

William C. Mescher

President and
Chief Executive Officer

July 23, 1980

Mr. Frederic D. Chanania
Counsel for NRC Staff
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Dear Mr. Chanania:

This is in response to your letter of July 8, 1980, requesting certain information for the use of the Commission Staff.

1. Since January 1979, has Santee Cooper (South Carolina Public Service Authority) discussed joint ownership of (or other means of access to) generation and transmission facilities with Central Electric Power Cooperative (Central)? If so, provide the dates of such discussions, the results of those discussions, and future plans to continue and conclude such discussions.
1. Yes. The Authority and Central have on a continuing basis since January 1979 discussed joint ownership of generation facilities and access to transmission facilities with Central. These discussions have culminated in a series of agreements between the Authority and Central, copies of which are attached. These agreements, which will eventually supplant virtually all existing contractual agreements between the Authority and Central, have been approved by the Board of Directors of both organizations and have been submitted to the REA for approval. Photo copies of such approvals are enclosed. One such agreement, an interim amendment to the "F" Power Contract between the parties, has received REA approval and has been in effect since July 1, 1980; the remaining agreements remain under consideration by the REA.

Although the agreements are self-explanatory, an overview together with a brief summary of the more significant provisions might be helpful.

Most simplistically, the new agreements provide Central with the opportunity to obtain an ownership interest in future generation facilities constructed by the Authority and to join with the Authority in the coordination and planning of future generating and transmission facilities. The Authority has granted Central an option to purchase an

Mr. Frederic D. Chania
July 23, 1980
Page Two

undivided interest of up to 45 percent in each future generating facility to be constructed by the Authority, and Central has granted the Authority an option to purchase an undivided interest of up to 45 percent in each future generating unit constructed by Central. In addition, Central may construct or acquire generating facilities in addition to those planned jointly by the Authority and Central, and such facilities may, with proper safeguards and where feasible, be connected to the combined Authority-Central system.

With respect to the Authority's Cross Generating Station, which is presently under construction, and which will ultimately consist of four units, the Authority has agreed to grant Central an undivided 45 percent interest (not merely an option) in the entire facility.

With respect to the Summer Nuclear Generating Station, also under construction, the Authority has agreed to grant Central an option to purchase a 33-1/3 percent interest of the Authority's share of that facility. (The Authority holds a 33-1/3 percent interest in the Summer Station; South Carolina Electric & Gas holds the remaining interest.) If the option to purchase an interest in Summer is exercised by Central, the parties have agreed that the Generating Station Ownership and Operating Agreement between the Authority and Central will be substantially the same as the Cross Generating Station Agreement, a copy of which is attached hereto.

The agreements further provided that the Authority is committed to supply Central's power requirements and at rates determined on a cost of service basis (to the extent that Central's load is provided by the Authority rather than by Central through its ownership interest in future generating units). While the Authority is committed to fulfill Central's power requirements, it has also agreed, where power cannot be obtained by the Authority, to wheel power obtained by Central from outside sources.

The foregoing agreements were approved after the Constitution of the State of South Carolina was amended to authorize the Authority to become a part owner with electric cooperatives in electric generation and transmission (Article X, Section 11). The South Carolina Legislature also enacted legislation granting to the Authority the power to become a joint owner with Central in generation and transmission facilities and the power to "make plans and enter into such contracts as are necessary or convenient for the planning, financing, acquisition, construction, ownership, operation and maintenance of such plants and facilities ... " (Section 58-31-210). Copies of the foregoing are also attached.

Mr. Frederic D. Chania
July 23, 1980
Page Three

2. What is the status of discussions with Central for access to the Virgil C. Summer Nuclear Station, Unit 1 facility? If discussions are continuing, please provide information as to which personnel are involved, as to whether unit power or unit ownership is being discussed, and as to whether associated coordination service provisions are being offered by South Carolina Electric and Gas Company (SCE&G) or Santee Cooper.
2. Discussions with Central regarding access by Central to the Virgil C. Summer Nuclear Station have culminated in an agreement which has been approved by the Board of Directors of the Authority and the Board of Trustees of Central. (See Article III, p.11 of Power System Coordination Agreement). The agreement grants to Central an option to purchase one-third of the Authority's share of the Summer Nuclear Station.
3. Has Santee Cooper recently discussed the possibility of merger with Central? If so, what was the nature of these discussions.
3. No.


Aside from the attached agreements, which have been approved by both the Authority and Central but not by the REA (with the exception of the interim amendment to the "F" Power Contract, which has received REA approval and is presently in effect) there have been no changes in Santee Cooper's business or competitive relationship with Central since December 1978. There have been no changes since December 1978 in Santee Cooper's business or competitive relationship with South Carolina Electric & Gas Company.

With respect to the unnumbered questions posed in the final paragraph of your letter of July 8, 1980 concerning changes in the Authority's projections of peak loads and in generation and transmission plans, I am enclosing a tabulation of our current projections of peak loads; a tabulation of our future generating capability; a tabulation of our proposed bulk power lines; a copy of our latest Annual Report; a copy of our latest financial statement; and a copy of a preliminary official statement used in connection with a proposed bond issue.

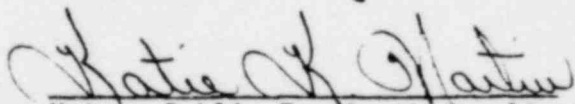
The foregoing information and attachments are true and correct to the best of my knowledge.

Sincerely,

SWORN to before me this 23rd
day of July, 1980.



William C. Mescher, President
Enclosures



Notary Public For South Carolina
My Commission Expires: 9-12-87

AUTHORIZING EXECUTION OF AGREEMENTS
WITH CENTRAL ELECTRIC POWER
COOPERATIVE, INC.

February 25, 1980

Adopted _____

Rejected _____

Postponed _____

RESOLUTION

WHEREAS, for several years the staffs of the Authority and Central Electric Power Cooperative, Inc. ("Central") have conducted extensive negotiations with a view toward the rescission of the F Power Contract and its replacement with a comprehensive agreement pursuant to which Central and the Authority will, among other things, share ownership in future additions to the Authority's system and Central will reimburse the Authority for electricity and services on a cost-of-service basis; and,

WHEREAS, the aforesaid negotiations have resulted in agreement by the Parties' staffs as to the form and content of a number of proposed agreements, namely:

1. Power System Coordination and Integration Agreement;
2. Cross Generating Station Ownership and Operating Agreement;
3. Cross Generating Station Lease Agreement; and,
4. Agreement for the Use of a Portion of Authority Microwave System by Central for Load Management and Data Retrieval
5. Amendment No. 10 to "F" Wholesale Power Contract

and,

WHEREAS, copies of the agreements listed above have been furnished to the members of the Board; and,

WHEREAS, Central's Board of Trustees, by resolution adopted on February 15, 1980, approved the execution of those agreements; now, therefore,

BE IT RESOLVED, that the President is authorized to execute on behalf of the Authority the agreements listed in this resolution, with such minor changes therein as in his opinion are necessary or desirable; provided, however, that should the Authority's Trust Indenture or Bond Resolution require that all or a portion of monies to be paid by Central to the Authority be used to retire any of the Authority's priority obligations, Central shall pay any expenses or penalties which are incurred by the Authority in retiring such obligations; provided further, that the approval contained in this resolution is conditioned upon the opinion of Authority's bond counsel to the effect that nothing contained in the contracts will adversely affect the tax exempt status of the Authority's debt issuances.

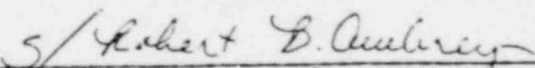
CC: Board of Engineers
Wayne Co. Co.

POOR ORIGINAL

CERTIFIED COPY OF RESOLUTION

RESOLVED, that the Power System Coordination and Integration agreement with the South Carolina Public Service Authority as presented to the Board is approved for submission to the Rural Electrification Administration for comment and approval and subject to the following language changes as may be approved by the Executive Vice President and General Manager: (1) "Debt Coverage" provision, (2) "Central's Territory" provision (3) Other language changes needed to conform the present draft to the changes agreed upon in the latest negotiating session with the Authority.

This is to certify that the foregoing is a true and correct copy of a resolution adopted by the Board of Directors of Central Electric Power Cooperative, Inc. at its special meeting of the Board on February 15, 1980, and that same has neither been modified nor rescinded.



Robert B. Awbrey, Secretary

AVERAGE ANNUAL GROWTH RATES

SUMMER & WINTER PEAKS

EBASCO

<u>FY</u>	<u>Winter</u>	<u>Change</u>	<u>Summer</u>	<u>Change</u>
81	1794		1868	
82	1894	5.3%	1966	5.0%
83	2024	6.4%	2084	5.7%
84	2173	6.9%	2227	6.4%
85	2334	7.0%	2377	6.3%
86	2487	6.2%	2518	5.6%
87	2554	6.3%	2672	5.8%
88	2834	6.4%	2836	5.8%
89	3020	6.2%	3003	5.6%
90	3216	6.1%	3174	5.4%

GROWTH RATE FOR MWH

FY 81	26.1% - Due to Alumax
FY 82	9.8%
FY 83	4.3%
FY 84	4.9%
FY 85	5.3%
FY 86	4.9%
FY 87	4.7%
FY 88	4.8%
FY 89	4.7%
FY 90	4.5%

ITEM 2-B

Region SEPC

FUTURE GENERATING CAPABILITY INSTALLATIONS AND REMOVALS
(After the Beginning of the Reporting Calendar Year)

Party VACAR

Station	Station Name and Unit No.	Loc.	Unit Type	Primary Fuel				Alternate Fuel		Effective Date	Notes	Status
				Mcf		Fuel Type	Transp. Method	Fuel Type	Transp. Method			
				Summer	Winter							
01	02	03	04	05	06	07	08	09	10	11	12	
SOCA	Winyah Steam Unit #3	45043	ST	280	280	BIT	RR			5/80		
SOCA	Summer Nuclear Unit #1	45039	NP	300	300	UR	TK			12/80	A	V
SOCA	Winyah Steam Unit #4	45043	ST	280	280	BIT	RR			5/81		U
SOCA	Cross Site Unit #2	45015	ST	450	450	BIT	RP			11/83		L
SOCA	St. Stephen Hydro Unit #1	45015	HY	28	28	WAT				1/85	B	U
SOCA	St. Stephen Hydro Unit #2	45015	HY	28	28	WAT				1/85	B	U
SOCA	St. Stephen Hydro Unit #3	45015	HY	28	28	WAT				1/85	B	U
SOCA	Cross Site Unit #1	45015	ST	450	450	BIT	RR			11/86		L
SOCA	Cross Site Unit #3	45015	ST	450	450	BIT	RR			11/88		L

A - 900 MW Unit Operated by SOCG, Owned 600 MW By SOCG and 300 MW By SOCA

B - Owned by U. S. Army Corps of Engineers, Dispatched by and for SOCA

V - Under construction, more than 50% complete

U - Under construction, less than 50% complete

L - Regulatory Approval Pending

ITEM 5-B

LIST OF PROPOSED BULK POWER LINES

Line Ownership	Terminals	Line Length		Expected Service Date	Nominal Voltage in KV		Notes
		km 03	miles 04		Oper. 06	Design 07	
000A	Summer Blythewood	30.6	19.0	6-80	230	230	Deliver Generator Output
000A	Summer Newberry	22.5	14.0	6-80	230	230	Deliver Generator Output
000A	Winyah Jefferies	67.6	42.0	6-80	230	230	Deliver Generator Output
000A	Jefferies Carnes Crossroads	24.1	15.0	6-80	230	230	Relieve Overloads
000A	Varnville Bluffton	82.1	51.0	6-80	230	230	Maintain Adequate Voltage
000A	Jefferies Carnes Crossroads	24.1	15.0	12-80	230	230	Relieve Overloads
000A	Winyah Hemingway	40.2	25.0	5-81	230	230	Deliver Generator Output
000A	Winyah Charity	67.6	42.0	6-81	230	230	Deliver Generator Output
000A	Yemassee Carnes Crossroads	91.9	57.1	6-82	230	230	Maintain Adequate Voltage
000A	Cross Site Carnes Crossroads	40.2	25.0	11-83	230	230	Deliver Generator Output
000A	Cross Site Kingstree	48.3	30.0	11-83	230	230	Deliver Generator Output
000A	Cross Site Jefferies	32.2	20.0	11-83	230	230	Deliver Generator Output
000A	Marion Hemingway	40.2	25.0	6-84	230	230	Maintain Adequate Voltage
000A	Site HM Mayesville	99.8	62.0	6-85	230	230	Maintain Adequate Voltage
000A	Batesburg Aiken	33.9	21.1	6-86	230	230	Maintain Adequate Voltage
000A	Varnville St. George	64.2	39.9	11-86	230	230	Maintain Adequate Voltage
000A	Cross Site St. George	46.7	29.0	11-86	230	230	Deliver Generator Output
000A	Varnville Bluffton	71.4	44.4	6-87	230	230	Maintain Adequate Voltage
000A	Site HM Perry Road	53.1	33.0	6-87	230	230	Relieve Overloads
000A	Cross Site Carnes Crossroads	40.2	25.0	11-88	230	230	Deliver Generator Output
000A	Lugoff Mayesville	75.6	47.0	6-89	230	230	Maintain Adequate Voltage
000A	Marion Darlington	56.3	35.0	6-89	230	230	Maintain Adequate Voltage

Research and Practice References—

63 Am Jur 2d, Public Funds §§ 45 et seq.
81 CJS, States §§ 160 et seq.

§ 9. Statement of receipts and expenditures.

An accurate statement of the receipts and expenditures of the public money shall be published annually in such manner as may be prescribed by law. (1976 (59) 2217; 1977 (60) 90.)

Editor's Note—

The present provisions of this section are similar to former § 8 of Article X as it existed prior to the 1977 revision.

§ 10. Claims against State.

The General Assembly may direct, by law, in what manner claims against the State may be established and adjusted. (1976 (59) 2217; 1977 (60) 90.)

Editor's Note—

The provisions of this section are identical to § 2 of Article XVII.

Research and Practice References—

72 Am Jur 2d, States, Territories, and Dependencies §§ 99 et seq.
81 CJS, States §§ 194 et seq.

§ 11. Credit of State and political subdivisions.

The credit of neither the State nor of any of its political subdivisions shall be pledged or loaned for the benefit of any individual, company, association, corporation or any religious or other private education institution except as permitted by Section 1 of Article XI of this Constitution. Neither the State nor any of its political subdivisions shall become a joint owner of or stockholder in any company, association or corporation. The General Assembly may, however, authorize the South Carolina Public Service Authority to become a joint owner with privately owned electric utilities, including electric cooperatives, of electric generation or transmission facilities, or both, and to enter into and carry out agreements with respect to such jointly owned facilities. (1976 (59) 2217; 1977 (60) 90; 1979 Act No. 1, eff January 24, 1979.)

Editor's Note—

The provisions of the first two sentences of this section are somewhat similar to the first sentence of former § 6 of Article X as it existed prior to the 1977 revision; the provisions of the third sentence of this section are identical to the second sentence of former § 6 of Article X as it existed prior to the 1977 revision.

Effect of Amendments— The 1979 amendment specifies that electric cooperatives are among the privately owned electric facilities with which the South Carolina Public Service Authority may be permitted to enter into joint ownership and other agreements regarding electric generation or transmission facilities.

PUBLIC SERVICE AUTHORITY

§ 58-31-210

municipal corporation and is thus immune to an action ex delicto the same as the State itself. *Boyce v Lancaster County Natural Gas Authority* (1976) 266 SC 398, 223 SE2d 769.

§ 58-31-100. Payment of additional sums in lieu of taxes.

Related Local Laws—

As to division of Orangeburg County's share of payments required by this section, see Index to Local Laws.

§ 58-31-180. Diversion of water from Sampit River, Penny Royal Creek and their tributaries for use in operation of generating plant.

ALR and L Ed Annotations—

Liability for overflow of water confined or diverted for public water power purposes. 91 ALR3d 1065.

§ 58-31-190. Diversion of water from Santee River and its tributaries for use in operation of generating plant.

ALR and L Ed Annotations—

Liability for overflow of water confined or diverted for public water power purposes. 91 ALR3d 1065.

§ 58-31-210. Public Service Authority empowered to enter joint ownership of electric generation and transmission facilities with Central Electric Power Cooperative.

The South Carolina Public Service Authority shall have the power to become a joint owner with Central Electric Power Cooperative, Inc., of electric generation and transmission facilities, the power to plan, finance, acquire, own, operate and maintain an undivided interest in such plants and facilities necessary or incidental to the generation and transmission of electric power and the power to make plans and enter into such contracts as are necessary or convenient for the planning, financing, acquisition, construction, ownership, operation and maintenance of such plants and facilities; *provided*, however, that the Public Service Authority shall own a percentage of such plants and facilities equal to the percentage of the money furnished or the value of property supplied by it for the acquisition and construction of the plants and facilities and shall own and control a like percentage of the electrical output thereof; *provided*, further, that the Public Service Authority shall be severally liable in proportion to its ownership share of such plants and facilities for the acts, omissions or obligations performed, omitted or incurred by Central Electric Power Cooperative, Inc., while acting as the designated agent of the Public Service Authority for purposes of constructing, operat-

ing or maintaining the plants and facilities or any of them, but shall not otherwise be liable, jointly or severally, for the acts, omissions or obligations of Central Electric Power Cooperative, Inc.; nor shall any money or property of the Public Service Authority be credited or otherwise applied to the account of Central Electric Power Cooperative, Inc., or be charged with any debt, lien or mortgage as a result of any debt or obligation of Central Electric Power Cooperative, Inc. Nothing in this section shall be construed to prevent the Public Service Authority from leasing facilities or interests therein from Central Electric Power Cooperative, Inc., and incurring obligations under such leases.

HISTORY: 1979 Act No. 46 eff April 16, 1979.

Cross references—

As to constitutional authorization for authority to enter joint ownership with electric cooperative, see SC Const. Art. X, § 16.

Chapter 33

Utility Facility Siting and Environmental Protection

ARTICLE I

SHORT TITLE; DEFINITIONS

§ 58-33-10. Short title.

Cross references—

As to Joint Municipal Electric Power and Energy Act, see Chapter 23 of Title 6.

CHAPTER 35 [New]

Underground Utility Damage Prevention Act

SEC.

- 58-35-10. Short title.
- 58-35-20. Definitions.
- 58-35-30. Effect of permit on liability.
- 58-35-40. Determination of location of underground utilities prior to excavation or demolition.
- 58-35-50. Exemptions.
- 58-35-60. Notice of intent to excavate or demolish.
- 58-35-70. Operators shall form association for mutual receipt of notice.
- 58-35-80. Information to be supplied by operators.
- 58-35-90. Notice in case of emergency excavation or demolition.
- 58-35-100. Additional duties of persons responsible for excavation or demolition.
- 58-35-110. Notification required when damage done.
- 58-35-120. Penalties; actions; effect on civil remedies.

§ 58-35-10

This chapter
Prevention Act

HISTORY: 1979

Cross reference

As to telephone
As to the underground
§ 58-12-70.

§ 58-35-2

As used in

(1) "Association"
representative
public utility
notice of excavation

(2) "Damage"
or lateral
excavation or
construction of
of a utility

(3) "Demolition"
a structure
or removal of
explosives

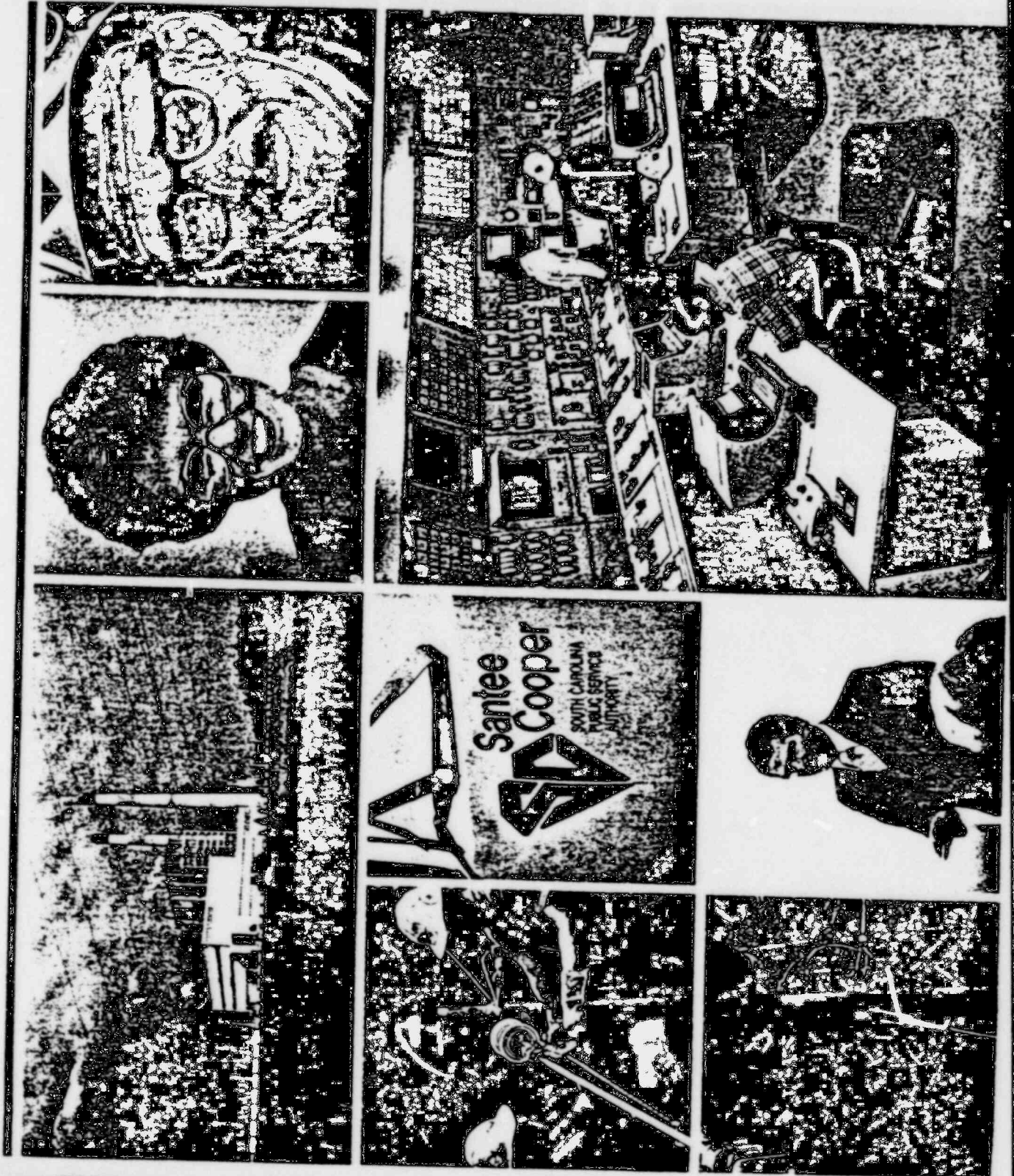
(4) "Excavation"
purpose of
materials
by discharge
digging,
ing-in, r
ing the
landscap
yard of s


(5) "Excavation"
means of
shovels,
and other
pipe.

(6) "Excavation"
ship, as
any state
authority

(7) "Excavation"
used for

Annual Report 1979





Our product is energy
but our most important
resource is people.

44th An

For the Fiscal Year End

Compar

Energy Sales (milli
Peak Demand*
Customers Served
Average Annual-Re
Average Residential
Operating Revenue
Gross Income
Electric Operating E
Gross Expenses
Reinvested Earning

*Calendar year

44th Annual Report

For the Fiscal Year Ended June 30, 1979

Comparative Highlights

	FY79	FY78	% Change
Energy Sales (million Kwh)	5,953	5,562	7.0
Peak Demand*	1,352 Mw	1,231 Mw	9.8
Customers Served	47,151	44,279	6.5
Average Annual-Residential Consumption Kwh	12,097	13,174	(8.2)
Average Residential Cost per Kwh	3.44 ^c	3.27 ^c	5.2
Operating Revenue	\$135,697,426	\$118,980,177	14.1
Gross Income	\$140,612,400	\$122,427,480	14.9
Electric Operating Expenses	\$103,928,136	\$ 88,143,827	17.9
Gross Expenses	\$129,821,871	\$116,911,887	11.0
Reinvested Earnings	\$ 10,790,530	\$ 5,515,593	95.6

*Calendar year

Table of Contents

Message From The Chairman of the Board	2
Message From The President	3
Generation	5
Systems Operations	8
Service Territory	12
Energy Sales	14
Revenue Dollar	15
Commercial Operations	16
Industrial Development	20
Industrial Relations	21
Finance and Accounting	23
State Ownership and Advisory Board	28
Board of Directors	29
Management	29
Annual Audit	Enclosed

Message from the Chairman of the Board

Message from

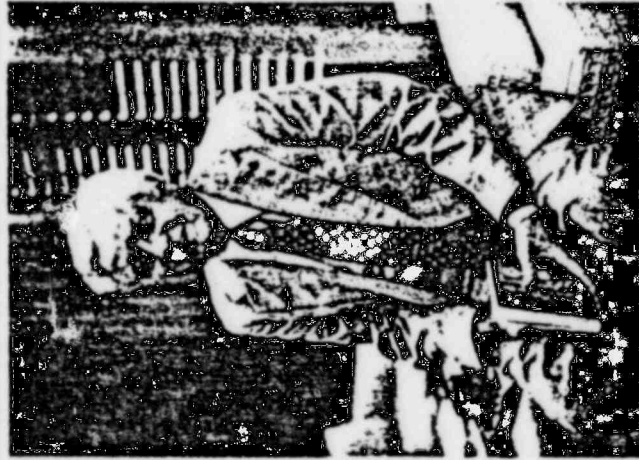
2

People and Energy. Santee Cooper's two greatest resources.

Providing quality electrical service to the people we serve--our customers-- continues to be our greatest concern. Providing them the energy they need to live comfortably and securely, to conduct business, to benefit from a healthy and growing economy is the goal of Santee Cooper's most important resource--our employees.

The dedication and professional performance of Santee Cooper's "power people" have met the challenges of growth and development that continue throughout our service area. In spite of the unusual inflationary impact on electric utilities and a decreasing supply of low cost fuel resources, the people at Santee Cooper have been able to deliver energy to its customers at some of the lowest rates in the country.

Expanding our power generation, transmission, and distribution capabilities to meet the growing demands of our customers is considered our major challenge. Although the national economy began to slow down, Santee Cooper continued to experience increases in electric sales to its customers, including high peak demands.



Our second greatest challenge is effective planning and management to maintain revenues sufficient to meet the costs of operation at reasonable rates for our customers. To assure that Santee Cooper's financial health is maintained in good order, our financial position and rate structures are continually monitored by our staff with periodic reviews by outside consultants.

This annual report summarizes many of the important events and activities that encompassed another successful year of progress and growth for Santee Cooper. These achievements were made possible only through the superb teamwork and commitment for excellence on the part of Santee Cooper employees. This record of performance substantiates the fact that although Santee Cooper's product is energy, its most important resource is people.

Robert S. Davis

Although the pressures of the recession have slowed the economy, Santee Cooper continues to experience growth in energy industrial expansion consistent with the national average. Customer plans for growth highlight us as one of the fastest growing electric utilities in the country.

Message from the President

2

...change is effective
...to maintain
...cost the costs of
...costs for our
...Santee Cooper's
...in good order,
...structures are
...to our staff with
...consultants.
...many of the
...that
...year of
...Cooper.
...possible
...and
...part of
...This record of
...fact that
...product is energy,
...people



Although the pressures of inflation and recession have slowed the nation's economy, Santee Cooper continues to experience growth in energy sales and industrial expansion considerably above the national average. Customer expansion and plans for growth highlight us as one of the fastest growing electric utilities in the country.

3

The 1979 calendar year summer peak demand increased to 1352 megawatts, an annual growth of 9.8 percent compared to the national average of 0.5 percent.

Total retail and wholesale energy sales, excluding energy sales to other utilities, increased 7.0 percent compared to the national average of 5.0 percent.

Our energy growth this year, although above the national average, was decidedly less than previous years. Major factors responsible for the reduction were the warmer than normal winter and the cooler summer. We also believe our conservation program conducted over the last few years is affecting some of the slowdown.

A rate increase of 2.0 percent to Central Electric Power cooperative became effective January 1, 1979. A rate increase for all other customers became effective in May, 1979. The increase averaged 11.8 percent for commercial, 10.5 percent for industrial, and 9.6 percent for residential customers.

To finance the construction program necessary to meet the demands of our customers, a \$110 million bond issue was sold at a net interest rate of 6.81 percent in April, 1979. The financing provided \$100 million for the partial construction of Winyah Unit No. 4, and \$10 million for general system improvements.

Our federal license to operate the hydro project was renewed for 30 years by the Federal Energy Regulatory Commission in May. The renewal culminated more than 10 years of extensive work to satisfy the changing requirements of the Commission including remapping and surveying of all project boundaries, development of recreational and master land use plans, and land use classifications.

In an effort to utilize what is normally a waste product, we began an aquaculture program using the warmed water discharged from the Winyah Generating Station units for the commercial production of Tilapia, a vegetation-eating tropical fish used for food, and weed control in farm ponds and utility company cooling reservoirs. So far, the demand greatly exceeds our ability to supply the fish.

As a continuing effort to improve service to our customers, a new retail office was opened in Pawleys Island. To satisfy our own growth problems, plans for a new headquarters complex were announced in June, 1979. The new facilities will be constructed on a 75-acre site located on the new Highway 52 Bypass in Moncks Corner. Construction began in late 1979 with completion scheduled for April, 1981.

We face a particularly challenging future during the next four or five years. Load growth is expected to continue exceeding the national average. Amoco Chemical went on line in FY 1979 with additional load assured as a result of their development of an industrial park adjacent to their chemical complex. Alumax, the largest concentrated electrical load in the southeast, is scheduled to go on line with their aluminum reduction plant in July, 1980. Already, the first aluminum-related plant, Jim Walters aluminum foil rolling mill, is under construction with additional satellites expected to follow.

The planning, financing, construction, and operation of the facilities necessary to meet our expected load will demand our best efforts. Acquiring and training staff to plan, construct, and operate the expanded transmission and generating facilities will be especially critical because of the quality of personnel and the time required to develop proficiency. For the generating stations alone, about 200 people will have to be hired and trained over the next four years to operate the units now under construction.

For those reasons, it is of utmost importance that we continue our program of providing a working environment, adequate and equitable compensation, and opportunity for professional advancement capable of attracting and keeping the men and women necessary to continue the successful operation of Santee Cooper.

William C. Mescher

Generation Capacity
Santee Cooper generated kwh of electricity, purchased 231,001,765, 5,952,800, 106 kwh, and in the previous fiscal year of 0.1 generated, 13.7 percent increased and interchanged, and 7. sold. Santee Cooper experienced losses of 307,651,654 kv

Facility Improvements
Santee Cooper has completed improvements to Jefferson electrostatic precipitators. Improvements, all generating units, meet clean air quality standards.

Station Construction
Construction on two additional coal-fired units at the Win Station near Georgetown is scheduled. Unit No. 3 is scheduled for commercial operation May 1982, 60 percent complete at that time. Unit No. 4 is scheduled for operation in May, 1982 and is 100 percent complete. The estimated cost of the two units are \$142 million and \$142 million respectively.

Generation

4

5

Generation Capacity and Load Growth

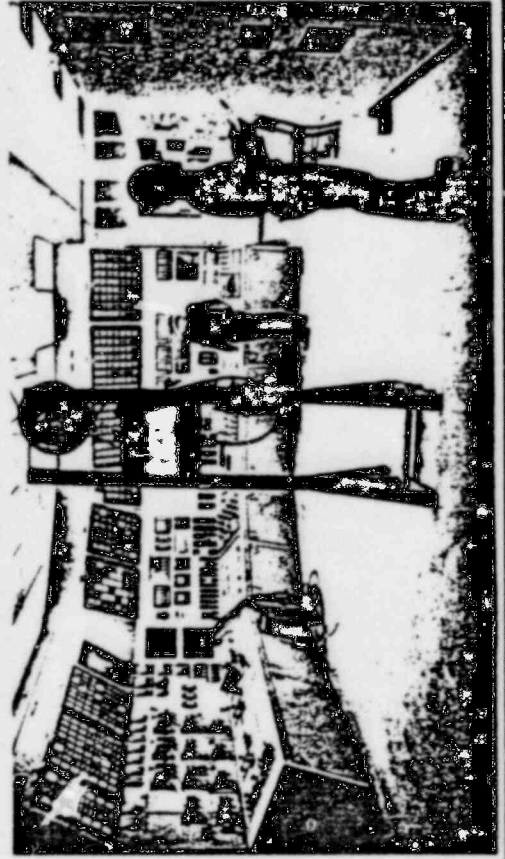
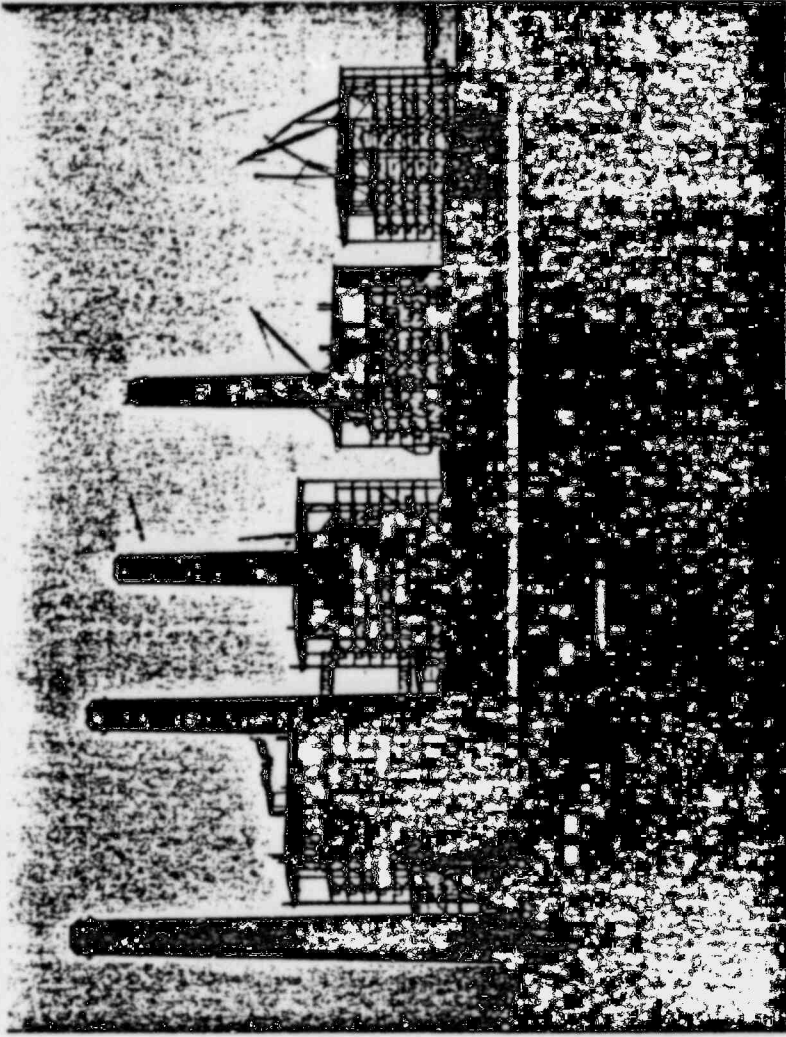
Santee Cooper generated 6,029,450,000 kwh of electricity, purchased and interchanged 231,001,760 kwh, and sold 5,952,800,106 kwh, an increase over the previous fiscal year of 0.8 percent in kwh generated, 13.7 percent in kwh purchased and interchanged, and 7.0 percent in kwh sold. Santee Cooper experienced system losses of 307,651,654 kwh.

Facility Improvements

Santee Cooper has completed extensive improvements to Jefferies Unit Nos. 3 and 4 electrostatic precipitators. With these improvements, all generating stations now meet clean air quality standards.

Station Construction

Construction on two additional 280 megawatt coal-fired units at the Winyah Generating Station near Georgetown continued on schedule. Unit No. 3 is scheduled to begin commercial operation May, 1980 and was 60 percent complete at the end of the fiscal year. Unit No. 4 is scheduled for commercial operation in May, 1982 and was 11 percent complete. The estimated costs of the two units are \$142 million and \$146 million respectively.





units. A permit has been received from the South Carolina Department of Health and Environmental Control for discharge of emissions.

The first unit's projected cost is \$374 million and it is scheduled for commercial operation in November, 1983. The second unit is planned for operation in 1985. During the year contracts for \$65,819,989.75 toward equipment and services for the first unit were committed.

Lead times required to conduct environmental studies, obtain necessary permits, and complete construction of new generating facilities have increased. In response to these problems, Santee Cooper began site studies which will identify sites where new generating stations can be constructed in the late 1980's.

Expanding Facilities

Hilton Head Combustion Turbine No. 3 began commercial operation on April 30, 1979. This \$10 million peaking unit adds 56 Mw to Santee Cooper's generating capacity.

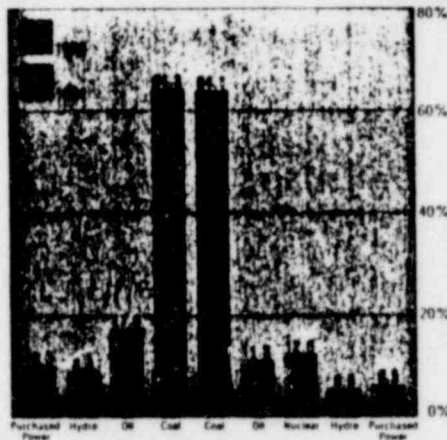
Construction of a 450 megawatt coal-fired generating unit at a site near Cross along the diversion canal between Lakes Moultrie and Marion was authorized. The Cross site will accommodate four units. Environmental studies have been completed and submitted to the Federal Energy Regulatory Commission for permits to construct two

Summer Nuclear

By the end of the fiscal year construction of the V.C. Summer Nuclear Station, Unit No. 1 was 86 percent complete. Santee Cooper is a one-third owner of this 900 megawatt generating station and will receive 300 megawatts of its output. South Carolina Electric and Gas Company (SCE&G), which owns the other two-thirds of the project, acts as agent for Santee Cooper in the design, construction, licensing, operation and maintenance. The Summer Station is currently in the operating license review stage with commercial operation scheduled for December 1980.

In late March 1979, the Mile Island Nuclear Station had immediate and long term impacts on the project. While some design and operation of will likely result from the impacts on the project if any, were unknown at fiscal year.

The legal action regarding which was initiated against Corporation in October 1979 with the court ruling in favor of Santee Cooper on October 1979 respect to liability. No settlement reached with Westinghouse even though discussions no settlement is reached damages is expected during fall of 1979 in the U.S. Richmond. This litigation adversely affect the operation of the Summer project since initial core was fabricated late 1978.

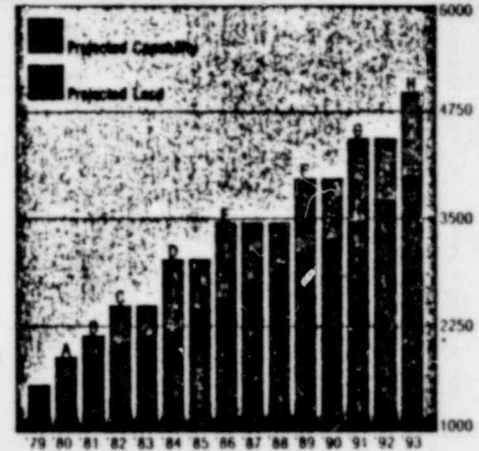
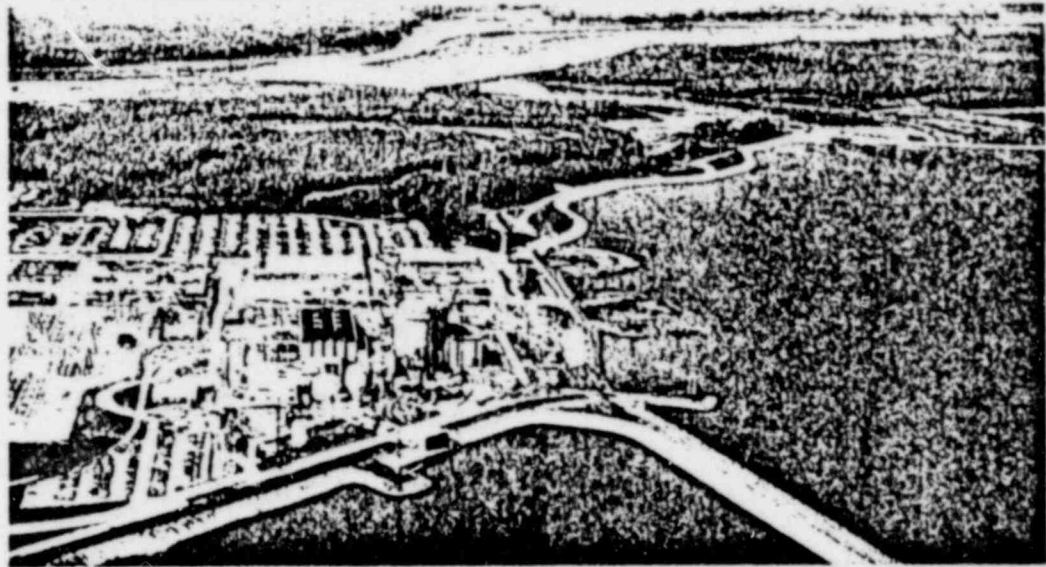


Generating Capacity, (%)

has been received from the Department of Health and Environment for discharge of...
 cost is \$374...
 for commercial...
 1983 The second...
 operation in 1985. During...
 to \$19,989.75...
 services for the first...
 to conduct...
 necessary...
 construction of new...
 increased. In...
 Santee Cooper...
 identify sites...
 can be...
 construction of...
 Unit No...
 Santee Cooper...
 100 megawatt...
 300...
 Carolina...
 (SCE&G), which...
 of the project...
 in the...
 operation...
 Station is...
 review...
 scheduled

In late March 1979, the accident at Three Mile Island Nuclear Station in Pennsylvania had immediate and long range impacts on all nuclear plants in operation and under construction. While some changes in the design and operation of the Summer Station will likely result from this accident, the impacts on the project costs and schedule, if any, were unknown at the close of the fiscal year.

The legal action regarding fuel supply, which was initiated against Westinghouse Corporation in October 1975, continued, with the court ruling in favor of SCE&G and Santee Cooper on October 27, 1978 with respect to liability. No settlement has been reached with Westinghouse as to damages even though discussions were continuing. If no settlement is reached, the trial for damages is expected during the summer or fall of 1979 in the U.S. District Court in Richmond. This litigation is not expected to adversely affect the operating schedule for the Summer project since the fuel for the initial core was fabricated and delivered in late 1978.



A Winyah #3	280 MW
B Summer Nuclear #1	300 MW
C Winyah #4	280 MW
D-Rt. Santee Hydro	84 MW
E Cross #2	450 MW
F Cross #1	450 MW
G Cross #3	450 MW
H Cross #4	450 MW
I New Site Y #1	650 MW

Load & Capability Forecasts 1979-1993



Reliability

Santee Cooper is one of the thirty member organizations in the Southeastern Electric Reliability Council, which includes all power suppliers in the region with a generating capacity of 25 Mw or more. The Council assists member systems in coordinating overall planning and studies to achieve maximum reliability.

Santee Cooper is also one of seven power systems in the Virginia-Carolinas Reliability Group, which includes South Carolina

Electric and Gas Company, Carolina Power and Light Company, Duke Power Company, Virginia Electric and Power Company, Yadkin, Inc., and Southeastern Power Administration. The member systems have a coordination agreement to safeguard the reliability of their service.

Interconnections are maintained with the South Carolina Electric and Gas Company at Bushy Park, North Charleston, St. George, and Columbia, with the Southeastern Power Administration at Clark Hill, and with the Carolina Power and Light Company at Kingstree, Darlington, Hemingway, Lugoff, and Robinson.

Transmission

Santee Cooper's transmission system consists of approximately 2800 miles of transmission lines with voltages ranging from 34 through 230 Kv. The transmission system extends through 35 of the state's 46 counties providing service to two municipalities, three military installations, 21 industrial customers, and 15 electric cooperatives.

