation's economy.

BUILDING ON THE FUTURE

Santee Cooper's future is bright. We have ambitious construction schedules for Cross Unit 4 and Pee Dee Unit 1 and we are on an accelerated schedule to evaluate additional nuclear energy.

Our employees drive innovation. It is this spirit and passion for improvements that allow us to take calculated risks and do what perhaps others have not done.

We are dedicated to finding creative solutions to keep power costs low, provide excellent customer service, enhance employee productivity and be a valued corporate citizen.

We have a responsibility to keep the lights on, and we take it seriously. The choices we are making today will ensure future generations can enjoy the extraordinary standard of living we have in South Carolina.

Being the state's leading resource for improving the quality of life for the people of South Carolina requires nothing less, and we are confident we'll continue to fulfill our mission in 2007 and beyond.

O.L. Thompson III
Chairman, Board of Directors

Lonnie N. Carter
President and Chief Executive Officer

INNOVATIVE BUSINESS SECTION

Low Cost Power

Retail Bond Offerings

In January 2006, Santee Cooper expended additional efforts to market bonds to South Carolina retail investors in advance of a major bond issue by holding our first retail pre-order period. We feel it is important, when experiencing such growth, to reemphasize the importance of people knowing Santee Cooper and investing in us.

And when people own our debt, the money stays in our state, further adding value and positive economic impact to South Carolina.

Employees like Nan Cline, a financial analyst in our Treasury department, helped develop a strategy to expand our offerings to retail investors in South Carolina. It was the success with the past mini-bond sales that encouraged Santee Cooper to further our efforts in the retail market.

The Santee Cooper Board of Directors approved the sale of $599,880,000 revenue obligation bonds, of which $52,375,000 was sold to retail investors, 2006 Series A and B, with maturities ranging from 2007 through 2039. The all in-true interest cost was calculated at 4.64 percent.

“We view this response as a vote of confidence in the financial strength of Santee Cooper by our owners, the people of South Carolina. It says people support Santee Cooper as a good investment for the state,” said Cline.

We plan to continue retail marketing to South Carolinians as an integral part of future bond sales.

Meeting Growth

How does a utility plan to meet the future power needs in one of the fastest growing regions of the country? Through strategic planning, thinking differently, and using both expertise and foresight to operate in a new world.

Santee Cooper needs to add much more base load electrical generation within the next several years to keep up with growing customer demand. While in the midst of building Cross Units 3 and 4, we ramped up our New Generation Plan, and considered all cost-effective options.

Folks like John Dills, manager of station construction, and Jay Hudson our manager of environmental management, are working to safely and effectively design, permit and construct our new Pee Dee Generating Station, a 600-megawatt coal-fired facility in Florence County.

“We aim to make the Pee Dee Station one of the cleanest power plants in the country. We’re doing it by incorporating high efficiency systems and the best available control technology from the beginning, so it protects the environment and is cost-effective,” said Dills.

Even with the Pee Dee Station, additional generation is needed. America needs to kick its oil addiction in a way that does not harm the environment and with a price tag we can afford. The answer may be nuclear energy.

We are contemplating something many thought would never happen in their lifetimes…working to restart the nuclear industry. We are one of the national industry leaders moving forward with steps necessary to determine nuclear power expansion. Nuclear power is safe, clean, reliable and can help reduce the country's dependence on foreign fuel sources.

While the physical results of these decisions won't be visible for a few years, the benefits of the strategic thinking and smart planning are already coming to light.

Cross 3

Cross Generating Station Unit 3 began commercial operation on Jan. 1, 2007, delivering on our promise to generate this new power on time and under budget.

The unit is a 600-megawatt pulverized coal-fired facility and joins Units 1 and 2 at the power plant in Cross, S.C. Unit 3 cost $675 million to construct, and combined with the $755 million Cross Unit 4 also under construction, make it a $1.4 billion project, the largest capital expenditure in Santee Cooper's history.

"Our construction team began this effort in April 2004, and in 33 months they have built and started a major coal unit, amid steel and worker shortages, delays in permits, and other construction hurdles. I don't know of any other utility who has achieved such a feat," said Bill McCall, executive vice president and chief operating officer. "Our employees worked long hours and through many tough situations to achieve this historic success. They weathered the bumps well, which is a testament to their expertise and perseverance."

Employees like Jack Holder, manager of station construction, worked to navigate our way through the many challenges. "Serving as our own general contractor allows us to assume the risk and better manage our schedule and costs. Once again, this strategy has paid off for our customers, who benefit with reliable and low cost power now and in the future," he said.

Cross Unit 3 will reduce the amount of high-priced natural gas and purchased power Santee Cooper needs to use and instead allows the company to burn lower-priced and plentiful coal, which helps keep power costs level for customers.

We are not resting on our laurels. Construction work continues on Cross 4, a companion 600-megawatt unit. That unit is on track and is scheduled to come on line Jan. 1, 2009. When complete, it will bring the total output generated at Cross to 2,400 MW, making it the largest coal-fired generating station in both North and South Carolina and increasing Santee Cooper's total generating capacity to more than 5,600 MW.

Cross Generating Station Units 3 and 4

$1.4 Billion... cost to build Units 3 and 4

33... months it took to build Unit 3 at a cost of $675 million

2,400 megawatts... will be largest coal-fired power plant in the Carolinas when complete

809,000 homes... how many homes it will power daily when complete

1,810... workers at height of construction, more than entire Santee Cooper workforce

2... train loads of coal the facility will burn every day

20,000... truckloads of concrete used in the two units. This equates to more than 200,000 cubic yards of concrete, and most of it is manufactured at an onsite batch plant

300,000... cubic yards of soil that will be excavated, hauled, compacted and graded

20,000... concrete pilings that will be installed

40,000... tons of steel used to construct two units

10,500... tons of structural steel used for the turbine building, coal silo bay and boiler. They are fastened together with more than 150,000 bolts

65... acres of laydown area being used to stage and store parts and material

Customer Service

Energy Conservation

Santee Cooper partnered with its largest customer, The Electric Cooperatives of South Carolina, in a groundbreaking program in 2006 to promote energy conservation by distributing thousands of energy efficient light bulbs across the state.

Under the theme, "Together, we have the power to make a difference," the two organizations did something that they've never done before: distributed 60,000 compact fluorescent lights (CFL) to the cooperative member-owners at each of their annual meetings, to Santee Cooper employees at safety meetings, and at various community and business functions.

Santee Cooper expanded the CFL idea by giving one away to all its new direct serve customers and any customers who purchased Green Power, our renewable energy program. It's just another way of encouraging customers to think differently about their energy habits.

Employees like Mike Goff and Sherry Coleman, marketing representatives in the Horry-Georgetown office, saw the need to encourage smarter energy use habits, and customers have responded well to the different-looking bulbs.

"They look different, because they are. CFLs are just one way we can make a simple change, yet they make a big difference financially and environmentally. Compact fluorescent lighting uses 75 percent less energy and lasts up to 10 times longer," said Coleman.

Energy conservation is a powerful tool that allows us to become more energy independent, save money and protect the environment for future generations.

Reliability award

In April, Santee Cooper joined the ranks with 63 other national public power utilities in winning the inaugural Reliable Public Power Provider (RP3) award. This prestigious recognition from the American Public Power Association is awarded to public power utilities that provide consumers with the highest degree of reliable and safe electric service.

RP3 recognizes utilities that demonstrate proficiency in four key areas: reliability, safety, training and system improvement. Criteria within each category is based on sound business practices and represent a utility-wide commitment to safe and reliable delivery of electricity.

Employees like Jimmy Greene, a crew supervisor in Garden City, and Kyle Powell, a line technician in North Myrtle Beach, helped make this award a reality. They, along with fellow teammates, achieved a 99.9962 percent distribution reliability rate in 2006. They did it by focusing on the high correlation between work safety and high reliability.

Examples of safe work practices at Santee Cooper include participating in regular safety meetings, having management participate in utility safety programs, having a safety-specific corporate goal with financial incentives, providing annual training of CPR techniques, and being able to use automatic electric defibrillators.

“We’re extremely pleased to be recognized with this award, especially at a time of rapid customer growth and increased demands,” Greene said. Added Powell, “It takes an entire Santee Cooper team to keep the lights on for our growing number of customers.”

Value to the State

Solar energy

Santee Cooper built the state’s first Green Power solar site in 2006, heralding a new era in renewable energy progress for South Carolina.

We partnered with Coastal Carolina University on this $385,000 renewable project, making it the first solar photovoltaic project at a public university in South Carolina.

Employees like Liz Kress, principal engineer, helped chart new paths by engineering the solar panels that sit atop four new multi-purpose pavilions along a major CCU campus thoroughfare.

This historic solar pavilion demonstration project, which produces 16 kilowatts, delivers on Santee Cooper’s commitment to promote renewable energy and to reinvest Green Power funds into future renewable energy projects in the state.

“The solar pavilions are intended to encourage the design of buildings with photovoltaic solar applications in mind, educate the public and inspire tomorrow’s inventors to seek future solutions in renewable energy,” said Kress.

Last year, we announced a five-year, statewide and multi-tiered plan that would add solar, wind and small-landfill energy to the company's mix of renewables. The solar pavilions deliver on that promise, and more is to come.

Fly ash

Dirt roads, as we know them, with muddy ruts and water-filled potholes, may be a thing of the past thanks to a creative solution by Santee Cooper employees.

Employees like Tommy Edens, administrator of combustion products utilization, worked with consultants to incorporate Santee Cooper's fly ash to enhance road strength and pave dirt roads in a way that used a valuable resource in an environmentally-friendly and cost-effective manner.

Fly ash is a combustion byproduct from burning coal and we produce approximately 700,000 tons of it yearly from our coal-burning power plants. We've been selling it since 1999 to companies who make useful building materials with it, such as concrete blocks and tile. It even went into the Cooper River Bridge in Charleston.

Tommy and the consultants thought fly ash may be a great material for paving dirt roads too because its minute particle shape is round and would naturally bind together with sand's irregular shape. They were right. The result is a road that is as hard as an asphalt road, but much cheaper.

"By using this material today, counties can build a road for about $125,000 a mile, instead of $600,000 a mile for regular asphalt treatment," says Edens.

Following on the heels of a successful patch test on a road near St. Stephens in Berkeley County in 2004, Santee Cooper began initial work in 2006 in order to prepare to test a dirt road on McKnight Forest Road, near Moncks Corner. A one-mile section of road is planned to be paved using 400 tons of fly ash trucked to the site from our Cross Station.

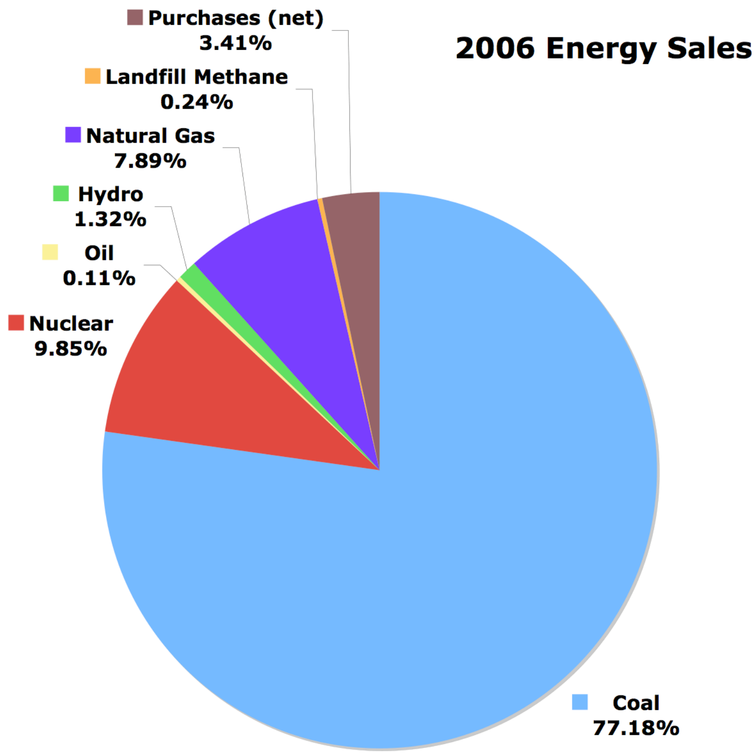
If successful, it could mean the eventual end of the traditional sand and gravel roads used for generations, a new market for Santee Cooper's fly ash and lower maintenance cost for counties in the road business.

