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.

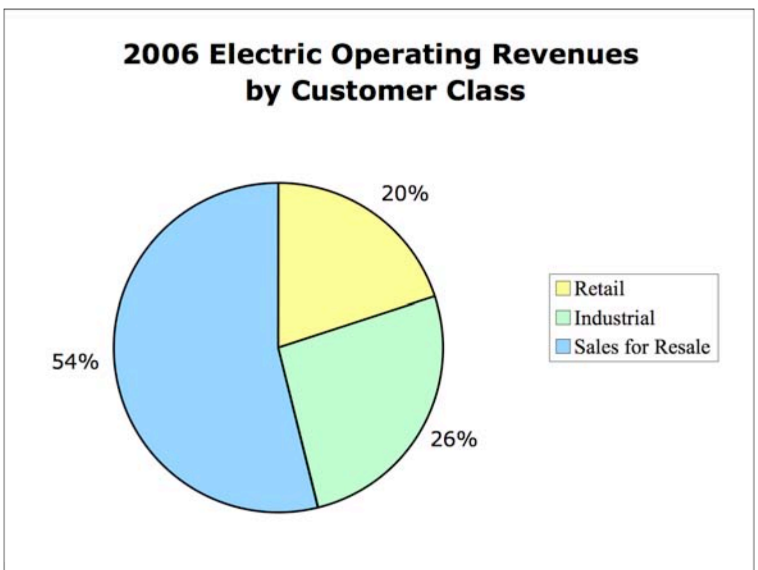
Results of Operations

	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

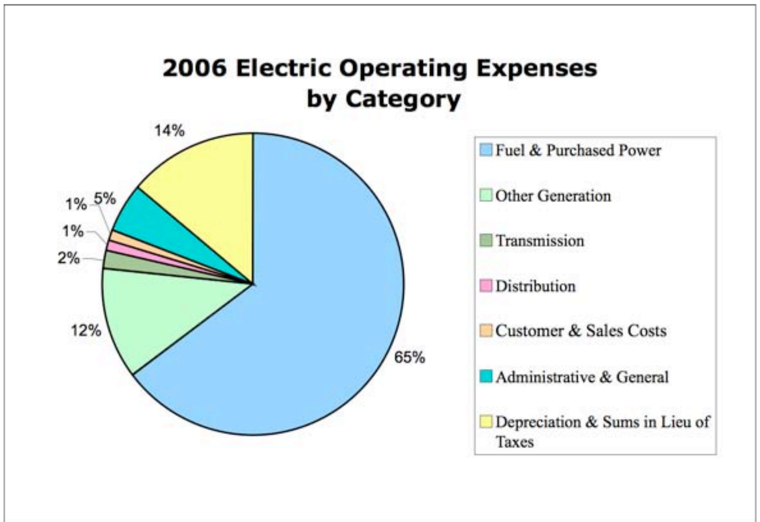
Operating revenues for 2006 increased $63.3 million or 5% over the prior year. A rise in fuel and demand related revenues were the major factors. Energy sales exceeded 25 million megawatts for the second consecutive year. There was a 2% increase in both the industrial and sales for resale customer classes.



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:

	2006 Budget 2007-09	2005 Budget 2006-08	2004 Budget 2005-07
Capital Improvement Expenditures		(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.)