Construction of 230 Kv lines to the Batesburg, Newberry, Blythewood, and Camden Substations was completed.

Santee Cooper has approximately 90 transmission and distribution substations and switching stations with about 200 delivery points. Approximately 6 billion kilowatt hours of electricity were delivered to customers through these facilities. One new industry and five new cooperative substations were added to the transmission system.

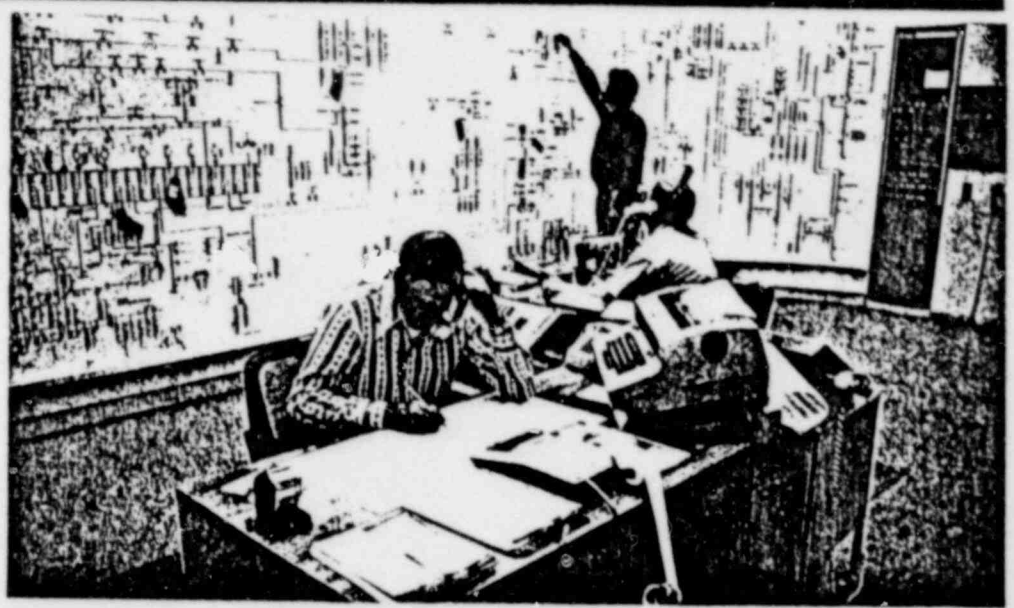


ission

ooper's transmission system
of approximately 2800 miles of
sion lines with voltages ranging
through 230 Kv. The transmission
xtends through 35 of the state's 46
providing service to two
lities, three military installations, 21
l customers, and 15 electric
ves.

tion of 230 Kv lines to the
g. Newberry, Blythwood, and
Substations was completed.

ooper has approximately 90
sion and distribution substations
hing stations with about 200
oints. Approximately 6 billion
ours of electricity were delivered to
s through these facilities. One new
and five new cooperative
ns were added to the transmission

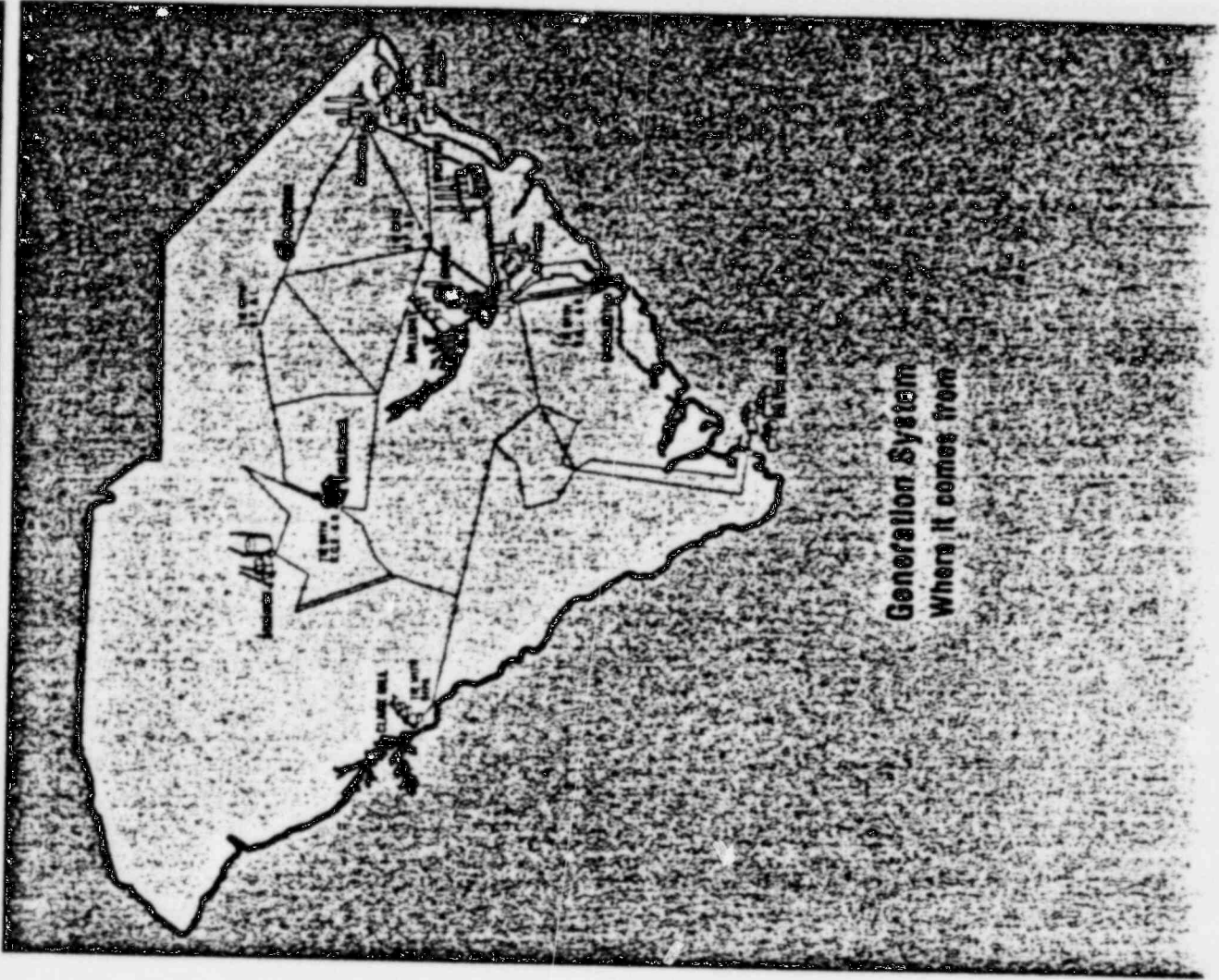


Retail Customers Served Directly

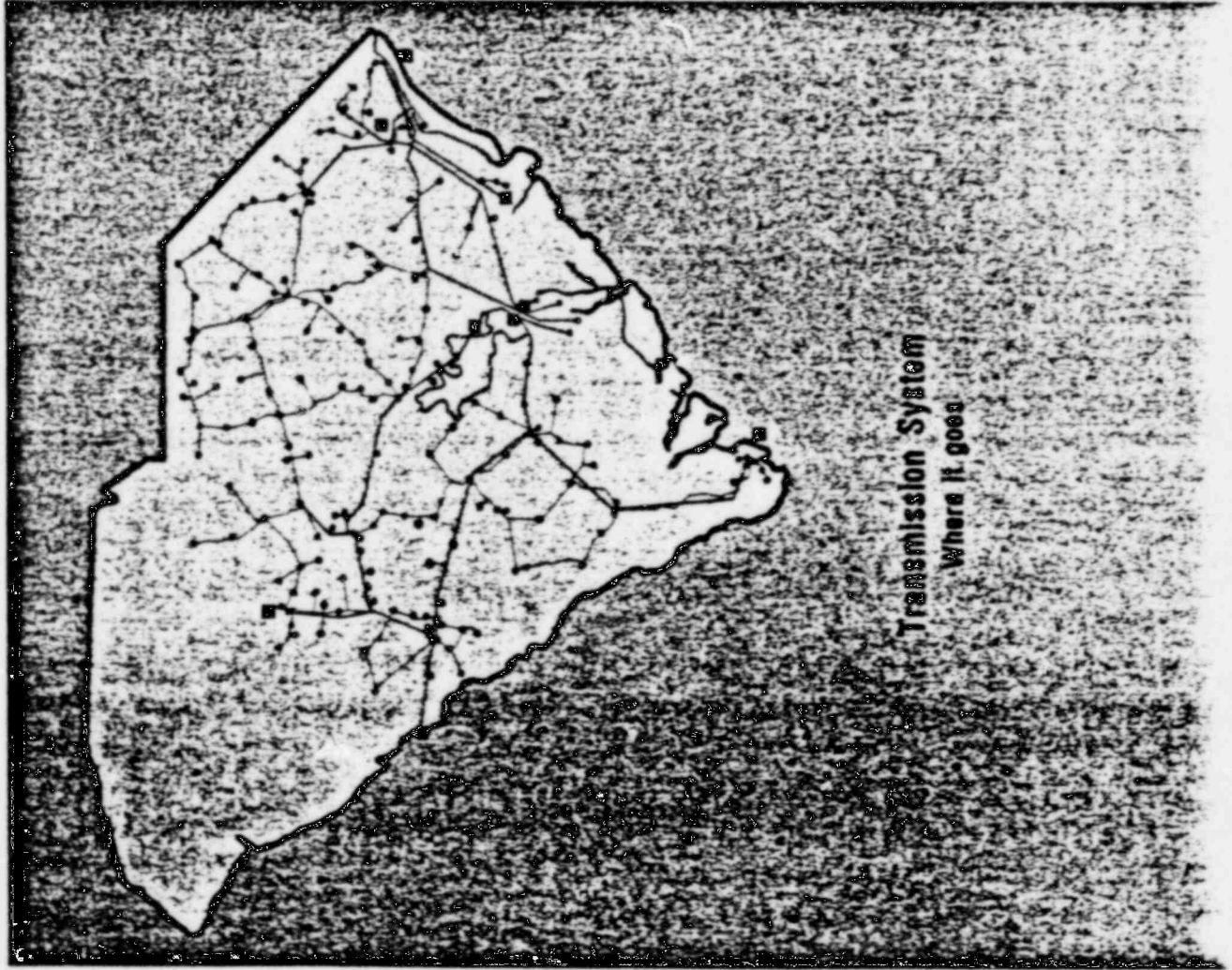
- Bonneau Beach
- Cherry Grove
- Chestnut Hill
- Conway
- Crescent Beach
- Garden City
- Litchfield Beach
- Loris
- Monck's Corner
- Myrtle Beach
- N. Myrtle Beach
- Ocean Drive
- Pawleys Island
- Pinopolis
- St. Stephen
- Surfside

Electric Cooperative Distributors

- Aiken Electric Cooperative
- Berkeley Electric Cooperative
- Black River Electric Cooperative
- Coastal Electric Cooperative
- Edisto Electric Cooperative
- Fairfield Electric Cooperative
- Horry Electric Cooperative
- Lynches River Electric Cooperative
- Marlboro Electric Cooperative
- Mid Carolina Electric Cooperative
- Newberry Electric Cooperative
- Palmetto Electric Cooperative
- Peedee Electric Cooperative
- Santee Electric Cooperative
- Tri-County Electric Cooperative



Generation System
Where it comes from



Industrial Customers

- Albany Felt Co
- Alumax of South Carolina, Inc.
- Amoco Chemicals Corp.
- Andrews Wire Corp
- AVX Ceramics Corp
- Dayco Inc.
- Georgetown Steel Corp.
- Georgia Pacific Corp.
- Giant Portland Cement Co
- Grove Mfg. Co
- International Paper Co
- Louis Mfg. Co.
- Macalloy, Inc.
- Mobil Chemical Co.
- Plussa, Inc.
- Santee Portland Cement Co
- Uniroyal, Inc.
- United Merchants and Manufacturers, Inc.
- Waccamaw Clay Products Co
- Waccamaw Lumber Co.
- Wellman Industries, Inc.

Military Installations

- Charleston Air Force Base
- Charleston Naval Shipyard
- Myrtle Beach Air Force Base

Municipal Distributors

- Bamberg
- Georgetown



Myrtle Beach

Customers served in the Myrtle Beach District reside in the towns of Myrtle Beach, North Myrtle Beach, Surfside, Atlantic Beach, Briarcliffe, and all other areas along the Grand Strand between the North Carolina State line and Georgetown. Included in these fast growing areas are the communities of Garden City, Little River, Pawleys Island, and Litchfield.

While the number of customers in the district increased 7.86 percent to a total of 35,079, the sale of energy decreased .6 percent. This reduction was most likely due to increased energy conservation, primarily among large commercial customers.

Approximately 800 mobile homes and campsites and 1000 condominium units were added to the Myrtle Beach District. The residential developments of Caropines III, Deerfield II, Waverly Mills, and The Forest accounted partially for the more than 500 residential lots added. Most of the new subdivisions are being served by underground distribution systems. A new hospital, two schools, one large shopping center, a 140 boat-slip marina, ten theaters, fifteen new restaurants, and approximately 200 motel units were part of the District's growth.

The Myrtle Beach District is enjoying a healthy rate of growth in both commercial and residential customers. Tourism and the attractiveness of the area for retirement promise continued development for the future.

Conway

Customers in the Conway District service area include those in the towns of Conway and Loris, the Red Hill, Bucksport, and Gully communities, and areas surrounding these locations. The number of customers in this district increased 2.74 percent to a total of 7,975 and their electric power consumption increased 5.0 percent.

The bulk of construction in the Conway District was for new residential subdivisions and new commercial buildings. Underground distribution was installed at Westridge Subdivision which will contain approximately 200 residences, at Buck Forest No. 2 which will have 40 residences, and at Burning Ridge which will contain over 200 residential lots.

Along Highway 501 is provided to several new establishments, including Wendy's, Kentucky Fried, and Hut.

New commercial establishments include a C & S Bank, Citizens and Trust on K-mart and Wood's at

Moncks Corner

The Moncks Corner District includes customers in Moncks and the areas of Pinopolis Beach. The number of customers increased 2.49 percent to a total of 2,490 and their electric power consumption increased 5.0 percent.

Other than normal load significant projects in progress include provision of construction of St. Stephen Hydro Project of service for Santee Complex to be located at Bypass.

Beach District is enjoying a growth in both commercial and residential customers. Tourism and the influx of the area for retirement continued development for the

The Conway District service area in the town of Conway includes the Red Hill, Bucksport, and Gully areas and areas surrounding these. The number of customers in this area increased 74 percent to a total of 1,200. Electric power consumption increased 12 percent.

Construction in the Conway District includes new residential subdivisions and commercial buildings. Underground lines were installed at Westridge. New buildings contain approximately 100,000 sq ft. at Buck Forest No. 2 which includes a school and at Burning Bluffs. There are over 200 residential

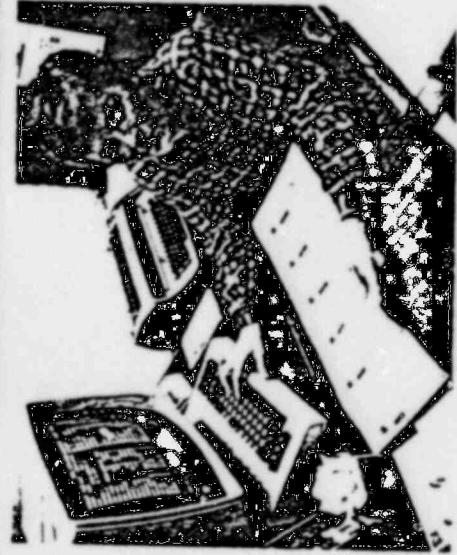
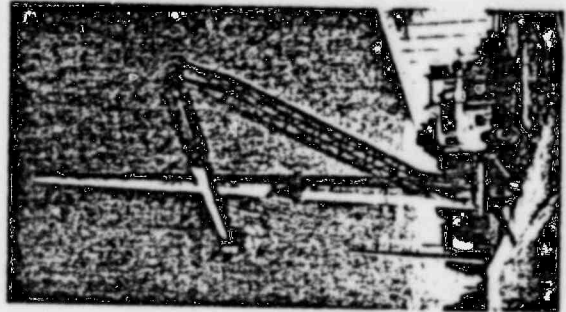
Along Highway 501 in Conway, service was provided to several new food establishments, including Hardee's, Wendy's, Kentucky Fried Chicken, and Pizza Hut.

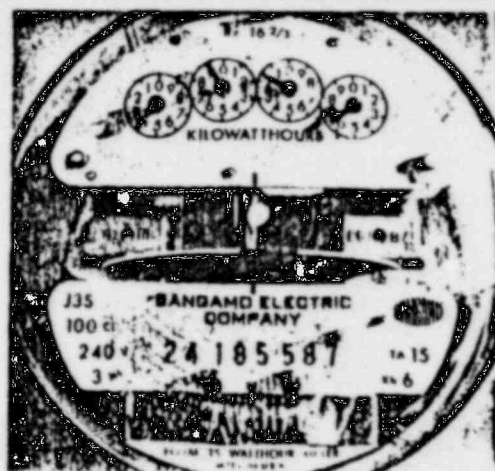
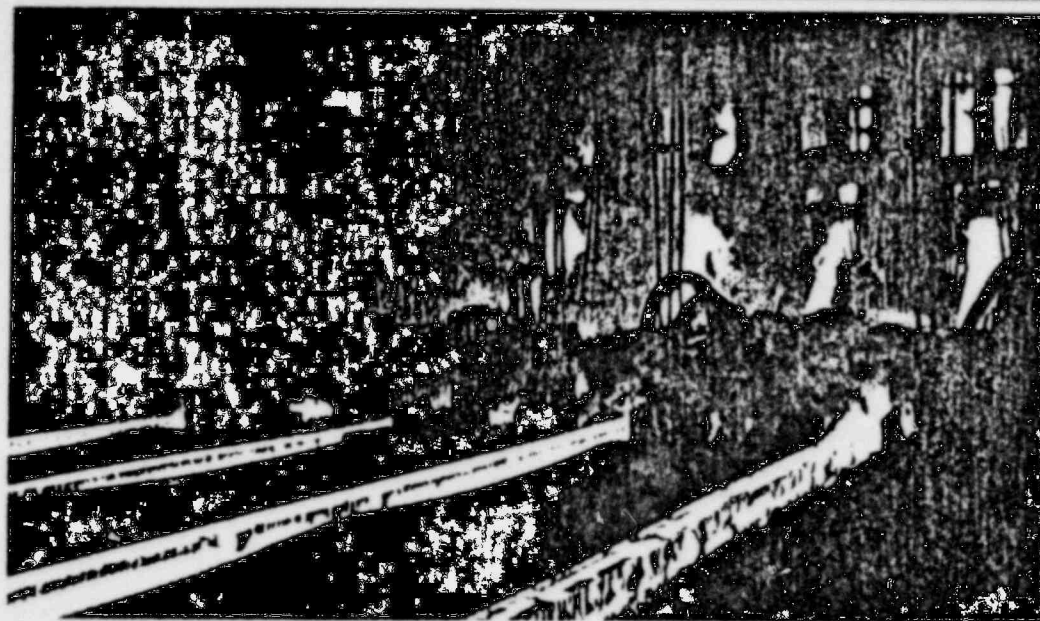
New commercial establishments in Conway include a C & S Bank at Red Hill, First Citizens and Trust on Third Avenue, and K-mart and Wood's at Waccamaw Square.

Moncks Corner

The Moncks Corner District provides service to customers in Moncks Corner, St. Stephen, and the areas of Pinopolis and Bonneau Beach. The number of customers increased 2.49 percent to a total of 4,070, and their energy consumption went up 14.12 percent.

Other than normal load growth, the most significant projects in this district were the provision of construction power to the new St. Stephen Hydro Project and the planning of service for Santee Cooper's new office complex to be located on the Highway 52 Bypass.





The number of Santee Cooper residential, commercial and small industrial customers totalled 47,124, an increase of 2,871 over the previous year, or about 6.5 percent growth. Sales to these customers totalled 966 gigawatt hours of electricity, up 1.5 percent over the previous year. These figures reflect a leveling off when compared to increases the previous year of 8.5 percent in the number of customers and 9.7 percent in kilowatt hour sales.

Sales to large industrial customers increased 24 percent, compared to a 6.3 percent increase the previous year. However, sales to the U.S. Air Force bases at Charleston and Myrtle Beach and to the Charleston Naval Shipyard decreased 2.2 percent, compared to a 6.9 percent increase the previous year.

Sales to 15 of the state's 20 electric cooperatives through Central Electric Power Cooperative and to the municipalities of Georgetown and Bamberg were 2,882 gigawatt hours, an increase of 1 percent over the previous year. The electric cooperatives and municipalities distribute Santee Cooper power to more than 220,000 customers in 35 of the state's 46 counties.

Forty one per cent of the state's electric distribution customers were 25 percent for residential power sales to homes and other users.

Based on the cost and history of the industrial customer electric companies revenue

Average Rates

The average rate of electricity in Santee Cooper is a decrease of 1.7 percent compared to 1.7 percent of the previous year.

This decrease is a response to the conservation program cost.

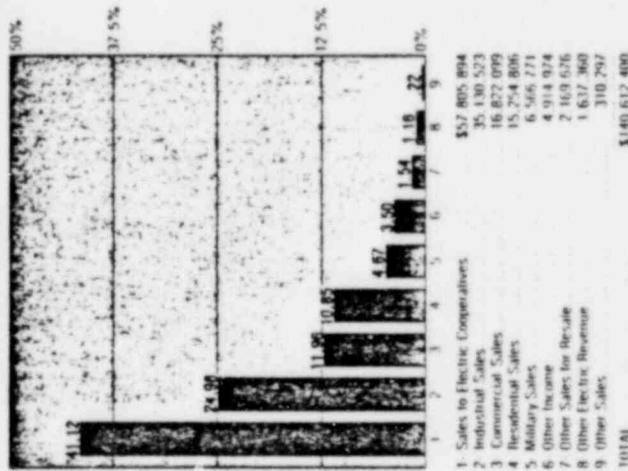
Forty one percent of Santee Cooper's revenue was generated by power sales to 15 of the state's 20 electric cooperatives for distribution to the more than 220,000 customers which they serve. About 23 percent was derived from retail and another 25 percent from industrial customers. The remaining 11 percent was obtained from power sales to municipalities, military bases, and other revenues.

Based on new industrial loads scheduled and historical load growth, sales to the industrial customers will replace sales to the electric cooperatives as the major source of revenue.

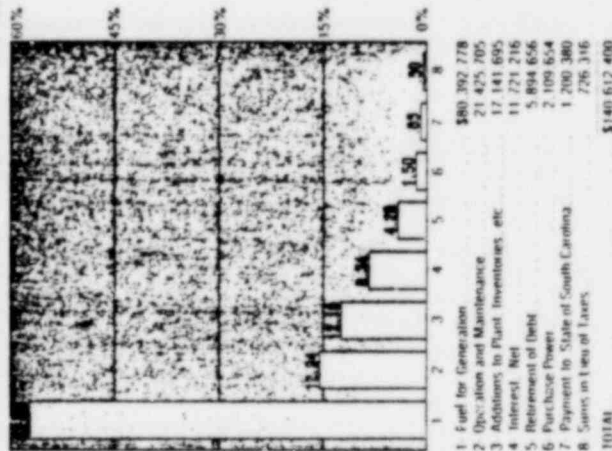
Average Residential Consumption

The average residential consumption of electricity by customers served directly by Santee Cooper was 12,097 kilowatt-hours, a decrease of about 8.18 percent, as compared to a 2.67 percent increase the previous year.

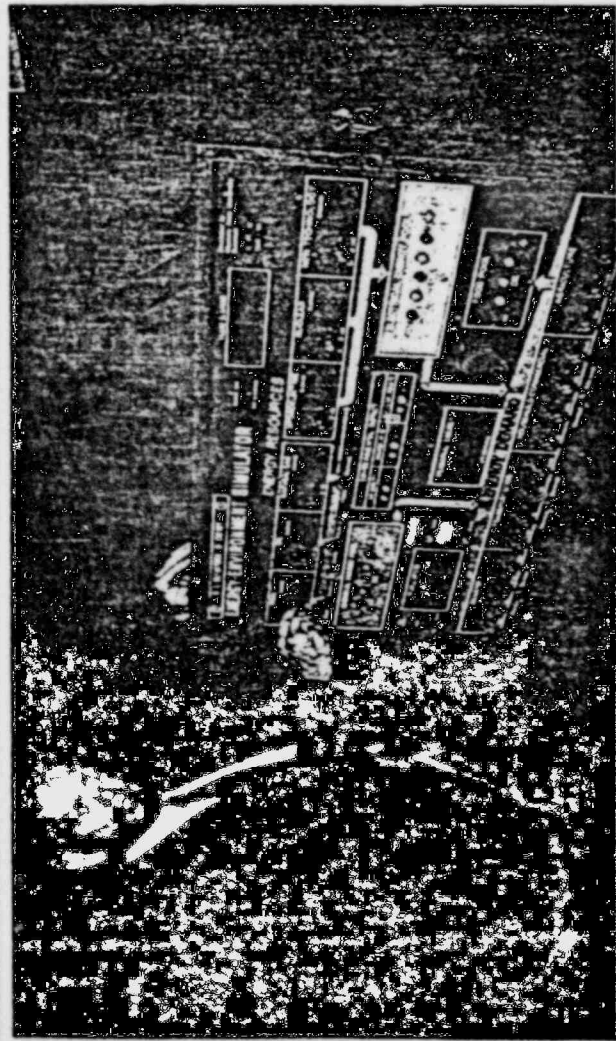
This decrease is believed to reflect customer response to Santee Cooper's energy conservation program and higher energy cost.



Revenue Dollar
Source of Income



Revenue Dollar
Distribution of Income



Customer Services

The Customer Services Division assists customers with their efforts to utilize electric energy in an efficient manner. Division personnel provide individualized energy conservation recommendations for residential and commercial customers through energy audits, information, and energy management plans. Improved thermal design and the use of more efficient equipment in new and remodeled construction are also recommended.

The Energy Efficient Home Awards Program, with emphasis on upgrading thermal design, was modified to improve cost effectiveness. New residential customers have shown an increased response to this program as a means of providing energy conservation for new homes.

Additional requirements to insure proper installation were placed upon the dealers certified under Santee Cooper's Certified Heat Pump Dealers Program. Public presentations, pamphlets, and advertising are used to create increased energy awareness and provide customers general information about efficient use of energy.

An expanded film library has increased the use of energy awareness films and programs by schools throughout the service area. Santee Cooper continues its cooperation with other utilities in the state to present a program, "Energy Today and Tomorrow," to students in secondary schools. This program, produced by Oak Ridge Associated Universities, is a presentation designed to increase energy awareness among area students.



The National Energy Council of 1978 will not have a major impact on the conservation services provided by Santee Cooper because the Services Division is already providing a wide type of services required by customers.

Public Relations

Communications with the public is an important part of the Services Division's public relations program. Employees with information are encouraged to share it with the public through a variety of means. Public relations efforts include energy awareness, promotion of energy conservation, and the efficient use of energy. Information flow was improved through cooperative and municipal utility programs. Santee Cooper power at 220,000 customers the state in February. Public relations efforts included advertising materials to promote energy conservation. When a crippling ice storm hit the state in February, Santee Cooper worked closely with the electric cooperatives to provide emergency services to customers. Santee Cooper's print advertising programs promote energy conservation. Efficient Home Program of energy were awarded to Santee Cooper, state, and competition.

The National Energy Conservation Policy Act of 1978 will not have a pronounced impact on the conservation services provided by Santee Cooper because the Customer Services Division is already providing the type of services required by the Act.

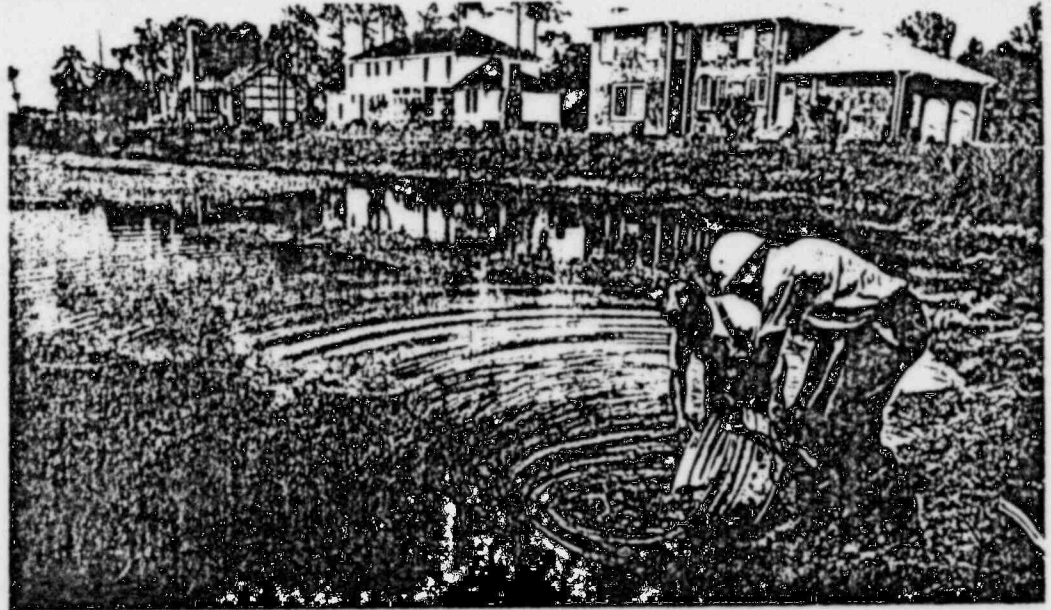
Public Relations

Communications with its customers and employees was emphasized by Public Relations through a greater and more timely flow of information designed to increase energy awareness, promote understanding of Santee Cooper operations, and encourage the efficient use of energy.

Information flow was increased to electric cooperative and municipal distributors of Santee Cooper power and to the more than 220,000 customers they serve. This was achieved by sharing energy conservation information for their use and providing advertising materials to several co-ops for promoting energy conservation.

When a crippling ice storm swept through the state in February, Public Relations worked closely with the media in communicating the story of how Santee Cooper emergency crews were helping electric cooperatives restore power to their customers.

Santee Cooper's print media and radio advertising programs promoting the Energy Efficient Home program and the efficient use of energy were awarded top recognition in Charleston, state, and regional advertising competition.



FINGERTIP FACTS, a 20 page miniature version of the annual report was introduced by Public Relations as a pocket-sized quick reference of facts, figures, and information about Santee Cooper. It is distributed to employees and has become a standard handout to civic and business organizations, visitors, etc.

Mosquito Abatement

Mosquito abatement field operations were relocated from the Church Branch area to the Clarendon County Airport to provide for a central project location with improved runways and greater efficiency. Abatement activities were conducted throughout a five-county area of the project in the combined interest of outdoor recreation, tourism, industrial development, and wildlife protection.

Aquatic Plant Management

Environmental Control personnel provided the leadership in the development of a state organization dedicated to the management of noxious aquatic plants. Over one hundred members from universities, state and federal agencies, and industry are affiliated with the non-profit organization.

Research and field management studies on noxious aquatic plant species in the Santee Cooper lakes were conducted using control measures in public access and high-use areas which support fishing and water related recreational opportunities on Lake Marion.



Water Quality Management

The quality of project waters was monitored by Environmental Control with the help of Clemson University in order to detect harmful pollutants and maintain the standards of the reservoirs for recreational, aesthetic, industrial, agricultural, and navigational uses.

Aquaculture

The aquaculture section was expanded with the employment of a fish culturist from the staff at Auburn University to develop and supervise a commercial fish production program. The commercial production of fish, eel, and freshwater shrimp using waste-heat water at the Winyah Generating Station is being evaluated under this program.

Management Information Systems

The Division was renamed Management Information Systems from Data Processing to better describe the Division's function of providing accurate data for timely management information. A Methods and Procedures section was created to develop and coordinate interdepartmental procedures.

Numerous enhancements to systems were achieved and several on-line capabilities were added. Planning continued on the development of Database Data/Communication Systems.

Land Management, Recreation, and Forestry

The Project Lands Management Division administers the leases of 3,977 parcels of land which include 2,984 recreational lots in Santee Cooper's 52 subdivisions, 845 marginal lots adjacent to privately-owned subdivisions, 88 commercial leases, five miscellaneous leases, and 34 gratis leases to public and quasi-public entities. Revenue from property leases is about \$500,000 annually.

A land-use plan for the management of project lands was recently approved by the Federal Energy Regulatory Commission as a part of Santee Cooper's new operating license. The plan includes the development of five public recreational sites within the next five years.

There are 20 public boat-launching ramps and parking areas around the lake system. A large public recreation facility was recently completed on Lake Marion in the Cross community in conjunction with a gratis lease to Berkeley County.

An effective inspection and compliance program and a permitting system have been implemented to govern the placement of dwellings and improvements on leased properties. This program is designed to enhance property values and maintain orderly development.

Revenue from forest pre-agricultural leases exceeding forest land base will be acres as a result of the new generating station. Approximately 22,000 forest management programs indicate sustained revenue annually.

The multiple-use concept management program includes 13,640 acres on a grant Carolina Wildlife and Management Department for use in the management program. provides controlled hunting public.

Funds from the sale of the Wildlife Department maintenance of roads, and preparation of dove field improvements.

Management, Agriculture, and Forestry

The Lands Management Division manages the leases of 3,977 parcels of land. These include 2,984 recreational lots in 52 subdivisions, 845 lots adjacent to privately owned lands, 88 commercial leases, five industrial leases, and 34 gratis leases to quasi-public entities. Revenue from public utility leases is about \$500,000 annually.

The plan for the management of the lands was recently approved by the Energy Regulatory Commission as a Santee Cooper's new operating plan. The plan includes the development of public recreational sites within the next five years.

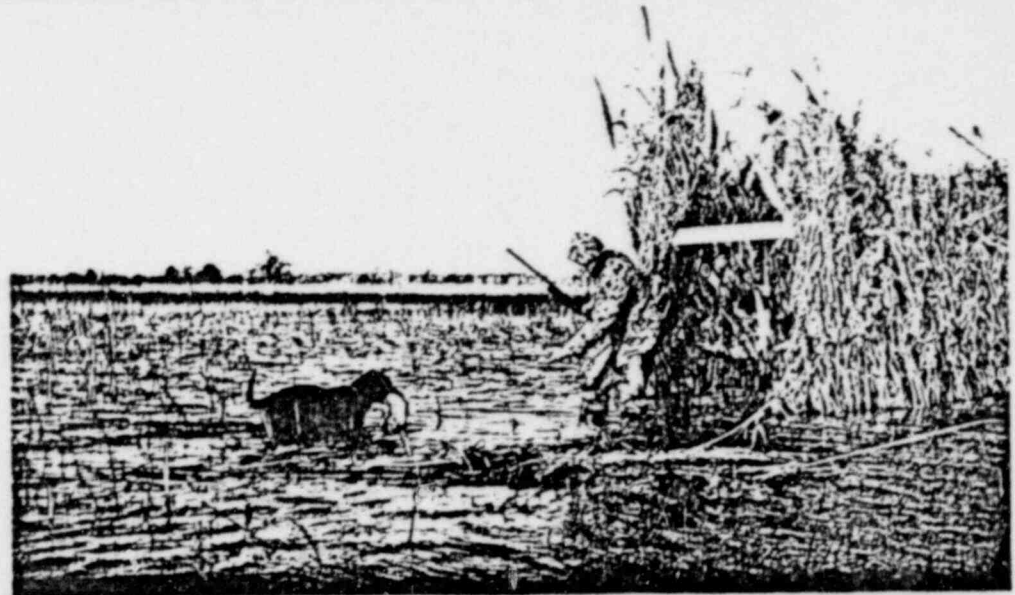
20 public boat-launching ramps and picnic areas around the lake system. A public recreation facility was recently completed on Lake Marion in the Cross County area in conjunction with a gratis lease to Cross County.

Inspection and compliance with the permitting system have been strengthened to govern the placement of structures and improvements on leased lands. This program is designed to protect property values and maintain the land for development.

Revenue from forest products and agricultural leases exceeded \$150,000. The forest land base will be reduced by 3,500 acres as a result of the construction of a new generating station on a site near Cross. Approximately 22,000 acres remain in the forest management program and projections indicate sustained revenues of \$100,000 annually.

The multiple-use concept of the forest management program includes the leasing of 13,640 acres on a gratis basis to the South Carolina Wildlife and Marine Resources Department for use in their game management program. This program provides controlled hunting for the general public.

Funds from the sale of hunting permits by the Wildlife Department are utilized for the maintenance of roads, controlled burning, preparation of dove fields, and other land improvements.



Flood Control

Santee Cooper conducted spilling operations for 48 days during the months of February, March, April and May, 1979 as part of its flood control program.

The maximum daily average inflow which occurred on February 26, 1979 resulted in the flood crest on the lower Santee River being reduced to about 60 percent of what it would have been without Santee Cooper's flood control operations.





A formal internal training program for generating station personnel was begun and numerous personnel attended external special courses and seminars. Outside experts conducted special in-house programs for supervisory and professional personnel. Several college graduates participated in the Career Foundation Program in which they are rotated through several departments for training.

Equal Employment Opportunity Commitment

All employment, compensation, promotion and other related decisions are based solely on job related qualifications without regard to race, color, sex, religion, national origin, age, or handicap.

Employee Benefits

Major changes in the comprehensive benefits program offered to all Santee Cooper employees included the addition of a dental insurance plan, more maternity health insurance benefits, and a change of retirement vesting from 15 to 5 years.

Santee Cooper's occupational health program is directed by a company physician, who is employed on a part-time basis, and a full-time occupational health nurse.

Safety

Santee Cooper was recognized by the American Public Power Association for the ninth time in 15 years for having the best safety record for public utilities operating in excess of one million man-hours annually.

Eighteen awards from the National Safety Council, 15 from the South Carolina Occupational Safety Council, and 61 President's Safety Awards for crews operating safely under hazardous conditions were presented to Santee Cooper units.

The Jefferies Generating Station received the "Award of Merit" from the National Safety Council for operating more than one million man-hours without a disabling injury.

On-site visits were made to company locations for occupational health evaluations and the physical examination of a large number of employees including all generating station personnel. Improvements in pre-employment physical examinations were made and additional medical equipment was purchased. A voluntary stop smoking clinic was conducted and arrangements were made for local alcohol and drug abuse commissions to provide counseling and treatment for employees and dependents where those services are needed.

Training and Development

A training and development specialist was hired with responsibility for company-wide training functions.

Since Santee Cooper was created in 1934, a net amount of \$858,052,000 has been invested in its production, transmission, distribution, and general plant facilities. These capital additions have been financed through net revenues, issuance of electric revenue bonds, lease contracts, and a Federal grant in aid of \$34,438,000.

In June 1979, Santee Cooper retroactively recorded all capital leases as assets and liabilities in accordance with Statement No. 13 of the Financial Accounting Standards Board - Accounting for Leases. Capital leases entered into before January 1, 1977, were previously treated as operating leases. The effects of this change are explained in the Notes to Financial Statements.

On April 19, 1979, \$110,000,000 Electric System Expansion Revenue Bonds, 1979 Series A, were issued. The major purpose of this issue is to pay a portion of the estimated costs of construction of Unit No. 4 of the Winyah Generating Station. The net interest cost of this issue was 6.81 percent.

A general rate increase became effective May 1, 1979, which will produce approximately \$9.8 million additional revenues for the fiscal year beginning July 1, 1979.



Santee Cooper's net revenues since the first power was generated in 1942 total \$111,763,000. Payments in lieu of taxes have been made to the State of South Carolina totalling \$15,723,000 and to the counties and municipalities within our service territory totalling \$4,977,000. The remaining net revenues of \$91,063,000 have been reinvested in generating facilities and other system improvements.

Revenue bonds totalling \$1,157,594,000 have been issued since the creation of Santee Cooper. Bonds which were originally issued in 1949, 1971, and 1976 were advance refunded in 1973 and 1977 and have been released. These bonds had an

outstanding balance of \$215,674,000 at the time they were refunded. Principal payments on all bond issues, including the issues refunded, total \$24,230,000. Outstanding bonds as of June 30, 1979, totalled \$917,690,000. The average annual interest cost on these bonds is 5.78%.

As of June 30, 1979, unexpended funds from the sale of bonds amounted to \$208,764,000 in addition to debt reserve, debt service, and interest funds which totalled \$170,118,000.

... training program for
... was begun and
... extended external
... Outside
... house
... and professional
... graduates
... Foundation
... through
... training

Employment Opportunity

... promotion
... based solely
... without regard
... national origin,
...

... by the
... Association for the
... having the best
... operating in
... annually.

... National Safety
... South Carolina
... and 61
... for crimes
... hazardous conditions
... Santee Cooper units

... Station received the
... National Safety
... more than one million
... disabling injury

Electric Statistics

Fiscal Year	6/30/79	6/30/78	6/30/77	6/30/76	6/30/75	6/30/74	6/30/73	6/30/72	6/30/71	6/30/70
Total Utility Plant - net including nuclear fuel (at year end) (in thousands of dollars)	759,839	577,936	437,162	355,971	277,976	223,633	166,261	146,841	138,541	138,584
Bonded indebtedness (at year end) (in thousands of dollars)	917,690	810,190	495,190	481,210	383,050	383,905	175,720	180,649	81,624	82,574
Operating Revenues (in thousands of dollars)										
Residential	15,255	14,585	10,801	9,109	8,354	4,910	4,266	3,736	3,495	2,779
Commercial	16,822	15,530	12,439	10,738	9,665	5,703	4,833	4,330	3,730	3,060
Industrial	35,131	26,672	21,557	19,357	20,929	11,349	9,624	8,662	8,442	6,024
Military	6,567	6,330	5,049	4,754	4,564	2,834	2,410	2,314	2,359	1,851
Municipal	546	526	422	391	257	217	196	200	170	148
Wholesale	59,975	54,101	42,265	36,215	32,038	16,512	13,594	11,724	9,587	8,496
Other Electric Utilities*			975	507	1,021	4,220	5,196	4,132	5,070	506
Miscellaneous	1,401	1,236	1,219	1,168	(1,516)	1,009	1,012	925	646	(321)
Total	135,697	118,980	94,727	82,239	75,312	46,754	41,131	36,023	33,499	22,543
Operation & Maintenance Expenses Charged to Operations (in thousands of dollars)	103,928	88,144	71,904	57,737	59,214	36,861	26,958	24,134	25,840	17,121
Payments in Lieu of Taxes Charged to Operations (in thousands of dollars)	726	658	734	550	405	126	124	122	120	126
Payments to the State Charged to Reinvested Earnings (in thousands of dollars)	1,200	1,201	1,797	844	764	1,093	1,007	757	458	894
Net Operating Revenues Available For Debt Service (in thousands of dollars)	35,958	33,796	28,091	29,799	19,983	13,604	16,889	14,182	9,774	7,371
Net Earnings Reinvested in Business (in thousands of dollars)	10,791	5,516	8,978	11,902	8,060	3,704	12,530	6,159	2,126	2,297
Debt Service Coverage Bonds	1,86	1,98	2,46	2,45	2,57	2,69	3,87	3,30	2,27	2,71

Fiscal Year	6/30/79	6/30/78	6/30/77	6/30/76	6/30/75	6/30/74	6/30/73	6/30/72	6/30/71	6/30/70
Kilowatt Hour Sales (in thousands)										
Residential	443,186	446,247	403,107	342,232	319,744	287,653	267,471	234,682	210,739	183,245
Commercial	506,243	489,437	449,335	404,501	375,320	333,608	303,306	272,913	228,068	208,451
Industrial	1,788,087	1,441,494	1,356,706	1,202,291	1,240,927	1,255,888	1,181,805	1,087,860	1,021,949	928,258
Military	316,537	323,763	302,789	301,172	291,632	284,449	285,440	276,655	272,902	261,629
Municipal	16,966	16,670	15,495	14,381	13,075	10,690	9,687	10,001	8,361	7,868
Wholesale	2,881,771	2,843,949	2,576,794	2,220,559	2,018,602	1,795,621	1,575,921	1,306,992	1,355,062	1,219,143
Total	5,952,790	5,561,560	5,104,226	4,485,136	4,259,300	3,967,909	3,623,630	3,189,103	3,097,081	2,808,594
Number of Customers (at year end)										
Residential	38,058	35,590	32,513	30,738	28,580	26,958	25,254	23,620	22,010	20,730
Commercial	8,859	8,466	8,102	7,558	7,280	7,122	6,760	6,295	5,908	5,688
Industrial	21	20	19	21	21	20	21	20	21	21
Military	3	3	3	3	3	3	3	3	3	3
Municipal	207	197	189	183	163	144	119	114	118	114
Wholesale	3	3	3	3	4	4	4	4	4	4
Total	47,151	44,279	40,829	38,506	36,051	34,251	32,161	30,056	28,064	26,560
Residential Statistics (Average)										
Kwh Customer	12,097	13,174	12,832	11,551	11,487	11,060	11,018	10,256	9,699	9,053
Cents/Kwh	3.44	3.27	2.68	2.66	2.61	1.71	1.59	1.59	1.66	1.52
Generating Capability (year end) (megawatts)										
	1,456	1,400	1,120	1,120	1,092	792	772	732	732	732
Power Requirements and Supply (kilowatt hours in millions)										
Generation Hydro	680	702	715	739	784	707	826	823	677	532
Steam	5,343	5,238	4,402	3,779	3,012	3,399	3,459	2,921	3,008	2,072
Combustion Turbine	6	38	21	2	11	11	7	1	2	8
Total	6,029	5,978	5,138	4,520	3,807	4,117	4,292	3,745	3,687	2,612
Purchases, Net Interchange, Etc.	430	95	474	429	883	303	(213)	(159)	(330)	376
Total	6,459	6,073	5,612	4,949	4,690	4,420	4,079	3,586	3,357	2,988
Calendar Year	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
System Peak Loads (megawatts)**	1,231	1,161	1,065	943	911	829	736	622	600	504

() Denotes Negative

*Effective July 1, 1977 Interchange sales were reclassified as a credit to purchased power.