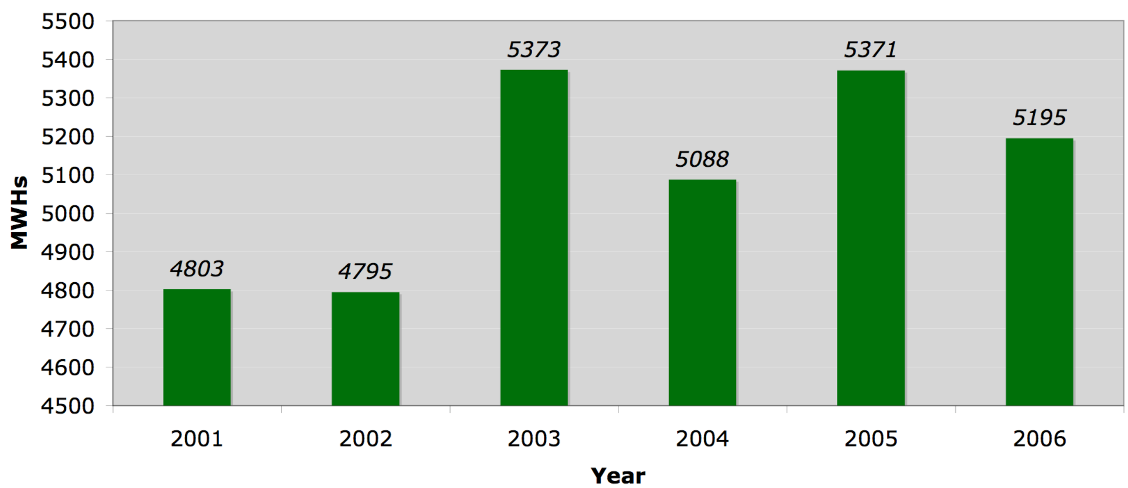
2006 Corporate Statistics

System Data 2006

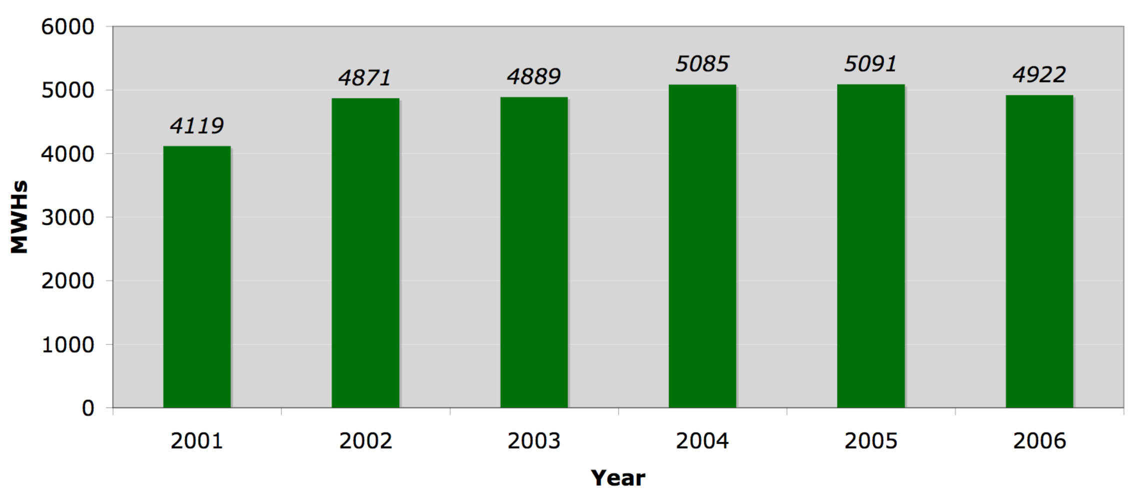
Miles of transmission lines	4,560
Miles of distribution lines	2,541
Number of transmission/switching station	83
Number of distribution/switching stations	75
Number of Central delivery points	346
Municipal Customers	2

Corporate Statistics	2006	2005	2004	2003	2002
FINANCIAL (Thousands):					
Total Revenues & Income	**$ 1,457,376**	$ 1,382,395	$ 1,166,030	$ 1,057,591	$ 1,056,551
Total Expenses & Interest Charges	**$ 1,359,494**	$ 1,268,956	$ 1,073,529	$ 973,326	$ 944,651
Other	**$ 4,885**	$ 34,374	$ 10,373	$ (15,411)	$ (29,935)
Reinvested Earnings	**$ 102,767**	$ 147,813	$ 102,874	$ 68,854	$ 81,965
OTHER FINANCIAL:					
Debt Service Coverage	**1.79**	2.01	1.81	1.86	1.79
Debt / Equity Ratio	**69/31**	67/33	71/29	68/32	70/30
STATISTICAL:					
Number of Customers (at Year-End)					
Retail Customers	**156,462**	148,988	143,081	137,823	134,299
Military and Large Industrial	**33**	32	32	32	33
Wholesale	**4**	4	4	4	4
Total Customers	**156,499**	149,024	143,117	137,859	134,336
Generation:					
Coal	**19,621**	19,033	19,160	19,010	18,628
Nuclear	**2,503**	2,485	2,745	2,445	2,455
Hydro	**335**	482	432	670	253
Natural Gas	**2,007**	2,067	1,674	1,191	2,256
Oil	**29**	55	31	26	35
Landfill Gas	**61**	44	23	22	15
Total Generation (GWh)	**24,556**	24,166	24,065	23,364	23,642
Purchases, Net Interchanges, etc. (GWh)	**1,733**	1,957	1,417	1,738	1,367
Wheeling, Interdepartmental, and Losses	**(867)**	(1,059)	(1,031)	(1,042)	(888)
Total Energy Sales (GWh)	**25,422**	25,064	24,451	24,060	24,121
Summer Peak Generating Capability (net MW)	**4,511**	4,505	4,499	4,277	4,259
Territorial Peak Demand (MW)	**5,195**	5,371	5,088	5,373	4,795


2006 Energy Sales
Purchases (net)
3.41%
Landfill Methane
0.24%
Natural Gas
7.89%
Hydro
1.32%
Oil
0.11%
Nuclear
9.85%
Coal
77.18%


MWHs
5500
5400
5300
5200
5100
5000
4900
4800
4700
4600
4500
4803
4795
5373
5088
5371
5195
2001
2002
2003
2004
2005
2006
Year

Capability


MWHs
6000
5000
4000
3000
2000
1000
0
4119
4871
4889
5085
5091
4922
2001
2002
2003
2004
2005
2006
Year

INNOVATION

FINANCIALS

FINANCE-AUDIT COMMITTEE CHAIRMAN'S LETTER

The Finance-Audit Committee of the Board of Directors is comprised of five independent directors: Paul G. Campbell Jr., Chairman, G. Dial DuBose, William A. Finn, David Springs and Barry Wynn.

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.

Paul G. Campbell, Jr.
Chairman
Finance-Audit Committee

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

In June 1999 the Governmental Accounting Standards Board issued Statement No. 34, "Basic Financial Statements – Management's Discussion and Analysis - for State and Local Governments" (GASB 34). The objective of this Statement is to enhance the understandability and usefulness of the general-purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors. This Statement was effective for the Authority beginning in fiscal year 2001.

By definition within this Statement, the Authority is deemed a proprietary or enterprise fund, in which a government entity operates like a business. GASB 34 requires the following components in a governmental entity's annual report.

Management's Discussion and Analysis
The purpose is to provide an objective and easily readable analysis of the Authority's financial activities based on currently known facts, decisions, or conditions.

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 Balance Sheets as of December 31, 2006, 2005 and 2004 are summarized as follows:

	2006	2005	2004
		(Thousands)	
ASSETS			
Plant – net	**$ 3,876,291**	$ 3,528,628	$ 3,165,259
Current assets	**742,585**	678,948	577,034
Other noncurrent assets	**592,220**	456,062	661,601
Deferred debits	**329,397**	319,564	282,238
Total assets	**$ 5,540,493**	$ 4,983,202	$ 4,686,132
LIABILITIES & NET ASSETS			
Long-term debt - net	**$ 3,090,030**	$ 2,518,991	$ 2,600,744
Current liabilities	**638,352**	694,944	540,576
Other noncurrent liabilities	**387,725**	432,697	343,633
Net assets	**1,424,386**	1,336,570	1,201,179
Total liabilities and net assets	**$ 5,540,493**	$ 4,983,202	$ 4,686,132

2006 Compared to 2005

Assets

- Net plant increased by $347.7 million. Additions less retirements to Utility plant were $260.6 million in 2006. The change in Accumulated depreciation was an increase of $142.3 million and was consistent with prior years. The increase in Construction work in progress was $229.4 million and included major construction related to Cross 3, Cross 4, Pee Dee 1 and environmental compliance.

- Current assets increased $63.6 million due to increases in Accounts receivable and Inventories.

- Other noncurrent assets increased $136.2 million primarily due to an increase in restricted cash and investments.

- Deferred debits increased $9.8 million due to increases in the Costs to be recovered from future revenue and Unamortized debt expenses.

Liabilities

- Long-term debt increased $571.0 million due to the net affect of bond refinancing and new money issues, and principal repayments.

- Current liabilities decreased $56.6 million due to decreases in Commercial paper notes outstanding and Other current liabilities. These were partially offset by increases in Accounts payable, Current portion of long-term debt and Accrued interest.

- Other noncurrent liabilities decreased $45.0 million primarily due to a decrease in the Asset retirement obligation liability.

- Net assets increased $87.8 million due to the increases in Unrestricted assets, Restricted for debt service and Restricted for capital projects. These were partially offset by a decrease in Invested in capital assets.

2005 Compared to 2004

Assets

- Net plant increased by $363.4 million. Additions less retirements to Utility plant were only $75.2 million in 2005 with no single plant asset driving the activity. This figure was significantly lower than in recent years. The change in Accumulated depreciation (including ARO) of $132.2 million was considered normal. The increase in Construction work in progress was $420.2 million related primarily to Cross 3 and Cross 4 construction.

- Current assets increased $101.9 million due to increases in Current cash and investments, Accounts receivable, Inventories, and Prepaid and Other assets.

- Other non-current assets decreased $205.5 million primarily due to an decrease in Restricted cash and investments.

- Deferred debits increased $37.3 million due to an increase in the Costs to be recovered from future revenue asset resulting from a decrease in the principal and an increase in the depreciation components.

Liabilities

- Long-term debt decreased $81.8 million due to the net affect of bond refinancing, principal repayments and new money issues.

- Current liabilities increased $154.4 million due to increases in Commercial paper notes outstanding, Accounts payables, and Other current liabilities. These were partially offset by decreases in the Current portion of long-term debt and Accrued interest.

- Other non-current liabilities increased $89.1 million due to increases in the Construction fund and Asset retirement obligation liabilities.

- Net assets increased $135.4 million primarily due to the increase in Investment in capital assets net of related debt.