**A new system peak demand, 1352 MW, occurred in August 1979.

Santee Cooper is an agency of the State of South Carolina, established in 1934 as the South Carolina Public Service Authority. This ownership is unique in that the state has no investment in the Authority but still owns all its properties and assets. The original financing (1938-1942) was by a loan and grant from the United States, through the Public Works Administration, with subsequent major additions being funded partly by earnings but primarily by revenue bonds sold to private investors.

The South Carolina Public Service Authority was established by Act No. 887 of the Acts of the General Assembly of South Carolina in 1934 for the purpose of developing the Cooper, Santee, and Congaree Rivers as instrumentalities of interstate and intrastate commerce, for the production, distribution and sale of electric power, the reclamation and drainage of swampy and flooded land, and the reforestation of lands around its lakes. Although known as the Santee-Cooper Hydroelectric and Navigation Project, the organization is commonly referred to as Santee Cooper.



Governor Riley

Richard W. Riley Governor
 John T. Campbell Secretary of State
 Daniel R. McLeod Attorney General
 Earle E. Morris, Jr. Comptroller General
 Grady L. Patterson, Jr. State Treasurer

Robert S. Dink Chair
 Chairman & President
 Columbia, S.C.
 Vernon E. Smith
 Attorney-at-Law
 Rock Hill, S.C.
 J. Thomas
 Partner, Gierke
 Spartanburg, S.C.
 B. G. Alderman
 Owner The
 Manning, S.C.
 C. B. Boyne
 Farmer and
 Eastover, S.C.
 Walter T. Cox
 Vice President
 of Students
 Clemson, S.C.
 Mark C. Gove
 State Printing
 Myrtle Beach, S.C.
 B. A. Jordan
 Chairman Board
 & L-J, Inc.
 Columbia, S.C.
 E. Jarvis
 Owner Morris
 Moncks Corner, S.C.
 H. M. Roberts
 President
 & Electrical
 Walterboro, S.C.
 Marvin M. Thomas
 Owner-Operator
 Georgetown, S.C.

Robert S. Davis Chairman

Chairman & President of R.L. Bryan Co.
Columbia, S.C.

Vernon E. Sumwalt First Vice-Chairman

Attorney-at-Law
Rock Hill, S.C.

J. Thomas Grier Second Vice-Chairman

Partner, Grier & Co.
Spartanburg, S.C.

B.G. Alderman

Owner The Alderman Agency
Manning, S.C.

C.B. Boyne

Farmer and Retired Merchant
Eastover, S.C.

Walter T. Cox

Vice President of Student Affairs and Dean
of Students Clemson University,
Clemson, S.C.

Mark C. Garner

State Printing Co.
Myrtle Beach, S.C.

B.A. Jordan

Chairman Board of Directors, Cherokee, Inc.
& L-J, Inc.
Columbia, S.C.

E. Jarvis Morris

Owner Morris Real Estate & Insurance Co.
Moncks Corner, S.C.

H.M. Robertson

President Robertson Hardware
& Electrical Supply
Walterboro, S.C.

Marvin M. Thomas

Owner-Operator Georgetown Laundry, Inc.,
Georgetown, S.C.

New Director

Ben G. Alderman, Jr. of Manning was appointed a Director of The South Carolina Public Service Authority effective January 1, 1979 by Governor James B. Edwards. Mr. Alderman represents the Sixth Congressional District on the Board of Directors.

Alderman, a native of Clarendon County, graduated from Wake Forest College in 1960 and is the owner of the Alderman Agency, an insurance and real estate firm in Manning. He is married to the former Ann Guerry Taylor of Manning and they have two children. Alderman is a member of the First Baptist Church of Manning.

Mr. Alderman has been a member of the South Carolina A.S.C.S. Committee, Director of the South Carolina Children's Bureau, Trustee of Clarendon Memorial Hospital, and Chairman of the Clarendon County Republican Party. Alderman is presently president-elect of Manning Rotary Club.

William C. Mescher

President and Chief Executive Officer

Henry N. Cyrus

Senior Vice President, Engineering Planning

Clarence S. Gramling

Senior Vice President, System Operations

Kenneth R. Ford

Vice President, Finance and Treasurer

Joe C. Norman

Vice President, Commercial Operations

Lucas C. Padgett

Vice President, Industrial Development

Robert E. Rainear

Vice President, Engineering Design

Robert V. Tanner

Vice President, Production

William A. Williams, Jr.

Vice President, Nuclear

Wallace S. Murphy

General Counsel

L.P. Dorman

Secretary

W. Andrew Burke

Executive Staff Assistant

John E. Bishop

Controller

Albert Boyd, Jr.

Group Manager, Distribution

Hiram M. Hicks, Jr.

Group Manager, Engineering

David E. Jeffcoat

Group Manager, Transmission

Byron C. Rodgers

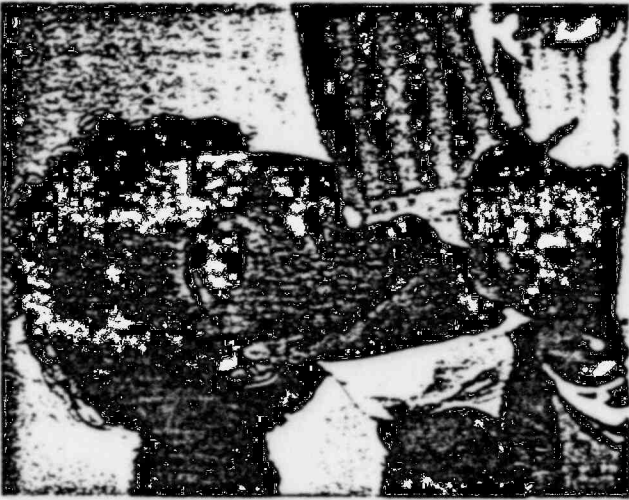
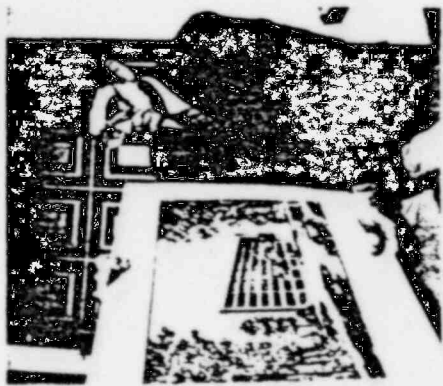
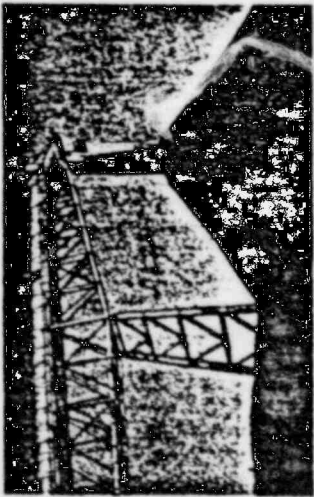
Group Manager, Production Operations

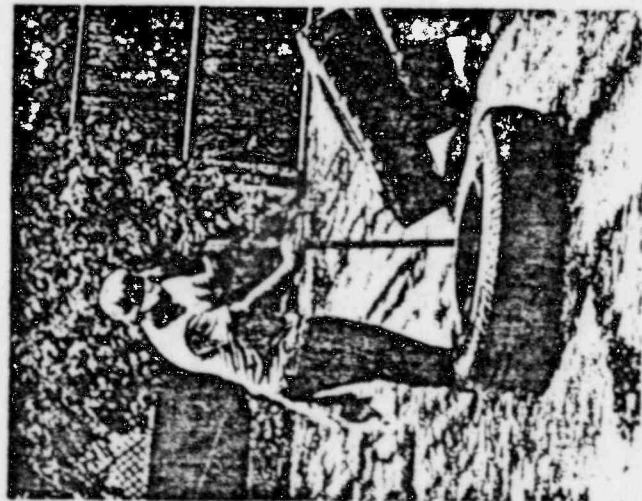
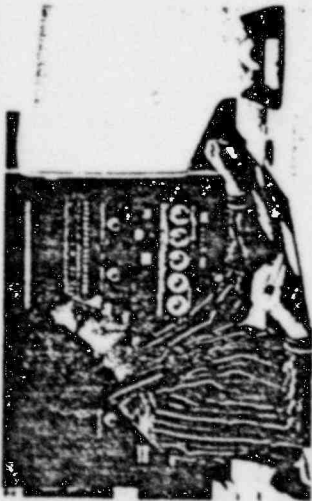
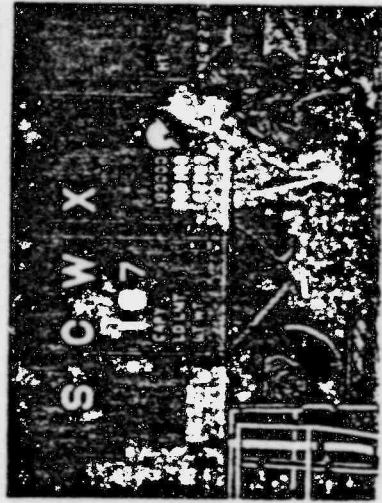
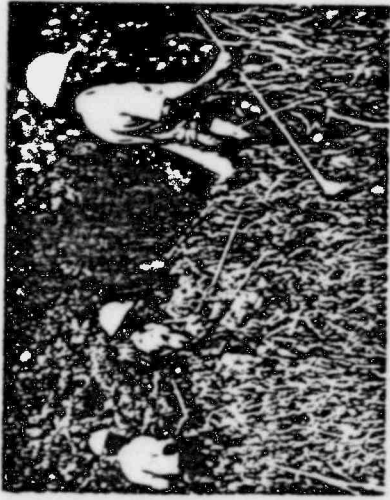
Jerry L. Stafford

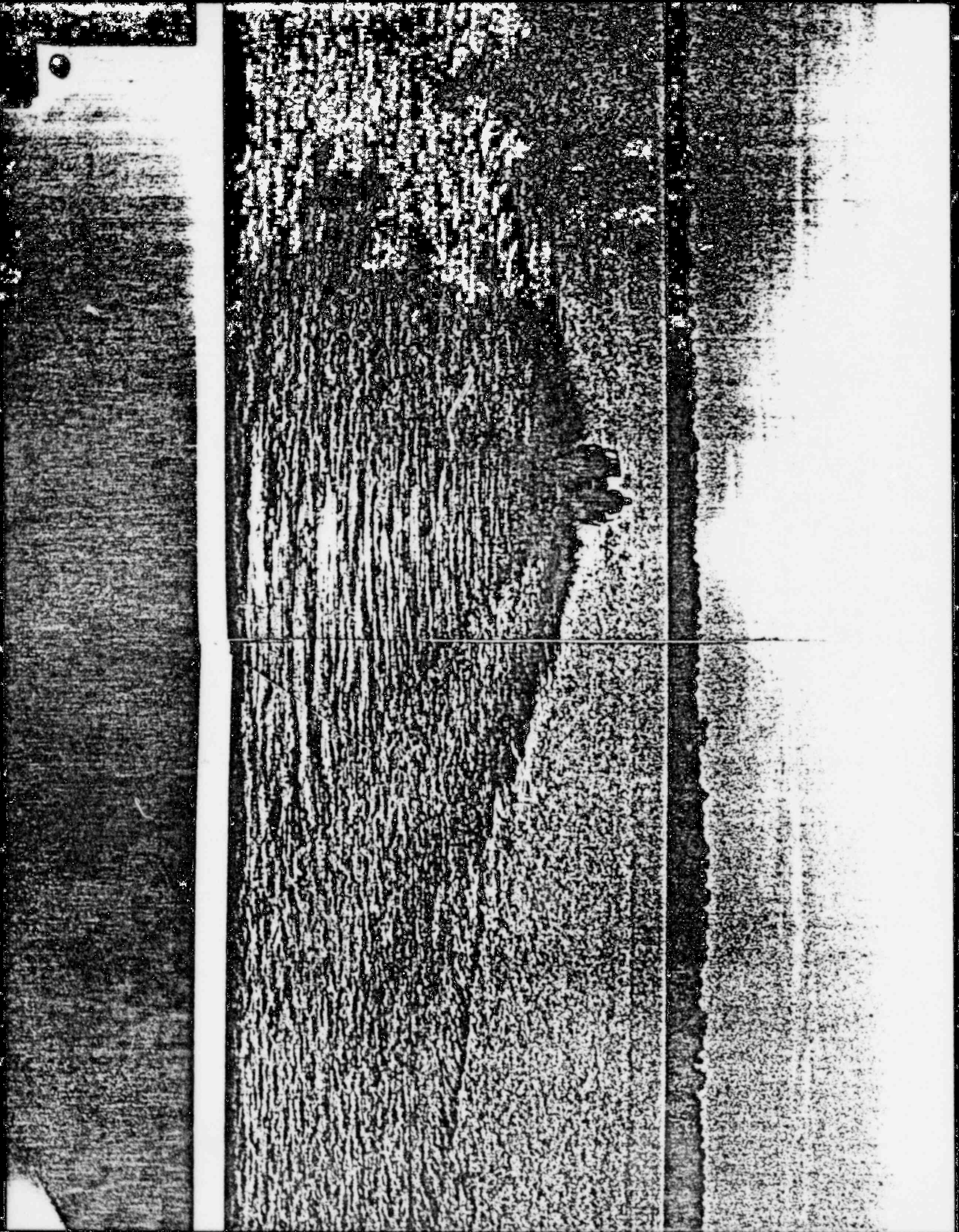
Public Relations Director

"People and Energy. Santee Cooper's two greatest resources."

Robert S. Davis
Chairman, Board of Directors







Financial Statements



Table of Contents

Auditors' Opinion	2
Financial Statements of South Carolina Public Service Authority:	
Balance Sheets	3
Statements of Net Earnings	5
Statements of Accumulated Earnings Reinvested in the Business	6
Statements of Changes in Financial Position	7
Notes to Financial Statements	9-14

Auditors' Opinion

2

J.W. Hunt and Company
1607 St. Julian Place
Post Office Box 265
Columbia, S.C. 29202

The Advisory Board
South Carolina Public Service Authority
Columbia, South Carolina

We have examined the balance sheets of the South Carolina Public Service Authority as of June 30, 1979 and 1978, and the related statements of net earnings, accumulated earnings reinvested in the business and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the South Carolina Public Service Authority as of June 30, 1979 and 1978, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change with which we concur, in the method of accounting for leases as described in Note 6 to the financial statements.

Respectfully submitted,

J.W. Hunt Company

November 20, 1979

Balance Sheets

Assets	1979	1978
Current Assets		
Cash	100,000	120,000
Accounts Receivable	200,000	180,000
Inventory	150,000	160,000
Prepaid Expenses	50,000	40,000
Other Current Assets	20,000	30,000
Total Current Assets	520,000	530,000
Non-Current Assets		
Property, Plant, and Equipment	300,000	320,000
Intangible Assets	100,000	110,000
Other Non-Current Assets	20,000	30,000
Total Non-Current Assets	420,000	460,000
Total Assets	940,000	990,000
Liabilities and Equity		
Current Liabilities		
Accounts Payable	150,000	160,000
Short-Term Debt	100,000	110,000
Other Current Liabilities	50,000	60,000
Non-Current Liabilities		
Long-Term Debt	200,000	220,000
Other Non-Current Liabilities	50,000	60,000
Equity		
Common Stock	300,000	300,000
Retained Earnings	290,000	270,000
Other Equity	50,000	60,000
Total Liabilities and Equity	940,000	990,000

Liabilities And Other Credits	1979	1978
LONG-TERM DEBT (NOTE 4)		
Priority obligations	\$ 73 492 809	\$ 74 860 842
Electric System Expansion Revenue Bonds	846 455 000	737 976 000
Capitalized lease obligations	88 056 022	68 204 642
Bank credit agreement	25 000 000	-
Other	375 000	1 700 000
Total long-term debt	<u>1 033 378 831</u>	<u>882 740 484</u>
Less: unamortized debt discount and premium - net	14 130 012	12 882 827
Long-term debt - net	<u>1 019 248 819</u>	<u>869 857 657</u>
ACCRUED INTEREST ON LONG-TERM DEBT	<u>25 233 802</u>	<u>8 108 685</u>
CONSTRUCTION FUND LIABILITIES-		
ACCOUNTS PAYABLE	<u>16 044 938</u>	<u>1 965 331</u>
CURRENT LIABILITIES		
Accounts payable	7 469 520	9 528 424
Customer deposits	2 072 866	1 491 237
Accrued sums in lieu of taxes	353 304	297 783
Other	146 509	439 441
Total current liabilities	<u>10 042 199</u>	<u>11 756 885</u>
COMMITMENTS (NOTE 7)		
UNAMORTIZED GAIN ON REACQUIRED DEBT (NOTE 1)	<u>1 687 110</u>	<u>1 994 279</u>
CAPITAL CONTRIBUTIONS -		
U S GOVERNMENT GRANTS	<u>34 438 264</u>	<u>34 438 264</u>
ACCUMULATED EARNINGS REINVESTED		
IN THE BUSINESS	<u>81 063 369</u>	<u>81 473 219</u>
Total	<u>\$1 197 758 501</u>	<u>\$1 009 594 320</u>

Statements of Net Earnings

Years Ended June 30, 1979 and 1978*

5

Detail	1979	1978*
OPERATING REVENUES:		
Sales of electricity	\$ 134,296,072	\$ 117,744,105
Other operating revenues	1,401,354	1,236,072
Total operating revenues	135,697,426	118,980,177
OPERATING EXPENSES:		
Operation expense:		
Production	84,529,074	79,353,325
Purchased and interchanged power - net	2,109,654	(4,748,340)
Transmission	1,242,108	1,131,318
Distribution	729,969	607,529
Customer accounts	1,271,731	1,273,236
Sales	214,227	235,142
Administrative and general	3,642,924	2,655,041
Maintenance expense	10,188,449	7,636,576
Total operation and maintenance expenses	103,928,136	88,143,827
Depreciation	12,433,947	11,060,022
Sums in lieu of taxes	726,315	658,418
Total operating expenses	117,088,398	99,862,267
OPERATING INCOME	18,609,028	19,117,910
OTHER INCOME:		
Interest income	26,879,580	17,159,446
Allowance for funds used during construction - other than borrowed funds (Note 1)	1,084,631	457,879
Other - net	132,398	(34,021)
Total other income	28,096,609	17,583,304
Total	46,705,637	36,701,214
INTEREST CHARGES:		
Interest on long-term debt	49,609,758	37,870,422
Allowance for funds used during construction - borrowed funds (Note 1)	(14,415,741)	(7,215,703)
Other	721,090	530,902
Total interest charges	35,915,107	31,185,621
NET EARNINGS	\$ 10,790,530	\$ 5,515,593

*Reclassified to conform to 1979 presentation
See Accompanying Notes to Financial Statements

Statements of Accumulated Earnings Reinvested in the Business

Years Ended June 30, 1979 and 1978

Detail	1979	1978
Accumulated earnings reinvested in the business, as previously reported - beginning of period.....	\$ 85,699,107	\$ 81,065,189
Cumulative effect on prior years of capital lease restatement.....	4,225,888)	(3,906,999)
As restated.....	81,473,219	77,158,190
Net earnings for the period.....	10,790,530	5,515,593
Total.....	92,263,749	82,673,783
Distribution to the State of South Carolina.....	1,200,380	1,200,564
Accumulated earnings reinvested in the business - end of the period.....	\$ 91,063,369	\$ 81,473,219

See Accompanying Notes to Financial Statements

Statements of Changes in Financial Position

Years Ended June 30, 1979 and 1978

Detail	1979	1978
FUNDS PROVIDED BY		
Operations		
Net earnings	\$ 10,790,530	\$ 8,515,583
Charges (credits) to net earnings not providing or requiring funds		
Depreciation	12,433,947	11,380,322
Allowances for funds used during construction	115,500,372	17,673,582
Amortization of debt discount and expense	547,539	391,786
Amortization of loss on reacquired debt - net	76,944	59,327
Total from operations	8,348,586	9,353,216
Sale of bonds	110,000,000	315,000,000
Capitalized lease obligations	21,546,286	1,363,252
Bank loans	25,000,000	-
Decrease (increase) in unexpended funds from sale of Electric System Expansion Revenue Bonds	8,494,371	(162,225,897)
Increase in accrued interest on long-term debt	17,125,117	4,091,735
Increase (decrease) in construction fund liabilities	14,079,607	(1,050,059)
Other	26,560	131,675
Total funds provided	204,619,529	166,663,922
FUNDS APPLIED TO		
Increase in utility plant and other physical property	178,829,360	83,463,538
Increase in debt service and other restricted funds	15,519,686	63,998,594
Retirement of long-term debt	4,213,033	3,817,638
Principal payments - capitalized lease obligations	1,693,905	1,461,566
Distributions to the State of South Carolina	1,200,380	1,200,564
Addition to unamortized debt discount and expense	2,030,644	6,140,524
Total funds applied	203,487,009	160,082,424
INCREASE IN WORKING CAPITAL	\$ 1,132,520	\$ 6,581,498

INCREASE (DECREASE) IN WORKING CAPITAL
BY COMPONENT

Cash and securities			
Held by trustee	\$	104,404	\$ 904,600
Other		3,432,301	2,908,642
Accounts receivable, less allowance for uncollectible accounts		697,220	1,012,260
Accrued interest receivable		112,725	467,810
Inventories		2,394,528	5,033,380
Other current assets		24,487	166,120
Accounts payable		2,058,904	1,144,458
Customer deposits		581,629	980,593
Accrued sums in lieu of taxes		55,521	122,360
Other current liabilities		292,932	37,378
Increase in working capital	\$	1,132,520	\$ 6,581,498

See Accompanying Notes to Financial Statements

Notes to Financial Statements

NOTE 1. Summary of Significant Accounting Policies

A. **SYSTEM OF ACCOUNTS** - The accounting records of the Authority are maintained in conformity with the requirements of the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). See Note 5 below regarding the allowance for funds used during construction.

B. **PLANT CAPITALIZATION AND MAINTENANCE** - Addition to plant are recorded at cost, which includes material, labor, overhead and a provision for funds used during construction. The costs of current repairs and minor replacements are charged to appropriate operating expense and clearing accounts. Costs of renewal and betterment are capitalized. The original cost of utility plant retired and the cost of removal less salvage are charged to accumulated depreciation.

C. **DEPRECIATION** - Depreciation is provided on a straight line basis over the estimated useful lives of the various classes of the plant. Annual depreciation provisions, expressed as a percent of average depreciable utility plant in service, were approximately 2.35% and 2.48% for 1974 and 1975, respectively.

D. **OPERATING REVENUES AND ENERGY COSTS** - Revenues from sale of electric energy, including amounts resulting from application of fuel adjustment clauses, are recorded as meters are read. Cost of fuel consumed are reflected in operating expenses as incurred.

E. **PENSION COSTS** - Salaries paid by the Authority are subject to withholdings and employer contributions in accordance with the provisions of a State Pension Plan administered by the South Carolina State Retirement System. Rates are fixed by State statutes. The contributions to the State Pension Plan were \$821,356 and \$675,961 for years ended June 30, 1974 and 1975, respectively.

F. **ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION** - The allowance for funds used during construction (AFUDC) reflects the cost for the period of capital devoted to plant under construction, including nuclear fuel. This cost represents interest charged on borrowed funds and a reasonable rate of return on other funds used to finance plant additions during construction periods and is capitalized in the same manner as construction labor and material costs.

Prior to fiscal year 1978, AFUDC was capitalized only on construction projects for which funds were borrowed to finance such projects and was calculated using the net interest cost of each financing (actual interest paid less interest income earned from investing unexpended proceeds). For the year ended June 30, 1978, AFUDC was calculated using the formula method prescribed by FERC and was applied to all construction projects. This change in the method of calculation increased AFUDC and net earnings for 1978 by \$443,000.

Unexpended Funds From Sale of Expansion Bonds and Debt Service and Other Special Funds

Summer Nuclear Stations

NOTE 4 - Long-Term Debt Outstanding:	1979	1978
Priority Obligations:		
Electric Revenue Bonds, Series of 1950, bearing interest at 2.70% and due 1979 to 1993	\$ 11,120,000	\$ 11,355,000
Electric Revenue Bonds, Series of 1967, bearing interest at 4% and 4.10% and due 1979 to 1981 and 2006	50,865,000	51,000,000
Electric Revenue Bonds, Refunding Series of 1973, bearing interest from 5% to 5-1/2% and due 1979 to 1989	9,250,000	9,800,000
Contract Obligations, payable 1979 to 1985	2,257,809	2,645,842
Total Priority Obligations	<u>73,492,809</u>	<u>74,860,842</u>
Electric System Expansion Revenue Bonds:		
Expansion Bonds, 1973 Series, bearing interest from 5% to 5-3/4% and due 1980 to 1993 and 2013	100,000,000	100,000,000
Expansion Bonds, 1974 Series, bearing interest from 6% to 6-3/4% and due 1980 to 1999 and 2014	109,000,000	109,000,000
Expansion Bonds, 1977 Refunding Series, bearing interest from 3.40% to 6% and due 1979 to 1997 and 2002 and 2016	212,455,000	213,975,000
Expansion Bonds, 1977 Series, bearing interest from 4% to 5-3/4% and due 1982 to 2002 and 2017	115,000,000	115,000,000
Expansion Bonds, 1978 Series, bearing interest from 4.20% to 5-7/8% and due 1981 to 1998 and 2008 and 2018	200,000,000	200,000,000
Expansion Bonds, 1979, Series A, bearing interest from 5.40% to 6-7/8% and due 1980 to 2003 and 2009 and 2019	110,000,000	-
Total Expansion Bonds	<u>846,455,000</u>	<u>737,975,000</u>
Capitalized Subordinated Lease Contracts, payable 1979 to 2014	88,056,022	68,204,642
Bank Credit Agreement	25,000,000	-
Other	375,000	1,700,000
Total long-term debt	<u>\$1,033,378,831</u>	<u>\$ 882,740,484</u>

The Authority utilizes proceeds of debt issues primarily in financing its construction program.

NOTE 4. Long-Term Debt Outstanding (Continued):

The Electric System Expansion Revenue Bonds, 1977 and 1976 Series were advance refunded and defeased in 1977 by issuance of 1977 Refunding Series Bonds and Special Obligation Refunding Series Bonds. The principal amount of the Refunding Bonds and Special Obligation Bonds remaining outstanding at June 30, 1979, totaled \$262,440,000. Such bonds will be retired as they mature from the proceeds of Government Obligations held by the Refunding Trustee.

The Authority's bond indentures provide for certain restrictions, the most significant of which are: The Authority covenants to establish rates and charges adequate to provide revenues sufficient among other things, to pay debt service when due on the priority obligations and expansion bonds, to make required payments when due into the lease fund and the capital improvement fund, and to pay the costs of operation and maintenance of the Authority's electric system and all necessary repairs, replacements and renewals thereof.

The Authority is presently required to pay annually into its capital improvement fund an amount which, together with the amounts deposited therein in the two preceding fiscal years, is at least equal to 8% of the Authority's gross revenues (as defined) in the three preceding fiscal years.

The Authority may issue additional parity expansion bonds if, among other things, the Authority's Consulting Engineer certifies that net revenues (as defined) in each succeeding fiscal year after the date on which such additional bonds are sold to and including the later of (a) the third succeeding full fiscal year after such date or (b) the first full fiscal year after the estimated date of commercial operation of any power plant to pay the cost of construction of which additional expansion bonds have been, are being or are then authorized to be issued, shall be at least equal to the sum of the amounts required in such fiscal year for (i) debt service on the priority obligations and the expansion bonds then outstanding, being issued or authorized but not yet issued (ii) payments into the lease fund, and (iii) payments into the capital improvement fund.

Maturities of priority obligations and expansion bonds during the fiscal years ended June 30, 1979 through 1984, are as follows:

June 30, 1980	\$2,981,679
June 30, 1981	4,079,209
June 30, 1982	5,951,891
June 30, 1983	6,524,728
June 30, 1984	9,071,017

The contract obligations included above arose through an agreement to purchase certain transmission lines (generally known as the "A-B" System) from Centra Electric Power Cooperative, Inc. Principal and interest at 2% per annum are payable in semi-annual installments. See Note 6 for details concerning long-term lease obligations.

NOTE 5 - Bank Credit Agreement:

In May, 1979, the Authority authorized the execution of a credit agreement with several banks which expires in 1982. The participating banks agreed to loan to the Authority from time to time up to \$50,000,000 at a fluctuating rate per annum equal to 40% of the prime commercial rate of one of the major lending banks, plus 2% per annum (6.7% at June 30, 1979). In accordance with the agreement, the Authority borrowed \$25,000,000 on the date the agreement was executed, June 1, 1979. The proceeds from such borrowing must be used solely for plant construction.

NOTE 6 - Long-Term Lease Commitments:

The Authority has lease contracts with Central Electric Power Cooperative, Inc., covering a steam electric generation plant, transmission facilities and various other facilities. The lease terms range from sixteen to thirty-six years. Quarterly lease payments are based on a sum equal to the interest on and principal of Central's indebtedness to the Rural Electrification Administration for funds borrowed to construct the above-mentioned facilities. The Authority has an option to purchase the leased properties at any time during the period of the lease agreements for a sum equal to Central's indebtedness remaining outstanding on the property involved at the time the option is exercised or to return the properties at the termination of the lease. In addition, the Authority and Central are parties to a power contract which provides that the Authority will provide and Central will purchase all of its energy requirements, less amounts which Central purchases directly from the Southeastern Power Administration through October, 1987. Revenues received from Central approximated \$57,800,000 and \$52,046,000 in 1979 and 1978, respectively.

In June, 1979, the Authority retroactively recorded all capital leases as assets and liabilities in accordance with Statement No. 13 of the Financial Accounting Standards Board - Accounting for Leases. Prior to that time, capital leases entered into before January 1, 1977, were treated as operating leases under the transitional rules of Statement No. 13.

The effect of this change was as follows:

	JUNE 30, 1979	JUNE 30, 1978
Increase in Electric Plant (in Service and Construction Work in Progress)	\$100,960,291	\$ 79,415,005
Increase in Accumulated Depreciation	21,681,536	19,469,256
Increase in Capitalized Lease Obligations	88,056,022	68,204,640
Decrease in Reserve for Future Rental Payments	4,013,489	3,538,373
Decrease in Net Earnings	43,258	318,889

Financial statements of prior years have been restated and the cumulative effect at July 1, 1977, has been charged to accumulated earnings reinvested in the business.

NOTE 6 - Long-Term Lease Commitments (Continued):

Future minimum lease payments on Central leases at June 30, 1979, were

Years ending June 30	Amount
1980	\$ 4,903,494
1981	5,263,884
1982	5,387,057
1983	5,508,736
1984	5,515,113
Thereafter	<u>124,662,459</u>
Total minimum lease payments	151,240,742
Less, amounts representing interest	<u>59,184,720</u>
Present value of net minimum lease payments	92,056,022
Less, approved loans not yet advanced to Central	<u>4,000,000</u>
Balance at June 30, 1979	<u>\$ 88,056,022</u>

Leases, other than Central leases, are not material.

NOTE 7 - Commitments:

The Authority's Construction Budget, as adjusted for known changes, provides for expenditures (principally consisting of generating facilities - Winyah #3, Winyah #4, Summer Plant, Cross #2, Cross #1 and other construction) of approximately \$227,400,000 during the fiscal year ending June 30, 1980, and \$1,112,700,000 during later years.

POWER SYSTEM COORDINATION AND INTEGRATION AGREEMENT
BETWEEN
SOUTH CAROLINA PUBLIC SERVICE AUTHORITY
AND
CENTRAL ELECTRIC POWER COOPERATIVE, INC.

POWER SYSTEM COORDINATION AND INTEGRATION AGREEMENT

TABLE OF CONTENTS

<u>REFERENCE</u>	<u>ARTICLE, SECTIONS, OR APPENDIX TITLES</u>	<u>PAGE NUMBER</u>
RECITAL		1
DEFINITIONS		4
Article I	Existing Agreement	6
Article II	Joint Committees	7
Article III	Purchase of Generating Resources	11
Article IV	Future Generating Resources	12
Article V	Power and Energy Rates and Requirements	16
Article VI	Transmission Services and Deliveries	18
Article VII	Transmission System Coordination	19
Article VIII	Delivery Points	22
Article IX	Electrical Characteristics	23
Article X	Dispatching & Operation of Capacity Resources & Transmission System	24
Article XI	Metering	27
Article XII	Billing & Payment	28
Article XIII	Arbitration	29
Article XIV	Miscellaneous	33
	Effective Date & Term	33
	Central's Members	33
	Interruptions to Service	34
	Force Majeure	34
	Successors and Assigns	34
	Selling or Leasing of Authority System	34
	Selling or Leasing of Either Parties' System	34
	Rights of Way	35
	Entry of Premises	35
	Ownership of Facilities & Right of Removal	35
	Indemnification	35
	Interpretation and Captions	36
	Audit	36
	Counter Parts	36
	Severability	36
	Governing Law	36
	Notices	37
	Signatures and Seals	37
<u>APPENDIX A</u>	Provisions Relating To Resource Integration and Supplemental Power Sales	38
	Exhibit I Cost of Service Methodology	52
	Exhibit II Schedules A & B	55
	Schedules C	56
	Exhibit III Production Energy Charges	57
<u>APPENDIX B</u>	Provisions Relating To Transmission Service	58
<u>APPENDIX C</u>	Provisions Relating To Transmission Operations and Maintenance	62

This Power Systems Coordination and Integration Agreement (hereinafter referred to as the "Coordination Agreement") entered into on the _____ day of _____, 1980, by and between the South Carolina Public Service Authority (hereinafter referred to as the "Authority"), an Agency of the State of South Carolina, and Central Electric Power Cooperative, Inc., (hereinafter referred to as "Central"), a cooperative corporation organized and existing under the laws of the State of South Carolina, witnesseth that,

RECITALS

Whereas, Authority owns and operates an electric power system consisting of electric generating, transmission, and distribution facilities;

Whereas, Central is a generation and transmission cooperative which through wholesale purchases from Authority, furnishes electric power and energy at wholesale to its Member distribution cooperatives under all requirements contracts;

Whereas, Central through loans from the United States of America (hereinafter called the "Government") acting through the "Administrator of REA" has constructed certain electric generating and transmission facilities and through certain lease and power contracts leased these facilities to Authority,

Whereas, these certain lease and power contracts are by name and detail:

1. Contract Obligation: Commonly known as the A-B Agreement; effective date, January 1, 1950; termination date, January 1, 1985; date of last payment, January 10, 1985.
2. C Lease: Effective date, October 22, 1952; termination date, October 22, 1982; date of last payment, November, 1995.
3. C Power Contract: Effective date, October 22, 1952.
4. D Lease: Effective date, April 25, 1963; termination date, originally July 1, 1996, and extended to June 7, 2007, by terms of the L Amendment of the D, E, F, G, H and K Leases; date of last payment, November, 2003.
5. D Power Contract: Effective date, April 25, 1963.
6. E Lease (Amendment to the D Lease): Effective date, October 23, 1968; termination date originally June 1, 2000, but extended to June 7, 2007, by terms of the L Amendment to the D, E, F, G, H, and K Leases; date of last payment, November, 2005.
7. F Power Contract: Effective date, April 29, 1971; termination date, June 15, 2005.
8. F Lease (Amendment to the D and E Lease): Effective date, April 29, 1971; termination date, originally June 15, 2001, but extended to June 7, 2007, by terms of the L Amendment to the D, E, F, G, H, and K Leases; date of last payment, November, 2003.

9. G Lease (Amendment to the D, E, and F Leases): Effective date, October 10, 1973; termination date originally March 13, 2003, but extended to June 7, 2007, by terms of the L Amendment to the D, E, F, G, H, and K Leases; date of last payment February, 2010.
10. H Lease Amendment to the D, E, F, and G Leases): Effective date December 3, 1975; termination date, originally December 3, 2005, but extended to June 7, 2007, by terms of the L Amendment to the D, E, F, G, H, and K Leases; date of last payment November, 2011.
11. K Lease (Amendment to the D, E, F, G, and H Leases): Effective date, October 18, 1976; termination date, originally October 18, 2006 but extended to June 7, 2007, by terms of the L Amendment to the D, E, F, G, H, and K Leases; date of last payment, February, 2014.
12. L Lease (Amendment to the D, E, F, G, H and K Leases): Effective date, June 7, 1977, termination date June 7, 2007, date of last payment, February 2015.

Whereas, the aforementioned Contract Obligation contain provisions whereby Central is obligated to purchase, and Authority obligated to provide and sell, all of Central's electrical power and energy requirements during the term of such Obligation, which such provisions (collectively, "all-requirements provisions") may be amended by mutual agreement of Authority and Central, but only with the consent of the Administrator of REA and of the holders of at least seventy-five (75%) percent (principal amount) of Authority's Priority Obligations; and

Whereas, the aforementioned C Lease contains provisions whereby Central is obligated to purchase, and Authority is obligated to provide and sell, all of the electrical power and energy requirements of Central's then current members, which such provisions (collectively "all requirements provisions") may be amended by mutual agreement of Central and the Authority with the consent of the Administrator of REA; and

Whereas, the aforementioned Contract Obligation, the C Lease, the D Lease, the E Lease, the F Lease, the G Lease, the H Lease, the K Lease, and the L Lease each have an option clause whereby Authority has the option to purchase the facilities covered by the aforementioned Obligation and Leases at any time during the terms of said Obligation and Leases; and

Whereas, Authority will exercise its option to purchase the facilities covered by the A-B, C, D, E, F, G, H, K, and L Leases, and Authority and Central will eliminate and make void the "all requirements" provisions of the C Lease; and

Whereas, Authority has awarded contracts for the construction of two coal-fired electric generating units at a generating facility known as the Cross Generating Station (hereinafter referred to as the "Cross Station") located near the community of Cross, South Carolina; and

Whereas, Authority currently plans the Cross Station to ultimately house four coal-fired generating units, each unit to have a nominal net generating output capacity of 450 megawatts with the first unit (Unit Number Two) having a projected Commercial Operating Date of November 1, 1983, and the second

unit (Unit Number One) having a projected Commercial Operating Date of May 1, 1985. Units three and four are to be constructed as required to supply the load requirements of the combined Authority-Central System;

Whereas, Central desires an option whereby Central may acquire an undivided ownership interest in each unit to be constructed at the Cross Generating Station; and

Whereas, Authority, as tenant in common with the South Carolina Electric and Gas Company, owns an undivided ownership interest in the Virgil C. Summer Nuclear Generating Station currently being constructed by Authority and the South Carolina Electric and Gas Company; and

Whereas, Central desires an option whereby Central may acquire an undivided ownership interest in the Virgil C. Summer Nuclear Generating Station with such option to have a stated termination date; and

Whereas, Central desires an option whereby Central may acquire an undivided ownership interest in each future generating unit constructed by Authority, or by Authority and any other Party or Parties; and

Whereas, Authority desires an option whereby Authority may acquire an undivided ownership in each and every future generating unit constructed by Central, or by Central and any other Party or Parties; and

Whereas, Central desires to purchase and receive from Authority all of the electrical power and energy requirements of Central's Members not supplied from Central Capacity Resources; and

Whereas, Central desires Authority to transmit and deliver electric power from Central Capacity Resources and from Authority's Capacity Resources across Authority's transmission system to Central-owned transmission facilities and Delivery Points of Central's Members; and

Whereas, Central desires to ultimately own all of the generating resources necessary to meet Central's total power requirements on a firm basis; and

Whereas, Central and Authority desire, for their mutual benefit and that of their ultimate customers, to jointly plan all future generation and transmission facilities; and

Whereas, after January 1, 1985, Central and Authority mutually desire to terminate and make void each and every provision of the A-B Power Contract and supersede each and every provision of such Contract with this Agreement; and

Whereas, Central and Authority mutually desire to terminate and make void each and every provision of the C, D, and F Power Contracts and supersede each and every provision of such Contracts with this Agreement;

Now, therefore, in consideration of the foregoing and the mutual covenants and agreements herein contained, the Parties hereto contract and agree as follows:

DEFINITIONS

For the purposes of this Agreement the following definitions shall apply:

A. Annual Territorial Peak Demand: The maximum coincident one-hour integrated kilowatt demand of the combined systems of Authority and Central during the Contract Year, as defined in Appendix A hereto.

B. Bulk Power Transmission: Overhead and underground transmission lines which serve a system-wide bulk load-carrying or reliability function, including (1) lines or line segments which at either end are connected to Capacity Resources, or (2) lines or line segments which at either end interconnect with other utility systems, or (3) lines or line segments which at both ends are connected to lines described in (1) or (2) above whether or not transformation of voltage is involved. Bulk Power Transmission Facilities shall include all stations from which emanate one or more Bulk Power transmission lines or line segments.

C. Capacity Resource: An electric generating unit, an ownership share in an electric generating unit, or the availability of electric capacity purchased from an electric generating unit or source available to provide the electric power and energy requirements of Authority and/or Central.

D. Co-generation: The process whereby a waste or by-product of a generating station is used by a separate entity, an industrial plant for example, in operation of the industrial plants production processes, and in turn, or, a waste or by-product of the industrial plant is used by the generating station in the generation process.

E. Contract Year: The period beginning at 12:01 a.m. July 1 and ending at 12:00 midnight the following June 30.

F. Delivery Point: Any point at which the conductors owned by Authority or Central connect with the conductors owned by the other Party for the sole purpose of delivering electrical power and energy in the case of Central to a Central Member-Cooperative and in the case of Authority to an Authority Customer.

G. Dispatching: The operating control of an integrated system involving operations such as, but not limited to:

1. The assignment of load to specific generating stations and other sources of power supply to effect the most reliable and economical power supply as the total of the significant and combined area electrical loads rise and fall.
2. The control of operations and maintenance of generating units, transmission lines, substations, and equipment, including administration of environmental, operating, regulatory, reliability, and safety procedures.
3. The operation of transmission lines, switches, and related facilities.

4. The negotiating and scheduling of power and energy transactions with interconnected electric utilities.

H. Eligible Capacity Resource: A Capacity Resource of either Party which has met the notice provisions and other conditions of this Agreement.

I. Generating Station: A station at which are located prime movers, electric generators, and auxiliary equipment for converting mechanical, falling water, chemical, solar or nuclear energy into electric energy.

J. Good Utility Practice: Good Utility Practice at a particular time means any of the practices, methods and acts, which, in the exercise of reasonable judgment in the light of the facts (including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry prior thereto) known at the time the decision was made, would have been expected to accomplish the desired result at a reasonable cost consistent with reliability and safety. Good Utility Practice is not intended to be limited to the optimum practice, method or act, to the exclusion of all others, but rather to be a number of possible practices, methods or acts.

K. Reserve Generating Capacity: Generating capacity available to meet unanticipated demands for power or to generate power in the event of loss of generation resulting from scheduled or unscheduled outages of regularly used generating capacity.

Article I. EXISTING AGREEMENTS

Authority continues its sole responsibility and authority to possess, control, operate and maintain all property, interests in property and all facilities included in the A-B through L Leases, including the right to repair, replace, remove from service and the right to upgrade, modify or add to such facilities, when in the opinion of the Authority such would be in the best interests of reliable system operations.

Authority hereby gives, and Central hereby accepts, notice of Authority's intent to exercise Authority's options pursuant to the A-B, C, D, E, F, G, H, K, and L Leases to purchase the facilities covered by such leases, each such purchase to become effective no later than the latest date stipulated in each such lease or amendment.

By mutual agreement, Authority and Central hereby terminate, vacate, and make null and void the C, D, and F Power Contracts and all amendments thereto and supersede such contracts, as amended, with this Agreement.

By mutual agreement, effective January 1, 1985, Authority and Central hereby terminate, vacate, and make null and void the A-B Agreement and all amendments thereto and supersede such Agreement with this Agreement.

All other existing agreements between Authority and Central, or portions thereof, shall continue in full force and effect unless and to the extent modified herein.

Article II. JOINT COMMITTEES

A. EXECUTIVE COMMITTEE

There shall be established an "Executive Committee" which shall be constituted by and act on behalf of the Parties on the matters and in the manner hereinafter set forth.

The membership of the Executive Committee shall consist of one member of the Board of Directors of Authority and one member of Central's Board of Trustees, and the Chief Executive Officer of Authority and General Manager of Central. The appointment of each board member for each Party shall be confirmed in writing to the other Party. Each such appointment shall be for an indefinite term and may be terminated at any time upon written notice from the appointing Party to the other Party, which notice shall also name the successor to the member whose term is terminated.

The Executive Committee shall meet not less often than semi-annually at the time and place designated by the Party having appointed the then current secretary. On written request of any member, the Executive Committee shall convene a called meeting at the time and place designated by the Party having appointed the then current secretary, provided, however, that such called meeting shall be not more than thirty (30) working days after such request unless the member requesting the meeting agrees to a later date.

There shall be appointed a secretary of the Executive Committee who shall not be a member of such Committee and whose appointment shall rotate among the Parties, with the first secretary appointed by the Chief Executive Officer of Authority and the second secretary appointed by the General Manager of Central. Each secretary shall serve for a term of two years commencing on July 1 of the change year, except that the first secretary shall serve through June 30, 1982. The Party appointing each such secretary may terminate the term of such secretary and replace such secretary during the term thereof with another secretary with written notice to the other Party. The secretary shall be responsible for preparing and distributing minutes of the meetings of the Executive Committee and such other duties and responsibilities as may be agreed to by the Executive Committee.

The Executive Committee shall be responsible for (i) the implementation and administration, on behalf of the Parties, of the provisions of this Agreement as hereinafter provided, (ii) the resolution of disputes between the Parties arising under or relating to any provision of this Agreement, and (iii) such other matters as may be agreed upon among the Parties.

The Executive Committee shall develop such manuals of procedures as may be necessary to implement and administer any transactions among the Parties.

No action shall be taken by the Executive Committee except by a majority vote of all members unless otherwise specifically provided in this or other agreements.

Notwithstanding anything contained in this Agreement, no matter shall require the approval of the Executive Committee or that of any other committee created by this Agreement or by the Executive Committee, unless such matter (1)

Article II. JOINT COMMITTEES (cont'd)

is specifically assigned to such committee or (2) involves a facility which is jointly owned, or to be jointly owned, by Authority and Central.

Each Party shall, within ninety (90) days after approval of the minutes of the Executive Committee, as hereinafter provided, submit such minutes to its Board for action and shall promptly notify the other Party of any action taken thereon.

B. SUBCOMMITTEES

The Executive Committee shall not delegate its authority to others; however, the Executive Committee shall have the authority to appoint and direct standing or ad hoc subcommittees or task forces, the members of which need not be members of the Executive Committee, to study and make recommendations on any subject, and to discharge such other duties and responsibilities as may be agreed upon by the Parties.

There shall be established at least two such standing subcommittees; namely, the Planning Committee and the Operating Committee. The present Authority-Central Engineering Committee shall be superseded by the aforementioned subcommittees.

1. The Planning Committee shall consist of two salaried employees of Authority appointed by the Chief Executive Officer of Authority and two salaried employees of Central appointed by the General Manager of Central. Such appointments shall be for indefinite terms and each such appointment shall be confirmed in writing by the appointing Party to the other. One member of the Planning Committee shall be designated Chairman and such chairmanship shall rotate among the Parties, with the first chairman appointed by Authority, and the second chairman appointed by Central. Each chairman shall serve a term of two years, commencing on July 1 of the change year, except that the first chairman shall serve through June 30, 1982, and each such appointment shall be confirmed in writing by the appointing Party to the other. If a chairman is unable to complete a term, an interim chairman shall be appointed by the vacating chairman's Party to serve out the term. The Planning Committee shall meet not less than quarterly with one quarterly meeting being held each April and shall be responsible for the exchange of information and studies and analyses relating to matters involving generation and transmission system planning and such other matters as may be specifically designated by the Executive Committee or as otherwise specifically set forth in this Agreement.

2. The Operating Committee shall consist of two salaried employees of Authority appointed by the Chief Executive Officer of Authority and two salaried employees of Central, appointed by the General Manager of Central. Such appointments shall be for indefinite terms and shall be confirmed in writing by the appointing Party to the other. One member of the Operating Committee shall be designated as chairman of the Operating Committee, and such chairmanship shall rotate among the Parties, with the first chairman appointed by Central and the second chairman appointed by Authority. Each chairman shall serve a term of two years, commencing on July 1 of the changing year, except that the first chairman shall serve through June 30, 1982, and each such appointment shall be confirmed in writing by the appointing Party to the other. If a chair-

Article II. JOINT COMMITTEES (cont'd)

man is unable to complete a term, an interim chairman shall be appointed by the vacating chairman's Party to serve out the term. The Operating Committee shall meet not less than quarterly and shall be responsible for the exchange of information and studies and analyses relating to matters involving operations of the integrated generation, and transmission systems of Authority and Central as may be specifically designated by the Executive Committee or as otherwise specifically set forth in this Agreement.

Nothing in this Agreement shall prevent the Executive Committee from dissolving the Planning Committee or the Operating Committee; provided, however, that in the event either committee is dissolved, the responsibilities of such committee that are specifically set forth herein shall fall upon the Executive Committee or such other committee or committees as the Executive Committee may designate.

C. GENERAL RULES

Unless the Executive Committee specifically agrees otherwise, the following rules shall apply to all joint committees formed by the Parties pursuant to this agreement:

1. Attendance at the meetings shall not be limited to members, but the Parties recognize the practical necessity of limiting attendance of non-members to those who are expected to take an active part in the agenda for a given meeting.
2. Each Party shall be responsible for the personal expenses of its members and its other attendees at a meeting of a committee. All other expenses necessary in the performance of the duties of such committee shall be allocated and paid as determined by the Executive Committee.
3. Minutes of each meeting of a committee shall be kept so as to record the following: date, time and place of the meeting; those in attendance; actions approved; agreements reached; date, time and place of the next meeting. The minutes shall not include any position advanced by a Party which was not thereafter at the same meeting accepted; provided, however, when no agreement among the members of the committee can be reached on a matter, at the request of either Party, the Parties respective positions shall be entered into the minutes for review by the Executive Committee.
4. The secretary of a committee shall prepare and distribute draft minutes of each meeting of the committee by either personally handing a copy to each member or mailing the same to each member, in each case not later than ten (10) calendar days after the close of the meeting. Each member shall promptly notify the secretary of his approval or of any corrections he desires to be made to the minutes. The secretary shall be responsible for coordinating corrections with the members and shall promptly mail corrected minutes for signature by the members. The approved minutes of the Executive Committee shall be presented to the Parties' respective Boards and the approved minutes of any other committee shall be presented to the Executive Committee.

Article II. JOINT COMMITTEES (cont'd)

5. Realizing that publication of information furnished hereunder by one Party to the other may detrimentally affect the furnishing Party, the Parties agree to keep confidential any such information upon the written request of the furnishing Party. Public dissemination of such information by the furnishing Party shall constitute a termination of the confidentiality requirement as to that specific information.

Notwithstanding the above, nothing in this Agreement shall be construed as preventing the disclosure by either Party to bond counsel, underwriters, consultants or REA of any information which in the opinion of such bond counsel, underwriters, consultants or REA may affect the security of any bonds or other evidences of indebtedness issued or to be issued by such Party. Further, neither Party nor its bond counsel, underwriters, consultants or REA shall be prevented from disclosure of such information in official statements necessary for the issuance of such bonds or other evidence of indebtedness. Further, neither Party nor its bond counsel, underwriters, consultants, or REA shall be prevented from meeting any disclosure requirements required under such Parties existing Bond Resolutions, Indentures or mortgages, including but not restricted to audit reports, engineering reports and any other related reports.

Article III. PURCHASE OF GENERATING RESOURCES

A. The Parties hereby agree to share undivided ownership of the Cross Generating Station whereby Central shall have a 45 percent undivided ownership interest in each and every unit, excluding real estate, at the Cross Generating Station if and when installed pursuant to the "Cross Generating Station Ownership and Operating Agreement" between the Parties which such Agreement shall be executed and become effective at the same time this Agreement is executed and becomes effective.

If the covenants of the Bond Resolution under which Authority's outstanding obligations have been issued require the retirement of any or all of Authority's Priority Obligations as a result of the acquisition of a portion of the Cross Generating Station by Central, the purchase price to be paid by Central shall cover any and all penalties Authority has, will have, or is committed to pay to retire the involved portion of Authority's Priority Obligations on the date sale is made to Central.

B. Authority hereby grants Central an option whereby Central may purchase up to a thirty three and one third (33 1/3) percent undivided ownership interest in Authority's share of the Virgil C. Summer Nuclear Generating Station (the Summer Station). Such purchase, if and when effectuated shall be pursuant to a Generating Station Ownership and Operating Agreement between the Parties which such Agreement shall be substantially the same as the above referenced Cross Generating Station Agreement taking into account any circumstances or requirements specific to the Summer Station.

Notwithstanding this or any other provision of this Agreement, such Authority option to Central shall terminate if not exercised by December 1, 1980, and if exercised such purchase shall be contingent upon (1) Central's obtaining any and all necessary consents agreements or approvals from SCE&G and appropriate governmental regulatory bodies and (2) Authority's ability to comply with the covenants of the Bond Resolution under which its outstanding obligations have been issued and (3) the purchase price to be paid by Central covering any and all expenses or penalties the Authority has, will have, or is committed to pay to (i) construct the said portion of the Summer Station purchased by Central and (ii) retire the Authority's Priority Obligations on the date sale is made to Central.

Article IV. FUTURE GENERATING RESOURCES

A. It is the Parties' intent to cooperate and coordinate the planning of future generating resources for their mutual benefit, and, in furtherance thereof, each Party, at the first regular meeting of the Planning Committee in each year, shall provide the other, through its respective representatives on such Committee, such Party's most current projections of that Party's annual Summer and Winter peak demands and annual energy requirements for the twenty (20) year period commencing with the immediately preceding January 1. The Planning Committee shall review such projections and, to the extent necessary and practicable, reconcile any discrepancies, and combine such projections into a forecast of the peak demand and energy requirements of the combined Authority-Central system for such twenty (20) year period.

B. It shall be Authority's right and responsibility to develop a preliminary generation expansion plan and to construct or otherwise acquire such new generating resources as may be required and provided for in such generation expansion plan; provided, however, that Central shall have the option to acquire an undivided ownership interest in each such future generating unit pursuant to Section C below.

Authority shall develop such generation expansion plan based upon the projections of the future power and energy requirements of the combined Authority-Central system described above, and present such plan to Central, through the Planning Committee, at a regular meeting of the Planning Committee not later than July 31 of such year.

C. Subject to the provisions herein, Authority hereby grants Central an option to acquire an undivided ownership interest in each future generating unit, other than at the Cross and Summer Stations, to be constructed by Authority during the term of this Agreement. Such undivided ownership interest shall not be less than fifteen percent (15%) nor shall it exceed the lesser of (i) forty-five percent (45%) or (ii) Central's contribution, expressed as a percent, to the Annual Territorial Peak Demand of the combined Authority-Central system, as such contribution is projected for the first full year following the Commercial Operating Date of such generating unit. Provided, however, that the aggregate sum of the Net Dependable Capacities and related Reserve Margins of the capacity resources of Central shall not exceed Central's contribution to the Annual Territorial Peak Demand of the combined Authority-Central system as such contribution is projected for the third full year following the Commercial Operating Date of such generating unit.

In the case of each such future generating unit, Authority shall give Central as much notice as practicable, but at least eighteen (18) months written notice of Authority's intent to issue the first contracts or to sell bonds, whichever is earlier, for the construction of such unit. Central shall notify Authority as to its intentions as soon as practicable and Central's option with respect thereto shall expire if not exercised in the manner hereinafter provided at least twelve (12) months prior to the projected date contained in the notice.

Central's option with respect to such generating unit shall be exercised by written notice to Authority, and such acquisition shall be pursuant to an Operating and Ownership Agreement to be timely executed by the Parties which Agreement shall be substantially the same as the Cross Generating Station Agree-

Article IV. FUTURE GENERATING RESOURCES (cont'd)

ment, as such Cross Generating Station Agreement may be appropriately modified or amended with the mutual consent of the Parties taking into account any circumstance or requirements specific to such generating unit.

D. Central may construct or otherwise acquire and own additional generation resources, other than those called for in Authority's preliminary generation expansion plan, to serve all or a portion of Central's power and energy requirements; provided, that in case of each such resource, (i) Central has made all of the arrangements necessary, in the opinion of the Planning Committee, to have the output of such resource delivered to Authority's transmission system; and (ii) Central has made all of the arrangements necessary, in the opinion of the Planning Committee, to have such resource dispatched by Authority pursuant to Article X hereof; and (iii) the connection of such resource will not, in the opinion of the Planning Committee, compromise the security or integrity of the Authority-Central system.

Furthermore, Central shall give Authority timely notice of Central's intent to acquire such additional generating resources so as to allow Authority sufficient time to make such system modifications and reinforcements as may be necessary in order to receive the output of each such resource consistent with the provisions of this Article IV, Section D. No such resource shall be connected to the combined Authority-Central system until such necessary system modifications and reinforcements have been made; and, additionally, Authority may require Central to provide and install such system protection and control equipment as Authority deems appropriate, consistent with Good Utility Practice, to protect the security and integrity of the combined Authority-Central system.

E. In furtherance of the provisions of Article IV, Section D, a Non-Conventional resource of Central shall not be connected to the combined Authority-Central transmission system without prior approval of such connection by the Planning Committee. Further, a non-conventional resource shall not be declared an Eligible Capacity Resource unless and until (i) the Planning Committee designates it as such and (ii) the Parties are in agreement with respect to the terms and conditions of such classification. For purposes of this Agreement, a "Non-Conventional" resource shall be any generating resource which is not conventionally fueled (i.e., pulverized coal, oil, gas, hydro, nuclear fission) and/or which is not based upon existing and conventional technologies widely accepted within the electric utility industry at the time such resource is proposed.

F. For the purposes of the Provisions Relating To Resource Integration and Supplemental Power Sales attached hereto as Appendix A, a generating resource of Central shall be an "Eligible Capacity Resource" if and only if (i) the power and energy of such resource is available to Central as of the effective date of this Agreement pursuant to then existing agreements between the Parties including increases in the amounts thereunder; or (ii) such resource is jointly owned with Authority; or (iii) such resource has been proposed in writing to Authority at least ten (10) years prior to the Commercial Operating Date thereof, provided that no such notice shall be given prior to the second anniversary of the effective date of this Agreement; or (iv) if less than ten (10) but more than five (5) years notice is given, Authority can, at the time such

Article IV. FUTURE GENERATING RESOURCES (cont'd)

notice is given, reschedule any planned generating resources of Authority which are not then under construction so as to accommodate such resource of Central without increasing or decreasing the planned Territorial Reserve Margins, expressed as a percentage, by more than two percentage points (2%) in any year during the five-year period following the scheduled Commercial Operating Date of such resource proposed by Central, as such reserve margins are indicated on the Generation Expansion Plan in effect at the time the resource is proposed. Provided, however, that such resource may be classified as an Eligible Capacity Resource if the Planning Committee determines that the addition of such resource, and its classification as an Eligible Capacity Resource, will have a beneficial effect upon the reliability of the combined system and the economics of both Parties. For purposes of this paragraph, the term "under construction" shall mean that a contractual obligation has been entered into which if cancelled or delayed would require the payment of cancellation or postponement costs; provided, however, if Central agrees to pay any such cancellation or postponement costs, such generating resource shall not be considered as "under construction" for purposes of this paragraph.

G. Subject to the provisions herein, Central hereby grants Authority an option to acquire an undivided ownership interest in each future generating unit to be constructed by Central during the term of this Agreement. Such undivided ownership interest shall not be less than fifteen percent (15%) nor exceed the lesser of (i) forty-five percent (45%) or (ii) Authority's contribution, expressed as a percent, to the Annual Territorial Peak Demand of the combined Authority-Central system, as such contribution is projected for the first full year following the Commercial Operating Date as such term is defined in the ownership agreement relating to such generating unit. Provided, however, that once the aggregate sum of Central's Net Dependable Capacities equals Central's contribution to the Annual Territorial Peak Demand of the combined Authority-System the aggregate sum of the Net Dependable Capacities and related Reserve Margins of the Capacity Resources of Authority shall not exceed Authority's contribution to the Annual Territorial Peak Demand of the combined Authority-Central system as such contribution is projected for the third full year following the Commercial Operating Date of such generating unit.

In the case of each future generating unit, Central shall give Authority as much notice as practicable, but at least eighteen (18) months written notice of Central's intent to issue the first contracts or to obtain funds, whichever is earlier, for the construction of such unit. Authority shall notify Central as soon as practicable as to its intentions and Authority's option with respect thereto shall expire if not exercised in the manner hereinafter provided at least twelve (12) months prior to the projected date contained in the notice.

Authority's option with respect to each such generating unit may be exercised by written notice to Central and such acquisition, if and when effectuated, shall be pursuant to an operation and ownership agreement to be timely executed by the Parties which shall be substantially the same as the Cross Generating Station Agreement, as such Cross Generating Station Agreement may be appropriately modified or amended with the mutual consent of the Parties.

H. Authority's preliminary generation expansion plan shall be modified or adjusted appropriately by the Planning Committee to incorporate Central's

Article IV. FUTURE GENERATING RESOURCES (cont'd)

Eligible Capacity Resources, and such modified generation expansion plan shall be adopted by the Planning Committee not later than January 1 of the following year as the official generation expansion plan of the Parties until the next such plan is adopted the following year.

I. Notwithstanding any other provision of this Agreement it is the intent of both Parties to preserve the all-requirements provision of the Contract Obligation. Accordingly, both Parties agree that prior to January 1, 1985, Central shall not acquire or receive power and energy from any resource or resources other than those acquired by Central pursuant to such Contract Obligation.

Article V. POWER AND ENERGY RATES AND REQUIREMENTS

A. Subject to the provisions of Paragraph C of this Article V, beginning with the effective date of this Agreement or retroactive to April 1, 1980, if the effective date of this Agreement is later than April 1, 1980, and until January 1, 1985, pursuant and subject to the provisions of this Agreement and Appendix A and the Provisions Relating To Transmission Service attached hereto as Appendix B Authority hereby agrees to sell and Central hereby agrees to receive and purchase all of Central's electrical power and energy requirements not purchased from others for delivery points in territories not served by Cooperatives which were members of Central as of June 30, 1979, or purchased from others under arrangements in effect as to Central or any of its members as of June 30, 1979.

After January 1, 1985, pursuant and subject to the provisions of this Agreement and Appendices A and B, Authority hereby agrees to provide and sell and Central hereby agrees to receive and purchase all of Central's electrical power and energy requirements not (1) provided by Eligible Central Capacity Resources or (2) purchased from others for delivery points in territories not served by Cooperatives which were members of Central as of June 30, 1979 or (3) purchased from others under arrangements in effect as to Central or any of its members as of June 30, 1979.

B. The rates and charges calculated by the methodology specified in Appendices A and B are based upon a cost of service approach which the Parties agree shall be applicable to the wholesale, partial requirements, and any other sales of capacity, energy, and services between the Parties. It is recognized that different cost of service methodologies can be derived. The Parties also recognize that the agreed upon cost of service methodology may, from time to time, contribute to differences between rates to the Authority's retail customers and to Central's members and/or retail customers of Central's members.

C. Authority and Central shall use their best efforts to implement the procedures and place in effect any and all charges applicable under this Agreement and its Appendices. Until the date of implementation but no later than June 30, 1981, the subject services shall be provided at charges mutually agreeable to Authority and Central, with neither Party unreasonably or arbitrarily withholding Agreement, which charges shall be approximately equivalent to those which would have been applicable if the Agreement had been in effect.

D. Beginning on or prior to October 1, 1980, and on or prior to October 1 of each following year Authority shall present to Central for its review and comments a copy of the rate study used to determine (1) the fixed charges to become effective on the following July 1 and (2) an estimate of fixed charges to become effective on the second following July 1. The charges shall be based on Authority budgeted cost data as approved by the Authority's Board of Directors for the subject fiscal years covered by the rate study. No earlier than April 1 of each year Authority shall review the cost data used to determine the fixed charges to become effective the following July 1 and adjust such fixed charges to reflect then current cost data.

E. The Cost of Service rate study for the fixed charges for the fiscal year 1981 ending June 30, 1981, except as modified by Section C of this Article V, shall be based on the fiscal year 1981 budgets approved by the Authority's Board of Directors as of July 1, 1980.

Article V. POWER AND ENERGY RATES AND REQUIREMENTS (cont'd)

F. If power and energy is not available within combined Authority-Central System to serve a new industrial customer which desires to be served by Central or one of its members referenced in Article XIV Section B or to serve a member of Central not referenced in Article XIV Section B, Authority shall be obligated to use its reasonable best efforts to obtain such power and energy from outside the System. If Authority fails to obtain and purchase such power and energy, Central may obtain such power and energy and Authority shall coordinate the transmission and delivery of such Central obtained power and energy until such time, as the power and energy is available within the system. In either case, Central shall be obligated to pay any and all costs associated with the purchase and delivery of any and all power and energy so obtained from outside the combined Authority-Central System.

Article VI. TRANSMISSION SERVICE AND DELIVERIES

Pursuant and subject to the provisions of this Agreement and Appendix B, Authority hereby agrees to provide transmission service to Central's Delivery Points, or to those of Central's Members, for capacity and energy purchased from Authority and from Central Capacity Resources.

Article VII. TRANSMISSION SYSTEM COORDINATION

A. Authority will continue to own, operate, maintain, or alter all transmission line rights-of-way and all existing and future transmission line and substation facilities on the rights-of-way included in the A-B through L Leases.

B. Based on (1) Central's Delivery Point requirements pursuant to Article VIII herein, and (2) on Central's notice of Central's intent to construct and own future generating facilities pursuant to Article IV herein, and (3) on the Parties respective transmission system requirements as presented to the Planning Committee, and (4) on other factors deemed appropriate by Authority, Authority shall annually prepare a transmission expansion and improvement plan for the combined Authority-Central system. Such plan shall result from studies of the combined system of Authority and Central considering requirements for adequately supplying the total present and anticipated future transmission requirements of the Parties and to maintain the integrity of such combined system.

Such plan shall be submitted to Central through the Planning Committee and, subject to the provisions of this Agreement, Authority shall give good faith consideration to the comments of Central regarding such plan.

C. Through the Planning Committee, Authority and Central shall attempt to coordinate future transmission facility planning and avoid, to the extent possible, the duplication of such future facilities.

D. Subject to the provisions of this Agreement, the Planning Committee shall, pursuant to the provisions of Section F of this Article, determine the ownership and resultant ownership responsibilities of any proposed transmission facilities making an initial appearance on the transmission expansion and improvement plan.

E. Ownership of future transmission facilities (1) not specifically identified as to ownership in Section F of this Article VII or (2) not specifically identified as Bulk Power pursuant to the definition of Bulk Power in the Definition section of this Coordination Agreement or (3) in bona fide dispute as to the category of ownership to which the subject facility should be assigned are to be apportioned as to ownership by the Planning Committee to Authority and Central with a sixty (60) percent ownership accruing to Authority and a forty (40) percent ownership accruing to Central.

The percentage of ownership shall be based on (1) line miles of each separate voltage level for line facilities and (2) non-depreciated construction cost in dollars, as entered on the respective Party's plant records, for each substation of each separate voltage level.

Running totals of the percentage of ownership of each Party of the transmission facilities specifically referenced as those facilities to be assigned pursuant to this Section E of Article VII shall be maintained by the Planning Committee.

Estimated miles of transmission line and substation construction costs are to be used during the planning and construction stages of any particular transmission facility. As soon as actual data is entered upon the plant records of either Party the Planning Committee shall be informed by the subject Party of

Article VII. TRANSMISSION SYSTEM COORDINATION (cont'd)

the actual data, which actual data shall then replace the estimated data on the running total list maintained by the Planning Committee.

Assignments shall be by divided ownership so that separate and distinct line, line segments, and entire substations and transmission structures shall be identifiable as to ownership.

Assignments of ownership by the Planning Committee shall be made in such a manner that the apportioned ownership ratio set forth above shall be maintained as close as practicable.

F. The responsibility for ownership, design, construction, operation, maintenance, alteration, and any other related matter involving the existing and future transmission facilities and related rights-of-way, regardless of voltage level, on or for the combined Authority-Central transmission system shall be as follows:

1. Central:

- a. Facilities owned by Central which are in service as of January 1, 1980, (including the M Loan Facilities) and are not leased to Authority.
- b. Facilities, excluding bulk power facilities, in the planning, design, or construction stage which have been (i) presented to the Authority-Central Engineering Committee prior to January 1, 1980, as facilities to be owned by Central or (ii) budgeted by Central as of January 1, 1979.
- c. Future radial facilities to serve only Central or members of Central.
- d. Future Delivery Points to serve only Central or members of Central.
- e. Bulk power facilities connecting a generating station owned or partially owned by Central in which Authority does not have at least a fifteen (15) percent ownership interest provided however no such line shall extend past a point of contact or a point of crossing of any transmission line of the same voltage owned or leased by Authority.
- f. Forty (40) percent of those future transmission facilities referenced in Section E of this Article VII. Facilities referenced in a, b, c, d and e immediately above are specifically excluded from the apportionment. The forty (40) percent is to be measured as follows:
 - (i) With respect to line facilities by line miles of each voltage level.
 - (ii) With respect to substation facilities by dollars of

Article VII. TRANSMISSION SYSTEM COORDINATION (cont'd)

substation construction costs, as entered on Central plant record books, at each voltage level. Voltage level is that voltage at the high side of the transformation if transformation is made at the substation.

2. Authority:

- a. Facilities owned by or leased to Authority.
- b. Facilities (i) covered by approved government leases or (ii) in the planning, design, or construction stage which have been presented to the Authority-Central Engineering Committee prior to January 1, 1980, as facilities to be owned by Authority or (iii) budgeted by Authority as of July 1, 1979.
- c. Future radial facilities to serve only Authority customers.
- d. Future Delivery Points to serve any Authority customer.
- e. All Bulk Power facilities as specifically defined in the Definition Section of this Coordination Agreement except as excluded in Section F.1.e. of this Article VII.
- f. Sixty (60) percent of those future transmission facilities referenced in Section E of this Article VII. Facilities specifically referenced in a, b, c, d, and e immediately above are specifically excluded from the apportionment. The sixty (60) percent is to be measured as follows:
 - (i) With respect to line facilities by line miles of each voltage level.
 - (ii) With respect to substation facilities by dollars of substation construction costs, as entered on Authority plant record books, at each voltage level. Voltage level is that voltage at the high side of the transformation if transformation is made at the substation.

G. Upon timely written request of Central, Authority shall operate and maintain any Central-owned transmission lines subject to and in accordance with the Provisions Relating To "Transmission Operation and Maintenance" attached hereto as Appendix C.

H. All transmission facilities constructed or altered by the Parties shall be constructed, altered, operated and maintained in accordance with Good Utility Practice and so as to be compatible with the then existing transmission systems.

ARTICLE VIII. DELIVERY POINTS

A. Central may connect any new Central Member Delivery Point to the transmission system if the Planning Committee determines such connection will not be detrimental to the system.

B. The Planning Committee shall be provided any data regarding the proposed Delivery Point which it deems necessary or relevant.

C. If the Planning Committee determines that a proposed connection will be detrimental to the system, Authority or Central, as the case may be, shall make its best efforts to reinforce the system so that the subject connection can be made.

D. A Central Delivery Point may be terminated by either Party upon timely written notice to the other Party. If Authority is the initiator of the termination, for any reason other than voltage conversion of a transmission line, Authority shall be responsible for paying any loss incurred by Central or its Members due to early retirement of facilities associated with such Delivery Point or Central may purchase such transmission facilities from Authority at replacement-cost-new less depreciation on a straight line basis, provided, however, if such transmission facilities are leased from Central, Central shall be entitled to take over such facilities pursuant to the recapture provisions of the applicable lease. If Central or one of Central's Members is the initiator of the termination, Central shall be responsible for paying any loss incurred by Authority due to early retirement of facilities associated with such Delivery Point.

Article IX. ELECTRICAL CHARACTERISTICS

A. All power and energy to be furnished hereunder by either Party to the other shall be alternating current, three-phase, approximately 60 Hertz, unregulated and at a nominal standard voltage generally available in the area in which service is provided.

B. Central and Authority shall at all times take and use power and energy in such manner that the load at each point of delivery shall not be unbalanced between phases by more than ten percent. If the load is unbalanced by more than ten percent, the Party responsible for the unbalance may be required by the other Party to make the necessary changes to correct such unbalance within a reasonable time. In addition, Central shall be subject to any and all charges and penalties related thereto contained in other Agreements between the Parties.

C. Power shall be used by Authority and Central in such manner as will not cause objectionable voltage fluctuations or other electrical disturbances to the generation, transmission, or distribution systems. If such fluctuations or disturbances are determined by the Operating Committee to be objectionable, the abused Party may require the abusing Party, at its sole expense, to install corrective equipment which will reasonably limit such fluctuations or disturbances. If the abusing Party fails to install corrective equipment within a reasonable period of time, the abused Party may install such equipment and bill the abusing Party for the installed cost thereof.

D. Both Parties shall maintain a power factor of as near unity as practicable. If at any time the power factor is found by the Operating Committee to cause adverse effects on the system the Party or Parties causing the problem shall promptly cause it to be corrected.

Article X. DISPATCHING AND OPERATION OF CAPACITY RESOURCES AND TRANSMISSION SYSTEM

A. OPERATION AND MAINTENANCE

Each Party shall, to the fullest extent practicable, cause all transmission facilities owned or controlled by it, and all generating facilities in which it has an ownership interest, to be designed, constructed, maintained, and operated in accordance with Good Utility Practice and in accordance with standards, methods, and/or procedures established by the Planning and Operating Committees.

Upon timely written request of Central, Authority shall operate and maintain any Central-owned transmission lines subject to and in accordance with the provisions of the "Transmission System Operation and Maintenance Agreement" between the Parties, which such agreement is attached hereto as Appendix C.

B. CENTRALIZED DISPATCH

Each Party shall subject all present and future transmission facilities owned or controlled by it, and all present and future generating facilities in which it has an ownership interest, to centralized dispatch by Authority.

C. MAINTENANCE AND REPAIRS

Each Party shall, to the fullest extent practicable: (a) cause transmission facilities owned or controlled by it, and generating facilities in which it has an ownership interest, to be withdrawn from operation for maintenance and repair only in accordance with maintenance schedules established or approved by the Operating Committee from time to time; (b) restore such facilities to good operating condition with reasonable promptness; and (c) in emergency situations, accelerate maintenance and repair at the reasonable request of the Operating Committee.

D. OBJECTIVES OF CENTRALIZED DISPATCH

The day-to-day scheduling and coordination by Authority of the operation of transmission facilities which are owned or controlled by the Parties, and of generating units in which the Parties have ownership interests, shall be designed to achieve the following objectives:

- (a) The reliability of the combined Authority-Central system shall at all times be reasonably assured, and properly distributed spinning and ready reserves shall be provided; and
- (b) The combined energy requirements of the Parties shall be satisfied at the lowest practicable cost.

E. TRANSACTIONS WITH OTHERS

In furtherance of the above stated objectives, Authority shall be Central's sole agent for entering into energy transactions with other utility systems. Accordingly, purchases of energy from others to serve the requirements of the combined Authority-Central system shall be made by Authority, and payment by Central for any use of such energy shall be pursuant to Appendix A. Further-

Article X. DISPATCHING AND OPERATION OF CAPACITY RESOURCES AND TRANSMISSION SYSTEM (cont'd)

more, any sales of energy to others from any resources of Authority or Central shall be made by Authority without regard to ownership so as not to make an adverse distinction between the Parties. When such a sale of energy from a Central-owned resource is made, Authority shall enter into such transaction on behalf of Central, and such transaction shall be made pursuant to the then existing agreement between Authority and the purchaser of such energy, provided that the terms of such transaction shall be so as to fairly compensate Central for the costs of generating such energy. In such event Authority shall be responsible for collecting any payment from the purchaser thereof, and each Monthly Billing Statement for services provided Central by Authority pursuant to Appendix A shall reflect credits to Central for such payments received by Authority.

F. PAYMENT FOR DISPATCH-RELATED SERVICES

Central shall reimburse Authority for all costs incurred by Authority related to the dispatch and control of Central's transmission and generating facilities and all costs incurred by Authority associated with additional record-keeping, accounting, and reporting occasioned by this Agreement. Such costs shall be determined in the following manner.

1. System Control and Load Dispatching

Central shall be responsible for a portion of the costs incurred by Authority which are chargeable as Operating Expenses to Account 556 - System Control and Load Dispatching, of the Uniform System of Accounts. Such portion is to be determined in the following manner.

The total costs chargeable to Account 556 shall be allocated to each generating resource owned individually or jointly by the Parties in the ratio that the total hours of operation of such resource bear to the aggregate sum of the total hours of operation of all generating resources of the Parties. Central shall be responsible for (i) one hundred percent (100%) of the costs so allocated to each generating resource in which Authority has no interest and (ii) Central's ownership share, relative to the total of Authority's and Central's ownership shares in such resource, of the costs so allocated to each generating resource in which both Central and Authority have an ownership interest.

Authority shall prepare and render to Central a bill for such System Control and Load Dispatching Costs incurred each month as soon as practicable, and Central shall make payment thereof in accordance with Article XI herein.

2. Other Costs

Central shall be further responsible for an appropriately allocated share of all other costs incurred by Authority from time to time in dispatching transmission facilities and generating units of Central, including a facilities charge to cover the capital costs of any equipment acquired by Authority in connection therewith.

Article X. DISPATCHING AND OPERATION OF CAPACITY RESOURCES AND TRANSMISSION SYSTEM (cont'd)

Any dispatch related capital improvement costing in excess of fifty thousand dollars (\$50,000), the cost of which is to be directly allocated to Central, shall be submitted to the appropriate subcommittee for review and analysis prior to purchase thereof. Beginning in the calendar year in which this Agreement becomes effective, the \$50,000 threshold shall be increased or decreased in relation to the annual National Consumer Price Index (or successor index) published by the Bureau of Labor Statistics of the United States Department of Labor or its successor Agency.

Authority shall bill Central for Central's share of such costs as such costs are incurred, and Central's payment therefor shall be in accordance with Article XII herein.

Article XI. METERING

A. Power and energy deliveries to Central shall be metered at the points of delivery from Authority's transmission system to the transmission or distribution systems of Central or Central's Members. If, in the case of particular delivery points, it is impractical in Authority's opinion to meter such deliveries at the point or points of actual delivery, Authority may meter such deliveries at another point or points and such resulting readings shall be appropriately adjusted to compensate for losses between the point or points of actual metering and the point or points of actual delivery.

B. Authority shall install, operate, maintain, and read the meters at each delivery point which Authority determines is necessary to properly meter deliveries to Central. Central shall supply without cost to Authority a suitable place for installing Authority's metering equipment. Central may at its own cost install, operate, maintain, and read additional metering equipment to check that of Authority.

C. Authority shall test meters at least once every two years.

D. If any meter used for billing fails to register or is found to be inaccurate, an appropriate billing, based on the best information available, shall be agreed upon by the parties hereto. Any meter tested and found to be not more than two percent (2%) above or below normal shall be considered accurate insofar as correction of billings is concerned. If as a result of any test, a meter is found to register in excess of two percent (2%) either above or below normal, then the reading of such meter previously taken for billing purposes shall be corrected for the period during which it is established the meter was inaccurate. If such period of inaccuracy cannot be agreed upon by the Parties, no correction shall be made for any period extending more than ninety (90) days prior to the day on which an inaccuracy is discovered.

E. In addition to such tests as are deemed necessary by Authority, Authority shall have any meter of the Authority tested upon written request of Central, and if such meter proves accurate within two percent (2%) above or below normal, the expense of the test shall be born by Central.

F. Authority's meters shall be read as nearly as practicable at regular intervals of not less than twenty-eight (28) days or not more than thirty-two (32) days, so as to permit the rendering of twelve monthly bills during each contract year.

Article XII. BILLING AND PAYMENT

A. Authority shall bill Central for services rendered under this Agreement and its Appendices and Central shall pay such bill to the Authority, at the office of Authority in Moncks Corner, South Carolina, or some other location in South Carolina as stipulated by Authority, within ten (10) days after the date the bill is mailed or otherwise rendered.

B. Service periods of 28 to 32 days will normally be billed on a regular monthly basis without proration. For irregular billing periods or billing periods determined by special meter readings, monthly capacity or demand charges will be prorated on a 30-day basis based on the actual number of days between meter readings.

C. When all or part of any bill shall remain unpaid ten (10) days after such bill is rendered, interest at the rate of Morgan Guaranty Trust Company Prime Rate plus three (3) percent per annum on the unpaid balance shall be added to the bill thereafter, and, in addition to all other remedies available to it, Authority may discontinue service hereunder upon twenty (20) days' written notice. To avoid such discontinuance of service, Central shall, within such twenty (20) day period, pay such unpaid amounts, plus interest, and, at Authority's request, deposit with Authority as collateral security for payment of future bills for service such sum as may be requested by Authority, not to exceed twice the highest monthly bill of Central during the preceding calendar year.

D. Authority may discontinue all service after twenty (20) days' written notice whenever Central has violated any provision of this Agreement so as to constitute a substantial breach hereof, except that notice need not be given where discontinuance of service at any delivery point is necessary due to Central's failure to operate in a safe manner consistent with sound engineering or operating principles. To avoid such discontinuance of service, Central shall, immediately upon notice, cease such unsafe practice or remedy such violation.

E. Where all service is discontinued for cause constituting substantial breach as discussed above, Authority may terminate this Agreement upon giving Central thirty (30) days written notice. Resumption of service following any such termination shall be conditioned upon payment by Central of collateral security, as provided above. Upon such termination, Central shall pay Authority, in addition to any unpaid charges for service, such other damages as may be provided by law.

Article XIII. ARBITRATION

A. Any controversy, claim, counterclaim, defense, dispute, difference or misunderstanding arising under or relating to any provision of this Agreement or its interpretation, performance or breach, which cannot be resolved by the Executive Committee shall be settled by an Arbitral Tribunal as hereinafter provided, with the exception, however, of issues relating to provisions of this Agreement which are specifically exempted from arbitration.

• Except upon the prior written mutual agreement of the Parties, disputes arising under or relating to a provision of any joint ownership agreement between the Parties shall be exempt from Arbitration hereunder.

Either Party shall have the right to proceed with matters which have been disapproved by the other Party and which are the subject of arbitration; provided, however, that if a Party proceeds with such a disapproved matter and if the determination made by the Arbitral Tribunal on such matter is inconsistent with that Party's action (or lack of action) thereon, such Party shall, upon such determination by the Arbitral Tribunal, be subject to suitable financial judgment. Such financial judgment shall be determined by the Arbitral Tribunal.

Notwithstanding other provisions of this Agreement whenever a matter has been referred to the Arbitral Tribunal and the Party having responsibility for construction or operation, as the case may be, determines that the other position or positions would create an immediate danger to the safe operation of the System or necessary to obtain the approval of or to comply with requirements of governmental agencies having jurisdiction, such Party may proceed in accordance with its position with respect to such matter until it has been resolved by the Arbitral Tribunal. If the Arbitral Tribunal recommends a course of action which such Party determines would create a danger to the safety of the combined system of Authority and Central or would violate regulatory requirements of any governmental agency having jurisdiction, it may nevertheless proceed in accordance with its position subject to a suitable financial adjustment. Such financial judgment shall be determined by the Arbitral Tribunal.

B. Either party may initiate arbitration by giving the other party written notice stating the question or questions to be arbitrated, the amount in dispute, if any, and the remedy or remedies sought.

C. The Arbitral Tribunal shall be composed of three arbitrators each of whom shall be experienced in the economics and rate structure of the electric utility industry and power system planning and engineering and who shall be appointed in the following manner:

1. The Party initiating the arbitration shall name one arbitrator in the notice referred to in Paragraph B above.
2. Within twenty-one (21) calendar days after receipt of such notice, the second Party shall give the initiating Party written notice naming a second arbitrator and specifying any additional questions to be arbitrated, the amount involved, if any, and the remedy or remedies sought.

Article XIII. ARBITRATION (cont'd)

3. The two arbitrators so appointed shall choose the third arbitrator. If the second Party fails to appoint its arbitrator within twenty-one (21) calendar days after receipt of written notice of the appointment by the initiating party of its arbitrator, or if the first two arbitrators fail to appoint the third arbitrator within thirty (30) calendar days after the appointment of the second arbitrator, the appointments which have not been made as contemplated above shall, on the written request of either Party, be made by the Chief Judge of the United States District Court for the District of South Carolina or, failing appointment by him, by the Chief Judge of the Fourth United States Judicial Circuit. The third arbitrator shall not be connected with either of the Parties. The third arbitrator shall be the chairman.

D. Each of the arbitrators shall take such oath, if any, as may be required under the laws of South Carolina.

F. Any arbitration hereunder shall be held at a location in the United States to be selected by the Chairman of the Arbitral Tribunal.

F. The Arbitral Tribunal shall convene at such time as shall be fixed by the Chairman. Thereafter, the Arbitral Tribunal shall determine when it shall sit.

G. Subject to the provisions of this Article and except as the Parties shall otherwise agree, the Arbitral Tribunal shall decide all questions relating to its competence and shall determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

H. The Arbitral Tribunal shall afford to both parties a fair hearing and shall render its award in writing within forty-five (45) calendar days after the date on which it shall declare the hearings to be closed. The award may be rendered by default. An award signed by a majority of the Arbitral Tribunal may grant in its award any remedy or relief which it deems just and equitable and within the scope of this Agreement, including, but not limited to, specific performance. A signed counterpart of the award shall be transmitted to each Party. Any such award rendered in accordance with the provisions of this Article shall be final and binding upon the Parties, and each Party shall abide by and comply with any such award.

I. Each Party shall pay the remuneration and expenses of the arbitrator it selects. The remuneration and expenses of the Chairman of the Arbitral Tribunal and any persons, other than the arbitrator selected by each party, as may be required for the conduct of the arbitration proceeding ("third persons") shall be shared equally by the Parties. The Arbitral Tribunal shall fix the amount of the remuneration of the Chairman of the Arbitral Tribunal and any third persons. Each of the Parties shall defray its own expenses in connection with the arbitration proceedings. Any question concerning the division of the costs of the Chairman of the Arbitral Tribunal and any third persons or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

Article XIII. ARBITRATION (cont'd)

J. The provisions for arbitration set forth in this Article shall be in lieu of any other procedure for the determination of the controversies and claims between the Parties referred to in Paragraph A of this Article.