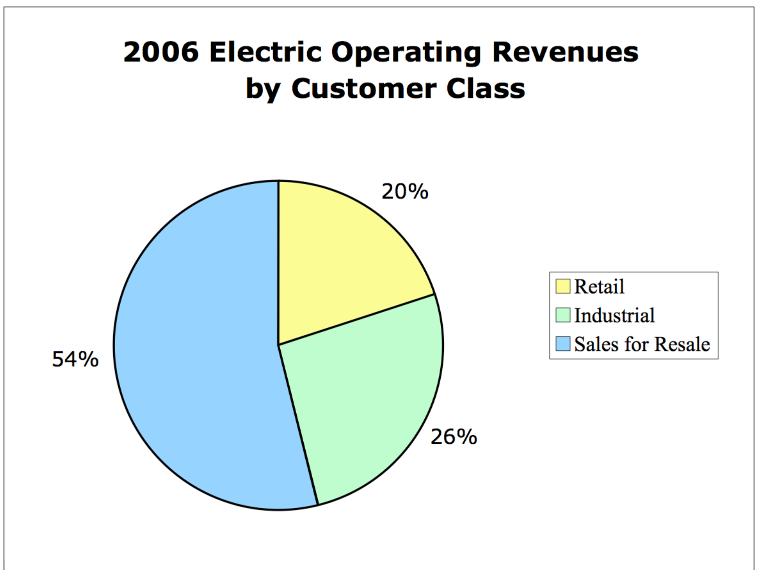
Results of Operations

	2006	2005	2004
		(Thousands)	
Operating revenues	**$ 1,413,343**	$ 1,350,080	$ 1,151,009
Operating expenses	**1,173,989**	1,102,360	909,665
Operating income	**$ 239,354**	$ 247,720	$ 241,344
Interest charges	**(185,505)**	(166,596)	(163,864)
Costs to be recovered from future revenue	**4,885**	34,374	10,373
Other income	**44,033**	32,315	15,021
Transfers out	**(14,951)**	(12,422)	(24,175)
Change in net assets	**$ 87,816**	$ 135,391	$ 78,699
Ending net assets	**$ 1,424,386**	$ 1,336,570	$ 1,201,179

2006 Compared to 2005

Operating Revenues

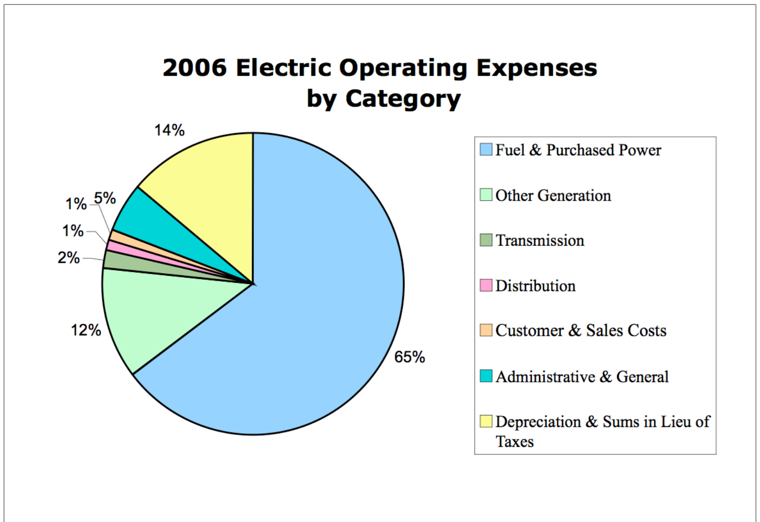
Operating revenues for 2006 increased $63.3 million or 5% over the prior year. A rise in fuel and demand related revenues were the major factors. Energy sales exceeded 25 million megawatts for the second consecutive year. There was a 2% increase in both the industrial and sales for resale customer classes.



Electric Operating Revenues	2006	2005	2004
		(Thousands)	
Retail	**$ 280,374**	$ 268,893	$ 235,679
Industrial	**362,527**	360,510	294,945
Sales for Resale	**753,041**	705,352	605,162
Totals	**$ 1,395,942**	$ 1,334,755	$ 1,135,786

Operating Expenses

Operating expenses for 2006 reflected a net increase of $71.6 million or 6% compared to 2005. Throughout the industry, market fuel prices (coal, natural gas and oil) again increased over the prior year. In a continued effort to lower fuel costs, the Authority uses a combination of long-term and short-term contracts, an expanding fuel related risk hedging program and a mix of solid fuels (petcoke, coal, and synfuel). Fuel and purchased power accounted for the majority of this expense variance, rising by $49.6 million or 7% when compared to 2005. During 2006, the Authority again used synfuel (a processed coal that is cheaper) which resulted in an estimated savings to our customers of approximately $12.7 million. Savings from synfuel are reflected in the fuel expense and revenue reported. Other generation operating and maintenance costs increased by approximately $10.0 million in 2006 due to additional costs of operating environmental equipment and station outages. Depreciation expense showed an increase over last year of $9.4 million.



		2006		2005		2004
Electric Operating Expenses				(Thousands)		
Fuel & Purchased Power	**$**	**759,040**	$	709,422	$	531,061
Other Generation		**139,435**		129,420		122,792
Transmission		**21,952**		21,055		19,600
Distribution		**12,751**		11,369		10,254
Customer & Sales Costs		**12,654**		11,385		11,377
Administrative & General		**64,167**		66,015		66,568
Depreciation & Sums in Lieu of Taxes		**161,148**		151,077		145,608
Totals	**$**	**1,171,147**	$	1,099,743	$	907,260

Below-The-Line Items

Interest Charges - Interest charges for 2006 were $18.9 million or 11% higher than 2005 as a result of the 2005 and 2006 bond transactions.

Costs to be Recovered From Future Revenue - Costs to be recovered from future revenue increased expenses by $29.5 million when compared to last year due to higher principal payments and a decrease in the depreciation component.

Other Income - Other income increased $11.7 million or 36%. Interest income and the change in Fair market value of investments increased by $18.4 million. This was offset primarily by a reduction of $7.5 million in the surplus land sales for the reimbursement of the 2004 non-recurring special contribution to the State.

Transfers out - Transfers out represents the dollars paid by the Authority to the State of South Carolina. There was an increase of $2.5 million or 20% over 2005 which resulted from an increase in projected revenues from the prior year.

2005 Compared to 2004

Operating Revenues

Operating revenues for 2005 increased $199.1 million or 17% over the prior year. The rise in fuel related revenue was a key contributing factor due to higher market prices industry wide. Energy sales for the Authority were over 25 million megawatt-hours for the year. This was an increase of 3% which represents higher sales in all customer categories. For the second consecutive year, the retail class experienced a 4% customer growth. The revenue continues to maintain a stable distribution across its customer base as follows: Retail 20%, Industrial 27%, and Sales for Resale 53%.

Operating Expenses

Operating expenses for 2005 reflected a net increase of $192.7 million or 21% compared to 2004. Coal, natural gas and oil prices have risen dramatically over the past two years. The Authority strives to mitigate these costs with a combination of long-term and short-term contracts, a gas risk hedging program and burning a variety of solid fuels (petcoke, coal, and synfuel). Fuel and purchased power accounted for the majority of this expense variance, rising by $178.4 million or 34% when compared to 2004. The Authority continues to burn synfuel, a processed coal that results in savings to our customers. In 2005, this provided an estimated savings to our customers of approximately $20.0 million which was reflected in the fuel expense and revenue reported. Other generation operating and maintenance costs also increased by approximately $6.6 million in 2005 due to additional costs of operating environmental equipment and the station outages. Depreciation expense showed an increase over last year of $4.9 million due primarily to a reclassification of certain assets between depreciation groups and re-calculation of prior depreciation.

Below-The-Line Items

Interest Charges - Interest charges for 2005 were $2.7 million or 2% higher than 2004 as a result of the 2004 and 2005 bond transactions and additional expense due to increased commercial paper activity and higher interest rates offset by higher debt related expenses.

Costs to be recovered from future revenue - Costs to be recovered from future revenue reduced expenses by $24.0 million when compared to last year due to lower principal payments and an increase in the depreciation component.

Other Income - Other income increased $17.3 million or 115%. In 2004 certain lands were declared surplus property so they could be sold to reimburse the Authority for the non-recurring special contribution to the State. These land sales in 2005 totaled $10.7 million. Interest income and the change in fair value increased by $5.9 million due to higher interest rates and favorable market conditions for the types of investments held by the Authority.

Transfers out - Transfers out represents the dollars paid by the Authority to the State of South Carolina. The expense for 2004 was $11.8 million higher than 2005 due to the non-recurring special contribution in the amount of $13.0 million which was paid in 2004 by authorization of the Authority's Board of Directors.

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 capital improvement program for years 2007 through 2009 is estimated to be $1.9 billion expended as follows:

Capital Improvement Expenditures	**2006 Budget 2007-09**	2005 Budget 2006-08	2004 Budget 2005-07
		(Thousands)	
Cross 3 & Cross 4 Generating Units	**$ 465,000**	$ 724,000	$ 879,000
Environmental Compliance	**49,000**	157,000	151,000
General Improvements to the System	**647,000**	510,000	386,000
Pee Dee 1 Unit	**534,000**	0	0
Future Nuclear Units	**190,000**	0	0
Totals	**$ 1,885,000**	$ 1,391,000	$ 1,416,000

The cost of the capital improvement program will be provided from internally generated funds, additional revenue obligations, commercial paper notes and other short-term obligations, as determined by the Authority.

Currently under construction are Cross Unit 3 and Cross Unit 4 which are scheduled to be commercial in January 2007 and 2009, respectively. Each of these units will be a 600 MW (net) pulverized coal-fired unit which will be located at the existing Cross Generating Station. The capital improvement program also includes funds for Pee Dee Unit 1, two future nuclear units, and general improvements to the Authority's system.

One new landfill generating unit was added in 2006 at the Richland County site, increasing the total landfill generating sites for the Authority to three. The Authority also dedicated a 16KW solar demonstration facility at Coastal Carolina University. Energy from these Green Power sources further diversifies the Authority's fuel mix and reinforces the commitment to the environment for the State of South Carolina.

The Authority's estimated three-year capital improvement program for the years ended December 31, 2005 and 2004 was $1.4 billion for each of the periods.

Debt Service Coverage

The Authority's debt service coverage (not including commercial paper) at December 31, 2006, 2005, and 2004 was 1.79, 2.01 and 1.81, respectively.