K. If any arbitrator appointed in accordance with this Article shall resign, die or become unable to act, a successor arbitrator shall be promptly appointed in the same manner as herein described for the appointment of the original arbitrator. Unless the Parties shall agree otherwise, the arbitral proceedings shall be resumed at the point at which they were interrupted by such death, resignation or inability; provided, however, that if the Chairman of the Arbitral Tribunal shall resign, die or become unable to act, any hearings held previously shall be repeated.

L. Either Party may be represented by counsel. A Party intending to be so represented shall notify the other Party and the Arbitral Tribunal of the name and address of its counsel at least three (3) calendar days prior to the date set for the hearing at which counsel is first to appear. When an arbitration is initiated by counsel, or where counsel replies for the other Party, such notice is deemed to have been given.

M. The Arbitral Tribunal shall make the necessary arrangements for the taking of a stenographic record whenever such record is requested by a Party. The cost of such stenographic record and all transcripts thereof, shall be prorated between the Parties ordering copies unless they shall otherwise agree.

N. The Parties may offer such evidence as they desire and shall produce such additional evidence as the Arbitral Tribunal may deem necessary to an understanding and determination of the dispute. The Arbitral Tribunal may, if it considers it appropriate, require a Party to deliver to each of the arbitrators and to the other Party, within such a period of time as the Arbitral Tribunal shall decide, a summary of the documents and other evidence which that Party intends to present in support of the facts set out in its statement of claim or statement of defense. When the Arbitral Tribunal is authorized by law to subpoena witnesses or documents, it may do so upon its own initiative or upon the request of any Party. The Arbitral Tribunal shall be the judge of the relevancy and materiality of the evidence offered, and conformity to legal rules of evidence shall not be necessary. All evidence shall be taken in the presence of all the arbitrators and of both Parties except where either of the Parties is absent after due notice, or is in default or has waived its right to be present.

O. The Arbitral Tribunal may issue such orders as it may deem necessary to safeguard any property which is the subject matter of the arbitration without prejudice to the rights of the Parties or the final determination of the dispute.

P. Any communication by either party to the Chairman of the Arbitral Tribunal shall be in writing and copies shall concurrently be sent by the Party to the other arbitrators and to the other Party.

Q. If the Parties settle their dispute during the course of the arbitration, the Arbitral Tribunal, upon the Parties' request, may set forth the terms of the agreed settlement in an award.

Article XIII. ARBITRATION (cont'd)

R. No judicial proceedings brought by a Party in relation to the subject matter of the arbitration shall be deemed a waiver of that Party's right to arbitrate.

S. Either Party may cause judgment to be entered upon, or institute a proceeding to enforce, the award of the Arbitral Tribunal in any court of competent jurisdiction, and may enforce such judgment by execution and may pursue any other appropriate remedy against such other Party for the enforcement of the award.

T. Any arbitration under this Article shall be governed by the statutory arbitration law of South Carolina of general application in effect at the time of arbitration. If and to the extent that any provision of this Article is invalid under such statutory arbitration law, such provision shall be of no effect without, however, invalidating any other provisions hereof.

U. This Article shall survive the termination of this Agreement.

V. Notwithstanding any other provision contained herein to the contrary, no dispute shall be arbitrable hereunder unless:

1. the amount of any individual item in dispute has an annual value to the Party initiating the arbitration of at least \$100,000 or
2. the items in dispute at any one time have an aggregate annual value to the Party initiating the arbitration of at least \$100,000.

Beginning in the calendar year in which the Agreement becomes effective, the \$100,000 threshold for arbitration shall be increased or decreased in relation to the annual National Consumer Price Index (or successor index) published by the Bureau of Labor Statistics of the United States Department of Labor or its successor Agency.

W. The Parties expressly agree that this Article XIII shall constitute a condition precedent to the institution of any proceeding in any court relating to the subject matter.

X. In matters not provided for herein, the rules of the American Arbitration Association shall apply.

Y. Trial De Novo

When the prevailing Party to an arbitration applies to the court for enforcement of the arbitration award and the court determines that one or more of the following elements is present in such award, the non-prevailing Party shall have the right to a trial de novo in a court of competent jurisdiction: (1) such award for any one proceeding exceeds five million dollars (\$5,000,000) against the non-prevailing Party; or (2) where an award requires the performance by the non-prevailing Party of any act which (a) is not lawful, (b) is contrary to the provisions of the non-prevailing Party's security instruments, (c) violates the conditions of any governmental or regulatory approval required herein or jeopardizes the obtaining, retaining, transferring or amending such governmental or regulatory approvals, or (d) has the effect of creating an Event of Default for the non-prevailing Party under the terms of this Agreement.

Article XIV. MISCELLANEOUS

A. EFFECTIVE DATE AND TERM

This Agreement shall become effective on or after April 1, 1980, upon approval by the Administrator of REA; provided, however, that if such approval by the Administrator of REA is not forthcoming by December 31, 1980, either Party may, at its option, declare this Agreement and its execution thereof, null and void.

This Agreement shall remain in force and effect for an Initial Term of fifty (50) years from the effective date set forth hereinabove. Thereafter, this Agreement shall be automatically renewed for consecutive subsequent terms of fifteen (15) years, but may be terminated at the end of the Initial Term or any Subsequent Term by either of the Parties hereto by such Party providing written notice of such termination to the other Party at least ten years prior to the expiration of such Initial Term or Subsequent Term.

B. CENTRAL'S MEMBERS

For the purposes of this Agreement and its Appendices, Central shall be deemed only to have those Members or their successors or new members in its existing territory which it had at the execution hereof, to wit:

Aiken Electric Cooperative, Inc.
Berkeley Electric Cooperative, Inc.
Black River Electric Cooperative, Inc.
Coastal Electric Cooperative, Inc.
Edisto Electric Cooperative, Inc.
Fairfield Electric Cooperative, Inc.
Horry Electric Cooperative, Inc.
Lynches River Electric Cooperative, Inc.
Marlboro Electric Cooperative, Inc.
Mid-Carolina Electric Cooperative, Inc.
Newberry Electric Cooperative, Inc.
Palmetto Electric Cooperative, Inc.
Pee Dee Electric Cooperative, Inc.
Santee Electric Cooperative, Inc.
Tri-County Electric Cooperative, Inc.

Further, such Members shall be deemed to serve only those territories presently assigned to them by the South Carolina Public Service Commission and any territory that is presently unassigned and which is subsequently so assigned to them by the South Carolina Public Service Commission.

No obligation of Authority hereunder shall extend to any future members of Central.

C. INTERRUPTIONS TO SERVICE

With respect to any services provided hereunder, Authority and Central will make reasonable provisions to insure satisfactory and continuous service but do not guarantee a continuous supply of electrical energy and shall not be liable for damage occasioned by interruptions to service or failure to commence deliv-

Article XIV. MISCELLANEOUS (cont'd)

ery caused by an act of God, or the public enemy, or for any cause reasonably beyond its control, including but not limited to the failure or breakdown of generating or transmitting facilities, flood, fire, strike, or action or order of any agency having jurisdiction in the premises, or for interruption (when the other Party has been given reasonable notice) necessary for inspection, repair or changes in the generating equipment or transmission and distribution system of Authority or Central.

D. FORCE MAJEURE

In addition to the specific provisions of paragraph C above, neither Party shall be liable for breach of contract with respect to any obligation under this Agreement or any of its Appendices if prevented from performing such obligation by any cause beyond its reasonable control, including, but not limited to act of God or the public enemy, failure or breakdown of generating or transmitting, flood, fire, strike or action or order of any agency having jurisdiction in the premises.

E. SUCCESSORS AND ASSIGNS

This Agreement shall apply to and be binding upon the successors and assigns of the Parties hereto as fully as if the words "successors and assigns" were written herein wherever reference to Central or Authority occurs in this Agreement. This Agreement shall not be assigned by either Party without the written consent of the other, except that it may be assigned, without the consent of Authority, by Central to the United States, represented by the Administrator of REA or any successor agency as additional security under any mortgage securing any REA loan and to any purchaser of the system or any part thereof under foreclosure of said mortgage in the event of default by Central thereunder.

F. SELLING OR LEASING OF AUTHORITY SYSTEM

If during the life of this Agreement the Authority's System shall be sold or leased to another entity, Central shall have the right, with the approval of the Administrator of REA, to terminate any existing REA leases. In such event, Central shall pay to the Authority the excess, if any, of Net Book Value of such system or part thereof over the principal remaining to be paid thereon. If, however, the Net Book Value shall be less than the principal remaining to be paid on the loan or loans the Authority shall pay the difference to Central. "Net Book Value" shall mean original cost, including capitalized replacements, less book depreciation. Notice of election to exercise said option shall be given by Central to the Authority or its lessee or purchaser within six (6) months after written notice has been received by Central of the happening of the event giving rise to the option.

G. SELLING OR LEASING OF EITHER PARTY'S SYSTEM

If during the Life of this Agreement either Party's System shall become available for sale or lease to another entity, the other Party shall have first

Article XIV. MISCELLANEOUS (cont'd)

refusal rights to the purchase or lease of such System to the extent permitted by law.

H. RIGHTS OF WAY

Central agrees to convey to Authority for the term of this Agreement and without charge, all easements and other rights of way reasonably necessary for the construction, operation, maintenance, replacement, and removal of facilities upon, across or within Central's property for purposes of providing service under this Agreement, provided, however, that upon the termination of this Agreement, any such easements and rights of way shall automatically revert to Central. The location of such easements and rights of way shall be mutually agreed upon by the Parties through the Joint Committees.

I. ENTRY OF PREMISES

Either Party shall have the right to enter the premises of the other Party to read, maintain, install, remove, inspect, test and alter the entering Parties meters, poles, conductors, appurtenances and other equipment located thereon.

J. OWNERSHIP OF FACILITIES AND RIGHT OF REMOVAL

Except as otherwise may be provided in this Agreement or other agreements between the Parties, any and all equipment installed by either Party on the premises of the other Party shall be and remain the property of the Party owning and installing such equipment, regardless of the manner of attachment to the real property of the other Party. Upon termination of this Agreement, the owner of the equipment shall have the right to enter the premises of the other Party and shall, within a reasonable time and in a reasonable manner, and with all due diligence, remove such equipment at the owner's sole cost and expense, repair any damage to the other Party's property caused by such removal, and restore the premises to the condition in which they existed before such equipment was installed.

K. INDEMNIFICATION

Each Party assumes all responsibility on its side of a delivery point for the service supplied or taken as well as for the electrical installation, appliances and apparatus used in connection therewith. Neither Party shall be responsible to the other for the transmission or control of electrical energy beyond the respective Party's side of the delivery point. Each Party shall and hereby does indemnify and hold the other Party and its officers and employees free and harmless from any and all legal and other expenses, suits, claims, damages, costs, fines, penalties, liabilities or other obligations of whatsoever kind, including but not limited to damage or destruction of property and injury or death of persons, resulting from or connected with the indemnifying Party's performance under this Agreement, including but not limited to the operation, maintenance or defective condition of such Party's equipment, or any act or omission of such Party's employees, agents or contractors, regardless of whether such act or omission occurred on the other Party's premises; provided, however, that nothing in this Article XIV or elsewhere in this Agreement shall make any Party hereto liable for consequential damages or loss of profits.

Article XIV. MISCELLANEOUS (cont'd)

L. INTERPRETATION AND CAPTIONS

1. If any provision of this Coordination Agreement or any of its Appendices is in conflict with any provision of any prior dated agreement, the provisions of this Coordination Agreement shall prevail.
2. The captions of Articles and Sections of this Coordination Agreement and its Appendices are for convenience only and shall be ignored in construing or interpreting the provisions of this Coordination Agreement.

M. Audit

1. Notwithstanding any other provision contained herein to the contrary and in addition to any other rights Central may have under this Coordination Agreement, Central shall have the right at any time, but no more often than annually, to audit Authority's books at Central's expense.
2. Notwithstanding any other provision contained herein to the contrary and in addition to any other rights Authority may have under this Coordination Agreement, Authority shall have the right at any time, but no more often than annually, to audit Central's books at Authority's expense.

N. COUNTERPARTS

This Coordination Agreement may be executed in any number of original counterparts. All such counterparts shall constitute but one and the same Coordination Agreement.

O. SEVERABILITY

If any provision of this Coordination Agreement is held invalid or unenforceable by any governmental authority or court having jurisdiction over the subject matter hereof, the remaining provisions shall remain in full force and effect according to their terms and the Parties shall renegotiate in good faith any provision held invalid or unenforceable in order to reach agreement as to replacement of or modification to such provision.

P. GOVERNING LAW

The provisions of this Coordination Agreement shall be construed and governed in accordance with the laws of the State of South Carolina.

This Coordination Agreement and its Appendices attached hereto may be changed as required to:

1. Remove any grossly unfair or unjust burden imposed on either Party or its customers by operation of any part of this Coordination Agreement.

Article XIV. MISCELLANEOUS (cont'd)

- 2. Comply with rulings of any governmental authority or court having jurisdiction over the subject matter hereof.
- 3. Correct any inequities due to inadvertent errors or omissions in this Coordination Agreement.

Q. NOTICES

Any notice or communication required or permitted hereunder shall be effective when personally delivered or when addressed:

If to Central: Central Electric Power Cooperative, Inc.
 Post Office Box 1455
 Columbia, SC 29202

If to Authority: South Carolina Public Service Authority
 223 North Live Oak Drive
 Moncks Corner, SC 29461

and deposited, postage prepaid, certified or registered, in the United States mail. Any such notice so given shall be deemed to have been given on the date of such deposit of such notice in the United States mail as evidenced by the postmark on the envelope. Either Party by notice to the other given as aforesaid may change its mailing address for future notices hereunder.

IN WITNESS WHEREOF, the Authority, pursuant to a resolution duly adopted by its Board of Directors, has caused this Coordination Agreement to be executed by its President and its seal to be affixed by its Secretary, and Central, pursuant to a resolution duly adopted by its Board of Trustees, has caused this Coordination Agreement to be executed by its President and its corporate seal to be affixed by its Secretary, all as of the day and year first above written.

Attest:

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

Secretary

BY _____
President

Attest:

CENTRAL ELECTRIC POWER COOPERATIVE, INC.

Secretary

BY _____
President

(SEAL)

PROVISIONS RELATING TO
RESOURCE INTEGRATION AND
SUPPLEMENTAL POWER SALES

ARTICLE I. DESCRIPTION OF SERVICE

A. SALE AND DELIVERY OF POWER

Subject to the provisions of this Appendix and the Coordination Agreement, Authority shall sell and deliver and Central shall purchase, receive, and pay for all of the bulk electric power and energy requirements of Central's Members in excess of that supplied to Central from bulk electric power supply resources owned by or otherwise available to Central which are the result of joint planning with Authority and which are part of Authority's generation and transmission system.

B. SERVICE CHARACTERISTICS AND AVAILABILITY

The bulk electric power supply services provided hereunder shall consist of (1) Firm Wholesale Supplemental Capacity and Energy to supplement power and energy received by Central from Central-owned Capacity Resources, (2) Reserve Capacity and (3) Back-up Energy for Eligible Capacity Resources of Central, and Economy Energy services, all as hereinafter defined. All capacity and energy to be furnished hereunder shall be alternating current three-phase, unregulated electric service at a nominal frequency of approximately 60 Hertz, and available at the high-voltage bus bars of Authority's step-up substations at its several Generating Stations and at the points of interconnection with other utility companies, but metered at the actual Points of Delivery to Central's Members and adjusted for losses as described hereinafter. The availability of this service shall be conditioned upon Central's compliance with the general terms and conditions of this Appendix and the provisions of the Coordination Agreement.

As provided in the Coordination Agreement, Authority shall transmit ("wheel" or "provide transmission service") across the Authority's transmission system to Central's Members all of the electric power and energy requirements of such Members, such transmission service to be provided pursuant to the terms of the Coordination Agreement and Appendix B thereto, entitled "Provisions Relating To Transmission Service."

ARTICLE II. GENERAL TERMS AND CONDITIONSA. ESTIMATED AND ADJUSTED BILLINGS

In preparing Monthly Billing Statements for services rendered hereunder, the determination of capacity charges pursuant to Articles VI and VII herein shall be predicated initially on the basis of the Parties' projections of the Territorial Peak Demands for each Contract Period and each Party's contributions thereto pursuant to the Coordination Agreement, and these projections shall be used as the basis for billing until the actual data becomes available. When actual Territorial Peak Demand data becomes available for each Contract Period, the capacity charges hereunder shall be recalculated to reflect such actual Territorial Peak Demand data. A special bill shall be rendered to Central, as soon as practicable, reflecting the aggregate difference between the estimated bills previously rendered to Central and recalculated bills based upon the actual Contract Period Territorial Peak Demand data. As between the Authority and Central, whichever Party owes the other as a result of such recalculation shall make payment to the other as follows: the paying Party may elect to spread the total amount owed in equal installments over a number of months not to exceed six (6) nor to extend beyond the period Central takes service hereunder; provided, however, the amount of each such installment except the last shall not be less than One Hundred Thousand Dollars (\$100,000). Such payments may be reflected as additional charges or credits to succeeding monthly bills.

Additionally, it is recognized that due to delays in accounting and record keeping, actual fuel costs may not be available at the end of each month in time to allow timely rendering of bills based upon such actual costs. In consideration thereof, each month Authority shall estimate the Average Fuel Cost (as defined below) of each Capacity Resource; and as soon as practicable after the end of the current Monthly Billing Period, Authority shall prepare and render a Preliminary Billing Statement to Central based on such estimates. Payment of such Preliminary Billing Statement by Central shall be subject to the Payment provisions of the Coordination Agreement.

As soon as actual fuel cost data becomes available for the current Monthly Billing Period, a Final Billing Statement shall be calculated using such actual costs, and the aggregate difference between such Final Billing Statement and the Preliminary Billing Statement previously rendered shall be credited or debited as appropriate to the Preliminary Billing Statement for the next succeeding Monthly Billing Period. Central shall provide Authority the actual fuel costs of Central's generating resources for each Monthly Billing Period as soon as practicable after the close of such Monthly Billing Period.

B. TEST RATING OF CAPACITY RESOURCES

The Operating Committee shall be responsible for rating and evaluating each Capacity Resource in order to determine its Net Dependable Capability for the purposes of this Appendix. Such rating and evaluations shall be made in accordance with Good Utility Practices (as defined in accordance with the Coordination Agreement) and shall be without regard to ownership so as not to unduly discriminate between the Parties.

At the request of either Party, any generating unit of the other Party shall be tested for the purpose of rating such generating unit, and representa-

tives of the requesting Party may be present to observe such test. The costs of such test shall be borne by the requesting Party if the requested test results in a rating not more than five percent (5%) above or below the rating theretofore utilized. If the evaluation of the requested test results in a rating which is in excess of five percent (5%) either above or below the rating theretofore utilized for such resource, then the owner of such generating unit shall bear the costs of such test, and the resulting rating shall be utilized for the next monthly billing hereunder and thereafter until the next testing and rating.

C. MAINTENANCE SATURATION

For the purposes of this Appendix, the integrated system of Authority and Central shall be deemed to be "Maintenance Saturated" during a Contract Year if the Planning Committee determines that capacity was added to the system for the reason that Authority or Central, in order to maintain adequate operating reserve margins at other times during the Contract Year, have planned or scheduled outages for the routine maintenance of one or more generating resources for the time of the expected Annual Territorial Peak Demand. However, such determination shall be made without regard to generating units not operated by one of the Parties or generating units over which the Parties otherwise have no control with respect to the scheduled maintenance thereof.

In any Contract Year during which the Planning Committee determines that the combined system of Authority and Central is Maintenance Saturated, the determination of the Territorial Reserve Margin for the Contract Period in which the Annual Territorial Peak Demand occurred shall be adjusted upward or downward only for the purposes of determining Central's Reserve Capacity Requirements pursuant to Article VII, Section A, herein to properly account for the Net Dependable Capability of those Capacity Resources or portions thereof which were added to the system in consideration of such Maintenance Saturation.

D. OTHER TERMS AND CONDITIONS

All service provided hereunder shall be pursuant to and in accordance with the provisions of the Coordination Agreement.

ARTICLE III. DEFINITIONS

For the purposes of this Appendix and unless otherwise defined herein, the following terms shall be defined as follows:

Contract Period: Either a Summer Contract Period or a Winter Contract Period. A Summer Contract Period shall be the period beginning 12:01 a.m. on July 1 and ending 12:00 midnight on the following December 31. Winter Contract Period shall be the period beginning 12:01 a.m. on January 1 and ending 12:00 midnight on the following June 30.

Coordination Agreement: The "Power System Coordination and Integration Agreement" between South Carolina Public Service Authority and Central Electric Cooperative, Inc., to which this Appendix A is attached and made a part of.

Eligible Capacity Resource: A Capacity Resource of Central for which Central has met the notice requirements and other conditions specified in the Coordination Agreement.

Firm Purchases: Electrical capacity and energy purchases from another party, generally not from specific or designated generating units, which are intended to have associated with them sufficient reserve capacity so as to be continuously available except during the most severe emergencies. For the purposes of this Appendix, Firm Purchases from others must carry a level of reserves or reliability at least equal to those of the overall combined Authority-Central System.

Net Dependable Capability: The maximum net dependable generation output level in megawatts, exclusive of station use, that can reasonably be expected to be maintained by such Capacity Resource during peak demand periods. Such Net Dependable Capability shall be determined or adjusted for losses so as to reflect the net maximum power available from such Resource at the bus bar at the high-voltage side of the associated Generating Station substation if such Capacity Resource is a generating unit or units located on the integrated transmission system of Authority and Central. If such Capacity Resource is the availability of capacity and energy purchased from another utility system, the Net Dependable Capability shall reflect the net maximum power available at the time of the annual peak demand of the integrated Authority-Central System at the point or points of delivery of such power and energy to the Authority's system.

Peak Period: Either a Summer Peak Period or a Winter Peak Period. A Summer Peak Period shall be the period beginning 12:01 a.m. on June 1 and ending 12:00 midnight on the following November 30. A Winter Peak Period shall be the period beginning 12:01 a.m. on December 1 and ending 12:00 midnight on the following May 31.

Territorial Reserve Margin: During either the current Winter or Summer Contract Period, the amount, if any, by which the aggregate sum of the Net Dependable Capabilities of the Capacity Resources of Authority and the Eligible Capacity Resources of Central exceed the Territorial Peak Demand for such Contract Period. The Territorial Reserve Margin may be expressed as a percent of the Territorial Peak Demand less the Net Dependable Capabilities of the Firm Purchases of Authority and the Eligible Firm Purchases of Central.

Except as specifically provided to the contrary, all other terms used herein shall be as defined in the Coordination Agreement and the other Appendices thereto.

ARTICLE IV. DETERMINATION OF CAPACITY AND ENERGY REQUIREMENTSA. TERRITORIAL CAPACITY AND ENERGY REQUIREMENTS

The Territorial Demand in each hour shall be the total net one-hour integrated kilowatt demand on the integrated transmission system of Authority and Central during such hour as metered or measured at the high-voltage bus bars of the various generating station substations of the integrated system and at the bus bars at the Authority's side of the points of interconnection with other utility systems. If Authority deems it impractical to meter or measure all or portions of the Territorial Demand at one or more such points, Authority may meter or measure such net energy input where practical, and the resulting readings or measurements shall be adjusted appropriately to compensate for losses between the points of actual metering or measurement and the high-voltage bus bars of the Generating Station substations and/or the bus bars on Authority's side of points of interconnection with other utility systems.

The Territorial Energy Requirement for any period of time (e.g., a month) shall be the aggregate sum, in kilowatt-hours, of the Territorial Demands for the hours comprising such time period.

The Territorial Peak Demand for each Contract Period shall be determined as follows: the Summer Territorial Peak Demand shall be the maximum Territorial Demand occurring during the most current Summer Peak Period; the Winter Territorial Peak Demand shall be the maximum Territorial Demand occurring during the most current Winter Peak Period.

The Annual Territorial Peak Demand shall be the maximum Territorial Demand occurring during the then current Contract Year.

B. CENTRAL'S CAPACITY AND ENERGY REQUIREMENTS

Central's Total Demand in each hour shall be the total combined coincident one-hour integrated kilowatt demand of Central and Central's Members during such hour as metered or measured at the Points of Delivery in accordance with the Coordination Agreement. Central's Total Demand in each hour shall be further adjusted for losses between the Points of Delivery and the high-voltage bus bars of the various generating station substations of the integrated system and at the bus bars at the Authority's side of the points of interconnections with other utility systems in a manner to be determined from time to time by the Planning Committee.

Central's Total Energy Requirement for any time period (e.g., a month) shall be the aggregate sum, in kilowatt-hours, of Central's Demands for the hours comprising such time period.

Central's Coincident Peak Demand shall be Central's Total Demand occurring at the time of the occurrence of the Contract Period Territorial Peak Demand for the then current Contract Period.

Central's Annual Coincident Peak Demand shall be Central's Total Demand occurring at the time of the occurrence of the Annual Territorial Peak Demand for the then current Contract Year.

C. AUTHORITY'S CAPACITY AND ENERGY REQUIREMENTS

Authority's Net Demand in each hour shall be determined as (i) the Contract Period Territorial Demand in such hour, less (ii) Central's Total Demand, adjusted for system losses, in such hour.

Authority's Net Energy Requirement for any time period shall be determined as (i) the Territorial Energy Requirement for such time period, less (ii) Central's Total Energy Requirement, adjusted for system losses, for such time period.

Authority's Coincident Peak Demand shall be Authority's Net Demand occurring at the time of the Contract Period Territorial Peak Demand for the then current Contract Period.

Authority's Annual Coincident Peak Demand shall be Authority's Net Demand occurring at the time of the Annual Territorial Peak Demand for the then current Contract Year.

ARTICLE V. ENERGY AND FUEL COST ACCOUNTINGA. NET GENERATION AND COSTS

1. The Net Generation of a Capacity Resource during any time period shall be the net one-hour integrated demand, exclusive of station use, generated or produced from such Capacity Resource during such time period that is available from such resource as input into the integrated Authority-Central transmission system. Such Net Generation shall be metered or measured at the high-voltage bus bars of the various Generating Station substations in the case of generating units or at the points of delivery to Authority's system in the case of purchased power Capacity Resources. If Authority deems it impractical to so meter or measure the Net Generation of a Capacity Resource at such points, such Net Generation may be metered or measured where practical and adjusted appropriately to compensate for losses between the actual point of metering or measurement and the high-voltage bus bar to the Generating Station substation or the points of delivery to the Authority's system.

2. The Net Fuel Cost of a Capacity Resource during any time period shall be determined as follows:

The Net Fuel Cost of a generating unit shall be the dollar cost of fuel burned or used during such time period, as recorded in Accounts 501, 518, or 547. The Net Fuel Cost of a purchased power resource or transaction shall be the total net cost of the energy, exclusive of demand and station or customer charges, received through or from such resource during such time period as stated in the statements, bills, or invoices received for such purchases. If such statements, bills, or invoices do not explicitly state such net cost of energy associated with such purchases, net cost of energy shall be estimated in a manner similar to the manner in which the Net Fuel Costs of generating units are determined.

If either Party hereto is subject to the South Carolina State Generation Tax, or any similar tax or sum in lieu thereof, the Net Fuel Cost of each Capacity Resource of such Party shall be increased for the purposes of this Appendix so as to account for such tax.

3. The Average Fuel Cost of each Capacity Resource during each month shall be the Net Fuel Cost of such Capacity Resource during such month divided by the Net Generation of such Capacity Resource during such month, both as defined above.

4. It is recognized that from time to time Authority may enter into power and energy transactions with other utility systems, such transactions representing sources or uses of energy not represented or otherwise reflected as Capacity Resources in the Capacity Resource List. In order to account for any such transaction, the Net Generation and Net Fuel Cost of each such transaction shall be determined in such a manner similar to those for Capacity Resources as hereinabove described.

In the case of a purchase of energy by Authority, such transaction shall be treated during the current month as a Capacity Resource having a Net Dependable Capability of zero and included in the Resource Classification List at a position directly below that Capacity Resource having an Average Fuel Cost

most nearly equal to but not less than that of such transaction. In the case of a sale of energy by Authority, the Net Generation and Net Fuel Cost of the Capacity Resource or Resources having an Average Fuel Cost most nearly equal to that associated with such sale shall be reduced by the Net Generation and Net Fuel Cost, respectively, associated with such sale.

This procedure notwithstanding, if an energy transaction with another utility system can otherwise be identified as being directly associated with one or more particular Capacity Resources, then the Net Generation and Net Generation Cost of such particular Capacity Resource or Resources shall be increased or reduced by the Net Generation and Net Fuel Cost, respectively, of such transaction.

5. The Variable Operation and Maintenance Rate of each Capacity Resource shall be the estimated average annual Variable Operation and Maintenance Expenses per kilowatt-hour of Net Generation as determined in the case of Authority's Capacity Resources for each Contract Year from Authority's Cost of Service Study for the then current Contract Year in accordance with Exhibit III attached hereto. The Variable Operation and Maintenance Rate for Central's Capacity Resources shall be determined in the same manner as then currently used by Authority and Authority's Capacity Resources.

6. The Incremental Cost of each Capacity Resource in each month shall be the sum of (i) the Average Fuel Cost of such Resource during such month and (ii) the Variable Operation and Maintenance Rate for such Resource for the current Contract Year, both expressed as mills per kilowatt-hour.

B. RESOURCE LIST

For each month, there shall be prepared a Resource List. The Resource List shall be a list of the Capacity Resources of Authority and Central arranged in ascending order of Incremental Cost so that the Capacity Resource lowest on the List shall be that Capacity Resource with the Lowest Incremental Cost and the Capacity Resource at the top of the list will be that Capacity Resource with the highest Incremental Cost.

C. ENERGY ACCOUNTING

1. The Expected Generation of each Capacity Resource of each Party in each hour shall be determined as follows. The Expected Generation of the Capacity Resource lowest (compared to other Capacity Resources of the Party) on the Resource List shall be the lesser of (i) the Net Dependable Capability of such Capacity Resource, and (ii) the Demand, appropriately adjusted for losses, of such Party during such hour. The Expected Generation of each successive Capacity Resource of such Party shall be the lesser of (i) the Net Dependable Capability of such Capacity Resource, and (ii) the amount, if any, by which such Party's total Demand, appropriately adjusted for losses, in such hour exceeds the aggregate sum of the Expected Generation of all other Capacity Resources of the Party below or lower than such Capacity Resource in the Resource List.

2. The Surplus Generation of a Capacity Resource in each hour shall be the amount, if any, by which the actual Net Generation of such Resource during such hour exceeds the Expected Generation of such Resource during such hour.

3. The Replacement Energy Requirement of a Capacity Resource in each hour shall be the amount, if any, by which the Expected Generation of such resource in such hour exceeds the actual Net Generation of such Resource in such hour.

4. For the purposes of determining Back-up and Economy Energy transactions between the Parties, the Replacement Energy required by each capacity Resource shall be deemed to be supplied from those Capacity Resources having Surplus Generation in the following manner. Starting at the top of the Resource List and proceeding to the bottom, the Replacement Energy for the Capacity Resource highest on the Resource List which has a Replacement Energy Requirement shall be deemed to be supplied from the Surplus Generation or portions thereof of the Capacity Resource or Resources highest on the Resource List from which Surplus Generation is available. Replacement Energy for each next succeeding Capacity Resource having a Replacement Energy Requirement shall be deemed to be supplied from the Surplus Generation or portions thereof of the Capacity Resource or Resources next higher on the Resource List from which such Surplus Generation is available and not previously used to provide such Replacement Energy for another Capacity Resource.

D. BACK-UP AND ECONOMY SERVICES

When Replacement Energy for a Capacity Resource of one Party is supplied (in the manner hereinabove described) from one or more Capacity Resources of the other Party higher on the Resource List than the Capacity Resource for which such Replacement Energy is thus supplied, such Replacement Energy shall be deemed Back-up Energy purchased by the former Party from the latter. The price for such Back-up Energy purchase shall be at the current Incremental Cost in mills per kilowatt-hour of the Capacity Resources providing such Back-up Energy.

When Replacement Energy for a Capacity Resource of one Party is supplied (in the manner hereinabove described) from one or more Capacity Resources of the other Party lower on the Resource List than the Resource for which such Replacement Energy is thus supplied, such Replacement Energy shall be deemed Economy Energy purchased by the former Party from the latter. The price for such Economy Energy purchase shall be one-half (1/2) of the sum of (i) the current Incremental Cost of the Capacity Resource for which such Economy Energy is purchased and (ii) the current Incremental Cost of the Capacity Resources from which such Economy Energy is supplied.

ARTICLE VI. FIRM SUPPLEMENTAL PURCHASES

Central shall purchase and receive from Authority all of Central's Supplemental Power and Energy Requirements, as defined herein, and pay Authority for such purchases at the prices determined in the manner described hereinbelow.

A. CENTRAL'S SUPPLEMENTAL DEMAND AND ENERGY REQUIREMENTS

Central's Supplemental Demand in any hour shall be the amount, if any, by which Central's Total Demand in such hour exceeds the aggregate sum of the Net Dependable Capabilities of all of Central's Eligible Capacity Resources.

Central's Supplemental Power Billing Demand shall be determined as follows: for each month of a Summer Contract Period, Central's Supplemental Power Billing Demand shall be Central's Supplemental Demand which occurred at the time of the most recent Summer Territorial Peak Demand; for each month of a Winter Contract Period, Central's Supplemental Power Billing Demand shall be Central's Supplemental Demand which occurred at the time of the most recent Winter Territorial Peak Demand.

Central's Supplemental Energy Requirement for each Monthly Billing Period shall be the amount, if any, by which Central's Total Energy Requirement for such Monthly Billing Period exceeds the aggregate sum of the Expected Generation of all of Central's Capacity Resources for such Monthly Billing Period.

B. PRICES FOR FIRM SUPPLEMENTAL POWER AND ENERGY1. Supplemental Capacity

The price per kilowatt of Central's Supplemental Power Billing Demand shall be determined in the following manner:

a. Prior to the beginning of each Contract Year pursuant to Article V Section D of the Coordination Agreement, Authority shall prepare or have prepared a Cost of Service Study to determine its projected Annual Revenue Requirements as functionalized or classified as between the following classifications:

- (i) Production Demand Costs
- (ii) Production Energy Costs
- (iii) Transmission Costs
- (iv) Distribution Costs
- (v) Customer Accounting Costs
- (vi) Customer Information and Sales Costs
- (vii) Other Costs

b. Such Cost of Service Study shall be prepared in accordance with the Partial Requirements Cost of Service Methodology attached hereto as Exhibit I.

c. Such Cost of Service Study shall be presented to Central for Central's review not later than two hundred seventy (270) days prior to the beginning of such Contract Year, and Central shall have ninety (90) days to review such study and submit Central's comments thereon for consideration by

Authority. Authority shall consider such comments at a regularly scheduled meeting or, at Authority's option, at a special meeting of its Board of Directors prior to the beginning of the Contract Year.

d. Based on such Cost of Service Study as it may be revised pursuant to this Exhibit and Section D of Article V of the Coordination Agreement, Authority shall determine the price per kilowatt of Firm Capacity in accordance with Exhibit II attached hereto, and such price per kilowatt of firm Capacity shall apply to each kilowatt of Central's Supplemental Power Billing Demand.

2. Supplemental Energy

The price per kilowatt-hour of Central's Supplemental Energy Requirement in each Monthly Billing Period shall be the sum of (i) Authority's Monthly Fuel Cost in mills per kilowatt-hour and (ii) Authority's then current Production Energy Charge Rate in mills per kilowatt-hour, both as determined in the following manner:

a. Authority's Average Monthly Fuel Cost in each Monthly Billing Period shall be determined by the following formula:

$$F = [F_m / G_m] \times [1 / (1 - K)]$$

Where:

F = Average Monthly Fuel Cost in mills per kilowatt-hours, rounded to the nearest one-thousandth of a cent.

F_m = Authority's total fuel cost for the current Monthly Billing Period, and such costs shall include the following:

- (a) the cost of fossil and nuclear fuel burned or used in Authority's own plants and Authority's share of fossil and nuclear fuel burned or used in jointly owned or leased plants as such costs are recorded in Accounts 501, 518, and 547, plus
- (b) the actual identifiable fossil and nuclear fuel cost associated with energy purchased for reasons other than identified in (c) below, plus
- (c) the net energy cost of energy purchases exclusive of capacity or demand charge (irrespective of the designation assigned to such transaction) when such energy is purchased on an economic dispatch basis. Included therein may be such costs as the charges for economy energy purchases and the charges as a result of scheduled outage, all such kinds of energy being purchased by the Authority to substitute for its own higher cost energy; and less

(d) the cost of fossil and nuclear fuel recovered through inter-system sales including the fuel cost related to economy energy sales and other energy sold on an economic dispatch basis.

G_m = Authority's total Net Generation for the current Monthly Billing Period which shall be equated to the sum of (i) generation, (ii) purchases, (iii) interchange in, less (iv) energy associated with pumped storage operations, less (v) inter-system sales referred to in F_m (d) above.

K = Authority's Allowance for Capital Improvements, expressed as a decimal fraction, which was included in Authority's Cost of Service Study, referenced in Subsection 1 of Section B of this Article VI, for the then current Contract Year.

The determination of F and G herein shall reflect appropriate credits (charges) for sales (purchases) by Authority to (from) Central of Back-up and Economy Energy pursuant to Article VI herein.

b. Authority's Production Energy Charge Rate for each Contract Year shall be determined from Authority's above referenced Cost of Service Study for the then current Contract Year in accordance with Exhibit III attached hereto.

ARTICLE VII. RESERVE CAPACITY CHARGES

In consideration of Authority's providing Back-up Energy services for Eligible Central-owned Capacity Resources, Central shall purchase and pay for Reserve Capacity associated with such Back-up Energy services in the manner set forth hereinafter.

A. Central's Reserve Capacity Requirement

• Central's Reserve Capacity Requirement in each Monthly Billing Period shall be (i) the aggregate sum of the Net Dependable Capabilities of Central's Eligible Capacity Resources other than Firm Purchases, multiplied by (ii) the then current Territorial Reserve Margin expressed as a decimal fraction.

B. Price for Reserve Capacity

The price per kilowatt of Reserve Capacity purchases from Authority shall be determined from Authority's above referenced Cost of Service Study for the then current Contract Year in the manner set forth on Exhibit II attached hereto.

ARTICLE VIII. MONTHLY BILLING STATEMENT

A Monthly Billing Statement shall be prepared and rendered for services provided hereunder for each Monthly Billing Period. Each such Monthly Billing Statement, prepared and rendered in accordance with the provisions of Article II, Section A, hereof, shall reflect the monthly charges for

- (a) Firm Supplemental Power and Energy purchases by Central,
- (b) Reserve Capacity purchases by Central, and
- (c) Back-up and Economy Energy purchases by Central.

Each such Monthly Billing Statement shall also reflect any credits for Back-up and Economy Energy purchases by Authority from Central so that to the extent possible a net bill is rendered. When, however, that Monthly Bill reflects a net credit due Central, Authority shall render payment to Central for such credit within ten (10) days, and, in such event, Authority shall be subject to the late payment provisions of Article XII, Section C, of the Coordination Agreement.

COST OF SERVICE METHODOLOGY

The purpose of this Methodology is to describe the methods of functionalization of Authority's costs to be used in developing annual Cost of Service studies pursuant to Appendices A and B to this Power System Coordination and Integration Agreement ("Coordination Agreement").

As used herein, "functional classification" or "function" shall refer to one of the following categories or classifications of costs:

- (i) Production Demand
- (ii) Production Energy
- (iii) Transmission
- (iv) Distribution
- (v) Customer Service

Except as otherwise specifically provided herein, the uses of such functional classifications herein shall be consistent with the uses of such classifications contained in the Uniform System of Accounts and as used in accordance with Good Utility Practice.

As used herein, the term "functionalization" shall mean the assignment or allocation of Authority's costs to and between such functional classifications.

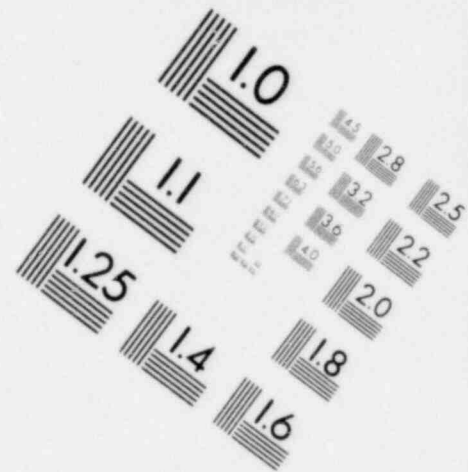
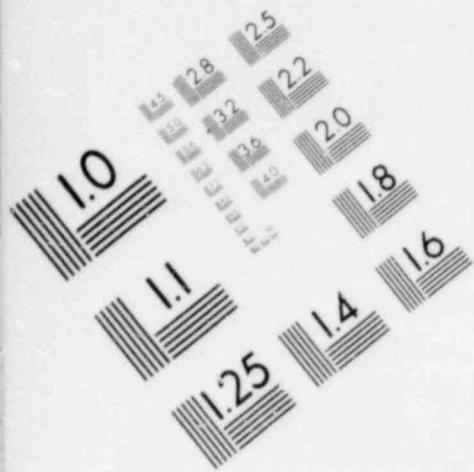
I. OPERATION AND MAINTENANCE EXPENSES

A. Production O&M Expenses

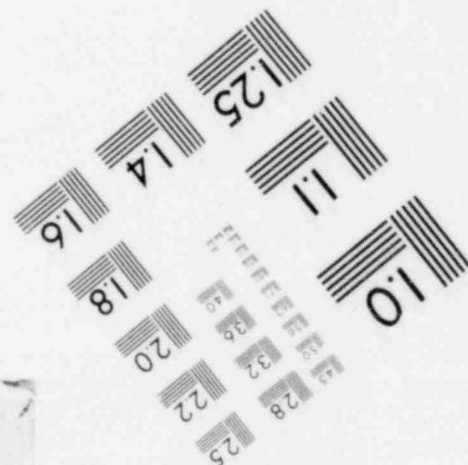
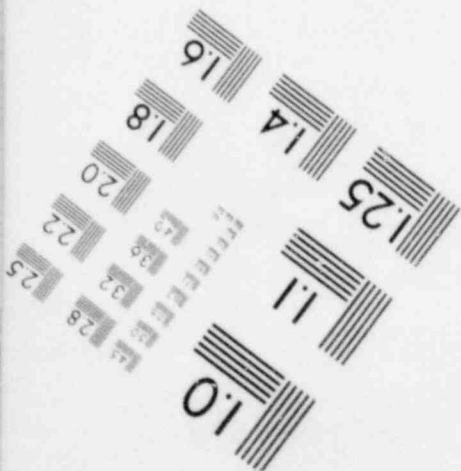
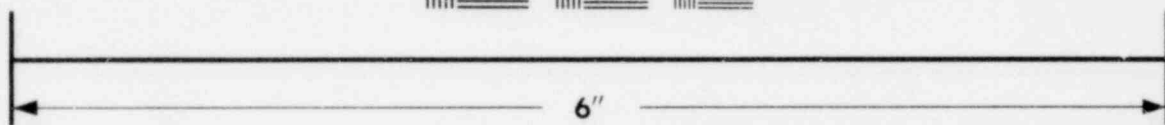
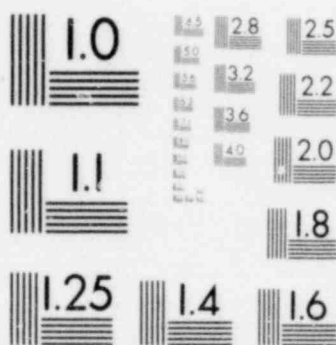
1. Fuel Expenses - 95% allocated by energy sales, 5% associated with spinning reserves allocated by demand.
2. Purchased Power Expenses shall be functionalized into Production Demand and Production Energy components as the basis of the then current rates and charges under which such power is to be purchased by Authority.
3. Other Production O&M Expenses - 65% of such expenses shall be assigned to the Production Demand function and the remainder to the Production Energy Component; provided, however, this functionalization shall be subject to refinement as the result of more detailed analyses or studies at such time as the Authority determines, pursuant to such studies, that such functionalization is no longer appropriate.