Bond Ratings

Bond ratings assigned by the various agencies for years 2006, 2005, and 2004 were as follows:

Agency / Lien Level	2006	2005	2004
Fitch Ratings			
Priority Bonds	Not Applicable	AAA	AAA
Revenue Bonds	AA	AA	AA
Revenue Obligations	AA	AA	AA
Commercial Paper	F1+	F1+	F1+
Moody's Investors Service, Inc.			
Priority Bonds	Not Applicable	Aa2	Aa2
Revenue Bonds	AA	Aa2	Aa2
Revenue Obligations	AA	Aa2	Aa2
Commercial Paper	P-1	P-1	P-1
Standard & Poor's Rating Services			
Priority Bonds	Not Applicable	AAA	AAA
Revenue Bonds	AA-	AA-	AA-
Revenue Obligations	AA-	AA-	AA-
Commercial Paper	A1+	A1+	A1+

Bond Market Transactions for Years 2006, 2005 and 2004

Par Amount	Type	Date Closed	Purpose	Comments
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 and 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 and 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.
Year 2005				
$125,295,000	Revenue Obligations: 2005 Refunding Series A	10/4/2005	Refund the following: 1995 Refunding Series A (partial) 1995 Refunding Series B (partial) 1996 Refunding Series A (partial)	Gross savings of $20.1 million over the life of the bonds.
$278,005,000	Revenue Obligations: 2005 Refunding Series B	10/4/2005	Refund the following: 1995 Refunding Series A 1995 Refunding Series B 1996 Refunding Series A 1996 Refunding Series B	Gross savings of $58.3 million over the life of the bonds.
$78,150,000	Revenue Obligations: 2005 Refunding Series C	02/24/2005	Refund 1993 Refunding Series C Bonds	Gross savings of $14.6 million over the life of the bonds.
$10,924,500	Revenue Obligations: 2005 Series M-Current Interest Bearing Bonds (CIBS)	11/16/2005	To finance a portion of the Authority's ongoing transmission system construction and improvements	Tax-exempt mini-bonds.
$4,442,000	Revenue Obligations: 2005 Series M-Capital Appreciation Bonds (CABS)	11/16/2005	To finance a portion of the Authority's ongoing transmission system construction and improvements.	Tax-exempt mini-bonds.
Year 2004				
$434,870,000	Revenue Obligations: 2004 Series A	04/21/2004	To finance a portion of the tax-exempt construction for Cross Unit No. 3, Cross Unit No. 4, SIP Call environmental requirements, Rainey 2002 Combined Cycle and two Simple Cycle Units, and Rainey Transmission projects.	Tax-exempt bonds. All-in true interest cost of 4.46 percent.
$17,635,000	Revenue Obligations: 2004 Series B	04/21/2004	To finance a portion of the taxable construction for Cross Unit No. 4.	Taxable bonds. All-in true interest cost of 4.41 percent.
$19,806,000	Revenue Obligations: 2004 Series M-Current Interest Bearing Bonds (CIBS)	08/24/2004	To finance a portion of the taxable construction for Cross Unit No. 4.	Tax-exempt mini-bonds.
$8,147,600	Revenue Obligations: 2004 Series M-Capital Appreciation Bonds (CABS)	08/24/2004	To finance a portion of the taxable construction for Cross Unit No. 4.	Tax-exempt mini-bonds.

(Note: There are no 2007 bond market transactions to date.)

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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 sheet of the South Carolina Public Service Authority (a component unit of the state of South Carolina) as of December 31, 2006, and the related combined statement of revenues, and expenses and changes in net assets, and cash flows for the year 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 audit. The financial statements of the Authority as of December 31, 2005, were audited by other auditors whose report dated March 22, 2006, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides 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, 2006, and the changes in its net assets and its cash flows for the year 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 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 audit was 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 audit of the basic financial statements and, accordingly, we express no opinion on it.

Cherry, Bekaert & Holland LLP

Raleigh, North Carolina
March 2, 2007

Combined Balance Sheets

South Carolina Public Service Authority
As of December 31, 2006 and 2005

	2006	2005
	(Thousands)	
ASSETS		
Current assets		
Unrestricted cash and cash equivalents	**$ 106,179**	$ 90,614
Unrestricted investments	**18,326**	90,980
Restricted cash and cash equivalents	**76,995**	124,555
Restricted investments	**109,666**	12,352
Receivables, net of allowance for doubtful accounts of $674 and $713 at December 31, 2006 and 2005, respectively	**167,798**	157,722
Materials inventory	**67,309**	56,892
Fuel inventory		
Fossils fuels	**142,061**	67,080
Nuclear fuel - net	**22,111**	15,987
Interest receivable	**4,437**	1,807
Prepaid expenses and other current assets	**27,703**	60,959
Total current assets	**742,585**	678,948
Noncurrent assets		
Unrestricted cash and cash equivalents	**1,674**	62
Unrestricted investments	**78,084**	75,527
Restricted cash and cash equivalents	**53,510**	37,901
Restricted investments	**284,664**	182,905
Capital assets		
Utility plant	**4,657,520**	4,336,788
Long lived assets - asset retirement cost	**33,078**	93,240
Accumulated depreciation	**(2,103,066)**	(1,960,802)
Total utility plant - net	**2,587,532**	2,469,226
Construction work in progress	**1,286,639**	1,057,193
Other physical property - net	**2,120**	2,209
Investment in associated companies	**7,672**	6,567
Regulatory asset - asset retirement obligation	**164,192**	153,090
Regulatory assets - derivative and hedging instruments	**2,424**	10
Deferred debits and other noncurrent assets		
Unamortized debt expenses	**31,943**	27,071
Costs to be recovered from future revenue	**251,134**	246,249
Other	**46,320**	46,244
Total noncurrent assets	**4,797,908**	4,304,254
Total assets	**$ 5,540,493**	$ 4,983,202

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, 2006 and 2005

	2006	2005
	(Thousands)	
LIABILITIES		
Current liabilities		
Current portion of long-term debt	**$ 79,136**	$ 69,674
Accrued interest on long-term debt	**79,742**	63,718
Commercial paper	**195,072**	285,449
Accounts payable	**217,512**	183,488
Other current liabilities	**66,890**	92,615
Total current liabilities	**638,352**	694,944
Noncurrent liabilities		
Construction fund liabilities	**63,582**	48,380
Asset retirement obligation liability	**277,920**	322,358
Total long-term debt (net of current portion)	**3,190,690**	2,657,160
Unamortized refunding and other costs	**(100,660)**	(138,169)
Long-term debt - net	**3,090,030**	2,518,991
Other deferred credits and noncurrent liabilities	**46,223**	61,959
Total noncurrent liabilities	**3,477,755**	2,951,688
Total liabilities	**4,116,107**	3,646,632
NET ASSETS		
Invested in capital assets, net of related debt	**787,362**	814,282
Restricted for debt service	**84,804**	70,263
Restricted for capital projects	**20,854**	3,079
Restricted for other	**164,677**	165,427
Unrestricted	**366,689**	283,519
Total net assets	**1,424,386**	1,336,570
Total liabilities and net assets	**$ 5,540,493**	$ 4,983,202

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Combined Statements of Revenues, Expenses and Changes in Net Assets

South Carolina Public Service Authority

Years ended December 31, 2006 and 2005

	2006	2005
	(Thousands)	
Operating revenues		
Sale of electricity	**$ 1,395,942**	$ 1,334,754
Sale of water	**4,917**	4,728
Other operating revenue	**12,484**	10,598
Total operating revenues	**1,413,343**	1,350,080
Operating expenses		
Electric operating expenses		
Production	**70,235**	65,614
Fuel	**654,760**	591,903
Purchased and interchanged power	**104,280**	117,519
Transmission	**14,375**	14,192
Distribution	**8,938**	8,041
Customer accounts	**9,287**	8,388
Sales	**3,367**	2,997
Administrative and general	**60,148**	62,223
Electric maintenance expense	**84,609**	77,789
Water operation expense	**1,614**	1,354
Water maintenance expense	**335**	372
Total operation and maintenance expenses	**1,011,948**	950,392
Depreciation and amortization	**157,832**	148,412
Sums in lieu of taxes	**4,209**	3,556
Total operating expenses	**1,173,989**	1,102,360
Operating income	**$ 239,354**	$ 247,720
Nonoperating revenues (expenses)		
Interest and investment revenue	**$ 25,800**	$ 12,952
Net increase in the fair value of investments	**9,666**	4,126
Interest expense on long-term debt	**(163,208)**	(143,562)
Other interest expense	**(22,297)**	(23,034)
Costs to be recovered from future revenue	**4,885**	34,374
Other - net	**8,567**	15,237
Total nonoperating revenues (expenses)	**(136,587)**	(99,907)
Income before transfers	**102,767**	147,813
Transfers out		
Distribution to the State	**(14,951)**	(12,422)
Total transfers out	**(14,951)**	(12,422)
Change in net assets	**87,816**	135,391
Total net assets - beginning	**1,336,570**	1,201,179
Total net assets - ending	**$ 1,424,386**	$ 1,336,570

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, 2006 and 2005

	2006	2005
	(Thousands)	
Cash flows from operating activities		
Receipts from customers	**$ 1,403,306**	$ 1,333,354
Payments to non-fuel suppliers	**(370,537)**	(260,791)
Payments for fuel	**(645,495)**	(586,692)
Purchased power	**(101,785)**	(117,098)
Payments to employees	**(122,032)**	(116,951)
Other receipts-net	**169,466**	100,278
Net cash provided by operating activities	**332,923**	352,100
Cash flows from non-capital related financing activities		
Distribution to the State of South Carolina	**(14,951)**	(12,422)
Net cash used in non-capital related financing activities	**(14,951)**	(12,422)
Cash flows from capital-related financing activities		
Proceeds from sale of bonds	**724,535**	496,816
Net commercial paper (repayments) issuance	**(90,486)**	92,298
Repayment and refunding of bonds	**(180,106)**	(612,849)
Interest paid on borrowings	**(150,712)**	(156,665)
Construction and betterments of utility plant	**(559,355)**	(440,739)
Debt premium	**18,414**	11,130
Other - net	**(2,036)**	(2,994)
Net cash used in capital-related financing activities	**(239,746)**	(613,003)
Cash flows from investing activities		
Net (increase) decrease in investments	**(119,310)**	247,333
Interest on investments	**23,144**	13,173
Gain on sale of surplus property	**3,166**	10,952
Net cash (used by) provided by investing activities	**(93,000)**	271,458
Net (decrease) in cash and cash equivalents	**(14,774)**	(1,867)
Cash and cash equivalents-beginning	**253,132**	254,999
Cash and cash equivalents-ending	**$ 238,358**	$ 253,132

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, 2006 and 2005

	2006	2005
	(Thousands)	
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$ 239,354**	$ 247,720
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	**167,329**	153,602
Net power gains involving associated companies	**(31,577)**	(45,359)
Distributions from associated companies	**27,420**	44,164
Advances to associated companies	**10**	(97)
Other income	**1,599**	207
Changes in assets and liabilities		
Accounts receivable - net	**(10,076)**	(16,608)
Inventories	**(85,398)**	(40,024)
Prepaid expenses	**30,274**	(38,702)
Other deferred debits	**(830)**	(5,337)
Accounts payable	**36,518**	44,058
Other current liabilities	**(25,795)**	29,369
Other noncurrent liabilities	**(15,905)**	(20,893)
Net cash provided by operating activities	**$ 332,923**	$ 352,100

Composition of cash and cash equivalents

	2006	2005
Current		
Unrestricted cash and cash equivalents	**$ 106,179**	$ 79,068
Restricted cash and cash equivalents	**76,995**	136,101
Noncurrent		
Unrestricted cash and cash equivalents	**1,674**	62
Restricted cash and cash equivalents	**53,510**	37,901
Cash and cash equivalents at the end of the year	**$ 238,358**	$ 253,132

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 of Directors 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 Regional Water System 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 system. The Authority also complies with policies and practices prescribed by its Board of Directors and to practices common in both industries. As the Board of Directors 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 - Certain amounts in the prior year's financial statements have been reclassified to conform to current year presentation.

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 cash and cash equivalents. In 2001, the Authority adopted GASB Statement No. 34, "Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments" (GASB 34) which requires cash and cash equivalents to be shown as either restricted or unrestricted. "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 inventory and fuel inventory 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 2006 or 2005. 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 3.6 percent for each of the periods ended December 31, 2006 and 2005, 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) along with City Utilities of Springfield (Missouri), Gainesville Regional Utilities (Florida), JEA (Florida), MEAG Power (Georgia), and Nebraska Public Power District (NPPD). The Authority is also a member of Colectric Partners (Colectric). In addition to the Authority, Colectric's member participants are: Florida Municipal Power Agency, Gainesville Regional Utilities, JEA, Lansing Board of Water & Light, MEAG Power, Nebraska Public Power District and Orlando Utilities Commission.

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	**2006**	2005
	(Thousands)	
Opening balance	**$ 6,395**	$ 6,741
Reduction to power costs and increases in electric revenues	**31,021**	44,952
Less: Distributions from TEA	**27,420**	44,164
Less: Other (includes equity losses)	**2,486**	1,134
Ending balance	**$ 7,510**	$ 6,395

At December 31, 2006, the Authority had a payable to TEA of $9.7 million for power and gas purchases. In addition, at December 31, 2006, the Authority had a receivable due from TEA of approximately $4.2 million for power sales and sales of excess gas capacity.