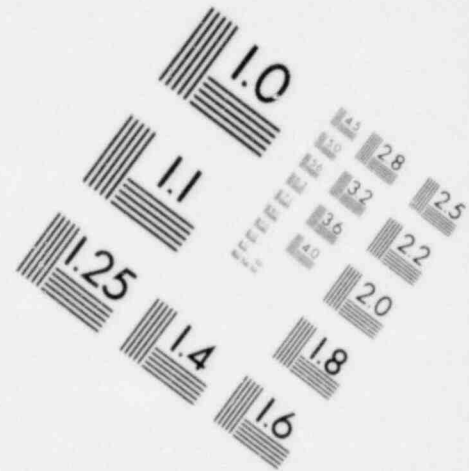
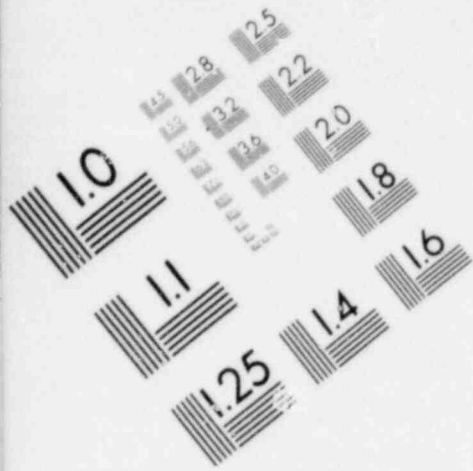
B. Transmission O&M Expenses shall be assigned to the Transmission function.

C. Distribution O&M Expenses shall be assigned to the Distribution function.

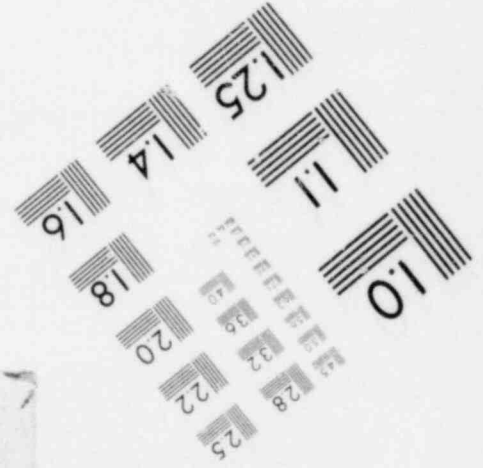
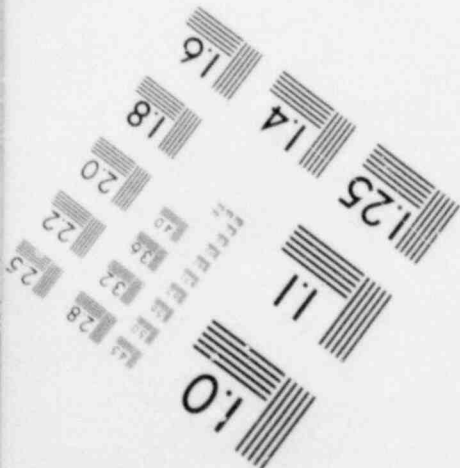
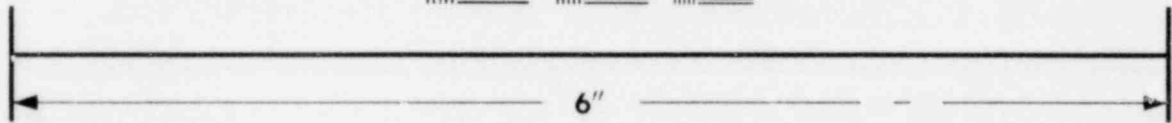
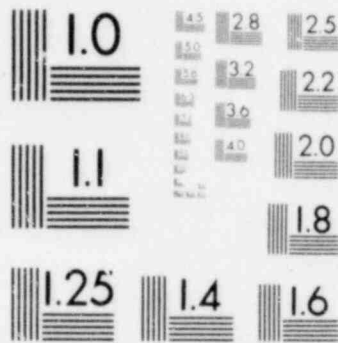


**IMAGE EVALUATION
TEST TARGET (MT-3)**





**IMAGE EVALUATION
TEST TARGET (MT-3)**



- D. Customer Accounting Expenses shall be assigned to the Customer Accounting function.
- E. Customer Service and Informational Expenses shall be assigned to the Customer Service function.
- F. Sales Expenses shall be assigned to the Customer Service function.
- G. Administrative and General Expenses shall be allocated to functional classifications in proportion to the Wages and Salaries included in Operation and Maintenance Expenses other than Administrative and General Expenses assigned or allocated to such functional classifications in the manners hereinabove described, provided, however, to the extent that the test-year projections of such Operation and Maintenance Expenses are not in sufficient detail to so identify such Wages and Salaries, then historical ratios of such Wages and Salaries may be used as the basis for this functionalization.

II. Sums in Lieu of Taxes

- A. Payments to Municipalities of sums in lieu of franchise payments or fees shall be assigned to the Distribution function.

All other payments to governmental agencies shall be assigned to the Production Demand function. The amount of Payments to the State of South Carolina included in any test-year Cost of Service study shall not exceed the lesser of the amount included in the test year as to the Payment to the State or 10% of the balance projected in that test year's line item entitled "Balance Available for Payment to the State, Renewals, Replacements, Capital Additions to Plant and for Other Lawful Purposes," or items similar thereto; provided, however, that all items included in that line item are related to the generation, transmission or distribution of electric power and energy and provided, further, that no additional reserve contingency items or similar reservations of revenues that are not as of the date of this Agreement included in "Balance Available for Payments to the State, Renewals, Replacements, Capital Additions to Plant and for other Lawful Purposes," shall be included in this item in determining the cost of service or rates to be charged.

III. Debt Services and Lease Payments

Interest expense and principal paid on debt (collectively, "Debt Service") shall first be allocated to the plant classifications of Production, Transmission, Distribution, and General, as reflected in the Uniform System of Accounts, on the basis of the application or utilization of the proceeds of such debt. Lease Payments shall first be allocated to such plant classifications on the basis of the utilization and classification of the corresponding leased facilities so that payments for the lease of facilities which are recordable as Production Plant facilities, Transmission

Plant facilities, Distribution Plant facilities, and General Plant facilities shall be classified accordingly.

Debt Service and Lease Payments thus classified as Production, Transmission, and Distribution Plant-related shall be assigned to the Production Demand, Transmission, and Distribution functional classifications, respectively. The Debt Service and Lease Payments classified as General Plant-related shall be functionalized in proportion to the functionalization of Administrative and General Expenses as described hereinabove.

IV. Working Capital Allowance

An allowance to provide to Authority additional working capital required on a year-to-year basis shall be included in the cost of service. This allowance is formulated to allow Authority to increase its working capital annually in an amount equal to one-eighth of the increase in its annual Operation and Maintenance Expenses other than Purchased Power Expense, Nuclear Fuel Expense, and Lease Payments, if any, during the test period over the immediately preceding 12-month period. This Working Capital Allowance shall be allocated to functional classifications on the same basis as the corresponding O&M.

V. Other Income and Revenues

Miscellaneous Other Income and Revenues received by Authority other than for Sales of Electricity shall be functionalized and credited to each functional classification so as to reflect the functional classifications of the activities giving rise to such Income and Revenues.

VI. Allowance for Capital Improvements

Authority shall be entitled to include in the cost of service an allowance for transfers to Authority's Capital Improvement Fund, which allowance shall not in total exceed the greater of (i) eight and one-half percent (8.5%) of Authority's Operating Revenues and other Income or (ii) seventy-five percent (75%) of the total Debt Service included in such cost of service study.

VII. Debt Service Coverage

Notwithstanding any other provisions of this Agreement, should the Authority's five-year projections disclose that its debt service coverage will be less than 1.75 during one or more years of such five-year period, the Authority may increase Central's Allowance for Capital Improvements sufficient to maintain a debt service coverage of 1.75 in each such year; provided, however that such increase shall not exceed the aggregate average Allowance for Capital Improvements (expressed as a percentage of Debt Service charges) included in the Cost of Service Study from which the Authority's other rates were developed, excluding from such limitation, however, certain Authority contracts in existence as of the effective date of this Agreement wherein the Allowance for Capital Improvements may not be exceeded.

Schedule AReserve Capacity Price for Each Contract Year

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Notes and References</u>
1.	Total Production Fixed Costs	\$ _____	C.O.S. Study
2.	Aggregate Monthly Installed Capacity	_____ kW	Schedule C, Line 14 Column (c)
3.	Unreserved Capacity Rate	_____ \$/kW	Line 1 + Line 2
4.	Reserve Capacity Price	_____ \$/kW	Line 3

Schedule BFirm Capacity Price for Each Contract Period

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Notes and References</u>
1.	Unreserved Capacity Rate	_____ \$/kW	Schedule A, Line 3
2.	Territorial Reserve Margin	_____ %	
3.	Firm Capacity Price	_____ \$/kW	Line 1 x [1.00 + (Line 2+100)]

Schedule CProjected Monthly Installed Capacity

Line No.	Month	Existing (MW) (a)	Additions (MW) (b)	Total (MW) (c)
1.	July			
2.	August			
3.	September			
4.	October			
5.	November			
6.	December			
7.	January			
8.	February			
9.	March			
10.	April			
11.	May			
12.	June			
13.	Aggregate Monthly Installed Capacity (MW's)			
14.	Aggregate Monthly Installed Capacity (KW's) (Line 13 X 1000)			

Production Energy Charges

	<u>Production Variable Costs*</u> (<u>\$</u>) (a)	<u>Projected Net Generation</u> (<u>KWH</u>) (b)	<u>Variable O&M Rate</u> (<u>Mills</u>) (c)
<u>Generating Resources:</u>			
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
Total Resource Costs	_____	_____	_____
Other Variable Costs	_____	_____	_____
Total Production Energy Charge Rate	=====	=====	=====

Reference: 1. Columns (a) and (b) data obtained from Cost of Service Study.
 2. Column (c) = Column (a) + Column (b).

* Excluding Fuel.

PROVISIONS RELATING TO TRANSMISSION SERVICE

ARTICLE I. DESCRIPTION OF SERVICEA. CHARACTER OF SERVICE

The service provided hereunder ("Transmission Service") shall be the transmission of electric power and energy over Authority's transmission system from (1) the high-voltage bus bars of the various generating station substations of Authority, (2) Authority's side of points of interconnection with other utility systems, and (3) points of receipt by Authority on its transmission system of electric power and energy from Central-owned generating facilities or electric power and energy otherwise delivered by Central to Authority for Transmission Service hereunder, to (a) existing Delivery Points of Central's Members and (b) such other Delivery Points as may be established on the integrated Authority-Central transmission system pursuant to the Coordination Agreement.

All electric power and energy delivered hereunder shall be alternating current, three-phase, unregulated, at a nominal frequency of approximately 60 Hertz and at a nominal standard voltage generally available in the area of each Delivery Point.

B. APPLICABILITY

This Appendix shall be applicable to all electric power and energy supplied to Central and Central's Members, as such Members are defined in the Coordination Agreement.

C. AVAILABILITY

Transmission Service hereunder is available throughout the service area referenced in the Coordination Agreement at the existing Delivery Points of Central's Members, at the existing points of interconnection between Authority's and Central's transmission systems, and at such future points of interconnection and such future Delivery Points to which the Parties may agree in accordance with the Coordination Agreement.

ARTICLE II. GENERAL TERMS AND CONDITIONSA. BILLING AND PAYMENT

Monthly Billing Statements for Transmission Service hereunder shall be prepared as hereinafter provided and rendered monthly to Central by Authority. Payment by Central of amounts due in accordance with such Monthly Billing Statements shall be made pursuant to the terms, conditions, and provisions of the Coordination Agreement.

B. ESTIMATED AND ADJUSTED BILLINGS

In preparing Monthly Billing Statements for services rendered, the determination of Transmission Demand Charges pursuant to Article III, Section A, herein shall be predicated initially on the basis of the Parties' projections of the Annual Territorial Peak Demand for the then current Contract Year and each Parties' contribution thereto, and these projections shall be used as a basis for billing until actual Annual Territorial Peak Demand data becomes available. When actual Annual Territorial Peak Demand data becomes available for the contract year, the Demand Charges hereunder shall be recalculated to reflect such actual data. A special bill shall be rendered to Central, as soon as practicable, reflecting the aggregate difference between the estimated bills previously rendered to Central and the recalculated bills based upon the actual contract year Annual Territorial Peak Demand data. As between Authority and Central, whichever Party owes the other as a result of such recalculation shall make payment(s) to the other as follows: the paying Party may elect to spread the total amount owed in equal installments over a number of months not to exceed six (6) nor to extend beyond the period Central takes service hereunder; provided, however, the amount of each such installment except the last shall not be less than One Hundred Thousand Dollars (\$100,000). Such payments may be reflected as additional charges or credit to succeeding Monthly Billing Statements.

C. ACCESS FOR AUTHORITY EMPLOYEES

Authority shall have the right and privilege to enter the premises of Central and Central's Members at all reasonable times for the purposes of reading meters, inspecting or repairing apparatus used in connection with service hereunder, removing Authority's property or for any other purposes to carry on the work of Authority in connection with the delivery of power and energy hereunder, and to do all things necessary and expedient in the proper operation of Authority's system. In exercising such right and privilege, Authority shall assume all liability for damage or personal injury caused by negligence of Authority.

D. CONTINUITY OF SERVICE

Authority shall exercise due care and diligence to provide Transmission Service hereunder free from interruption; provided, however, the Authority shall not be responsible for any failure to provide such service, nor for interruption, reversal, or abnormal voltage of the supply, if such failure, interruption, reversal, or abnormal voltage is without negligence on Authority's part. Whenever the integrity of Authority's system or the supply of electricity is threatened by conditions on Authority's system, on Central's system or that of Central's Members, or on the systems with which Authority or Central are

directly or indirectly interconnected, or whenever it is necessary or desirable to aid in the restoration of service, Authority may, in conformance with Good Utility Practice, curtail or interrupt electric service or reduce voltage to some or all of Central's Members and such curtailment, interruption, or reduction shall not constitute negligence by Authority.

E. LIABILITY

Central expressly agrees to indemnify and save harmless and defend Authority against all claims, demands, costs or expense for loss, damage, or injury to persons or property in any manner directly or indirectly connected with or growing out of the generation, transmission, or distribution of electric energy on Central's side (or that of a Member of Central) of any Delivery Point, unless such claim or demand shall arise out of or result from negligence or willful misconduct of Authority, its agents, servants, or employees.

F. DEFINITIONS

Except as specifically provided to the contrary, all terms used herein shall be as defined in such Coordination Agreement and the other Appendices thereto.

"Coordination Agreement" as used herein shall be the "Power System Coordination and Integration Agreement" between South Carolina Public Service Authority and Central Electric Power Cooperative, Inc., to which this Appendix B is attached and made a part of.

For purposes of the Cost of Service Study referenced in Exhibit II of Appendix A of the Coordination Agreement the term "Wholesale Classification" refers to those classifications to which "sales for resale" are made by Authority: namely; Central, Members of Central, and Municipals. "Retail Classification" refers to those classifications to which "sales to the ultimate user" are made by Authority: namely; the Authority's Commercial, Industrial, the Military, Street Lighting, and other miscellaneous retail customers.

G. OTHER

Additionally, all service provided hereunder shall be in accordance with and pursuant to the provisions of the Coordination Agreement.

ARTICLE III. CHARGES FOR TRANSMISSION SERVICEA. MONTHLY BILLING STATEMENT

Each Monthly Billing Statement for Transmission Service hereunder shall include (1) Transmission Demand Charges and (2) Delivery Service Charges, both as determined in the manner hereinafter set forth.

B. TRANSMISSION DEMAND CHARGES

Transmission Demand Charges in each month shall be determined as (1) Central's Annual Coincident Peak Demand less the SEPA capacity allotment of Central's Members, as adjusted for losses, for the then current Contract Year, as defined in Appendix A of the Coordination Agreement multiplied by (2) Authority's Transmission Service Demand Charge, as determined in the manner set forth hereinafter.

Pursuant to the aforementioned Appendix A and Article V Section D of the Coordination Agreement, prior to the beginning of each Contract Year, Authority shall prepare or have prepared a Cost of Service study to determine its projected Annual Revenue Requirements as functionalized or classified as between the following classifications:

- (i) Production Demand Costs
- (ii) Production Energy Costs
- (iii) Transmission Costs
- (iv) Distribution Costs
- (v) Customer Accounting Costs
- (vi) Customer Information and Sales Costs
- (vii) Other Costs

From such Cost of Service Study, Authority's Monthly Transmission Service Demand Charge, in dollars per kilowatt, will be determined as one-twelfth of the quotient obtained by dividing the total Annual Transmission Costs determined pursuant to such Cost of Service Study, by the then projected Annual Territorial Peak Demand, as such Annual Territorial Peak Demand, less the SEPA capacity allotments of Central's Members and other Authority Customers, as adjusted for losses, is defined pursuant to the aforementioned Appendix A of the Coordination Agreement. Such Monthly Transmission Service Demand Charge, in dollars per kilowatt, shall apply throughout the Contract Year.

B. DELIVERY SERVICE CHARGES

From the aforementioned Cost of Service Study, the Authority shall determine those components of the cost classifications of (1) Distribution Costs, (2) Customer Accounting Costs, (3) Customer Information and Sales Costs, and (4) Other Costs which are directly associated with service to Central and Central's Members and delivery of power thereto or which are reasonably allocable to such service and delivery. Such determinations shall be made in accordance with the provisions of Exhibit I of the aforementioned Appendix A, and the Delivery Service Charges for each month shall be one-twelfth of the aggregate sum of such components so assigned or allocated to Central.

PROVISIONS RELATING
TRANSMISSION OPERATION AND MAINTENANCE

ARTICLE I. GENERAL

A. COORDINATION AGREEMENT

This Appendix is attached to and is a part of the "Power System Coordination and Integration Agreement" between South Carolina Public Service Authority and Central Electric Power Cooperative, Inc., hereinafter referred to as the "Coordination Agreement."

Except as specifically provided herein, all provisions of this Appendix are subject to the qualifications, terms and conditions, and other provisions and Appendices of such Coordination Agreement, and all terms used herein, except as specifically provided otherwise, shall be as defined in such Coordination Agreement.

B. TRANSMISSION MANAGEMENT, OPERATION, AND MAINTENANCE

Subject to and in accordance with the provisions hereinafter set forth, Authority shall manage, operate, and maintain Designated Transmission Facilities of Central, as such Designated Transmission Facilities are defined hereinafter.

C. DESIGNATED TRANSMISSION FACILITIES

Designated Transmission Facilities shall be those transmission facilities owned by Central which Central desires Authority to manage, operate, and maintain in accordance herewith.

Central will furnish, install, and own at its sole expense and cost, all lands and transmission line equipment and shall have such lands and equipment in condition acceptable to Authority before Authority will commence service under this Appendix C of the Coordination Agreement.

No transmission facilities of Central shall be Designated Transmission Facilities if (1) such facilities are not owned by Central, or (2) such facilities are leased by Central to any other party, or (3) such facilities are located outside the State of South Carolina, or (4) such facilities are substantially different in kind or nature from the transmission facilities of Authority.

D. NOTICE

The management, operation, and maintenance of any Designated Transmission Facilities shall be subject to timely written notice of Central's desire for facilities to be so managed, operated and maintained in accordance herewith. For the purposes of this Appendix, "timely written notice" shall be written notice received by Authority not less than one full Contract Year prior to the time such management, operation, and maintenance is desired by Central. Such notice shall include plans and specifications of said facilities for review and comment by Authority.

Notwithstanding any other provision hereof or of the Coordination Agreement, Authority shall have no responsibility with respect to the management, operation, or maintenance of any transmission facility of Central which is under construction or otherwise prior to the time such facility is energized or placed into service for the purposes of transmitting electrical power and energy on a continuous basis consistent with Good Utility Practice.

Central or Authority may withdraw Designated Transmission Facilities from the management, operation, and maintenance of Authority hereunder upon five (5) years written notice.

E. LIABILITY

Central expressly agrees to indemnify and save harmless and defend the Authority against all claims, demands, costs or expense for loss, damage or injury to persons or property in any manner directly or indirectly connected with or growing out of, the operation and maintenance of Central-owned transmission lines unless such claim or demand shall arise out of or result from the negligence or willful misconduct of the Authority, its agents, servants or employees.

ARTICLE II. OPERATION OF DESIGNATED TRANSMISSION FACILITIES

Authority shall have the sole authority to manage and operate all Designated Transmission Facilities, and Central hereby appoints Authority as Central's sole agent for all purposes of management and operation of such Designated Transmission Facilities.

Authority shall manage and operate Designated Transmission Facilities in accordance with Good Utility Practice. In the management and operation of transmission facilities, Authority shall make no adverse distinction between Designated Transmission Facilities hereunder and Authority's own transmission facilities. Authority will use its reasonable best efforts to comply with all applicable law and governmental regulations with respect to such management and operation.

Authority shall manage and operate Designated Transmission Facilities in accordance with the same standards, procedures, and methods used by Authority from time to time with respect to Authority's own transmission facilities, unless provided, however, Central requires more rigorous standards or procedures. In the case Central requires more rigorous standards or procedures than those then currently used by Authority with respect to Authority's own transmission facilities, Central shall be responsible for any additional costs associated therewith in addition to any other cost responsibility payments by Central hereunder.

Authority will provide Central any information or data in such form as such information or data is routinely available to Authority. If Central requests and Authority provides any additional information or data, Central shall be responsible for all costs incurred by Authority in providing such additional information or data, and such responsibility shall be in addition to any other cost responsibilities of or payments by Central hereunder.

ARTICLE III. MAINTENANCE OF DESIGNATED TRANSMISSION FACILITIES

Authority shall have the sole authority to maintain all Designated Transmission Facilities, and Central hereby appoints Authority as Central's sole agent for all purposes of maintaining such Designated Transmission Facilities.

Authority shall maintain Designated Transmission Facilities in accordance with Good Utility Practices, and in the maintenance of transmission facilities, Authority shall make no adverse distinction between Designated Transmission Facilities and Authority's own transmission facilities.

Authority shall maintain Designated Transmission Facilities in accordance with the same standards, procedures, and methods used by Authority from time to time with respect to the maintenance of Authority's own transmission facilities; unless provided, however, Central requires more rigorous standards or procedures. In the case Central requires more rigorous standards or procedures than those then currently used by Authority with respect to Authority's own transmission facilities, Central shall be responsible for any additional costs associated therewith in addition to any other cost responsibility payments by Central hereunder.

Authority will provide Central any information or data in such form as such information or data is routinely available to Authority. If Central requests and Authority provides any additional information or data, Central shall be responsible for all costs incurred by Authority in providing such additional information or data, and such responsibility shall be in addition to any other cost responsibilities of or payments by Central hereunder.

ARTICLE IV. CAPITAL ADDITIONS, RETIREMENTS AND REPLACEMENTS

In the event Authority is of the opinion, in accordance with the Uniform System of Accounts and Authority's own then current accounting standards and criteria, that additions, retirements, or replacements of any Designated Transmission Facilities or portions thereof will result in additions to or reductions of Central's capital investment in such facilities, Authority shall purchase or otherwise acquire any necessary facilities, materials, or equipment and make such necessary additions, retirements, or replacements, and Central shall be responsible for the costs associated therewith in accordance with Article VI, Section B, herein. However, when Authority is reasonably able to provide timely notice to Central of the need for major facilities, materials, or equipment, Central may at Central's option purchase or otherwise acquire such facilities, materials, or equipment and provide them to Authority.

ARTICLE V. INVENTORY OF SPARE PARTS AND EQUIPMENT

Authority shall maintain an inventory of spare parts, miscellaneous material, capital equipment, and other equipment necessary in the opinion of Authority to discharge Authority's responsibilities hereunder with respect to management, operation, and maintenance of Authority's transmission facilities and Designated Transmission Facilities.

Authority shall accept into such inventory all materials associated with or retired from Designated Transmission Facilities and will credit Central for the value of materials so received. Such value shall be determined in the same manner in which Authority determines the value of materials received into such inventory from or for Authority's own transmission facilities.

Notwithstanding any other provision of this Appendix or the Coordination Agreement, if Central constructs or otherwise acquires and owns any transmission facilities requiring parts, or materials, or equipment different from those required by Authority for Authority's own transmission facilities, Authority shall have no obligation to maintain an inventory of such different parts, materials, or equipment, except at Central's sole expense.

ARTICLE VI. PAYMENTSA. GENERAL

It is the desire and intent of the Parties hereto that Central reimburse Authority as precisely as possible for all actual costs incurred by Authority in the management, operation, and maintenance of Designated Transmission Facilities. It is realized by the Parties, however, that the specific identification of all individual costs would be impractical, and, in consideration thereof, the Parties have agreed to the methods of fairly allocating and assigning costs as between the Parties that are set forth below. To the extent, however, that such methods fail to satisfy this intent of the Parties, or at such times as other fair and reasonable methods for more accurately identifying such actual costs become practical, in the opinion of both Parties, then the Parties hereto shall negotiate in good faith to modify the allocation methods herein in keeping with such intent.

B. PAYMENT FOR OPERATION AND MAINTENANCE OF DESIGNATED TRANSMISSION FACILITIES

Central shall pay Authority each month one-twelfth of Central's proportionate share of the aggregate annual Costs of Operation and Maintenance of Designated Transmission Facilities hereunder in the ratio that Central's capital investment in such Designated Transmission Facilities bears to the aggregate sum of the Authority's capital investment in Authority's own transmission facilities and Central's capital investment in such Designated Transmission Facilities.

Such Costs of Operation and Maintenance shall consist of:

1. Transmission Operation and Maintenance Expenses - all costs incurred by Authority in the operation and maintenance of transmission facilities which are chargeable to Accounts 560-573 of the Uniform System of Accounts excluding, however, Accounts 565 - Transmission of Electricity by Others, and Accounts 567 - Rents.
2. Administrative and General Costs - a proportionate share of Authority's costs which are chargeable in Administrative and General Expenses in Accounts 920-931 of the Uniform System of Accounts. Such proportionate share, to be allocated to Central, shall be in the ratio that the Wages and Salaries Costs included in the total Transmission Operation and Maintenance Expenses defined in 1 above bear to the total Wages and Salaries Costs incurred by Authority and chargeable as Operation and Maintenance Expenses under the Uniform System of Accounts, excluding those Wages and Salaries Costs chargeable as Administrative and General Expenses.

Each Monthly Payment by Central for Operation and Maintenance of Designated Transmission Facilities by Authority shall be based upon Authority's then current Operating Budget and the Parties' then current projections of the Parties' respective capital investment in transmission facilities. As soon as practicable after the end of each month, as actual costs are recorded and available, Authority shall prepare a revised Monthly Billing Statement reflecting such actual costs and capital investment. The aggregate difference between the estimated Monthly Billing Statement previously rendered to and paid by Central

shall be reflected as an additional charge or credit, as appropriate, on the estimated Monthly Billing Statement in the next succeeding month.

C. PAYMENT FOR CAPITAL ADDITIONS, RETIREMENTS, AND REPLACEMENTS

Central shall reimburse Authority for Authority's costs of Capital, Additions, Retirements, and Replacements made to Designated Transmission Facilities. Such costs shall include the original costs of necessary parts, materials, and equipment, and other applicable costs associated therewith including but not limited to direct labor, outside services, allocable overheads and stores expenses, all as determined in the same manner in which Authority determines and assigns such costs to Capital Additions, Retirements, and Replacements made to its own facilities.

D. PAYMENT FOR MAINTAINING SPARE PARTS AND EQUIPMENT INVENTORY

Central shall pay Authority monthly an Inventory Carrying Charge in consideration for Authority maintaining an inventory of spare parts, materials, and equipment as hereinabove described. Such Inventory Carrying Charge shall be determined by multiplying (1) one-twelfth of Authority's then current Fixed Charge Rate by (2) Central's proportionate share of Authority's total dollar investment balance in spare transmission parts, materials, and equipment, which such proportionate share shall be in the ratio that Central's capital investment in Designated Transmission Facilities bears to the aggregate sum of Authority's capital investment in transmission facilities and Central's capital investment in Designated Transmission Facilities. Authority's Fixed Charge Rate shall be the net effective annual interest rate of Authority's then most recent long-term Bond Issue.

E. MONTHLY BILLING STATEMENTS

For services rendered hereunder, Authority shall render a Monthly Billing Statement to Central about the first of each month setting forth the costs, as hereinabove described, for which Central shall reimburse Authority hereunder. Such Monthly Billing Statement shall reflect (1) Charges for Operation and Maintenance as estimated to be incurred by Authority during such month, (2) any charges or credits necessary to correct to actual the previous month's estimate of such Charges for Operation and Maintenance which was included in the monthly Billing Statement for the previous month, (3) Inventory Carrying Charges for the second preceeding month, and (4) the costs of any Capital Additions, Replacements, or Retirements made during the preceeding month, all such costs determined pursuant to the foregoing. Central shall pay such Monthly Billing Statement in accordance with the billing and payment provisions of the Coordination Agreement.

End of Coordination Agreement and its Several Appendices and Exhibits

CROSS GENERATING STATION
OWNERSHIP AND OPERATING AGREEMENT
BETWEEN
SOUTH CAROLINA PUBLIC SERVICE AUTHORITY
AND
CENTRAL ELECTRIC POWER COOPERATIVE, INC.

CROSS GENERATING STATION
OWNERSHIP AND OPERATING AGREEMENT
BETWEEN
SOUTH CAROLINA PUBLIC SERVICE AUTHORITY
AND
CENTRAL ELECTRIC POWER COOPERATIVE, INC.

This Cross Generating Station Ownership and Operating Agreement (hereinafter referred to as the "Cross Agreement") entered into on the _____ day of _____, 1980, by and between the South Carolina Public Service Authority (hereinafter referred to as "Authority"), an Agency of the State of South Carolina, and Central Electric Power Cooperative, Inc., (hereinafter referred to as "Central"), a cooperative corporation organized and existing under the laws of the State of South Carolina, witnesseth that,

RECITALS

Authority owns a site and a railroad extension of approximately eleven (11) miles in the vicinity of Cross, South Carolina and is proceeding with all steps, actions and activities (including purchasing and procurement), incident to and required for the design, engineering, construction and subsequent operation by Authority of a coal-fired steam-electric generating station to be known as the Cross Generating Station and hereinafter defined as the "Project" having a net capability of approximately 1800 MW and with the first unit presently expected to be placed in commercial operation during the 4th quarter of calendar year 1983, with the remaining three units to follow as the combined Authority-Central load requirements dictate; and

Authority has entered into certain contracts for planning, engineering and construction of the Project; and

Central has determined that forty-five percent (45%) of the Project Output will be required on or about the expected Dates of Commercial Operation of the respective units to serve its growing power and energy requirements; and

Authority has determined that the disposition of forty-five percent (45%) of the Project Output to Central is desirable; and

Authority and Central have determined that it is in their best interests and in the best interests of the State of South Carolina for them to own the Project excepting the land thereon as tenants in common and for Authority to proceed with Project design, construction, operation and maintenance for itself and as agent for Central pursuant to this Agreement.

NOW, THEREFORE, the Parties mutually agree as follows:

1. DEFINITIONS

1.01 "Costs of Construction" means all costs allocable to the acquisition, design, engineering, and construction of the Project, obtaining necessary permits and making it ready for operation, including the cost of initial fuel supply and allowance for funds used during construction. Credits relating to such costs, including insurance proceeds, shall be applied to Costs of Construction when received.

1.02 "Cost of Operation" means all costs applicable or allocable to the operation and maintenance of the Project, fuel and rights relating thereto, elective capital additions made pursuant to Section 20, and, subsequent to the Date of Commercial Operation, repairs and renewals and replacements necessary to assure design capability, betterments, modifications and additions in keeping with Good Utility Practice and when in the reasonable judgment of Authority necessary to obtain the approval of or to comply with the requirements of governmental agencies have jurisdiction. Credits relating to such costs, including insurance proceeds, shall be applied to Costs of Operation when received. Also included are Authority Administration and General Costs, Sums in Lieu of Taxes, Payment to the State, Capital Improvement Funds, Working Capital Requirements, rental of the Project real estate, debt service on railroad cars and related equipment, and other related costs allocable to the Project.

1.03 "Construction Disbursing Account" means the separate account established by Central for the purpose of paying Central's Ownership Share of Costs of Construction.

1.04 "Date of Commercial Operation" means the date fixed by Authority and agreed to by Central as the point in time when a Generating Unit is ready to be operated on a commercial basis at an output as determined by the Central-Authority Operating Committee to be in accordance with Good Utility Practice.

1.05 "Generating Station" means the steam generator, the turbine-generator and related structures and facilities, including the cooling facilities, emission control facilities, Project Substation, including facilities for switching and transformation, together with additions and betterments thereto and replacements thereof, and appropriate equipment and spare parts.

1.06 "Good Utility Practice" at a particular time means any of the practices, methods and acts, which in the exercise of reasonable judgment in the light of the facts (including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the electrical utility industry prior thereto) known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Good Utility Practice includes due regard for manufacturer's warranties and shall apply not only to functional parts of the Project, but also to appropriate structures, landscaping, painting, signs, lighting and other facilities. Good Utility Practice is not to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a number of possible practices, methods or acts. In evaluating whether any Matter conforms to Good Utility Practice, the Parties and the Project Consultant shall take into account the fact that the Authority is an Agency of the State of South Carolina with prescribed statutory powers, duties and responsibilities.

1.07 "Labor Costs" means all payroll, related employee benefit costs and employee expenses of all employees of the Parties chargeable to the Project.

1.08 "Matter" means any subject, or any aspect thereof, arising out of or relating to the interpretation or performance of this Agreement, including any proposal that may be made by either of the Parties.

1.09 "Output" means that net capacity and energy from the Generating Unit or Station which at any time can be made available at the high voltage terminals of the Project Substation after station use and losses.

1.10 "Ownership Share" of a Party means the fractional share specified in Paragraph 2.01 hereof, or as the same may be adjusted pursuant to Sections 18 and 19.

1.11 "Plant Real Property" means the real property owned by Authority as a site for and necessary and useful for the construction, operation and maintenance of the Project. A description of the Plant Real Property and statement of the estimated value thereof is attached as Exhibit I, and made a part hereof.

1.12 "Coordination Agreement" means the Power System Coordination and Integration Agreement between the Parties.

1.13 "Project" means the (a) Generating Station, (b) all licenses, permits, rights and approvals necessary or convenient for construction, operation, maintenance of the Project, (c) roads, railroad extension, railroad spurs, docks, parking lots, fencing and similar facilities, and (d) all things acquired by the Parties for use in construction, operation, maintenance and repair of the Project. A description of the Project and a statement of the estimated cost thereof is attached as Exhibit II, and made a part hereof.

1.14 "Project Consultant" means an individual or firm of national reputation and recognized expertise in the field or subject referred to it, the appointment of which is mutually agreed to by the Parties, retained for the purpose of resolving differences referred to it. A different Project Consultant may be retained for each Matter referred.

1.15 "Project Construction-Engineer" means Burns & Roe, Inc., of Oradel, New Jersey, retained by Authority for the design and engineering and construction supervision of units one and two of the Project under the direction of Authority. The Project Construction-Engineer may or may not be Burns & Roe, Inc., for units three and four of the Project.

1.16 "Project Substation" means lines and switching facilities connecting the Generating Units to the Cross 230 KV substation, line and switching facilities for connecting the startup and emergency transformer for the Generating Units to the 230 KV substation, 230 KV buses, insulators, structures and foundations, bus tie switching facilities, 230 KV bus potential and current transformers including interconnection metering equipment, relays and meters and control devices for these bus facilities installed and made operational with the Generating Units.

1.17 "Uniform System of Accounts" means the Federal Energy Regulatory Commission Uniform System of Accounts prescribed for Class A Public Utilities and Licensees in effect on January 1, 1980, as the same may be amended from time to time.

2. OWNERSHIP, RIGHTS AND OBLIGATIONS

2.01 The Parties shall have title to the Project except the real estate as tenants in common and shall, as co-tenants with an undivided interest therein and, subject to the terms of this Agreement, own the Project, have the related rights and obligations, including payment therefor, and be entitled to the Output as follows:

<u>Party</u>	<u>Ownership Share</u>
Authority	55%
Central	45%

2.02 Subject to Paragraphs 2.07 and 5.01, the Parties shall promptly and with all due diligence, acting jointly or individually as may be appropriate, take all necessary actions and seek all regulatory approvals, licenses and permits necessary to carry out their obligations under this Agreement.

2.03 Authority shall within a reasonable time and upon receipt of any required regulatory approvals and from time to time, execute and deliver deeds, bills of sale and such other documents as may be necessary in addition to this Agreement to grant Central an easement over Project lands for the duration of the Project and to vest ownership in the Parties as set forth in Paragraph 2.01 above.

2.04 (a) The duties, obligations and liabilities of the Parties are intended to be several and not joint or collective, and neither Party shall be jointly or severally liable for the acts, omissions or obligations of the other Party, except that Central shall be severally liable, in proportion to its Ownership Share of the Project, for the acts, omissions, or obligations performed, omitted or incurred by Authority while acting as the agent of Central under the terms of this Agreement.

(b) No provision of this Agreement shall be construed to create an association, joint venture, partnership, or impose a partnership duty, obligation or liability, on or with regard to any of the Parties. Neither Party shall have a right or power to bind any other Party without its written consent, except as expressly provided in this Agreement. Each Party shall severally bear its Ownership Share of all obligations, including the supply of energy for station use when not generated by the Project, and shall severally bear its Ownership Share of liabilities relating to the Project as they arise.

2.05 Until such time as the Project, or any part thereof, as originally constructed, reconstructed or added to, is no longer used or useful for the generation of electric power and energy, or until the end of the period permitted by applicable law, whichever occurs first, the Parties waive the right to partition, whether by partition in kind or sale and division of the proceeds thereof, and agree that during said time they will not resort to any action at law or equity to partition and further that for said time they waive the benefit of all laws that may now or hereafter authorize partition of the properties comprising the Project.

2.06 Each Party and its designees shall have the right to go upon and into the Project at any time subject to insurance and industrial security and safety requirements and the necessity of efficient and safe construction and operation of the Project.

2.07 In order to provide unified management of the Project, Central authorizes and designates Authority, and Authority agrees to so act, as its agent to design, construct, operate and maintain the Project under the terms of this Agreement, and the Parties agree that Authority shall have sole possession and control of the Project for the Parties subject to the provisions of Paragraph 2.06, and shall have sole authority for the design, construction, operation and maintenance of the Project in accordance with Good Utility Practice and in such manner as is required in the reasonable judgment of Authority to obtain the approval or comply with the requirements of regulatory agencies having jurisdiction. The Parties agree that such relationship shall not be changed except by the written consent of both Parties.

2.08 (a) In the design, construction, operation and maintenance of the Project, each Party shall act without compensation other than payment or reimbursement of costs and expenses as provided herein.

(b) Each Party releases the other Party, its agents and employees from any claim for loss or damage, including consequential loss or damage, arising out of the construction, operation, maintenance, reconstruction or repair of the Project due to negligence, but not any claim for loss or damage resulting from breach of this Agreement or for willful or wanton misconduct. Authority acting for and on behalf of Central and itself, shall take timely and appropriate legal action to recover losses from damages resulting from breach of any other contract relating to the Project, and shall promptly notify Central of any such breach and anticipated loss resulting therefrom.

Notwithstanding the foregoing, Authority and Central acting jointly may initiate and pursue any legal actions or proceedings, and enforce any legal or equitable rights or claims relating to or affecting the Project as and when it may be necessary, appropriate or prudent for them so to do.

(c) Any loss, cost, liability, damage and expense to the Parties or either of them, other than damages to either Party resulting from loss of use and occupancy of the Project or any part thereof, arising out of the construction, operation, maintenance, reconstruction or repair of the Project or based upon injury to or death of persons or damage to or loss of Project property and property of others, to the extent not covered by collectible insurance, shall be charged to Costs of Operation or Costs of Construction, whichever may be appropriate.

(d) Each Party to the extent obtainable shall cause its insurers to waive any rights of subrogation against the other Party, its agents and employees, for losses, costs, damages or expenses, arising out of the construction, operation, maintenance, reconstruction or repair of the Project.

3. PROJECT COORDINATION

3.01 At the time of the execution of this Agreement the Parties shall each appoint by notice in writing to the other Party a representative and

an alternate, who shall be employees of the Party making the appointments. Changes in the representative or alternate shall be made by written notice to the other Party. Notice to an appointed representative or alternate shall be deemed to be notice to the Party represented by him.

3.02 Authority shall keep Central informed of all significant Matters with respect to licensing, design, construction, operation and maintenance of the Project (including plans, specifications, engineering studies, environmental reports, budgets and supporting data, staffing and maintenance programs and schedules) and, when practicable, shall furnish such information in time for Central to submit comments and recommendations thereon before decisions are made, and shall confer with Central as and whenever needs arise. Authority shall give due consideration to comments and recommendations made by Central. Authority shall furnish or make available any and all other information relating to any aspect of the Project upon request of Central.

3.03 Nothing contained in this Section 3 shall in any manner diminish the authority, possession and control of Authority as set forth in Paragraph 2.07.

4. RESOLUTION OF DISAGREEMENTS

4.01 If Authority and Central cannot agree on any Matter which under the terms of this Agreement requires mutual consent of the Parties, a Project Consultant will be appointed to settle the disagreement. In the absence of an agreement as to the selection of a Project Consultant, either Party may request the Chief Judge of the United States District Court for the District of South Carolina to appoint a Project Consultant.

4.02 The Project Consultant shall consider all written arguments and factual materials which have been submitted to it by the Parties within 30 days following its appointment, and as promptly as possible make a written determination as to whether any Matter referred to it would or would not have been consistent with Good Utility Practice. If the Project Consultant determines that the Matter referred to it was not consistent with Good Utility Practice, it shall at the same time recommend what would under the same circumstances have met such test.

4.03 Matters found by the Project Consultant to be consistent with Good Utility Practice shall become immediately effective and Central shall be obligated to expend funds for its Ownership Share of the increased cost, if any. Subject to Paragraph 4.05, Matters found by the Project Consultant to be inconsistent with Good Utility Practice shall be modified to conform to recommendations of the Project Consultant or as the Parties may otherwise agree, and shall become effective when so modified.

4.04 Authority shall have the right, but not the duty, to proceed with Matters which have been disapproved by Central; provided, however, if Authority takes such action on a disapproved Matter and if the determination made by the Project Consultant is that such Matter was not consistent with Good Utility Practice, then Authority shall bear the net increase in the Costs of Construction and Costs of Operation of such action to the extent it was inconsistent with what the Project Consultant determined would under such circumstances have met such tests.

4.05 Notwithstanding other provisions of this Section 4 whenever a Matter has been referred to the Project Consultant and Authority determines that the other position or positions would create an immediate danger to the safe operation of the Project or when in the reasonable judgment of Authority necessary to obtain the approval of or to comply with requirements of governmental agencies having jurisdiction, Authority may proceed in accordance with Authority's position with respect to such Matters until such Matter has been resolved by the Project Consultant. Whenever the Project Consultant has recommended a course of action which the Authority determines would create a danger to the safety of the Project or would violate regulatory requirements of any governmental agency having jurisdiction of the Project, Authority may nevertheless proceed in accordance with Authority's position subject to a suitable financial adjustment.

4.06 The cost of employing the Project Consultant shall be shared equally by the Parties.

5. CONSTRUCTION AND LICENSING

5.01 Authority, acting for itself and as agent for Central, shall take whatever action is necessary or appropriate to seek and obtain all licenses, permits and other rights and regulatory approvals necessary to construction and operation of the Project.

5.02 Authority shall prosecute construction of the Project in accordance with Good Utility Practice and plans and specifications for the Project prepared or approved by the Project Construction-Engineer. Authority shall use its best efforts to achieve the Date of Commercial Operation for the first unit at Cross during the 4th quarter of calendar year 1983, and the second unit at Cross during the 2nd quarter of Calendar Year 1985 but shall not be responsible for delays which are beyond its control, as provided for in Section 17, or for delays resulting from the regulatory process.