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 effected, 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, 2006, the trade guarantees are an amount not to exceed approximately $96.0 million.

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 various 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 supply chain management 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, 2006 was approximately $162,000.

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 $10.7 million in 2006 and $10.1 million in 2005.

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, Expense and Changes in Net Assets) as a reduction to net assets when paid.

Payments made to the State totaled $15.0 million in 2006 and $12.4 million in 2005.

L - Accounting for Derivative Instruments - The Authority follows the requirements of FASB No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FASB 133) as amended by FASB No. 149. The majority of the Authority's derivative instruments have been determined to meet the normal purchases and normal sales exception provided by FASB 133.

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. In 2006, due to the increased market volatility of crude oil and its impact on the Authority's total fuel cost, the Authority began hedging crude oil.

Unrealized gains and losses related to such activity are deferred in a regulatory account and recognized in earnings as gas or transportation costs are incurred in the production cycle. At December 31, 2006, the Authority recorded $6.1 million in net unrealized losses from natural gas and crude oil transactions using mark-to-market accounting as outlined FASB 133. During 2006, the Authority recognized $2.0 million in net gains associated with hedging transactions.

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, 2006 and 2005, the Authority recorded an asset retirement obligation (ARO) on its one-third share of Summer of approximately $226.0 million and $273.1 million, respectively. Approximately $22.7 million was recorded on the accompanying balance sheet 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, 2006 and 2005, the Authority recorded an ARO on the closing of its ash ponds of approximately $51.9 million and $49.3 million, respectively. Approximately $10.4 million was recorded as an associated ARC within "Capital assets" on the accompanying balance sheet.

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 $49.3 million listed as "Adoption of FIN47," was a first year only calculation for 2005. The additional $2.6 million Ash Pond ARO liability for 2006 is included in "Accretion Expense." The following table summarizes the Authority's transactions:

Reconciliation of Asset Retirement Obligation Liability

Years Ended December 31,	**2006**	2005
	(Millions)	
Balance as of January 1,	**$ 322.4**	$ 260.6
Accretion Expense	**15.7**	12.5
Revision in Estimated Cash Flows	**(60.2)**	0.0
Adoption of FIN 47	**0.0**	49.3
Balance as of December 31,	**$ 277.9**	$ 322.4

N - Review of New Accounting Standards - In April 2004, GASB issued statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans" (GASB 43) and in June, 2004 issued No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45). The purpose of these two statements is to set new accounting standards for state and local government employers that offer retiree health benefits and other non-pension postemployment benefits. In particular, these statements require the accrual of liabilities and expenses of other postemployment benefits (OPEB) over the working career of plan members.

The effective start date of GASB 43 applies for periods beginning after December 15, 2005 for companies with total annual revenues of $100.0 million or more. GASB 45 regulations come into effect one year after implementation of GASB 43. The Authority believes that it does not fall under the requirements of GASB 43 since the South Carolina Retirement System provides certain health, dental, and life insurance benefits for retired employees of the Authority. The requirements of both GASB 43 and GASB 45 are still under review by the Authority and the State of South Carolina. The implementation of GASB 43 and GASB 45 is not expected to have a material effect on the Authority's financial position or results of operations.

In May 2004, GASB issued Statement No. 44, "Economic Condition Reporting: The Statistical Section" (GASB 44). GASB 44 enhances and updates the statistical section that accompanies a state or local government's basic financial statements to reflect the significant changes that have taken place in government finance, including the more comprehensive government-wide financial information required by GASB Statement 34. The statistical section comprises schedules presenting trend information about revenues and expenses, outstanding debt, economics and demographics, and other subjects. These schedules are intended to provide financial statement users with contextual information they need to assess a government's financial health. After review and discussion with the State of South Carolina Comptroller General Office, it was determined that GASB 44 would not apply to the Authority since the Authority does not elect to provide a statistical section as defined under GASB 44. The Authority is a discrete component unit of the State and is reported within the State's Comprehensive Annual Financial Report.

In December 2004, GASB issued Statement No. 46, "Net Assets Restricted by Enabling Legislation - an amendment of GASB Statement 34" (GASB 46). This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government such as citizens, public interest groups, or the judiciary can compel a government to honor. GASB 46 states that the legal enforceability of an enabling legislation restriction should be re-evaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. The only enabling legislation affecting the Authority is that legislation (SC Code of Laws Section 58-31-10 et seq.) by which it was created. There has been no enabling legislation since inception that imposes limits on the use of new capital. Therefore, the Authority believes it does not fall under the requirements of GASB 46.

In June 2005, GASB issued Statement No. 47, "Accounting for Termination Benefits" (GASB 47). This statement establishes accounting standards for termination benefits. The Authority, a member of the South Carolina Retirement System, has established that general recognition and measurement requirements should be reported under the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Government Employers" (GASB 27) or GASB 45. For these reasons, the Authority believes it does not fall under the requirements of GASB 47 which was effective for periods beginning after June 15, 2005.

O - Issued But Not Yet Effective Pronouncements - In September 2006, GASB issued Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" (GASB 48). Governments sometimes exchange an interest in their expected cash flows from collecting specific receivables or future revenues for immediate cash payments—generally, a single lump sum. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. GASB 48 is effective for periods beginning after December 15, 2006 and is not expected to have a material effect on the Authority's financial position or results of operations.

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 document 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 is effective for periods beginning after December 15, 2007 and is currently under review for any impact on the Authority's financial position or results of operations. The Authority currently follows the requirements of AICPA Statement of Position (SOP) 96-1, Environmental Remediation Liabilities, which became effective in fiscal year 1997. SOP 96-1 provides guidance on specific circumstances of recognizing, measuring, accruing and disclosing environmental remediation liabilities.

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 – Cash and Investments Held by Trustee:

Cash and investments as of December 31, 2006 are classified in the accompanying financial statements as follows:

Combined Balance Sheet:		
		(Thousands)
Current assets		
Unrestricted cash and cash equivalents	$	106,179
Unrestricted investments		18,326
Restricted cash and cash equivalents		76,995
Restricted investments		109,666
Noncurrent assets		
Unrestricted cash and cash equivalents		1,674
Unrestricted investments		78,084
Restricted cash and cash equivalents		53,510
Restricted investments		284,664
Total cash and investments	$	729,098

Cash and investments as of December 31, 2006 consist of the following:

Cash/Deposits	$	14,411
Investments		714,687
Total cash and investments	$	729,098

Unexpended funds from the sale of bonds, debt service funds, other special funds, and cash and investments are held and maintained by trustees, and 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 ten year maximum maturity. Certificate of Deposits and Repurchase Agreements are also authorized with a maximum maturity of one year.

In 1998, the Authority adopted the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (GASB 31). GASB 31 establishes standards of accounting and financial reporting for certain investments in securities and requires that 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, 2006 and 2005, the Authority had investments totaling approximately $714.7 million and $586.3 million, respectively.

As of December 31, 2006, the Authority's cash and investments carried at fair market value included nuclear decommissioning funds of $128.6 million including unrealized holding gains of $9.8 million. As of December 31, 2005, decommissioning funds totaled approximately $123.1 million including unrealized holding gains of $12.6 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, 2006, the Authority made total investment purchases and sales at cost of approximately $35.4 billion and $35.3 billion, respectively. Of these amounts, the Authority's investment purchases and sales at cost for its decommissioning funds were $229.2 million and $225.5 million, respectively. Compared to the year ended December 31, 2005, the Authority's total investment purchases and sales at cost were approximately $30.4

billion and $30.6 billion, respectively. Of these amounts, investment purchases and sales at cost for the decommissioning funds were $49.9 million and $46.7 million, respectively.

With adoption of GASB Statement No. 40, "Deposit and Investment Risk Disclosures" (GASB 40), reporting requirements for GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" (GASB 3) were modified.

Under disclosure requirements for GASB 3, the Authority's repurchase agreements at December 31, 2006 totaled approximately $130.3 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 trust agents. Prior disclosure requirements concerning credit and market risk are now included in GASB 40 disclosures.

GASB 40 addresses modifications of disclosure requirements for common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The Authority's requirements for disclosure 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, 2006, all of the agency's securities held by the Authority were rated AAA by Fitch and Aaa by Moody's Investors.

Custodial Credit Risk - 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. 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, 2006, all of the Authority's investment securities are held by the Trustee or Agent of the Authority and therefore have no custodial risk.

At December 31, 2006, 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	$ 11,462

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 5 percent or more of total Authority investments are as follows:

Issuer	Investment Type	Fair Value
		(Thousands)
Federal Home Loan Bank	Federal agency securities	$ 217,844
Federal National Mortgage Association	Federal agency securities	$ 198,525
Federal Home Loan Mortgage Corp	Federal agency securities	$ 66,476

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	$ 2,100	0.24
Federal Agency Discount Notes	178,794	0.02
Federal Agency Securities	337,272	3.91
Repurchase Agreements	130,337	0.01
U.S. Treasury Obligations	66,183	3.39
Total	$ 714,686	
Portfolio Weighted Average Maturity		2.15

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 $48.6 million in U.S. Treasury Strips ranging in maturity from February 15, 2008 to May 15, 2019. They also hold $59.7 million 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, 2007 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 4 – Long-Term Debt Outstanding:

The Authority's long-term debt at December 31, 2006 and 2005 consisted of the following:

	2006	2005	Interest Rate(s) (1)	Call Price (1)
	(Thousands)		(%)	(%)
Electric Revenue Bonds - Priority Obligations: (final maturity 7/1/06)	**$ 0**	$ 4,420	N/A	N/A
Capitalized Lease Obligations (Net): (mature through 2014)	**9,896**	11,937	2.00-5.00	N/A
Revenue Bonds: (mature through 2032)				
1997 Tax-exempt Refunding Series A	**204,885**	204,885	4.875-5.125	101
1998 Tax-exempt Refunding Series B	**22,485**	23,200	4.50-5.25	101
Total Revenue Bonds	**227,370**	228,085		
Revenue Obligations: (mature through 2039)				
1999 Tax-exempt Improvement Series A	**69,960**	181,300	4.80-5.625	101
1999 Taxable Improvement Series B	**63,680**	68,135	7.12-7.42	Non-callable
2001 Tax-exempt Improvement Series A	**42,180**	44,265	4.00-5.25	101
2001 Tax-exempt Refunding Series A	**0**	3,100	N/A	N/A
2002 Tax-exempt Refunding Series A	**100,615**	104,320	5.00-5.50	101
2002 Tax-exempt Improvement Series B	**271,140**	281,140	5.00-5.375	100
2002 Taxable Improvement Series C	**51,835**	68,765	5.27-5.51	P&I Plus Make-Whole Premium
2002 Tax-exempt Refunding Series D	**395,840**	418,670	4.00-5.25	100
2003 Tax-exempt Refunding Series A	**335,030**	335,030	4.75-5.00	100
2004 Tax-exempt Improvement Series A	**434,610**	434,870	2.50.-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	**19,664**	19,756	4.25-4.90	100
2004 Tax-exempt Improvement Series M - CABS	**8,813**	8,557	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	**278,005**	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	**10,920**	10,925	3.65-4.35	100
2005 Tax-exempt Improvement Series M - CABS	**4,631**	4,474	4.00-4.35	Accreted Value
2006 Tax-exempt Improvement Series A	**470,765**	0	3.25-5.00	100
2006 Taxable Improvement Series B	**129,115**	0	4.90-5.05	P&I Plus Make-Whole Premium
2006 Tax-exempt Improvement Series M - CIBS	**7,268**	0	3.75-4.20	100
2006 Tax-exempt Improvement Series M - CABS	**2,654**	0	4.00-4.20	Accreted Value
2006 Tax-exempt Refunding Series C	**114,755**	0	4.00-5.00	100
Total Revenue Obligations	**3,032,560**	2,482,392		
Less: Current Portion - Long-term Debt	**79,136**	69,674		
Total Long-term Debt - (Net of current portion)	**$ 3,190,690**	$ 2,657,160		

(1) Apply only to bonds outstanding as of 12/31/2006.