5.03 Authority shall, as a matter of normal practice, award separate contracts for readily separable parts of the work to the extent consistent with the construction of the Project at the least overall cost, high quality and the requirements of governmental agencies having jurisdiction. Construction contracts may be lump sum, unit price, and, whenever deemed prudent by Authority, may be negotiated, and may also contain incentive and liquidated damages clauses. As a matter of policy, Authority shall request bids from qualified contractors and award contracts after appropriate evaluation and review to the lowest evaluated bidder unless there are substantial reasons for deviating from that policy in a particular case. All bids, contracts and related documents shall be made available to Central as information; provided, however, that the award of any contract in excess of \$500,000 and any change order which would increase a contract price by an amount in excess of \$200,000 shall be subject to the approval of Central. Beginning in the calendar year in which this Agreement becomes effective, the above dollar amount shall be increased or decreased in direct relation to the annual National Consumer Price Index (or any successor index) published by the Bureau of Labor Statistics of the United States Department of Labor.

5.04 Any and all licenses, permits, approvals, contracts, obligations and commitments obtained, made and entered into or incurred by Authority prior to the effective date of this Agreement in connection with the acquisition and construction of the Project are hereby ratified and approved by Central. A list of licenses, permits, approvals, contracts, obligations and commitments and the amounts expended and committed therefor, prior to the effective date of this Agreement is attached hereto as Exhibit III and made a part hereof.

6. REIMBURSEMENT FOR COSTS

6.01 Within ninety (90) days after the date of the execution of this Agreement, Central shall establish a disbursing account from which payments are to be made on account of its Ownership Share of all Costs of Construction. Authority shall prepare an initial statement reflecting an estimate of all Costs of Construction paid by Authority to the date of the establishment of such disbursing account. Central shall promptly pay into such disbursing account its Ownership Share of the amount set forth on the initial statement. The initial statement shall include an amount for interest computed at the Morgan Guaranty Trust Company Prime Rate per annum on a 365-day basis on all payments for Costs of Construction made by Authority to the date of the initial statement. Thereafter each Party shall pay when due its Ownership Share of Costs of Construction and Costs of Operation.

6.02 Each Party shall pay to the other Party its Ownership Share of Costs of Construction expended for the benefit of the Project by such other Party after the effective date of this Agreement for, among other things: (a) Labor Costs, (b) Other Costs of Construction including, without limiting the generality of the foregoing, equipment, insurance, licensing fees, materials, supplies, travel, construction power, and (c) administrative and general costs chargeable to the Project.

6.03 Each Party shall pay to the Other Party its Ownership Share of Costs of Operation expended for the benefit of the Project by such other Party after the effective date of this Agreement for, among other things: (a) Labor Costs, (b) other operating costs including, without limiting the generality of the foregoing, equipment, insurance, licensing fees, materials, supplies, and travel, (c) administrative and general costs chargeable to the Project, and (d) fuel purchases.

All net test energy generated by Unit 2 prior to the date of commercial operation of such unit shall be integrated into Authority's system and sold by it. Central shall be credited for an amount equal to Central's ownership share of the net test energy at the same price the Authority pays for such energy.

7. CONSTRUCTION BUDGET

7.01 An initial budget of the amounts expended or expected to be expended for specific items of Costs of Construction in each month during the period July 1, 1980 through June, 30, 1981 and for each 6-month period thereafter to the completion of construction as determined by Authority is attached hereto as Exhibit IV and is hereby approved.

7.02 By January 1 of each year until completion of construction, Authority shall provide Central an annual construction budget (subject to approval by the Authority's Board of Directors) supported by detail adequate for the purpose of comprehensive review, describing the items of Costs of Construction and of the amounts expected to be expended therefor in each month during the next 12-month period and in 6-month periods thereafter to the completion of construction. Central shall, within 30 days after receipt of such budget, indicate its approval or disapproval of the budget or any part thereof and may submit to Authority any comments or recommendations it deems appropriate. Construction budgets shall be changed by Authority from time to time during a calendar year as necessary to reflect substantial changes in construction schedules, plans, specifications or costs, and when so changed shall be submitted similarly to Central and action to approve or disapprove shall be taken by Central within 15 days of receipt thereof.

8. CONSTRUCTION PAYMENTS

8.01 Not later than the fifth working day of each month Authority shall furnish Central an estimate of Costs of Construction expected to be paid during the following calendar month together with Authority's approximate schedule of payments of such cost, and will from time to time as appropriate advise Central of any changes in such estimates or schedules.

8.02 Authority shall pay all Costs of Construction and prior to the close of business on each working day, shall notify Central of the total of such payments made that day and of any significant changes in Authority's schedule or estimate furnished pursuant to Paragraph 8.01. Not earlier than 12:00 noon of the next workday following such payments, Authority shall draft Central's Construction Disbursing Account for Central's Ownership Share of such payments subject to Paragraph 6.02. Authority shall furnish Central complete supporting data including accounts distribution as soon as practicable.

9. OPERATION

9.01 Authority shall operate and maintain the Project in accordance with Good Utility Practice and in such manner as is required in the reasonable judgment of the Authority to obtain and maintain the approval of or to comply with the requirements of governmental agencies having jurisdiction.

9.02 Subject to Paragraph 9.01 and to the provisions of Section 13, Authority shall operate and maintain the Project as if it were a disinterested party without regard to the benefits of the respective ownership of the Parties.

10. OPERATION BUDGETS

10.01 For purposes of this Section 10, Contract Year shall be the twelve-month period beginning July 1 and ending June 30 except that the first Contract Year shall be the period beginning on the Date of Commercial Operation of the first unit at Cross and ending the next succeeding June 30.

10.02 At least two (2) months prior to the expected Date of Commercial Operation, Authority shall provide Central a budget of the Costs of Operation, including administrative and general expenses relating to operation for each month from the expected Date of Commercial Operation to the end of the first Contract Year. Thereafter, on or before June 1 of each year, Authority shall provide Central a similar operating budget for the next succeeding Contract Year. Each operating budget shall be supported by detail adequate to allow Central's detailed review and shall show, among other things, staffing allocations and Authority services. Central shall indicate its approval or disapproval of the proposed operating budget or any part thereof within 30 days after receipt.

10.03 The effective operating budget shall be revised semi-annually and also shall be changed from time to time: (a) to include costs occasioned by an emergency, (b) to provide for repairs, renewals, replacements or additions necessary to achieve and maintain design capacity and energy capability and (c) to provide for expenditures which in the reasonable judgment of Authority are necessary to obtain the approval of or to comply with the requirements of governmental agencies having jurisdiction or an expenditure required by Section 18. Promptly after the semi-annual revision or the occurrence of any of the above events and promptly after the occurrence of other circumstances requiring the expenditure of funds not contemplated in the effective operating budget, Authority shall provide a revised operating budget to Central. Costs incurred by Authority in the exercise of Good Utility Practice prior to the time a revised operating budget becomes effective shall be added as incurred to the amounts due under the operating budget. Central shall indicate its approval or disapproval of the revised operating budget or any part thereof within fifteen days after receipt.

11. OPERATION PAYMENTS

11.01 Authority agrees to make payments of all Costs of Operation and Central, upon notice, shall promptly reimburse Authority for Central's Ownership Share of such costs subject to the provisions of Paragraph 6.02.

11.02 Not later than the next to the last working day of each month and at such other times as is practicable Authority shall notify Central of any significant changes in Costs of Operation expected to be paid in the following month.

11.03 Authority will notify Central one (1) working day prior to anticipated payment of Costs of Operation and of the amount of money required to make such payment. Central will transfer to an operating disbursing account in a bank mutually agreed upon sufficient monies to cover Central's Ownership Share of such Costs of Operation. Authority shall furnish Central complete supporting data, including accounts distribution, as soon as practicable.

12. FUEL

12.01 A minimum of seventy (70) days supply of fuel adequate to operate the station at seventy (70) percent of the average annual burn estimate will be the target stockpile for the station.

12.02 Fuel for the original stockpile and deliveries to maintain at least the above minimum stockpile level shall be acquired through long-term contracts to the extent possible and practical. As a matter of policy, Authority shall request bids from qualified suppliers and award long-term contracts and spot-market purchases, after appropriate evaluation and review, to the lowest evaluated bidder unless there are substantial reasons for deviation from that policy in a particular case.

12.03 All bids, contracts, and related documents shall be made available to Central as information; provided, however, that the award of any contract for any period longer than one year shall be subject to review by Central's representative invited to participate with the Authority's staff committee which approves such contract awards.

12.04 From time to time purchases on the spot-market or transfers to the Cross Station from other generating stations may be used to supplement the amounts of fuel obtained under long-term contracts. It may also be necessary to transfer fuel from the Cross Station stockpile to the stockpile of other Authority or Authority-Central owned generating station if Authority considers such transfers to be in the best interest of the system. Transfers of fuel to and from the Cross Station will be valued at the Authority's adopted method of costing coal to all customers.

12.05 Authority shall make all payments of the cost of fuel pursuant to the provisions of Paragraph 6.03 of this Agreement.

13. SCHEDULING OF PROJECT OUTPUT

13.01 Each Party shall be entitled to receive its Ownership Share of the Output of the Generating Station.

13.02 Authority shall be responsible for the scheduling and dispatching of capacity and energy available from the Generating Station to give effect to the provisions of this Agreement and the most economical mix of available resources, including economic dispatch purchases, which results in the lowest overall cost to meet system load requirements.

13.03 Authority with the concurrence of Central shall schedule Generating Station outages, other than emergency outages, and notify Central as to the time and duration thereof as far in advance as practicable. Notwithstanding the foregoing, Authority may shut the Generating Station down, reduce power or take other appropriate action which in the reasonable judgment of the Authority is necessary to obtain the approval of or comply with the requirements of governmental agencies having jurisdiction, or to insure safety to persons or property.

14. DELIVERY OF PROJECT OUTPUT

14.01 The Parties shall equitably compensate each other for losses incurred in effecting the delivery of Project Output. Such losses shall be determined pursuant to the Coordination Agreement.

15. ACCOUNTING

15.01 Authority shall keep separate, complete and accurate account of all receipts and expenditures of Costs of Construction and Costs of Operation. Each of the Parties shall keep complete and accurate accounts of all costs incurred by it for which it is to be reimbursed as a Costs of Construction or Costs of Operation as appropriate.

15.02 All accounts shall be kept in accordance with or so as to permit conversion to the Uniform System of Accounts. The allocation of costs by Authority between Costs of Construction and Costs of Operation pursuant to this Agreement shall be binding on the Parties for purposes of this Agreement, but the manner in which accounts are kept pursuant to this Agreement is not intended to be determinative of the manner in which they are treated in the separate books of account of the Parties.

15.03 Central shall have the right at any reasonable time to examine the separate books of account relating to the Project kept by Authority pursuant to this Section 15 and to examine and copy all plans, specifications, bids and contracts relating to the Project. Each party shall have the right to examine the books of account and all supporting data and documents relating to amounts for which the other Party is to be reimbursed. The measure of the acceptability of the amounts for which a Party is to be reimbursed shall be Good Utility Practice. Either Party shall have the right to challenge any of the amounts for which the other Party has made payment, and if the Parties cannot agree on the amounts so challenged, the Matter shall be referred to a Project Consultant.

15.04 Authority shall cause all accounts to be audited by a firm of independent Certified Public Accountants of national reputation acceptable to both Parties and regulatory agencies at approximately annual intervals and when such accounts are closed. Copies of such audits shall be supplied to Central.

16. INSURANCE

Authority shall maintain in force, for the benefit of the Parties as their interest shall appear, as Costs of Construction or Costs of Operation as appropriate, such insurance as Authority and Central may agree upon, but not less than as is normally carried by electrical utilities in similar circumstances to conform to Good Utility Practice. Authority shall keep Central informed as to the status of insurance in force and if it does so, Authority shall not be liable for any failure to insure or inadequacy of coverage. Central may request additional insurance to the extent available, and Authority shall purchase such requested insurance at the expense of Central. The proceeds from such requested insurance shall be disbursed as directed by Central. If additional units or generating projects are proposed for the site of the Project, Authority may cause the insurance on the Project to be extended to such units or generating projects.

17. UNCONTROLLABLE FORCES

Neither Party hereto shall be in default in performance of any obligation hereunder, except the payment of moneys, if such failure of performance is

due to causes which such Party could not have reasonably been expected to avoid.

18. DAMAGE TO PROJECT

18.01 If the Project suffers damage resulting from causes other than ordinary wear, tear or deterioration to the extent that the estimate of the cost of repair is twenty-five (25%) percent or less of the depreciated value of the Project prior to the damage, and does not exceed available insurance proceeds by \$ _____ or more, and if the Parties do not agree that the Project shall be ended pursuant to Section 24, Authority shall promptly submit to Central a revised construction or operating budget, as appropriate. Authority shall then proceed to repair the Project and each Party shall pay as budgeted its Ownership Share of the cost of such repair.

18.02 If the estimate of the cost of repair exceeds twenty-five (25%) percent of the depreciated value of the Project, or if the estimated cost of repair exceeds the available proceeds of insurance by \$ _____ or more, the Parties shall determine the estimated fair market value of the Project if it is then terminated without repair. If within ninety (90) days thereafter, the Parties do not mutually agree that the Project shall be repaired as provided in Paragraph 18.01, each Party shall become entitled to its Ownership Share of available insurance proceeds and the Party desiring such repair shall have the option to either (a) purchase the other Party's Ownership Share of the Project by paying to the other Party its Ownership Share of the estimated value of the Project without repair, or (b) paying the full amount of the cost of repair, in which latter case the Ownership Share of the Party not desiring repair shall be reduced at the end of each month to the extent determined by the following formula:

$$S_r = S_o \left(\frac{V}{V + C} \right)$$

where:

V = Estimated fair market value of the Project if it is terminated without repair.

C = Actual expenditures for repair.

S_o = Ownership Share prior to loss.

S_r = Reduced Ownership Share.

18.03 Any change in the Parties' Ownership Shares resulting from Paragraph 18.02 shall be subject to necessary regulatory approvals.

19. DEFAULT

19.01 Upon failure of either Party hereto to make any payment when due or perform any obligation of any owner herein, the other Party may make written demand upon said Party, and if said failure is not cured within 60 days

from the date of such demand it shall at the expiration of such period constitute a default. A Party in default shall have no right to the Output of the Project or to exercise any other right of a Party. If a Party in good faith disputes the existence or extent of such failure, it shall within said 60-day period make such payment or perform such obligation under written protest directed to the other Party. Such dispute shall be submitted to a Project Consultant who shall determine the extent of the obligation of the Party disputing such failure and any payments shall be adjusted accordingly. Payments not made when due may be advanced by the other Party and, when advanced, shall bear interest, until paid, at the Morgan Guaranty Trust Company Prime Rate. Notwithstanding any of the provisions of this Section 19, if Authority is the Party in default, Authority shall continue to operate the Project in accordance with Good Utility Practice.

19.02 If the default results from non-payment of capital costs, as defined in the Uniform System of Accounts, and continues for a period of four months, the defaulting Party shall afford the other Party the right (but such other Party shall not have the obligation) for an additional period of two months by notice in writing, to undertake the payment of such capital costs in full and the Ownership Share of the Parties shall be adjusted as determined by the following formula:

$$S_r = S_o \left(\frac{V}{V + A} \right)$$

where:

V = Estimated fair value of Project without the capital addition assignable to non-payment.

A = Capital addition assignable to non-payment plus interest thereon.

S_o = Ownership Share prior to default.

S_r = Reduced Ownership Share.

19.03 Any change in the Parties' Ownership Shares resulting from Paragraph 19.02 shall be subject to necessary regulatory approval.

19.04 In addition to the rights granted in this Section 19, any nondefaulting Party may take any action, in law or equity, to enforce this Agreement and to recover for any loss or damage, including attorney's fees and collection costs, incurred by reason of such default.

20. ELECTIVE CAPITAL ADDITIONS

Renewals and replacements not necessary to assure design capability, and betterments and additions to the Project which in the reasonable judgment of Authority are not required to obtain the approval of or comply with requirements of governmental agencies, shall be made after the Date of Commercial Operation only upon agreement between the Parties; provided, however, that Authority may make such additions at its own expense.

21. ADDITIONAL FACILITIES

21.01 If Authority determines to construct additional generating facilities on Plant Real Property, Central shall become a joint owner thereof with Authority in the same proportion as its Ownership Share set forth in Paragraph 2.01 hereof. The terms and conditions of such joint ownership shall be in accordance with the provisions of this Agreement as the same may be appropriately modified, amended or supplemented with the mutual consent of the Parties to reflect such joint ownership.

21.02 Authority shall furnish Central copies of pertinent studies relating to the construction of such additional facilities as soon as such studies become available, and as soon as practicable shall notify Central in writing of its determination to construct such additional facilities. The notice shall specify a period of time, but not less than ninety (90) days, within which Central shall indicate its approval.

22. ASSIGNMENTS

22.01 This Agreement shall be binding upon and shall inure to the benefit of successors and assigns of the Parties; provided, however, that no transfer or assignment of other than all of a Party's interest in the Project and under this Agreement to a single entity shall operate to give the assignee or transferee the status or rights of a "Party" hereunder. Except as provided in Section 18 and 19 of this Agreement, the undivided interest (or a portion thereof) of either Party in the Project under this Agreement may be transferred and assigned as set out below but not otherwise;

(a) To any mortgagee, trustee, or secured party, as security for bonds or other indebtedness of such Party, present or future; and such mortgagee, trustee or secured party may realize upon such security in foreclosure or other suitable proceedings, and succeed to all right, title and interests of such Party;

(b) To any corporation or other entity acquiring all or substantially all the property of the Party making the transfer;

(c) To any corporation or entity into which or with which the Party making the transfer may be merged or consolidated;

(d) To any corporation or entity, the stock or ownership of which is wholly owned by the Party making the transfer;

(e) To any corporation or entity in a single transaction constituting a sale and lease back to the transferor or assignor.

22.02 Transfer or assignment shall not relieve a Party of any obligation hereunder except to the extent agreed to in writing by the Parties and shall be subject to the approvals of governmental agencies having jurisdiction.

23. TRAINING

(a) Authority shall carry out a familiarization and training program to maintain adequate staffing, engineering and operation of the Project and the expenses thereof shall be part of the Costs of Construction or Costs of Operation as appropriate.

(b) Each Party shall be entitled within the limits of operating efficiency and safety requirements to use of the facilities of the Project for the training of its own employees for staffing of other facilities or the engineering and operation thereof. Any increase in the Costs of Construction or the Costs of Operation resulting from such training shall be borne by the Party employing such trainees.

24. END OF PROJECT

When the Generating Unit or Station can no longer be made capable, consistent with Good Utility Practice, of producing electricity, or when the Project is ended pursuant to Section 18, Authority shall sell for removal by the Purchaser all saleable parts of the Project to the highest bidders. The net proceeds or costs of the sale shall be distributed to each Party in accordance with its Ownership Share. In the event such costs of ending the Project exceed available funds, each Party shall pay its Ownership Share of such excess as incurred.

25. PERSONAL COVENANTS AND LIMITATION AGAINST ALIENATION

25.01 Except for the Parties' mutual waiver of the right to partition set forth in Section 2, all of the covenants and conditions herein shall be personal to the respective Parties and not covenants running with the land and shall be binding upon any person or entity acquiring any right, title or interest of any Party in or to the Project or under this Agreement, by assignment or in any other way.

26. PROPRIETARY INFORMATION

All information made available to Central by Authority hereunder shall be subject to any applicable restrictions on disclosure of proprietary information.

27. COUNTERPARTS

This Cross Agreement may be executed in any number of original counterparts. All such counterparts shall constitute but one and the same Cross Agreement.

28. SEVERABILITY

If any provision of this Cross Agreement is held invalid or unenforceable by any governmental authority or court having jurisdiction over the subject matter hereof, the remaining provisions shall remain in full force and effect according to their terms and the Parties shall renegotiate in good faith any provision held invalid or unenforceable in order to reach agreement as to replacement of or modification to such provision.

29. INTERPRETATION AND CAPTIONS

1. If any provision of this Cross Agreement or any of its Exhibits is in conflict with any provision of any prior dated agreement, the provisions of this Cross Agreement shall prevail.
2. The captions of Articles and Sections of this Cross Agreement and its Exhibits are for convenience only and shall be ignored in construing or interpreting the provisions of this Cross Agreement.

30. GOVERNING LAW

The provisions of this Cross Agreement shall be construed and governed in accordance with the laws of the State of South Carolina.

31. NOTICES

Any notice or communication required or permitted hereunder shall be effective when personally delivered or when addressed:

If to Central: Central Electric Power Cooperative, Inc.
Post Office Box 1455
Columbia, SC 29202

If to Authority: South Carolina Public Service Authority
223 North Live Oak Drive
Moncks Corner, SC 29461

and deposited, postage prepaid, certified or registered, in the United States mail. Any such notice so given shall be deemed to have been given on the date of such deposit of such notice in the United States mail as evidenced by the postmark on the envelope. Either Party by notice to the other given as aforesaid may change its mailing address for future notices hereunder.

32. EFFECTIVE DATE AND TERM

This Agreement shall become effective on or after April 1, 1980, upon approval by the Administrator of REA; provided, however, that if such approval by the Administrator of REA is not forthcoming by December 31, 1980, either Party may, at its option, declare this Agreement and its execution thereof, null and void.

IN WITNESS WHEREOF, the Authority, pursuant to a resolution duly adopted by its Board of Directors, has caused this Cross Agreement to be executed by its President and its seal to be affixed by its Secretary, and Central, pursuant to a resolution duly adopted by its Board of Trustees, has caused this Cross Agreement to be executed by its President and its corporate seal to be affixed by its Secretary, all as of the day and year first above written.

Attest:

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

Secretary

BY _____
President

Attest:

CENTRAL ELECTRIC POWER COOPERATIVE, INC.

Secretary

BY _____
President

(SEAL)

EXHIBIT I OF CROSS AGREEMENT

PLANT REAL PROPERTY

Approximately 2,150 acres located East of the Authority's Diversion Canal in the Cross Section of St. John's Parish, Berkeley County, South Carolina, as shown on Authority Drawing C-3388, dated 2/18/80, entitled "Detail Map of Project Area", attached hereto as Appendix I. A "General Map of Project Area", Authority Drawing C-3389, dated 2/18/80 is attached as Appendix II.

EXHIBIT II OF CROSS AGREEMENT

PROJECT DESCRIPTION

Santee Cooper proposes to construct four 450-MWe (net) coal-fired steam-electric generating units on an approximately 2,660-acre site adjacent to the north bank of the Diversion Canal connecting Lakes Marion and Moultrie of the licensed Santee Cooper Hydroelectric Project, FERC No. 199, and near the town of Cross, South Carolina. The proposed water intake and discharge structures and parts of the transmission line corridors would be located within the boundary of the licensed Santee Cooper project. Commercial operation of the first unit is planned for 1983, with succeeding units scheduled for 1985, 1987, and 1988. Support facilities would include a 10.5-mile rail spur to bring coal to the plant, and approximately 180 miles of new 230-kV transmission lines with six separate circuits supply existing substations at four primary load centers.

Major station facilities include two approximately 600-foot high stacks with dual flues (one for each unit), mechanical draft cooling towers, electrostatic precipitators for the removal of particulates, a wet limestone flue gas desulfurization (FGD) system for the removal of sulfur dioxide, boilers designed to reduce nitrogen oxide emissions, a chemical waste treatment plant, and intake and discharge structures at the Diversion Canal. The site is characterized by a level topography, varying between 80 and 85 feet above mean sea level. Some lowland areas are marshy during the wet seasons, and several are classified as Corps of Engineers 404 Wetlands. The site is presently timbered with pine and mixed pine-hardwoods. There are no residences on the site, which is owned by Santee Cooper.

Fuel

The Cross Generating Station would burn bituminous coal from reserves in Eastern Kentucky. At full load each unit would consume approximately 221 tons/hr, approximately 1,400,000 tons/yr at a 70 percent annual load factor. Coal would be delivered by unit trains of 10,000 ton capacity at an average rate of 3 per week per unit. Forty-six acres of land would be provided for 120 days of dead storage.

Water Resources

Water for plant operations would be withdrawn from the Diversion Canal. Two intake structures would be located at the bank of the canal. Each structure would contain trash racks, a vertical traveling screen, and three 7,500-gpm intake pumps. Structures would be designed for a maximum intake velocity of 0.5 fps. Potable water (300 gpm maximum) would be supplied from wells and/or treated canal water.

The heat dissipation system would consist of mechanical draft cooling towers operating in a closed circuit.

Air Resources

The proposed air pollution control system consists of three parts: particulate control, flue gas desulfurization, and nitrogen oxides control. Particulate control would be achieved by cold-side electrostatic precipitators located after the heat exchangers. Flue gas desulfurization would employ wet limestone scrubbers, designed to remove 90 percent of the SO_2 . In normal operation removal efficiency would be between 70 and 90 percent, as required to maintain SO_2 emissions below 0.6 lb/million BTU, with some bypass to minimize flue gas reheat requirements. Nitrogen oxide control would be by boiler and furnace design.

Solid Wastes

Sludge from the FGD system would be dewatered and mixed with dry fly ash and a lime additive to stabilize it in solid form. The solidified material would be disposed of on site.

Fly ash, as described above, would be combined with the FGD sludge. Bottom ash would be sluiced to clay-lined ash ponds for settling and clarification, with the supernatant recycled to the plant.

Transmission Facilities

A total of six new 230-kV transmission lines (total length about 180 miles) would be required to transmit power to existing substations at four primary load centers. Where possible and advantageous, existing corridors would be used, widened where necessary. Approximately 105 miles of new corridor would be required.

Railroad Spur

A new 10.5-mile rail spur would be required to connect the plant to the Seaboard Coast Line main line near St. Stephen. The route would cross the Cooper River Rediversion Canal and the abandoned historic Santee Canal.

Railroad Cars

The Cross Station will have facilities for rotary dump coal cars. As these cars will not be furnished by the railroad company, they will be purchased by the Authority as part of the Costs of Construction of the Project.

EXHIBIT III OF CROSS AGREEMENT

PERMITS AND CONTRACTS

Santee Cooper has retained Burns and Roe, Inc. of Paramus, New Jersey, to provide engineering services and construction management services for the Cross Generating Station. Burns and Roe, Inc. will be reimbursed on a cost basis. The estimated cost to the Project for engineering and construction management services is \$20 million dollars for the first unit.

Santee Cooper is awarding contracts for equipment procurement and construction services. The administration of these contracts and coordination of field construction will be handled by Burns and Roe's construction management with advice and guidance from Santee Cooper's Station Construction Section.

A list of purchase orders, list of licenses, permits, and certifications obtained by Santee Cooper is shown in Tables I and II to this Exhibit. This Exhibit and the Tables are correct as of January 31, 1980.

TABLE I
CROSS GENERATING STATION
FIRST UNIT

<u>Contract No.</u>	<u>Equipment</u>	<u>Supplier</u>	<u>Contract Amount</u>
201	Turbine-Generator	General Electric	\$15,880,419
202	Condenser	Ecolaire Condenser	\$ 1,616,773
203	Condenser Tubes	Olin Brass Group	\$ 1,525,418
204	Condensate Pumps	Ingersoll-Rand	\$ 396,109
205	Feedwater Heaters	Yuba	\$ 1,351,540
206	Deaerator	L*A Water	\$ 195,790
207	Boiler Feed Pumps	Delaval	\$ 467,900
208	B.F.P. Drives	General Electric	\$ 1,227,624
211	Steam Generator	Combustion Engineering	\$43,867,411
213	Precipitator	C-E Walther	\$13,834,055
221	Cooling Tower	Research-Cottrell	\$ 4,805,400
231	High Pressure Valves	Rockwell International	\$ 566,198
236	Overhead Traveling Crane	Landel, Inc.	\$ 371,015
281	Chimney	Pullman	\$ 5,941,000
287	Elevator	Southern Elevator	\$ 134,967
271	Site Preparation	Eastern Contractors	\$ 1,756,500
291	Preliminary Site Survey	Moore, Gardner	\$ 21,340
292	Subsurface Investigation	Law Engineering	\$ 488,900
292A	Geophysical Probe Investigation	Law Engineering	\$ 656,000
292B	Test Caisson Installation	Caisson Corporation	\$ 304,169
293	Material Testing	Pittsburg Testing	\$ 175,000
241	Makeup Demineralizing System	Belco Pollution	\$ 863,419
214	FGD System	Peabody Process	\$21,672,000
216	Coal Handling System	Fairfield Engineering	\$16,453,186

CROSS GENERATING STATION

SECOND UNIT

<u>Contract No.</u>	<u>Equipment</u>	<u>Supplier</u>	<u>Contract Amount</u>
101	Turbine-Generator	General Electric	\$16,055,599
102	Condenser	Ecolaire Condenser	\$ 1,679,899
104	Condensate Pumps	Ingersoll-Rand	\$ 360,544
105	Feedwater Heaters	Yuba	\$ 1,351,540
106	Deaerator	L*A Water	\$ 190,300
107	Boiler Feed Pump	Delaval	\$ 379,900
108	B.F.P. Drives	General Electric	\$ 1,318,128
111	Steam Generator	Combustion Engineering	\$41,434,411
113	Precipitator	C-E Walther	\$13,593,055
121	Cooling Tower	Research-Cottrell	\$ 4,704,900
187	Elevator	Southern Elevator	\$ 153,894
114	FGD System	Peabody Process	\$17,991,300
131	High Pressure Valves	Rockwell International	\$ 566,198

TABLE II

The following is a list of permits and certifications from the local, State, and Federal agencies which Santee Cooper has obtained or expects to obtain as being required for the project:

Local:

- A. Berkeley County Auditor's Office.
 - 1. Berkeley County Construction Permit.

State:

- A. Department of Health and Environmental Control.
 - 1. Construction Permit for Water Pollution Control Facilities.
 - 2. Operating " " " " " " " " .
 - 3. Construction " " Sewage Treatment Plant.
 - 4. Operating " " " " " " " " .
 - 5. Construction Run Off Permit (4/20/79).
 - 6. 401 Certification.
 - 7. Permit for disposal of cellulosic material by earth burial.
 - 8. Permit for disposal of inert, non-toxic waste by earth burial.
 - 9. Fuel Burning Construction Permit, Unit No. 1 (4/16/79). *
 - " " " " " " 2 (4/16/79). *
 - " " " " " " 3.
 - " " " " " " 4.
 - 10. Fuel Burning Operating Permit, Unit No. 1.
 - " " " " " " 2.
 - " " " " " " 3.
 - " " " " " " 4.

* Permit obtained.

B. Water Resources Commission.

1. Water Resources Construction Permit.

Federal:

A. Federal Energy Regulatory Commission.

1. Environmental Impact Statement.

2. Intake and Discharge Construction Permit.

B. Corp of Engineers.

1. Intake and Discharge Construction Permit.

C. Federal Aviation Administration.

1. Tall Stack Construction Notification.

EXHIBIT IV OF CROSS AGREEMENT
INITIAL BUDGET (CROSS UNIT NO. 2)

	<u>Type I *</u>	<u>Type II **</u>	<u>Total</u>
<u>Fiscal Year 1979</u>	\$1,787,654	\$5,148,436	\$ 6,936,094
<u>Fiscal Year 1980</u>			
July, 1979	78,004	48,330	126,337
August, 1979	187,783	810,469	998,225
September, 1979	432,001	1,043,698	1,475,703
October 1979	1,364,920	1,098,152	2,463,078
November, 1979	399,146	2,009,137	2,408,288
December, 1979	11,782	1,047,121	1,058,906
January, 1980			2,298,796
February, 1980			2,328,000
March, 1980			2,232,000
April, 1980			2,276,000
May, 1980			2,193,000
June, 1980			2,019,000
<u>Fiscal Year 1981</u>			37,545,750
<u>Fiscal Year 1982</u>			113,147,793
<u>Fiscal Year 1983</u>			151,483,000
<u>Fiscal Year 1984</u>			<u>42,627,000</u>
TOTAL			\$373,617,000

* Type I expenditures include environmental studies, investigations, engineering, geophysical work, etc., for the facility.

** Type II expenditures include physical work at the site and contract purchases which will become a part of the facility.

Figures through December, 1979, are actual expenditures. Others are estimates.

AGREEMENT FOR THE
USE OF A PORTION OF AUTHORITY
MICROWAVE SYSTEM BY CENTRAL
FOR LOAD MANAGEMENT AND DATA RETRIEVAL

This Agreement for the Use of a Portion of Authority Microwave System by Central for Load Management and Data Retrieval (hereinafter referred to as the "Microwave Agreement") entered into on the _____ day of _____, 1980, by and between the South Carolina Public Service Authority (hereinafter referred to as the "Authority"), an Agency of the State of South Carolina, and Central Electric Power Cooperative, Inc., (hereinafter referred to as "Central"), a cooperative corporation organized and existing under the laws of the State of South Carolina, witnesseth that,

RECITALS

WHEREAS, Central has constructed and leased to Santee Cooper certain microwave facilities to which have been added by Santee Cooper other microwave facilities together to be known as "the microwave system" (System); and

WHEREAS, Central, by virtue of shared generating capacity ownership with Santee Cooper and Central's desire for self-sufficiency, must provide means to control and manage its member load characteristics; and,

WHEREAS, the System provides the only practical means of such load control and management between Central and its members; and,

WHEREAS, duplication of existing facilities is economically impractical; and,

WHEREAS, Santee Cooper desires to cooperate in such system load control.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, the Parties hereto contract and agree as follows:

Santee Cooper will provide sixty (60) channels of the existing three hundred (300) channel System for Central use in load management and data retrieval under the following conditions:

Such use by Central shall be on a non-profit, cost-sharing basis pursuant to Sections 94.17 (a) (2) and 94.17 (d) of the regulations of the Federal Communications Commission.

Central shall coordinate the use of all of the channels with Santee Cooper so that there will be no adverse effects on the existing System.

The System shall continue to be operated and maintained by Santee Cooper.

Central agrees to pay to Santee Cooper for the operation and maintenance of the sixty (60) channels a sum equal to one-fifth of the total annual costs (debt service, operating and maintenance expense, and related burdens) allocated to the System.

For each contract year, until actual data becomes available, Central shall pay a monthly sum equal to one-twelfth of the above-estimated cost for the System. When actual monthly data becomes available, succeeding monthly billing statements will be adjusted to reflect, as additional charges or credits, actual costs incurred by Santee Cooper;

System costs not allocated directly to Central shall be allocated pursuant to Appendix B of the Coordination Agreement.

This System use agreement shall become effective upon the date the Administrator of REA approves the above-mentioned Coordination Agreement.

Any notice or communication required or permitted hereunder shall be effective when personally delivered or when addressed:

If to Central: Central Electric Power Cooperative, Inc.
Post Office Box 1455
Columbia, SC 29202

If to Authority: South Carolina Public Service Authority
223 North Live Oak Drive
Moncks Corner, SC 29461

and deposited, postage prepaid, certified or registered, in the United States mail. Any such notice so given shall be deemed to have been given on the date of such deposit of ushc notice in the United States mail as evidenced by the postmark on the envelope. Either Party by notice to the other given as aforesaid may change its mailing address for future notices hereunder.

IN WITNESS WHEREOF, the Authority, pursuant to a resolution duly adopted by its Board of Directors, has caused this Microwave Agreement to be executed by its President and its seal to be affixed by its Secretary, and Central, pursuant to a resolution duly adopted by its Board of Trustees, has caused this Microwave Agreement to be executed by its President and its corporate seal to be affixed by its Secretary, all as of the day and year first above written.

Attest:

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

Secretary

BY _____
President

Attest:

CENTRAL ELECTRIC POWER COOPERATIVE, INC.

Secretary

BY _____
President

(SEAL)

AMENDMENT NO. 10 TO "F" WHOLESALE POWER CONTRACT

This Agreement made as of _____, between the SOUTH CAROLINA PUBLIC SERVICE AUTHORITY (hereinafter called the "Authority"), an agency of the State of South Carolina, and the CENTRAL ELECTRIC POWER COOPERATIVE, INC., (hereinafter called "Central"), a cooperative corporation organized and existing under the laws of the State of South Carolina.

WHEREAS, the Authority and Central heretofore have entered into agreements providing for the construction by Central and lease by the Authority of an electric power system and agreements providing for the sale of power by the Authority to Central, the latest agreement for the sale of power between the Parties being known as the "F Power Contract" of April 27, 1970; and,

WHEREAS, Section 5 of the "F Power Contract", as last amended by Amendment No. 8 to "F" Wholesale Power Contract dated as of October 16, 1975, provides for the manner of determining the rate to be charged Central by the Authority for electric energy; and,

WHEREAS, Central and the Authority have agreed to an interim rate increase pending review and renegotiation of all their contractual relationships.

NOW, THEREFORE, in consideration of the mutual undertaking herein contained, the Parties agree as follows:

Section 1. The said "F Power Contract", as amended, is further amended by deleting the text of Section 5c as it appears on page 7 of said contract, and substituting therefor the following:

"c. Starting with the monthly billing period beginning July 1, 1980 (billed August 1, 1980) ending with, but including, the monthly billing period beginning June 1, 1981 (billed July 1, 1981), the energy charge per monthly billing period shall be determined in accordance with the provisions of the immediately preceding subsection b of this section 5, as heretofore revised pursuant to Section 8; provided, however, that there shall in addition be billed a surcharge of 2.3 mills per KWH of total Billing Energy. Further provided, that the surcharge provided in this subsection shall not be included as a part of the rate specified in Section 5' to be reviewed in accordance with the rate review provisions of Section 8 hereof."

Section 2. Except as herein modified, the "F Power Contract", as amended, remains in full force and effect.

Section 3. The amendment herein set forth does not constitute an increase in Central's power rates accomplished "at any time or by any method other than in accordance with the provisions for periodic rate review" within the purview of Section 24 of the "F Power Contract", as amended, nor will this amendment be construed by either party to indicate that the rate in effect prior to this amendment is or is not equitable.

Section 4. This amendment shall become effective upon approval in writing by the Administrator of Rural Electrification Administration.

IN WITNESS WHEREOF, the Authority, pursuant to a resolution duly adopted by its Board of Directors, has caused this Amendment No. 10 to the "F Power Contract" to be executed by its President and its seal affixed by its Secretary, and Central, pursuant to a resolution duly adopted by its Board of Trustees, has caused this Amendment No. 10 to be executed by its President and its corporate seal to be affixed by its Secretary, in quintuplicate original all as of the date and year aforesaid.

SEAL ..

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

ATTEST:

Secretary

By _____
President

WITNESS:

SEAL

CENTRAL ELECTRIC POWER COOPERATIVE, INC.

ATTEST:

By _____
President

STATE OF SOUTH CAROLINA)
COUNTY OF BERKELEY)

Personally appeared _____, who being duly sworn,
says that he saw _____, as President of South Carolina
Public Service Authority, and _____, as Secretary, sign,
attest, affix the Authority's seal and as the act and deed of South Carolina
Public Service Authority, deliver the foregoing Instrument; and that he with
_____ witnessed the execution thereof.

Sworn to before me this
day of _____, 1980.

(L.S.)
Notary Public for South Carolina
My Commission expires: _____

STATE OF SOUTH CAROLINA)
COUNTY OF RICHLAND)

Personally appeared _____, who being duly sworn,
says that he saw Robert W. Williams, Jr., as President of Central Electric
Power Cooperative, Inc., and Robert B. Awbrey, as Secretary, sign, attest, affix
the Corporate seal and as the act and deed of Central Electric Power Coopera-
tive, Inc., deliver the foregoing Instrument; and that he with
_____ witnessed the execution thereof.

Sworn to before me this
day of _____, 1980.

(L.S.)
Notary Public for South Carolina
My Commission expires: _____

CROSS GENERATING STATION LEASE AGREEMENT
BETWEEN
SOUTH CAROLINA PUBLIC SERVICE AUTHORITY
AND
CENTRAL ELECTRIC POWER COOPERATIVE, INC.

Agreement and lease made as of _____, 1980, between South Carolina Public Service Authority ("Authority") an agency of the State of South Carolina, and Central Electric Power Cooperative, Inc. ("Central") a cooperative corporation organized and existing under the laws of the State of South Carolina.

RECITALS

WHEREAS, Authority owns and operates an electric power system consisting of electric generating, transmission and distribution facilities; and

WHEREAS, Central is a generation and transmission cooperative, which, through wholesale purchases from Authority, furnishes electric power and energy to its member distribution cooperatives under all requirements contracts; and

WHEREAS, Central, through loans from the United States of America, (the "Government") acting through the Administrator of the Rural Electrification Administration (the "Administrator") has constructed electric generating and transmission facilities and by means of certain lease contracts has leased such facilities to Authority; and

WHEREAS, that certain Contract Obligation entered into between Authority and Central as of January 1, 1950 contains an all requirements clause which so long as the Contract Obligation remains outstanding may only be deleted or amended with the consent of 75% of the holders of the Authority's priority obligations; and

WHEREAS, after January 1, 1985, said Contract Obligation will no longer be outstanding, and after such date the Parties hereto intend to delete such all requirements provision; and

WHEREAS, the Parties hereto have entered into an agreement whereby they will construct and own an electric generating station now known as the "Cross Generating Station" at which they intend ultimately to construct four generating units; and

WHEREAS, the commercial operation date of the first such generating unit (Unit 2) is scheduled for November 1, 1983.

WITNESSETH, that in consideration of the mutual undertakings contained herein the Parties hereto agree as follows:

ARTICLE I

Construction of the Cross Plant Unit 2

Section 1. Scope of the Cross Plant Unit 2. The Cross Plant Unit 2 shall consist of a fossil-fueled steam-electric generating unit (the "Unit") and related substation facilities. The unit shall consist of one 510 MW (name plate) steam-electric generating unit and its related generation and substation facilities to be installed near Cross, South Carolina, more fully described in Exhibit I.

Section 2. Cross Ownership Agreement. The construction of the Cross Plant Unit 2 shall be accomplished by the Authority on behalf of itself and as agent for Central as set forth in the Cross Ownership Agreement heretofore entered into between the Parties hereto. In case of any conflict between any provision of this Agreement and any provision of the Cross Ownership Agreement, the latter shall govern.

Section 3. Completion and Lease of the Cross Plant Unit 2. Upon completion of the construction of the Cross Plant Unit 2, as provided in the Cross Ownership Agreement, the Authority shall inform Central that such unit is completed. Thereupon Central shall have the right to inspect such unit, and such unit shall be started and tested and the Authority shall cause the defects, if any, disclosed by such inspection and tests, to be corrected. The Authority shall designate the date of commercial operation of Unit 2 and from such date Central leases its ownership share of Unit 2 to Authority and Authority shall take possession of Central's ownership share.

ARTICLE II

Operation and Maintenance of the Cross Plant Unit 2

Section 1. General. During the term of this lease, the Authority shall operate and maintain Unit 2 in accordance with the usual standards of operation and maintenance and in conformity with all applicable laws and regulations now or hereafter in force. Without limiting the generality of the foregoing, the Authority shall, while this lease is in force:

(a) Pay all expenses arising from or in connection with the operation and maintenance of Unit 2, including, without limitation, taxes of any kind or character arising from or in connection with the ownership or operation of Unit 2, and the cost of insurance in respect of Unit 2 in such kinds and amounts as may be required by the terms of any loan contracts or mortgages entered into by Central to finance its ownership share.

(b) Pay or cause to be paid to Central as rental for Central's ownership share the following amounts at the times indicated:

(c) Promptly perform all of its obligations to Central under this lease and refrain from doing any act which would result in a violation of any obligation of Central incurred as part of Central's financing of its ownership share of Unit 2.

(d) Return Central's ownership share of Unit 2 to Central upon expiration of the term of this lease or upon its termination for any reason, in as good condition as when received, reasonably wear and tear expected.

(e) All obligations to pay rentals and other financial commitments under this lease are junior and subordinate to Authority's Electric System Expansion Bonds and are on a parity with payments made by Authority pursuant to other leases heretofore entered into between the Parties hereto. Provided, however, that nothing herein contained shall be construed to prevent Central from retaking possession of its ownership share of Unit 2 if the Authority shall fail, because of compliance with the provisions of its Trust Indenture of 1949 or its Bond Resolution of 1971, as the same have or may be amended or supplemented, otherwise, to make rental payments herein provided or to perform any other obligation herein contained, and provided further, that approval of this lease by the Administrator shall not be construed as a waiver of the right of foreclosure which may be available to the Administrator under any mortgage lien held by him or any other right available to the Administrator.