Maturities of long- term debt are as follows:

Year Ending December 31,	Capitalized Leases	Revenue Bonds	Revenue Obligations	Total Principal	Total Interest	Total
			(Thousands)			
2007	$ 2,738	$ 750	$ 75,725	$ 79,213	$ 160,239	$ 239,452
2008	2,563	785	99,635	102,983	157,919	260,902
2009	2,383	825	94,400	97,608	152,936	250,544
2010	1,685	3,370	107,325	112,380	147,590	259,970
2011	1,444	10,685	102,300	114,429	141,386	255,815
2012 - 2016	2,471	74,890	655,928	733,289	608,079	1,341,368
2017 - 2021	0	57,350	846,007	903,357	394,955	1,298,312
2022 - 2026	0	8,425	440,120	448,545	216,486	665,031
2027 - 2031	0	62,580	254,605	317,185	133,067	450,252
2032 - 2036	0	7,710	259,525	267,235	57,542	324,777
2037 - 2039	0	0	96,990	96,990	5,380	102,370
Less: Capitalized Lease Cushion of Credit Account	(3,388)	0	0	(3,388)	0	(3,388)
Total	$ 9,896	$ 227,370	$ 3,032,560	$ 3,269,826	$ 2,175,579	$ 5,445,405

Refunded and defeased bonds outstanding, original loss on refunding, and the unamortized loss at December 31, 2006 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	$ 1,142
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	10,523
Commercial Paper	$ 76,050 of the 1973 Series 105,605 of the 1977 Series 81,420 of the 1978 Series	0	2,099	724
1998 Refunding Series B	$ 25,000 of the 1992 Series B	0	1,970	1,050
2002 Refunding Series A	$ 113,380 of the 1992 Refunding Series A	0	23,378	13,052
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	46,116
2003 Refunding Series A	$ 336,385 of the 1993 Refunding Series C 15,750 of the 1995 Refunding Series A	0	57,064	46,710
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	21,549
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	66,584
2005 Refunding Series C	$ 86,335 of the 1993 Refunding Series C	0	12,125	10,934
2006 Refunding Series C	$ 105,005 of the 1999 Series A 10,000 of the 2002 Series B	115,005	7,054	6,778
Total		$ 115,005	$ 294,669	$ 225,162

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 $3.6 billion and $3.1 billion at December 31, 2006 and 2005, respectively.

On January 13, 2006, the Authority's Board authorized the sale of approximately $599.9 million Revenue Obligations, 2006 Series A & B (2006 A & B Bonds). The 2006 Tax-Exempt Series A (2006A Bonds) totaled approximately $470.8 million. The 2006 Taxable Series B (2006B Bonds) totaled approximately $129.1 million. The 2006B Bonds were issued as taxable bonds to comply with IRS Private Use Regulations. The 2006 A & B Bonds were issued February 1, 2006 at an all-in true interest cost of 4.64 percent (aggregate true interest cost). The 2006 A & B Bonds will mature between January 1, 2007 and January 1, 2039.

On October 20, 2006, the Authority's Board authorized the sale of approximately $9.9 million Revenue Obligations, 2006 Series M (2006M Bonds). The 2006M Bonds consisted of Current Interest Bearing Bonds issued in denominations of $500 and Capital Appreciation Bonds issued in denominations of $200. The 2006M 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 ranged from 3.75 percent in 2013 to 4.20 percent on the 2023 maturity.

On November 1, 2006, the Authority's Board authorized the sale of approximately $114.8 million Revenue Obligations, 2006 Refunding Series C (2006C Bonds). This refunding reduced the Authority's total debt service over the life of its bonds by approximately $11.2 million, resulting in an economic gain of approximately $8.1 million. The debt was issued at an all-in true interest rate of 4.20 percent. Yields ranged from 3.71 percent in 2014 to 4.04 percent on the 2022 maturity.

As of December 31, 2006, 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 system and all necessary repairs, replacements, and renewals thereof;
2. The Authority is restricted from issuing additional parity bonds unless certain conditions are met.

Note 5 - Commercial Paper:

The Board has authorized the issuance of commercial paper not to exceed $500.0 million. The paper is issued for valid corporate purposes with a term not to exceed 270 days. For the years ended December 31, 2006 and 2005, the information related to commercial paper was as follows:

	2006	2005
Effective interest rate (at December 31)	**3.61%**	3.22%
Average annual amount outstanding (000's)	**$ 195,831**	$ 230,471
Average maturity	**49 Days**	50 days
Average annual effective interest rate	**3.57%**	2.64%

At December 31, 2006 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. There were no borrowings under the agreement during 2006 or 2005.

Commercial Paper outstanding at December 31, was as follows:

	2006	2005
	(Thousands)	
Commercial Paper-Gross	**$ 195,131**	$ 285,617
Less: Unamortized Discount		
on Taxable Commercial Paper	**59**	168
Commercial Paper-Net	**$ 195,072**	$ 285,449

Note 6 - 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, 2006 and 2005, the plant accounts before depreciation included approximately $497.5 million and $488.1 million, respectively, representing the Authority's investment, including capitalized interest, in the Summer Nuclear Station. The accumulated depreciation at December 31, 2006 and 2005 was $272.0 million and $258.6 million, respectively. For the years ended December 31, 2006 and 2005, the Authority's operation and maintenance expenses included $53.4 million and $52.6 million, respectively, for the Summer Nuclear Station.

Nuclear fuel costs are being amortized based on energy expended, which includes a component for estimated disposal costs of spent nuclear fuel which represents the unit-of-production method. 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 $128.6 million (adjusted to market) at December 31, 2006, 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's remaining one-third share of the liability at December 31, 2006 totaled approximately $66,000. Such amount has been deferred and will be recovered through rates as paid. These costs are included on the accompanying balance sheets in "Deferred debits and other noncurrent assets - Other" and "Other deferred credits and noncurrent liabilities."

On October 20, 2006, the Authority's Board of Directors 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. This authorization includes $31.0 million previously included in the capital improvement program for 2006 through 2008. Construction may not commence until the Board has approved a final budget and construction schedule. The Authority and SCE&G have entered into a short-term Bridge Agreement which contemplates an Authority ownership interest of 45 percent in the two units and governs the relationship of the Authority and SCE&G while proceeding toward obtaining a construction and operating license. 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 7 - 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 1 to 8 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 2006, approximately $833,000 in lease payments were made from the COC account. At December 31, 2006 and 2005, the balance in the Authority's portion of the joint account was approximately $3.4 million and $4.0 million, respectively.

Future minimum lease payments on Central leases at December 31, 2006 were as follows:

Year ending December 31,	(Thousands)
2007	$ 3,335
2008	3,038
2009	2,737
2010	1,934
2011	1,610
2012 - 2014	2,619
Total minimum lease payments	$ 15,273
Less amounts representing interest	1,989
Principal Balance	$ 13,284
Less: Cushion of Credit Account	3,388
Balance at December 31, 2006	$ 9,896

Property under capital leases and related accumulated amortization included in utility plant at December 31, 2006, totaled approximately $89.5 million and $81.9 million, respectively, and at December 31, 2005, totaled $89.6 million and $79.5 million, respectively.

Operating lease payments totaled approximately $7.3 million and $6.5 million during the years ended December 31, 2006 and 2005, respectively. Included in these operating lease payments are periodic expenses related to leased coal cars, which are initially reflected in fuel inventory and subsequently reported in fuel expense based on the tons burned. The terms of the current coal car leases vary from one month to twenty-six months, with the longest lease expiring in 2009. The approximate amounts for the coal car leases to be paid for the years 2007 through 2009 are $5.2 million, $4.9 million, and $296,000, respectively.

Note 8 - Contracts with Electric Power Cooperatives:

Central is a generation and transmission cooperative that provides wholesale electric service to each of the 15 distribution cooperatives and Saluda River Electric Cooperative, Inc. (Saluda) 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 and Saluda receive from the Southeastern Power Administration (SEPA) and Saluda's ownership interest in the Catawba Nuclear Station. Saluda is a generation cooperative that provides wholesale electric service to each of the five electric cooperatives (the "Saluda Cooperatives") that are members of Saluda. Under agreements between Central and the Saluda Cooperatives, each of the Saluda Cooperatives becomes a member of Central at the earlier of (i) such time as Saluda ceases its corporate existence or (ii) January 31, 2009. At such time the Saluda Cooperatives become all requirements customers of Central and receive their power requirements from the Authority under the Coordination Agreement.

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 under FASB Statement No. 5, "Accounting for Contingencies" (FASB 5). To the extent that differences arise due to this process, prospective adjustments are made to 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 2006 and 2005 were not material to the Authority's overall operating revenue.

Note 9 - Commitments and Contingencies:

Budget - The Authority's capital budget provides for expenditures of approximately $686.4 million during the year ending December 31, 2007 and $1.2 billion during the two years thereafter. These expenditures include $1.2 billion for new generating units being constructed to begin operation in 2007, 2009, 2012, 2016 and 2019, and $49.3 million for environmental compliance expenditures. The total project costs of the new generating units to begin operation in 2007, 2009, and 2012 are $671.7 million, $755.0 million, and $998.0 million, respectively. Capital expenditures will be financed by internally generated funds and a combination of taxable and tax-exempt debt.

Purchase Commitments - The Authority has contracted for long-term coal purchases under contracts with estimated outstanding minimum obligations after December 31, 2006. The disclosure of minimum obligations below is based on the Authority's contract rates and represents management's best estimate of future expenditures under long-term arrangements.

Year ending December 31,	(Thousands)
2007	$ 387,262
2008	251,186
2009	164,366
2010	140,846
2011	119,346
2012 - 2016	65,491
Total	$ 1,128,497

The Authority has outstanding minimum obligations under an existing long-term and an existing short-term purchased power contract as of December 31, 2006. The obligations were approximately $72.9 million with a remaining term of 28 years and $75,150 with a remaining term of three months. Also, as of December 31, 2006, the Authority has entered into a lease agreement for output of a hydro electric generating facility. The lease agreement has been executed by the parties and is expected to become effective in 2007.

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 enrichment and fabrication contracts which are contingent upon the operating requirements of the nuclear unit. As of December 31, 2006, these commitments total approximately $64.4 million over the next eight years.

In 2003, the Authority amended the Rainey Generating Station Long-Term Service Agreement (LTSA) with General Electric International, Inc. in the approximate amount of $90.0 million. 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 to 2025, but can be terminated for convenience on Rainey 2A and 2B in 2008, and on Rainey 1 in 2013, depending on unit operation. The previous agreement was in the approximate amount of $76.0 million 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 General Electric International, Inc. (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 nine 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 $5,000 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 2006, 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 2006 or 2005. 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, 2006, the amount of the self-insured liabilities for auto, dental, worker's compensation and environmental remediation was approximately $2.4 million. The liability is the Authority's best estimate based on available information.

Changes in the reported liability are as follows:

	2006	2005
	(Thousands)	
Unpaid claims and claim expense at beginning of year	**$ 2,597**	$ 2,375
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	**1,375**	1,724
Payments for current and prior years	**1,570**	1,502
Total unpaid claims and claim expenses at end of year	**$ 2,402**	$ 2,597

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;
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 coverages listed above are 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 $10.9 billion by the Price-Anderson Indemnification Act. This $10.9 billion would be covered by nuclear liability insurance of about $300.0 million per site, with potential retrospective assessments of up to $100.6 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed $15.0 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 $33.5 million, not to exceed approximately $5.0 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 $2.6 million for the primary policy and $2.9 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 $1.5 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, 2006.

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 (SO2) and the State NOx 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 Hg. The Authority, along with other utilities, has challenged the SO2 allocation portion of CAIR, and is participating in a stakeholders process to develop with South Carolina Department of Health and Environmental Control (DHEC) a SIP for CAIR and CAMR in South Carolina. The proposed SIP for CAIR and CAMR is currently undergoing review.

The Authority has been operating under a recent settlement agreement, called the Consent Decree, which became effective June 24, 2004. The settlement with the Environmental Protection Agency (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 $205.3 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 electrical utilities. DHEC has primacy for 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 believes it is in compliance with this permit.

Industrial wastewater discharges from all stations are governed by individual NPDES permits. Cross Generating Station's NPDES permit was reissued on November 3, 2006 and it expires on August 31, 2010. The Grainger Generating Station 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 NPDES permit was submitted on March 28, 2006. The Jefferies Generating Station NPDES permit was reissued effective March 1, 2003, with an expiration date of February 29, 2008. The Winyah Generating Station 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 NPDES permit was submitted on March 29, 2005. The Rainey Generating Station NPDES permit was reissued effective August 1, 2003, with an expiration date of July 31, 2008. The Authority's Regional Water System's 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 amend their current SPCC plans to meet the new standard. The Authority is in the process of 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. The Jefferies Generating Station and the Grainger Generating Station are the Authority's only facilities affected by the new rule, and 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 byphenyls (PCB) and associated equipment. There are regulations covering PCB notification and manifesting, restrictions on disposal of drained electrical equipment, spill cleanup record-keeping requirements, etc. The Authority has a comprehensive PCB management program in response to these regulations.

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

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

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 has been significantly reduced. The Authority is required by the EPA and DHEC to maintain documentation of sufficient funds or insurance to cover environmental impacts.

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.

Regional Transmission Organizations (RTOs) - Presently there are no active RTO development activities in the southeastern United States. Two previous efforts to develop a RTO for the southeastern United States have resulted in failure. In each case, the effort failed because of the lack of demonstrable benefits from forming a RTO and the lack of consensus support and acceptance from all applicable state and federal agencies for the proposed RTO structure.

Whether a new RTO development effort will arise in the southeastern United States is unknown at this time. Any potential impact on the Authority of such a new effort is likewise unknown.

Energy Policy Act of 2005 - On August 8, 2005, President Bush signed into law the Energy Policy Act of 2005 (EPACT 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 Santee Cooper, 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 certain proposed reliability standards to FERC for approval under Section 215 of the FPA. FERC has opened a rulemaking proceeding to consider those proposed standards. A Final Order acting on the proposed standards is expected to be issued in the first quarter of 2007.

Legal Matters - The Authority is a party in various 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 and Authority counsel, the ultimate disposition of these matters will not have material adverse effect on the financial position or results of operations of the Authority, except as described below.

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' Cooper River Rediversion 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. In 2006, the Corps moved to intervene and transfer the District Court action to the Court of Federal Claims. The Authority joined in this motion. The District Court denied the motion and the issue is on appeal to the United States Court of Appeals for the Federal Circuit. No estimate relative to potential loss to the Authority can be made at this time.

The U.S. Army Contract Board of Appeals has determined that the contract between the Corps and the Authority requires that the Corps indemnify the Authority for certain claims arising out of the construction and operation of the project.

Note 10 - 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, 2006 and 2005 was approximately $101.0 million and $96.0 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). The Authority is required by the same statute to contribute 8.05 percent of total payroll for retirement and an additional 0.15 percent for group life. The contribution requirement for the years ended December 31, 2006 and 2005 was approximately $8.4 million and $7.7 million, respectively, from the Authority and $6.4 million and $5.9 million, respectively from employees. The Authority made 100 percent of the required contributions for each of the years ended December 31, 2006 and 2005.

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 8.05 percent employer cost) however, 5 percent of the employer amount is directed to the vendor chosen by the employee and the remaining 3.05 percent is to the Retirement System. As of December 31, 2006, thirty-one of the Authority's employees were participants in the State ORP and consequently the related payments are not material.

The Authority is the non-operating owner (one-third share) of SCE&G's V.C. Summer Nuclear Station. As such, the Authority is responsible for funding its share of pension requirements for the nuclear station personnel in accordance with FASB 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, 2006 and 2005, the Authority had over-funded its share of the plan FASB 87 requirements by $10.5 million and $10.2 million, respectively. This receivable will be applied to future years as additional expenditures are required to meet the Authority's funding obligation. The pre-funded amounts are in "Other" within "Deferred debits and other noncurrent assets" on the balance sheet.

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 cost for 2006 and 2005 was approximately $2.1 million and $2.0 million, respectively. The accrued liability at December 31, 2006 and 2005 was approximately $5.7 million and $8.0 million, respectively.

Note 11 - Other Postretirement Benefits:

The South Carolina Retirement System provides certain health, dental, and life insurance benefits for retired employees of the Authority. 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 509 retirees meet these requirements. The cost of the health, dental and life insurance benefits are recognized as expense as the premiums are paid. For each of the years ended December 31, 2006 and 2005, these costs totaled approximately $2.3 million and $2.0 million, respectively. 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 benefits costs for the station's employees. The liability balances as of December 31, 2006 and 2005 were approximately $7.7 million and $7.3 million, respectively.

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 carry forward up to 45 days of vacation leave and 180 days of sick leave from one calendar year to the next. 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.

Note 12 - Credit Risk and Major Customers:

Sales to two major customers for the years ended December 31, 2006 and 2005 were as follows:

	2006	2005
	(Thousands)	
Central (including Saluda)	**$ 722,000**	$ 676,000
Alumax of South Carolina	**$ 147,000**	$ 143,000

No other customer accounted for more than 10 percent of the Authority's sales for either of the years ended December 31, 2006 or 2005.

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

Note 13 - Storm Damage:

In August 2004, the Authority's system sustained damages from Hurricanes Charley and Gaston. As of December 31, 2006, cost estimates to repair and replace the Authority's damaged facilities are approximately $9.2 million with $3.9 million representing damage to the Jefferies Steam and Hydro Generation facilities and $3.1 million representing damage to the East and West Dams in Pinopolis. The remaining costs reflect damage to other facilities including the transmission and distribution systems, seawalls at the Wampee and Somerset properties, dump truck bodies, and costs of clearing roads and subdivisions.

The Authority has filed for and anticipates disaster relief assistance from federal sources. This assistance is expected to be 75 percent of storm damage costs or approximately $6.8 million.

Through December 31, 2006, the Authority had received $3.1 million in federal assistance on both storms. The Authority does not expect to increase rates due to the impact of Hurricanes Charley and Gaston and foresees no measurable long-term impact on its operations or the demand for electricity by its customers.

Note 14 – Subsequent Event:

The Authority's new 600-MW pulverized coal-fired facility at Cross Generating Station Unit 3 began commercial operation on January 1, 2007.

Schedule of Bonds Outstanding(1)
Unaudited
As of December 31, 2006
(In Thousands)

	REVENUE BONDS				REVENUE OBLIGATIONS									
Maturity	1997A		1998B		1999A		1999B		2001A		2002A		2002B	
Date	Refunding Series		Refunding Series		Tax-Exempt Series		Taxable Series		Improvement Series		Refunding Series		Tax-Exempt Series	
Jan 1	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt
2007			4 1/2	750	4.80	6,695	7.12	4,705	4.00	2,155	5.00	4,105		
2008			4 1/2	785	5 1/2	7,070	7.17	4,980	4 1/2	2,240	5 1/2	7,860		
2009			4 1/2	825	5 1/2	7,480	7.22	5,270	4 1/2	2,340	5 1/2	8,290	5.00	3,815
2010	4 7/8	2,505	4.70	865	5 1/2	7,940	7.27	5,590 *		2,450 (2)	5 1/2	8,745	5.00	6,835
2011	4.90	9,780	4 3/4	905	5 1/2	18,325	7.27	38,390 *			5 1/2	10,110		
2012	5.00	15,040	5 1/4	955 *	5 5/8	10,910	7.32	1,465	5.00	2,565	5 1/2	11,555	5 3/8	7,175
2013	5.00	15,815	5 1/4	1,010 *	5 5/8	11,540	7.37	1,580	5.00	2,690	5 1/2	12,190	5 3/8	7,565
2014	5.00	16,630	5.00	1,065 *			7.42	1,700	5.00	2,830	5 1/2	7,310	5 3/8	7,970
2015	5.00	12,980	5.00	1,120 *					5 1/4	2,965	5 1/2	2,155	5 3/8	8,395
2016	5.00	9,095 *	5.00	1,180 *					5 1/4	3,125	5 1/2	2,315	5 3/8	8,850
2017	5.00	9,485 *	5.00	1,245 *					5 1/4	3,290	5 1/2	2,480	5 3/8	9,325
2018	5.00	22,410 *	5.00	1,310 *					5 1/4	2,800	5 1/2	2,615	5 3/8	9,825
2019	5.00	17,755 *	5.00	1,380 *					5 1/4	2,945	5 1/2	6,185	5.00	2,000
2020	5.00	380 *	5.00	1,455 *					5 1/4	3,100	5 1/8	8,700		
2021	5.00	400 *	5.00	1,530 *					4 3/4	3,265 *	5 1/8	6,000		
2022	5.00	420 *	5.00	1,615 *					4 3/4	3,420 *				
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 *											5 1/8	2,555 *
2032	5 1/8	7,710 *											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														
Add:														
Total Outstanding														
As of 12/31/06		204,885		22,485		69,960		63,680		42,180		100,615		271,140
Bonds Redeemed														
As of 12/31/06		9,670		4,330		23,355		61,640		4,105		7,420		0
Bonds Refunded														
As of 12/31/06		0		0		105,005		0		0		0		10,000
Less:														
Accreted Value														
as of 12/31/06		-		-		-		-		-		-		-
Net:														
Original Issue Amt.		214,555		26,815		198,320		125,320		46,285		108,035		281,140

	REVENUE OBLIGATIONS													
Maturity	2002C		2002D		2003A		2004A		2004B		2004M		2005A	
Date	Taxable Series		Refunding Series		Refunding Series		Tax-Exempt Series		Taxable Series		Tax-Exempt Series		Refunding Series	
Jan 1	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt
2007	5.27	30,865	5.00	21,715			2 1/2	270						
2008	5.51	20,970	4.00	28,690			5.00	4,665						
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			5 1/2	8,635
2015			5 1/4	27,645	5.00	23,575	5.00	7,430	4.52	3,250	4 1/4	12,973	5 1/2	11,395
2016			5.00	18,340	5.00	27,285	5.00	18,250			4 3/8	5,283 (3)	5 1/2	17,705
2017			5.00	19,195	5.00	18,980	5.00	41,540					5 1/4	4,880
2018			5.00	20,095	5.00	13,985	5.00	44,525					5 1/4	5,190
2019			5.00	31,095	5.00	19,120	5.00	34,245					5 1/4	14,520
2020			5.00	40,860	5.00	22,960	5.00	35,400					5 1/4	28,900
2021			5.00	28,420	5.00	26,125	5.00	38,255					5 1/4	23,890
2022					5.00	28,380	5.00	66,780					5 1/4	10,180
2023							4 3/8	3,135			4.90	6,691		
2024							4 1/2	3,265			5.00	3,530 (3)		
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 *						
Add:														
Total Outstanding														
As of 12/31/06		51,835		395,840		335,030		434,610		17,635		28,477 (3)		125,295
Bonds Redeemed														
As of 12/31/06		39,940		44,920		0		260		0		398		0
Bonds Refunded														
As of 12/31/06		0		0		0		0		0		0		0
Less:														
Accreted Value														
as of 12/31/06		-		-		-		-		-		921		-
Net:														
Original Issue Amt.		91,775		440,760		335,030		434,870		17,635		27,954		125,295

	REVENUE OBLIGATIONS																
Maturity	2005B		2005C		2005M		2006A		2006B		2006M		2006C		Total	Total	Total
Date	Refunding Series		Refunding Series		Tax-Exempt Series		Tax-Exempt Series		Taxable Series		Tax-Exempt Series		Refunding Series		Principal	Revenue	Debt
Jan 1	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Int. Rate	Amt	Maturities(9)	Interest(9)	Service(9)
2007							3 1/4	5,215							76,475	159,642	236,117
2008	5.00	7,600					3 1/4	4,490	4.90	11,070					100,420	157,447	257,867
2009							3 3/8	7,975	4.90	7,750					95,225	152,583	247,808
2010	5.00	19,155					5.00	3,380	4.90	14,045					110,695	147,341	258,036
2011	5.00	10,255					3.40	3,165	4.90	13,000					112,985	141,220	254,205
2012	5.00	8,915			3.65	3,880	3 1/2	4,065	4.95	10,000					115,885	134,981	250,866
2013	5.00	9,355					3.60	5,000	5.00	13,750	3 3/4	2,639			129,359	128,704	258,063
2014	5.00	5,660					3 5/8	5,000	5.00	28,250				12,550 (7)	149,945	121,564	271,509
2015							5.00	10,000	5.05	31,250				13,165 (8)	168,298	113,512	281,810
2016					4.00	7,704 (3)	5.00	34,400					5.00	13,800	167,333	109,169 (10)	276,502
2017	5.00	18,690						39,655 (5)					5.00	14,515	183,280	96,652	279,932
2018	5.00	19,580					5.00	13,285			4.00	4,127 (3)	5.00	9,205	168,952	88,728 (10)	257,680
2019	5.00	20,505					5.00	21,700					5.00	9,685	181,135	79,081	260,216
2020	5.00	21,555					5.00	9,375					5.00	10,180	182,865	69,899	252,764
2021	5.00	43,650					4 1/8	4,880					5.00	10,710	187,125	60,595	247,720
2022	5.00	67,485					4.20	4,000					5.00	11,260	193,540	51,078	244,618
2023	5.00	25,600	4 3/4	26,060	4.35	3,967 (3)	5.00	16,500			4.20	3,156 (3)			87,251	46,552 (10)	133,803
2024			4 3/4	25,440			5.00	24,700							59,190	45,423 (10)	104,613
2025				26,650 (4)			5.00	25,000							56,550	38,054	94,604
2026							5.00	18,000							52,015	35,379	87,394
2027							5.00	19,000							54,705	32,710	87,415
2028							5.00	23,400							60,895	29,847	90,742
2029							5.00	24,600							63,920	26,779	90,699
2030								26,080 (6)							67,295	23,560	90,855
2031							5.00	24,565 *							70,370	20,171	90,541
2032							5.00	9,870 *							63,705	16,828	80,533
2033							5.00	10,370 *							47,240	14,005	61,245
2034							5.00	10,870 *							49,660	11,522	61,182
2035							5.00	11,370 *							52,140	8,934	61,074
2036							5.00	11,955 *					4 1/2	9,685	54,490	6,253	60,743
2037							5.00	12,735 *							57,820	3,428	61,248
2038							5.00	13,370 *							19,715	1,466	21,181
2039							5.00	12,795 *							19,455	486	19,941
Add:																	
Total Outstanding																	
As of 12/31/06		278,005		78,150		15,551 (3)		470,765		129,115		9,922 (3)		114,755	3,259,931	2,173,593	5,433,524
Bonds Redeemed																	
As of 12/31/06		0		0		32		0		0		0		0	196,070		
Bonds Refunded																	
As of 12/31/06		0		0		0		0		0		0		0	115,005		
Less:																	
Accreted Value																	
as of 12/31/06		-		-		216		-		-		21		-	1,158		
Net:																	
Original Issue Amt.		278,005		78,150		15,367		470,765		129,115		9,901		114,755	3,569,846		

* Term Bonds
(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 12/31/06.
(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) Included in year that payment is made.
(10) Includes remaining accretion on Capital Appreciation Bonds.

Schedule of Refunded Bonds Outstanding
Unaudited
As of December 31, 2006
(In Thousands)

Call Date	January 1, 2010		January 1, 2010	
Series	1999A		2002B	
Original Maturity	Tax-Exempt Series		Tax-Exempt Series	
Jan 1	Int. Rate	Amt	Int. Rate	Amt
2007				
2008				
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				
Totals per Series		105,005		10,000
Totals per Call Date				115,005

See Schedule of Bonds Outstanding for footnotes.

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.

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.

Paul G. Campbell, Jr.
Berkeley County
Goose Creek, S.C.

Retired plant manager of Alcoa Mt. Holly. Alcoa is a producer and manager of primary aluminum, fabricated aluminum and alumina facilities.

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
6^{th} 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.
5^{th} Congressional District
Gaffney, S.C.

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

David 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
4^{th} 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

Grady L. Patterson Jr. [1]
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 [2]	*Business Services and Treasurer*
Wm. Glen Brown	*Human Resource Management*
Zack W. Dusenbury	*Retail Operations*
Glenda W. Gillette	*Controller*
Thomas L. Kierspe	*Engineering and Construction Services*
L. Phil Pierce	*Fossil and Hydro Generation*
Suzanne H. Ritter	*Corporate Planning and Bulk Power*
Laura G. Varn	*Corporate Communications and Media Relations*

Thomas L. Richardson	*Auditor*
Pamela J. Williams	*Corporate Secretary & Associate General Counsel – Corporate Affairs*

1 In November 2006, Thomas Ravenel was elected State Treasurer and was sworn in January, 2007.

2 H. Roderick Murchinson retired from Santee Cooper on March 31, 2006. Jeffrey D. Armfield was promoted to VP Business Services and Treasurer.

Glossary

Availability – The amount of time that a system is available to provide service, usually expressed in percentage, for a specific period of time such as a month or year.

Base-load generating unit – A plant, usually housing high-efficiency steam-electric units, which is normally operated to take all or part of the minimum load of a system, and which consequently produces electricity at an essentially constant rate and runs continuously. These units are operated to maximize system mechanical and thermal efficiency and minimize system operating costs.

Btu (British thermal unit) – The standard unit for measuring quantity of heat energy, such as the heat content of fuel. It is the amount of heat energy necessary to raise the temperature of one pound of water one degree Fahrenheit.

Capacity – The load for which a generating unit, generating station, or other electrical apparatus is rated either by the user or by the manufacturer.

Combustion turbine – A jet-type turbine engine which burns gas or oil and propels a generator to produce electricity.

Commercial customer – All nonresidential retail customers served under the General Service rate schedules. Generally, these customers have a demand less than 1,000 kW per month.

Demand – The rate at which electric energy is delivered to or by a system, part of a system or a piece of equipment. It is expressed in kilowatts at a given instant or averaged over any designated period of time. The primary source of "demand" is the power-consuming equipment of the customers.

Distribution – The process of delivering electric energy from convenient points on the transmission or bulk power system to the consumers. Also, a functional classification relating to that portion of a utility plant used for the purpose of delivering electric energy from convenient points on the transmission system to consumers, or to expenses relating to the operation and maintenance of a distribution plant.

Electric cooperative – A private business entity owned by the customers it serves that supplies electric energy to a specified area. In South Carolina, there are 20 electric distribution co-ops, all of which receive Santee Cooper- generated power.

Energy sales – The sale of electric energy to wholesale and retail customers usually expressed in kilowatt-hours.

FERC (Federal Energy Regulatory Commission) – An independent federal agency created within the Department of Energy, FERC is vested with broad regulatory authority over wholesale electric, natural gas and oil production and the licensing of hydroelectric facilities. Among other things, the agency has regulatory authority over the safety of Santee Cooper's dams and dikes.

Fly ash – Gas-borne particles of matter resulting from the combustion of fuels and other materials.

Generating unit – A combination of equipment needed to produce electricity, such as a turbine-generator and its boiler. A generating station usually consists of several units.

Green power – Electricity generated by renewable resources like methane gas from decomposing garbage. These resources are replenished naturally and minimize harm to the environment.

Gypsum – This is both a naturally occurring and an artificially produced calcium **sulfate** ($CaSO_4$) compound. It is used for a multitude of purposes including sheetrock, fertilizer and cement production. Artificial gypsum may be produced by utilities using forced-oxidation desulfurization systems.

Heat rate – A measure of generating station thermal efficiency, generally expressed in Btu per net kilowatt-hour. It is computed by dividing the total Btu content of fuel burned for electric generation by the resulting kilowatt-hour generation. The lower the heat rate, the more efficient the production.

Industrial customer – Very large retail customers served under Santee Cooper's Large Light and Power rate schedule (or associated riders). These customers have a demand greater than 1,000 kW.

Interchange - Power delivered to or received by one electric utility system from another through an interconnection or "tie."

Kilowatt (kW) – 1,000 watts.

Kilowatt-hour (kWh) – The basic unit of electric energy equal to one kilowatt (1,000 watts) of power flowing through an electric circuit steadily for one hour.
Load – The amount of electric power delivered or required at any specified point or points on a system.

Megawatt (MW) – One million watts or 1,000 kilowatts.

Megawatt-hour – The basic unit of electric energy equal to one megawatt (1,000 kilowatts) of power flowing through an electric circuit steadily for one hour.

Nuclear energy - Energy produced in the form of heat during the fission process in a nuclear reactor. When released in sufficient and controlled quantity, this heat energy may be used to produce steam to drive a turbine generator to produce electricity.

Peak demand – The maximum amount of electricity used by a utility customer at any instant during a specific time period. The peak is used to measure the amount of electric generating capacity that is required to meet that maximum demand.

Public power – Refers collectively to those utilities owned by municipalities or the state or federal government. Although not government owned, electric cooperatives are sometimes considered within the scope of public power.

Regional Transmission Organization (RTO) – A voluntarily created entity approved by the Federal Energy Regulatory Commission to efficiently coordinate transmission planning, operation and use on a regional and interregional basis. It

Reinvested earnings – Net revenues available for reinvestment in the business.

Reliability (electric system) – A measure of the ability of the system to continue operation while some lines or generators are out of service. Reliability deals with the performance of the system under stress.

Residential customer – The classification of customers to whom electricity is sold for household purposes.

Retail customer – These customers are the ultimate consumer of electric energy. Includes residential, commercial, small industrial and other non-wholesale customers.

Revenue bond – A bond payable solely from net or gross non-taxable revenues derived from the operation and charges paid by users of the system.

Service area - Territory in which a utility system is required or has the right to supply electric service to customers.

Substation – An assembly of equipment for the purpose of switching and/or changing or regulating the voltage of electricity.

Tax-exempt financing – A form of financing employed by publicly owned utilities that allows such utilities to issue bonds where the interest paid on the bonds is not generally subject to taxation. This policy, established in law, stems from the long-standing philosophical viewpoint that publicly owned utilities (electric, water, sewer) provide basic services to the citizens they serve and thus should not be taxed.

Transmission – The process of transporting electric energy in bulk from a source or sources of supply to other principal parts of the system or to other utility systems. Also, a functional classification relating to that portion of utility
plant used for the purpose of transmitting electric energy in bulk to other principal parts of the system or to other utility systems, or to expenses relating to the operation and maintenance of transmission plant.

Watt – The basic electrical unit of power or rate of doing work. The rate of energy transfer equivalent to one ampere flowing due to an electrical pressure of one volt at unity power factor. One watt is equivalent to approximately 1/746 horsepower, or one joule per second.

Wholesale customer – A customer who purchases all or part of his or her electricity from the electric utility for resale.

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