Section 2. Records. The Authority, upon commencement of operation and maintenance of Unit 2, shall maintain complete accounting records for Unit 2 in accordance with the Federal Energy Regulatory Commission Uniform System of Accounts, including, without limitation, records of the electric plant accounts including all capital additions and retirements, and cost records of the operation and maintenance of Unit 2, which shall be available for inspection by the duly authorized representatives of Central and the Administrator at all reasonable times.

ARTICLE III

Miscellaneous

Section 1. Effective Date and Term. This lease shall be effective as of the date of commercial operation of Unit 2 when approved in writing by the Administrator and shall continue in force until January 1, 1985 or until the Contract Obligation is no longer outstanding, whichever is earlier.

Section 2. Specific Performance. The Parties hereto agree that in the event of a breach of any material provision hereon, Authority or Central, as the case may be, shall, in addition to any other remedy at law or in equity or by statute available to it, be entitled to a decree for specific performance hereof according to the terms of this lease.

Section 3. Uncontrollable Forces. Neither Party shall be considered to be in default in respect of any obligation hereunder if prevented from fulfilling such obligation by reason of uncontrollable forces, the term "uncontrollable forces" being deemed for the purpose of this agreement and lease to mean any cause beyond the control of the parties affected, including, but not limited to, failure of facilities, floods, earthquakes, storms, lightning, fires, epidemics, wars, riots, civil disturbances, labor disturbances, sabotage, and restraint by court or public authority, which, by exercise of due diligence and foresight, such party could not reasonably have been expected to avoid. Either party rendered unable to fulfill any obligation by reason of uncontrollable forces shall exercise due diligence to remove such inability with all reasonable dispatch. In the event of destruction or damage to Unit 2, the provisions of the Cross Ownership Agreement shall govern.

Section 4. Successors and Assigns. This agreement and lease shall apply to and be binding upon the successors and assigns of the parties hereto as fully as if the words "successors and assigns" were written herein wherever reference to Central and the Authority occurs in this agreement. This agreement and lease shall not be assigned by either party without the written consent of the other, except that it may be assigned without the consent of the Authority, by Central to the Government represented by the Administrator of REA and its successors as additional security under any mortgage securing Central's ownership share and to any purchaser of Central's ownership share upon foreclosure of any mortgage in the event of default by Central thereunder.

IN WITNESS WHEREOF, the Authority, pursuant to a resolution duly adopted by its Board of Directors, has caused this agreement and lease to be executed by its President and its seal to be affixed by its Secretary and Central, pursuant to a resolution duly adopted by its Board of Trustees, has caused this agreement to be executed by its President and its corporate seal to be affixed by its Secretary, all as of the day and year first above written.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By _____

SEAL

ATTEST:

Secretary

WITNESS:

CENTRAL ELECTRIC POWER COOPERATIVE, INC.

By _____

SEAL

ATTEST:

Secretary

WITNESS:

NEW ISSUE

\$150,000,000

South Carolina Public Service Authority

(Santee Cooper)

Electric System Expansion Revenue Bonds, 1980 Series B

Dated: August 1, 1980

Due: July 1, as shown below

Principal and interest, January 1 and July 1, beginning January 1, 1981 (five months), payable at the principal office of _____, in the City of _____, South Carolina, or, at the option of the holder, at the principal office of _____, in the City of _____, and State of New York. Coupon Bonds in the denomination of \$5,000, registrable as to principal only, or fully registered Bonds in the denomination of \$5,000, or any integral multiple thereof. Coupon and registered Bonds interchangeable.

The 1980B Bonds maturing on and after July 1, 1991 will be subject to redemption prior to maturity, on or after July 1, 1990, as set forth herein.

Interest exempt, in the opinion of Bond Counsel, from present Federal income taxes under existing laws and regulations. Exempt, in the opinion of Bond Counsel, from present South Carolina property and income taxes. Eligible, in the opinion of the Chief Insurance Commissioner of the State of South Carolina, as investments of insurance companies doing business in South Carolina by reason of which said companies may obtain the reduction of the premium taxes permitted by law.

\$37,500,000 Serial Bonds

Due July 1	Amount Due	Interest Rate	Price	Due July 1	Amount Due	Interest Rate	Price
1985	\$1,180,000			1993	\$2,275,000		
1986	1,280,000			1994	2,470,000		
1987	1,385,000			1995	2,690,000		
1988	1,505,000			1996	2,915,000		
1989	1,635,000			1997	3,160,000		
1990	1,775,000			1998	3,430,000		
1991	1,935,000			1999	3,725,000		
1992	2,095,000			2000	4,045,000		
	\$35,000,000		% Term Bonds Due July 1, 2005	Price	%		
	\$77,500,000		% Term Bonds Due July 1, 2020	Price	%		
			(Plus accrued interest)				

The 1980B Bonds are offered when, as and if issued and accepted by the Underwriters subject to the approval of legality by Bond Counsel, Wood & Dawson, New York, New York, and McNair Glenn Konduros Corley Singletary Porter & Dibble, Columbia, South Carolina. Certain legal matters will be passed upon on behalf of the Underwriters by Simpson Thacher & Bartlett, New York, New York. It is expected that delivery of the 1980B Bonds to the Underwriters will be made in New York on or about August 28, 1980.

Lehman Brothers Kuhn Loeb

Incorporated

Blyth Eastman Paine Webber

Incorporated

Merrill Lynch White Weld Capital Markets Group

Merrill Lynch, Pierce, Fenner & Smith Incorporated

Smith Barney, Harris Upham & Co.

Incorporated

The Robinson-Humphrey Company, Inc.

August 1, 1980

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

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

223 North Live Oak Drive
Moncks Corner, South Carolina 29461
(803) 899-2121

ADVISORY BOARD

Governor RICHARD W. RILEY
Attorney General DANIEL R. McLEOD
State Treasurer GRADY L. PATTERSON, JR.
Comptroller General EARLE E. MORRIS, JR.
Secretary of State JOHN T. CAMPBELL

DIRECTORS

ROBERT S. DAVIS, <i>Chairman</i>	WALTER T. COX
VERNON E. SUMWALT, <i>First Vice Chairman</i>	MARK C. GARNER
J. THOMAS GRIER, <i>Second Vice Chairman</i>	HAROLD M. ROBERTSON
B. G. ALDERMAN, JR.	MARVIN M. THOMAS
C. B. BOYNE	

MANAGEMENT

WILLIAM C. MESCHER	<i>President</i>
HENRY N. CYRUS	<i>Senior Vice President</i>
CLARENCE S. GRAMLING	<i>Senior Vice President</i>
KENNETH R. FORD	<i>Vice President</i>
JOE C. NORMAN	<i>Vice President</i>
LUCAS C. PADGETT	<i>Vice President</i>
ROBERT E. RAINEAR	<i>Vice President</i>
ROBERT V. TANNER	<i>Vice President</i>
WILLIAM A. WILLIAMS, JR.	<i>Vice President</i>
WALLACE S. MURPHY	<i>General Counsel</i>
L. P. DORMAN	<i>Corporate Secretary</i>
DENISE C. McWHORTER	<i>Assistant Corporate Secretary</i>
JOHN E. BISHOP	<i>Controller</i>

TRUSTEES

The South Carolina National Bank— Indenture Trustee	Charleston, South Carolina
The Citizens and Southern National Bank of South Carolina—Expansion Bond Fund Trustee	Columbia, South Carolina

PAYING AGENTS FOR 1980B BONDS

BOND COUNSEL

Wood & Dawson	New York, New York
McNair Glenn Konduros Corley Singletary Porter & Dibble	Columbia, South Carolina

CONSULTING ENGINEER

R. W. Beck and Associates	Orlando, Florida
---------------------------	------------------

FINANCIAL ADVISOR

Lazard Frères & Co.	New York, New York
---------------------	--------------------

No dealer, broker, salesman or other person has been authorized by the South Carolina Public Service Authority or the Underwriters to give any information or to make any representations with respect to the 1980B Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations may not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 1980B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the South Carolina Public Service Authority and other sources which are believed to be reliable but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the South Carolina Public Service Authority since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE 1980B BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 1980B BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
Summary Statement	i	Fuel Supply	24
Purpose of the 1980B Bonds	1	Coal	25
Authorization of Bonds, Funds and Accounts	1	Nuclear	26
Security for Expansion Bonds	2	Regulatory Matters	27
Pledge of Revenues	2	Federal Energy Regulatory Commission	27
Reserve Account Requirement	2	Environmental Matters	28
Rate Covenant	3	Nuclear Matters	29
Capital Improvement Requirement	3	Department of Energy—Rate Making and Fuel Use	30
Description of 1980B Bonds	3	Certain Provision of the Indenture and Resolution	31
Redemption Provisions	4	Funds and Accounts	31
Sinking Fund Installments	4	Effect of the Resolution	32
Outstanding Obligations and Equity	5	Investment of Funds	33
Debt Service Schedule	6	Additional Expansion Bonds	33
The Authority	7	Amendments of the Resolution Effected by Supplemental Resolutions	35
Organization and Management	7	Separate System	35
Service Area	8	Junior Lien Obligations	35
Historical Operating Results	9	Engineering Reports and Audits	35
Historical Demand, Sales and Revenues	9	Insurance	36
Central Contracts	11	Sale, Lease or Other Disposition of Properties	36
Residential, Commercial and Small Industrial Sales	11	Events of Default and Remedies under the Resolution	36
Municipal, Military and Large Industrial Contracts	12	Events of Default and Remedies under the Indenture	37
Rates	12	Modifications of the Resolution	38
Power Supply	14	Defeasance	38
Transmission	15	Payments to State and Local Governments	39
Interconnections	15	Pending Legal Proceedings	39
Reliability Agreement	15	Tax Exemption	39
Distribution	15	Approval of Legal Proceedings	39
Capital Improvement Program	15	Ratings	39
General	15	Underwriting	40
Summer Nuclear Station	16	Miscellaneous	40
Winyah Generating Station Unit No. 4	17	Map—Principal Generating Stations and Transmission Lines of the Authority ...	Centerfold
Cross Site—Unit 2	18	Appendices	
General Improvements	19	Report of R. W. Beck and Associates	I-1
Future Power Supply Program—Cross Site	19	Accountants' Opinion and Financial Statements	II-1
Estimated Financing Requirements for Capital Improvement Program	20	Letter of Burns and Roe, Inc.	III-1
Estimated Power Supply Resources and Requirements	20	Form of Opinions of Wood & Dawson and McNair Glenn Konduros Corley Singletary Porter & Dibble	IV-1
Projected Operating Results	22		

SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement.

The Authority

The Authority is a body corporate and politic of the State of South Carolina. Its management is vested in a Board of Directors consisting of eleven members appointed by the Governor of the State of South Carolina with the advice and consent of the South Carolina State Senate.

The Authority operates an integrated electric utility system, including facilities for generation, transmission and distribution of electric power and energy at retail and wholesale. The Authority serves, either directly or indirectly, approximately 269,000 customers in the State of South Carolina.

Purpose of Issue

The proceeds of the sale of the 1980B Bonds will be used to pay part of the estimated cost of construction of Unit 2 of an electric generating station being constructed at a site near Cross, South Carolina. This coal-fueled unit will have an estimated capability of 450 MW and is presently scheduled for commercial operation in May 1984.

Security for the 1980B Bonds

So long as any Priority Obligations are outstanding (\$72,072,356 principal amount were outstanding on June 30, 1980), the 1980B Bonds will be payable from and secured by a pledge of the revenues of the Authority's System on a parity with the presently outstanding \$919,890,000 Expansion Bonds and any additional Expansion Bonds issued pursuant to the Resolution, after the deduction only of (1) operation and maintenance expenses (exclusive of certain lease payments) and (2) amounts sufficient to pay the debt service on the Priority Obligations and to maintain a reserve therefor. The 1980B Bonds are also payable from other funds of the Authority available for such purpose.

After all Priority Obligations are no longer outstanding, the 1980B Bonds and all other Expansion Bonds will be, subject to the provisions of the Resolution, payable from, and secured by a first lien upon and pledge of, the gross revenues of the Authority's System.

As further security for the Expansion Bonds, there is established by the Resolution a Reserve Account, the requirement of which, with respect to each series of Expansion Bonds, including the 1980B Bonds, is a sum equal to the maximum amount required to be paid into the Interest Account in the Expansion Bond Fund to pay interest on such Bonds in any fiscal year.

The 1980B Bonds are not debts of the State of South Carolina or of any political subdivision thereof and are not payable from any funds other than those of the Authority.

Rate Covenant

The Authority covenants in the Resolution to establish rates and charges adequate to provide revenues sufficient, among other things, to pay debt service when due on the Priority Obligations and Expansion Bonds, to make required payments when due into the Lease Fund and the Capital Improvement Fund, and to pay the costs of operation and maintenance of the Authority's System and all necessary repairs, replacements and renewals thereof.

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

Capital Improvement Requirement

The Authority is now required to pay annually into its Capital Improvement Fund an amount which, together with the amounts deposited therein in the two preceding fiscal years, is at least equal to 8% of the Authority's gross revenues in the three preceding fiscal years. After certain Expansion Bonds are no longer outstanding, the amount required to be paid into the Capital Improvement Fund will be changed. See caption "Security for Expansion Bonds—Capital Improvement Requirement".

Financial Information

The following table shows selected historical financial data for the fiscal years ended June 30, 1978 and 1979 and the 12 months ended May 31, 1980 (unaudited) and selected projected financial data for the fiscal years ending June 30, 1981 through 1983 for the Authority as estimated by the Consulting Engineer:

	Historical			Projected		
	Fiscal Year Ended June 30,		12 Months Ended	Fiscal Year Ended June 30,		
	1978	1979	May 31, 1980 (Unaudited)	1981	1982	1983
	(Dollars in Thousands)					
Total revenues	\$122,598	\$140,612	\$155,011	\$252,087	\$304,843	\$371,383
Revenues available for debt service	33,796	36,303	46,296	65,503	93,561	131,505
Debt service*	17,081	19,343	21,436	35,389	43,125	76,323
Revenues after debt service	16,715	16,960	24,860	30,114	50,436	55,182
Debt service coverage*	1.98	1.88	2.16	1.85	2.17	1.72

* Priority Obligations and Expansion Bonds only; does not include funded interest and subordinated lease payments and notes.

Power Supply

The Authority's total generating capability is 1,736 MW. Of this amount, 1,330 MW is generated by coal-fueled units; 130 MW, by the Authority's hydroelectric stations; and 266 MW and 10 MW, by oil-fueled and oil/gas fueled units, respectively, generally used for peaking purposes. In addition, the Authority presently receives a firm supply of 105 MW of hydroelectric power from the Southeastern Power Administration. The Authority has direct interconnections with four other entities with power supply facilities.

Capital Improvement Program

The Authority's capital improvement program includes completion of the Summer Nuclear Station, a 900 MW nuclear generating unit which for financial planning purposes the Authority estimates will be available for commercial operation in December 1981, in which the Authority has a one-third interest (300 MW); Winyah No. 4, a 280 MW coal-fueled generating unit scheduled for commercial operation in May 1982; and Cross No. 2, a 450 MW coal-fueled generating unit scheduled for commercial operation in May 1984. The Authority's total capability from such units is expected to be 1,030 MW.

The Authority is engaged in advance planning and initial design work for a second unit to be constructed adjacent to Cross No. 2. This unit will be a 450 MW coal-fueled generating unit scheduled for commercial operation in November 1986. The Authority plans additional units at the Cross site.

The Authority's capital improvement program also includes major improvements to its transmission and distribution systems and general plant.

The estimated total expenditures for the Authority's capital improvement program for the fiscal years 1980-1985, excluding funded interest, reserves and financing costs, are projected as follows: 1981—\$274,900,000; 1982—\$249,700,000; 1983—\$206,900,000; 1984—\$238,500,000; and 1985—\$130,000,000. The Authority presently plans to finance such expenditures from revenues and proceeds of Expansion Bonds and notes previously issued, the 1980B Bonds, and Expansion Bonds to be subsequently issued.

Additional Bonds

Under the Resolution, the Authority may issue additional parity Expansion Bonds if, among other things, the Consulting Engineer certifies that Net Revenues in each succeeding fiscal year after the date on which such Additional Bonds are sold to and including the later of (a) the third succeeding full fiscal year after such date or (b) the first full fiscal year after the estimated date of commercial operation of any Power Plant to pay the cost of construction of which additional Expansion Bonds have been, are being or are then authorized to be issued, shall be at least equal to the sum of the amounts required in such fiscal year for (i) debt service on the Priority Obligations and the Expansion Bonds then outstanding, being issued, or authorized but not yet issued; (ii) payments into the Lease Fund; and (iii) payments into the Capital Improvement Fund.

\$150,000,000

South Carolina Public Service Authority

(Santee Cooper)

Electric System Expansion Revenue Bonds, 1980 Series B

Dated: August 1, 1980

Due: July 1, as shown below

The purpose of this Official Statement, which includes the cover page, summary statement and appendices hereto, is to set forth information concerning the South Carolina Public Service Authority (the "Authority") and the Authority's \$150,000,000 Electric System Expansion Revenue Bonds, 1980 Series B (the "1980B Bonds"), offered hereby.

The Authority is a body corporate and politic created by Act No. 887 of the Acts of South Carolina for 1934 and acts supplemental thereto and amendatory thereof (Code of Laws of South Carolina, 1976—Sections 58-31-10 through 58-31-390) (the "Act"), which, among other things, authorizes the Authority to produce, distribute and sell electric power. The Authority began electric power operations in 1942.

PURPOSE OF THE 1980B BONDS

The 1980B Bonds will be issued for the purpose of providing funds to pay part of the estimated costs of construction of the first unit of a new electric generating station being constructed at a site near Cross, South Carolina which for planning purposes has been designated Unit 2 ("Cross No. 2"). This coal-fueled unit will have an estimated capability of 450 MW and is presently scheduled for commercial operation in May 1984.

The estimated disposition of the 1980B Bonds proceeds is as follows:

Construction Costs(1)	\$108,750,000
Bond Reserves(2)	12,750,000
Funded Interest(2)(3)	25,500,000
Bond Discount(4)	3,000,000
Principal Amount of 1980B Bonds	\$150,000,000

(1) Includes issuance expense (other than bond discount).

(2) Interest calculated at an assumed rate of 8½%.

(3) Interest funded to August 1, 1982.

(4) Calculated at 2%.

AUTHORIZATION OF BONDS, FUNDS AND ACCOUNTS

Pursuant to the Act, the Authority has in the past incurred obligations under an indenture of trust between the Authority and The South Carolina National Bank of Charleston, to which the South Carolina National Bank is successor (the "Indenture Trustee"), dated as of July 1, 1949, as amended and supplemented (the "Indenture"). Such obligations are herein referred to as "Priority Obligations". See caption "Outstanding Obligations and Equity".

By amendment to the Indenture, consented to by the holders of more than 75% in principal amount of outstanding Priority Obligations, which became effective on April 29, 1971, the incurring of additional Priority Obligations for other than refunding purposes is prohibited. However, by such amendment, provisions are made with respect to bonds which are secured by a lien upon and pledge of revenues junior to the lien and pledge provided by the Indenture for the Priority Obligations.

Pursuant to the Act and in accordance with the Indenture, the Authority, on August 31, 1971, adopted a resolution providing for the issuance of Electric System Expansion Revenue Bonds ("Expansion Bonds") secured by such a junior lien upon and pledge of revenues of the Authority. Copies of such resolution and amendatory supplemental resolutions adopted September 27, 1971, November 8, 1973, February 16, 1977 and August 31, 1977 (collectively, the "Resolution") may be obtained from the Authority or the Underwriters.

Under the Resolution, the Authority created the Expansion Bond Fund and within such Fund the Interest Account, the Principal Account, the Bond Retirement Account and the Reserve Account and appointed The Citizens and Southern National Bank of South Carolina, in Columbia, South Carolina, as the Expansion Bond Fund trustee (the "Bond Fund Trustee") to hold such Fund and Accounts.

Under the Tenth Supplemental Bond Resolution adopted by the Authority on the date of this Official Statement, the Authority created the Cross No. 2 Construction Fund (the "Construction Fund") into which the proceeds of Expansion Bonds to be used to pay construction costs of Cross No. 2 will be deposited. The Construction Fund is held by the Authority.

Certain terms of the 1980B Bonds were established by the Tenth Supplemental Bond Resolution, copies of which may be obtained from the Authority or the Underwriters.

Section 11-9-350, Code of Laws of South Carolina 1976, provides that the rate of interest paid by discount or otherwise upon the obligations of the State or any agency or political subdivision of the State, including the Authority, may equal, but shall not exceed, seven percent per annum, except that any such obligation may have a greater rate of interest when such rate is approved by the State Budget and Control Board, the members of which are the Governor, State Treasurer, Comptroller General, the Chairman of the Finance Committee of the State Senate and the Chairman of the Ways and Means Committee of the State House of Representatives.

SECURITY FOR EXPANSION BONDS

Pledge of Revenues

So long as any Priority Obligations are outstanding, the principal of and premium, if any, and interest on Expansion Bonds, including the 1980B Bonds, are payable from and secured by a lien upon and pledge of the revenues derived by the Authority from the ownership and operation of the Authority's System, as defined in the Resolution, after the deduction only of: (1) expenses of operation and maintenance of the System (exclusive of certain lease payments) and (2) amounts required for the payment and security of the Priority Obligations, sufficient to pay such principal, premium, if any, and interest thereon and to maintain a reserve therefor, all in the order of priority, in the manner and to the extent provided in the Indenture and the Resolution. See caption "Certain Provisions of the Indenture and Resolution—Funds and Accounts". The Expansion Bonds are also payable from Expansion Bond proceeds and other available funds to the extent provided in the Resolution.

After all Priority Obligations have been retired or provision has been made therefor (the date of their final maturity is July 1, 2006), the principal of and premium, if any, and interest on the Expansion Bonds will be payable, subject to the provisions of the Resolution, from and secured by a first lien upon and pledge of the gross revenues derived by the Authority from the ownership and operation of the Authority's System.

The Priority Obligations and the Expansion Bonds are not debts of the State of South Carolina, nor of any political subdivision thereof, and neither said State nor any of its political subdivisions shall be liable thereon, nor shall they be payable from any funds other than those of the Authority.

Reserve Account Requirement

The Resolution provides that at the time of issuance of a series of Expansion Bonds there shall be deposited in the Reserve Account in the Expansion Bond Fund, from the proceeds of such Bonds or other sources, an amount such that the total then to be in the Reserve Account shall be, with respect to each series of Expansion Bonds, an amount equal to the maximum amount required to be paid into the Interest Account in the Expansion Bond Fund to pay interest on such Bonds in any fiscal year (twelve months ending June 30) from the date of the Expansion Bonds to the final maturity date thereof (the "Reserve Account Requirement").

Securities held as investments in the Reserve Account shall be valued at cost, but, in the event of any loss upon the sale of such securities and in the event of any withdrawal from the Reserve Account, the amount of any deficiency in the Reserve Account then resulting, unless restored from the proceeds of additional Expansion Bonds, shall be restored by payments from revenues, which payments shall, in each month, after the occurrence of such deficiency and until the amount of the deficiency has been restored, be not less than $\frac{1}{60}$ th of the amount of the deficiency. As of June 30, 1980, an amount sufficient to meet the Reserve Account Requirement of \$57,763,487 for the outstanding Expansion Bonds was on deposit in the Reserve Account in the Expansion Bond Fund. For the Reserve Account Requirement for the 1980B Bonds, see caption "Purpose of the 1980B Bonds".

Rate Covenant

The Resolution provides that the Authority shall establish, maintain and collect rates and charges for electric power and energy which shall be adequate to provide the Authority with revenues sufficient to pay the principal of and interest on the Priority Obligations and Expansion Bonds when due, to make when due all payments which the Authority is obligated to make into the Expansion Bond Fund, the Lease Fund, the Capital Improvement Fund and the special funds created under the Indenture for the payment of principal of and interest on the Priority Obligations, to pay all costs and expenses of operation and maintenance of the System, and to make all necessary repairs, replacements and renewals thereof, and to pay all taxes, assessments or other governmental charges lawfully imposed on the Authority or the revenues thereof, or payments in lieu thereof, and to pay any and all amounts which the Authority may now and hereafter become obligated to pay from the revenues of the System by law or contract.

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

Capital Improvement Requirement

The Resolution provides that the Authority shall pay into its Capital Improvement Fund, as an annual Minimum Capital Improvement Requirement, an amount which, together with the amounts deposited therein in the two preceding fiscal years, is at least equal to 8% of the Authority's gross revenues in the three preceding fiscal years.

A supplemental resolution adopted February 16, 1977, provides that, after the 1973 and 1974 Series of Expansion Bonds are no longer outstanding, the Authority shall pay into its Capital Improvement Fund, as an annual Minimum Capital Improvement Requirement, an amount which, together with the amounts deposited in the Capital Improvement Fund in the two immediately preceding fiscal years, will be at least equal to 12% of the Authority's gross revenues derived from the ownership and operation of the Authority's System in the three immediately preceding fiscal years, after deducting therefrom "fuel" expense (including "nuclear fuel expense") and the energy related component of "purchased power" expense, determined in accordance with the Uniform System of Accounts prescribed for Public Utilities and Licensees of the Federal Energy Regulatory Commission in effect on January 1, 1977.

Moneys in the Capital Improvement Fund shall be used to make good deficiencies in the Debt Service Reserve Fund for the Priority Obligations, to make renewals, replacements, extensions, additions, betterments, and other capital additions to the System, and, after the Priority Obligations are retired, to make up any deficiency in the Interest Account, Principal Account and Bond Retirement Account in the Expansion Bond Fund to the extent moneys in the Revenue Fund are not sufficient therefor.

DESCRIPTION OF 1980B BONDS

The 1980B Bonds will be dated August 1, 1980 and will bear interest at the rates per annum and mature at times and in amounts as shown on the cover page hereof. Interest will be payable on January 1 and July 1, commencing January 1, 1981 (five months). Principal and interest will be payable at the principal office of _____, South Carolina, or of _____ in New York, New York. The 1980B Bonds will be issuable as coupon Bonds in the denomination of \$5,000, registrable as to principal only, or as fully registered Bonds in the denomination of \$5,000 or any integral

multiple thereof. Coupon and registered Bonds will be interchangeable. As a condition of any exchange the Authority may require the payment of a sum sufficient to reimburse it for any stamp tax or other governmental charge that may be imposed thereon.

Redemption Provisions

The 1980B Bonds maturing on and after July 1, 1991 shall be subject to redemption prior to maturity at the option of the Authority, on or after July 1, 1990, upon not less than 30 days' notice, as a whole at any time, or in part in the inverse order of maturity on any interest payment date (and in the event that less than all of such Bonds of any maturity are called for redemption the particular Bonds of such maturity to be redeemed shall be selected by lot), at the redemption prices expressed in percentages of principal amount set forth below, plus in each case, accrued interest to the date fixed for redemption.

<u>Period During Which Redeemed (Both Dates Inclusive)</u>	<u>Redemption Prices</u>
July 1, 1990 to June 30, 1991	103 7/8
July 1, 1991 to June 30, 1992	102 1/2
July 1, 1992 to June 30, 1993	102
July 1, 1993 to June 30, 1994	101 1/2
July 1, 1994 to June 30, 1995	101
July 1, 1995 to June 30, 1996	100 1/2
July 1, 1996 and thereafter	100

The 1980B Bonds due 2005 and 2020 shall also be subject to mandatory redemption prior to maturity, upon not less than 30 days' notice, on interest payment dates on and after January 1, 2001 and January 1, 2006, respectively, from sinking fund installments at 100% of principal amount plus accrued interest to the date fixed for redemption in the years and principal amounts as set forth below under the subcaption "Sinking Fund Installments".

Sinking Fund Installments

The 1980B Bonds due 2005 and 2020 shall be retired by sinking fund instruments which shall be paid into the Bond Retirement Account in the Expansion Bond Fund in amounts sufficient to redeem by July 1 of each year the principal amount of 1980B Bonds due 2005 or 2020 specified for each of the years shown in the table below:

<u>Principal Amount 1980B Bonds Due 2005</u>		<u>Principal Amount 1980B Bonds Due 2020</u>	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2001	\$5,900,000	2006	\$ 345,000
2002	6,415,000	2007	365,000
2003	6,955,000	2008	395,000
2004	7,545,000	2009	430,000
2005	8,185,000	2010	465,000
		2011	2,820,000
		2012	3,055,000
		2013	3,315,000
		2014	3,600,000
		2015	3,900,000
		2016	4,235,000
		2017	4,590,000
		2018	4,985,000
		2019	20,000,000
		2020	25,000,000

OUTSTANDING OBLIGATIONS AND EQUITY

The following table sets forth the outstanding obligations and equity of the Authority as of May 31, 1980, adjusted to reflect the issuance of the Electric Revenue Notes, 1980 and the 1980B Bonds:

Long-Term Obligations(1)

Priority Obligations

Electric Revenue Bonds, Series of 1950, bearing interest at 2.70% and due 1980 to 1993	\$ 10,880,000
Electric Revenue Bonds, Series of 1967, bearing interest at 4% and 4.10% and due 1980, 1981 and 2006	50,725,000
Electric Revenue Bonds, Refunding Series of 1973, bearing interest from 5% to 5½% and due 1980 to 1989	8,605,000
Contract Obligation, payable 1980 to 1985(2)	1,862,356
Total Priority Obligations	72,072,356

Expansion Bonds

Expansion Bonds, 1973 Series, bearing interest from 5% to 5¾% and due 1980 to 1993 and 2013	100,000,000
Expansion Bonds, 1974 Series, bearing interest from 6% to 6¾% and due 1980 to 1999 and 2014	109,000,000
Expansion Bonds, 1977 Refunding Series, bearing interest from 3.70% to 6% and due 1980 to 1997 and 2002 and 2006	210,890,000
Expansion Bonds, 1977 Series, bearing interest from 4% to 5¾% and due 1982 to 2002 and 2017	115,000,000
Expansion Bonds, 1978 Series, bearing interest from 4.20% to 5¾% and due 1981 to 1998 and 2008 and 2018	200,000,000
Expansion Bonds, 1979 Series A, bearing interest from 5.40% to 6¾% and due 1980 to 2003 and 2009 and 2019	110,000,000
Expansion Bonds, 1980 Series A, bearing interest from 8½% to 10½% and due 1981 to 1995 and 2002 and 2010	75,000,000
Expansion Bonds, 1980 Series B, bearing interest from % to % and due 1985 to 2000 and 2005 and 2020	150,000,000
Total Expansion Bonds	1,069,890,000

Subordinated Lease Contracts, payable 1980 to approximately 2014(3)	86,075,351
Bank Credit Agreement(4)(5)	50,000,000
Electric Revenue Notes, 1980, bearing interest at 5½% and due December 1, 1983(4)	50,000,000
Bank Loan, bearing interest at 4.25% and due 1981 to 1984(4)	300,000
Total Long-Term Obligations	1,328,337,707

Equity

Accumulated Net Revenues	111,188,336
Capital Contributions—U. S. Government Grants	34,438,264
Total Equity	145,626,600
Total Long-Term Obligations and Equity	\$1,473,964,307

- (1) Includes \$4,079,210 at May 31, 1980, of long-term debt due within one year.
- (2) Originally dated January 1, 1950, and subsequently amended, requiring payments to Central Electric Power Cooperative, Inc., ("Central") equal to interest on (at 2% per annum) and principal of certain mortgage notes (the "A-B Loan") of Central held by the United States of America through the Administrator of the Rural Electrification Administration (the "REA"), to which the payments by the Authority have been assigned.
- (3) The Authority has entered into lease contracts with Central (known as the C, D, E, F, G, H, K and L Lease Contracts) for the purpose of providing for the leasing and operating by the Authority of certain transmission lines and related facilities, the Grainger Generating Station of Conway, South Carolina, and a combustion turbine at Hilton Head, South Carolina. These facilities are financed by loans from REA to Central, or from REA to other cooperatives which loans were later assumed by Central, all of which are or will be evidenced by Central's mortgage notes. Under the lease contracts the Authority is required to make payments equal to interest (the C, D, E and F lease contracts at 2%, the G, H, K and L lease contracts at 5%) and principal of Central's mortgage notes. Payments assigned by Central to REA under such lease contracts with Central are subordinated to payments on the Priority Obligations and on the Expansion Bonds. The lease contracts provide for an additional \$4,000,000 to be advanced in the future by REA to Central.
- (4) Payable from the revenues derived from the ownership and operation of the Authority's System, subordinate to the payments required to be made to the Operating Fund, the Interest Fund, the Bond Fund and the Debt Service Reserve Fund created by the Indenture and to the payments required to be made to the Expansion Bond Fund (and the accounts therein) and the Lease Fund created by the Resolution, but prior to the payments required to be made to the Contingency Fund, Capital Improvement Fund and Special Reserve Fund created by the Indenture.
- (5) In May 1979, the Authority authorized the execution of a credit agreement with several banks which expires on April 30, 1982. The participating banks agreed to loan to the Authority from time to time up to \$50,000,000 at a fluctuating rate per annum equal to 40% of the prime commercial rate of one of the major lending banks, plus 2% per annum (7.6% at June 1, 1980). In accordance with the agreement, the Authority borrowed \$25,000,000 on the date the agreement was executed, June 1, 1979. On April 30, 1980, the Authority borrowed the remaining \$25,000,000. The proceeds from loans must be used solely for plant construction.

DEBT SERVICE SCHEDULE

(Thousands of Dollars)

Estimated Annual Debt Service on 1980B Bonds

Fiscal Year Ending June 30	Debt Service Charges on Priority Obligations	Debt Service Charges on Outstanding Expansion Bonds	Serial Bonds on following July 1	Sinking Fund on following July 1	Interest(1)	Total Debt Service on 1980B Bonds	Total Debt Service
1981	4,319	29,674(2)	—	—	—	—	33,993(2)
1982	4,322	35,225(2)	—	—	—	—	39,547(2)
1983	4,319	59,778(2)	—	—	—	—	64,097(2)
1984	4,473	64,400	—	—	—	—	68,873(2)
1985	4,337	64,537	1,180	—	8,500(2)	8,500(2)	78,554(2)
1986	4,340	64,532	1,280	—	12,650	13,930	82,802
1987	4,339	64,536	1,385	—	12,541	13,926	82,801
1988	4,340	64,532	1,505	—	12,423	13,928	82,800
1989	4,328	64,542	1,635	—	12,295	13,930	82,800
1990	4,442	64,426	1,775	—	12,156	13,931	82,799
1991	4,444	64,419	1,935	—	12,005	13,940	82,803
1992	4,443	64,421	2,095	—	11,841	13,936	82,800
1993	4,448	64,414	2,275	—	11,663	13,938	82,800
1994	4,438	64,426	2,470	—	11,469	13,939	82,803
1995	4,446	64,409	2,690	—	11,259	13,949	82,804
1996	4,460	64,395	2,915	—	11,031	13,946	82,801
1997	4,473	64,384	3,160	—	10,783	13,943	82,800
1998	4,481	64,375	3,430	—	10,514	13,944	82,800
1999	4,494	64,363	3,725	—	10,223	13,948	82,805
2000	4,511	64,341	4,045	—	9,906	13,951	82,803
2001	4,521	64,333	—	5,900	9,562	15,462	84,316
2002	4,536	64,307	—	6,415	9,061	15,476	84,319
2003	4,549	64,299	—	6,955	8,516	15,471	84,319
2004	4,565	64,279	—	7,545	7,924	15,469	84,313
2005	4,585	64,264	—	8,185	7,283	15,468	84,317
2006	4,601	64,245	—	345	6,587	6,932	75,778
2007	—	68,854	—	365	6,558	6,923	75,777
2008	—	68,858	—	395	6,527	6,922	75,780
2009	—	68,858	—	430	6,494	6,924	75,782
2010	—	68,859	—	465	6,457	6,922	75,781
2011	—	60,815	—	2,820	6,417	9,237	70,052
2012	—	60,819	—	3,055	6,178	9,233	70,052
2013	—	60,816	—	3,315	5,918	9,233	70,049
2014	—	60,814	—	3,600	5,636	9,236	70,050
2015	—	60,818	—	3,900	5,330	9,230	70,048
2016	—	60,818	—	4,235	4,999	9,234	70,052
2017	—	60,820	—	4,590	4,639	9,229	70,049
2018	—	60,818	—	4,985	4,249	9,234	70,052
2019	—	27,307	—	20,000	3,825	23,825	51,132
2020	—	—	—	25,000	2,125	27,125	27,125

(1) Represents an assumed rate of 8½ %.

(2) Excludes portion of interest which has been or is to be funded from Expansion Bond proceeds.

THE AUTHORITY

Organization and Management

The Authority's Board of Directors consists of eleven members appointed by the Governor with the advice and consent of the Senate as follows: one from each of the six congressional districts of the State; one from each of the counties of Berkeley, Georgetown and Horry; and two from the State at large, one of whom shall be Chairman and the other shall have had experience with the operations of rural electric cooperatives. Appointments are for seven years. There are two vacancies.

Present directors are:

<u>Name</u>	<u>Business</u>	<u>Residence</u>	<u>Term Expires</u>
Robert S. Davis, Chairman	Business Executive	Columbia, SC	1983
Vernon E. Sumwalt, First Vice Chairman	Attorney	Rock Hill, SC	1981
J. Thomas Grier, Second Vice Chairman	Insurance	Spartanburg, SC	1986
Mark C. Garner	Newspaper Executive	Myrtle Beach, SC	1981
C. B. Boyne	Retired Business Executive	Eastover, SC	1984
Walter T. Cox	University Executive	Clemson, SC	1984
Harold M. Robertson	Wholesale-Retail Executive	Walterboro, SC	1985
B. G. Alderman, Jr.	Real Estate and Insurance	Manning, SC	1985
Marvin M. Thomas	Business Executive	Georgetown, SC	1987

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

Authority staff executives are:

	<u>Position</u>	<u>Electric Utility Experience</u>
William C. Mescher	President and Chief Executive Officer	29 years
Henry N. Cyrus	Senior Vice President, System Planning	34 years
Clarence S. Gramling	Senior Vice President, System Operations	30 years
Kenneth R. Ford	Vice President, Finance and Treasurer	20 years
Joe C. Norman	Vice President, Commercial Operations	8 years
Lucas C. Padgett	Vice President, Industrial Development	23 years
Robert E. Rainear	Vice President, Engineering Design	19 years
Robert V. Tanner	Vice President, Production	21 years
William A. Williams, Jr.	Vice President, Nuclear	7 years
Wallace S. Murphy	General Counsel	10 years
L. P. Dorman	Secretary	30 years
Denise C. McWhorter	Assistant Corporate Secretary	11 years
John E. Bishop	Controller	7 years

The Authority had 995 employees as of June 30, 1980. Authority employees are members of a contributory state pension plan administered by the South Carolina State Retirement System.

The Act establishes an Advisory Board composed of the following officials of the State of South Carolina: the Governor, the Attorney General, the State Treasurer, the Comptroller General and the Secretary of State.

The Authority has engaged R. W. Beck and Associates as Consulting Engineer. R. W. Beck and Associates has prepared a report on the Authority's financing and capital improvement program (the "Beck Report"), a copy of which is attached hereto as Appendix I.

The Authority's Advisory Board for many years has designated J. W. Hunt and Company, Certified Public Accountants, to prepare reports on audit. In addition, the Authority's Board of Directors has retained the firm of Coopers & Lybrand. These firms have prepared a report on audit for the fiscal year ended June 30, 1979, copies of which may be obtained from the Authority. The balance sheet, the statements of net earnings, certain exhibits and the notes to the financial statements contained in such report on audit, together with the opinions of J. W. Hunt and Company and Coopers & Lybrand with respect thereto, are attached hereto as Appendix II.

The Authority has engaged Burns and Roe, Inc. to provide engineering, design and construction management services for Unit 4 at the Winyah Generating Station ("Winyah No. 4"), Cross No. 2 and Unit 1 at the Cross site ("Cross No. 1"). Burns and Roe, Inc. has prepared a letter describing Cross No. 2 and estimating the cost of its construction (the "Burns and Roe Letter"), which is attached hereto as Appendix III.

The Authority has engaged, as Bond Counsel, Wood & Dawson, New York, New York, and McNair Glenn Konduros Corley Singletary Porter & Dibble, Columbia, South Carolina. The form of their proposed legal opinions with respect to the validity of the 1980B Bonds is attached hereto as Appendix IV.

Service Area

The Authority's service area consists of substantially all of the counties of Berkeley, Georgetown and Horry. This service area is shared with rural electric cooperatives but not with investor-owned utilities. The only municipal electric system in this service area is the City of Georgetown. The Authority also serves certain other customers, including Central, outside its service area and may supply the future load growth of such customers. Central is an association of 15 electric distribution cooperatives located in 35 of the 46 counties of South Carolina serving primarily residential, commercial and small industrial customers. In addition, the Authority may compete for and, at the request of the customer, serve any customer with a load of 750 kW or higher so long as the customer is located in an area assigned to a member of Central by the South Carolina Public Service Commission.

The Authority sells electric power and energy at wholesale to Central, the City of Georgetown and the Town of Bamberg. Electric power and energy are sold directly to three military establishments, 24 large industrial accounts and approximately 49,000 residential, commercial and small industrial retail customers in the counties of Berkeley, Georgetown and Horry. Through wholesale customers approximately another 220,000 customers are served.

Historical Operating Results

A summary, condensed from the Beck Report, showing revenues available for debt service, lease payments and other purposes for the fiscal years ended June 30, 1975 through 1979 and the 12 months ended May 31, 1980 follows:

	Fiscal Year Ended June 30(1)					12 Months Ended May 31, 1980 (Unaudited)
	1975	1976	1977	1978	1979	
	(Dollars in Thousands)					
Operating Revenues	\$77,806	\$82,239	\$94,727	\$118,980	\$135,697	\$149,369
Other Income	1,993	2,819	2,914	3,618	4,915	5,642
Total	\$79,799	\$85,058	\$97,641	\$122,598	\$140,612	\$155,011
Operating Expense (except depreciation)	59,817	55,259	69,550	88,802	104,309	108,715
Revenue Available for Debt Service, Lease Payments and Other Purposes	\$19,982	\$29,799	\$28,091	\$ 33,796	\$ 36,303	\$ 46,296
Debt Service:						
Priority Obligations	\$ 4,318	\$ 4,324	\$ 4,317	\$ 4,319	\$ 4,319	\$ 4,321
Expansion Bonds	3,460	7,825	7,110	12,762	15,024	17,115
Total Debt Service	\$ 7,778	\$12,149	\$11,427	\$ 17,081	\$ 19,343	\$ 21,436
Balance Available for Payments of Leases, Other Obligations, and Capital Improvements	\$12,204	\$17,650	\$16,664	\$ 16,715	\$ 16,960	\$ 24,860
Lease Payments and Other Obligations(2)(3)	2,252	4,103	4,348	4,757	3,969	4,618
Balance Available for Capital Improvements and Other Purposes	\$ 9,952	\$13,547	\$12,316	\$ 11,958	\$ 12,991	\$ 20,242
Debt Service Coverage (Priority Obligations and Expansion Bonds)(4)	2.57	2.45	2.46	1.98	1.88	2.16

(1) See footnotes in Exhibit C to the Beck Report, Appendix I.

(2) Cash basis. Such lease payments are, under the Indenture and Resolution, subordinated to payments on the Priority Obligations and the Expansion Bonds. See caption "Certain Provisions of the Indenture and Resolution—Funds and Accounts".

(3) Does not include interest on the Bank Credit Agreement and the Electric Revenue Notes, 1980, which has been funded.

(4) Does not include funded interest and subordinated lease payments and notes.

Historical Demand, Sales and Revenues

The following table sets forth the peak demand on the Authority's system for the calendar years 1970-1979:

Calendar Year	Peak Demand(1) MW	Increase %
1970	600	—
1971	622	3.7%
1972	736	18.3
1973	829	12.6
1974	911	9.9
1975	943	3.5
1976	1,065	12.9
1977	1,161	9.0
1978	1,231	6.0
1979	1,352	9.8

(1) Annual peak demand normally occurs in August of each calendar year.

The following table sets forth the sales and revenues of the Authority for the fiscal years 1971-1979 and the twelve months ended May 31, 1980.

Period	Sales		Revenue From Sales		
	GWH(1)	Annual Increase %	Amount	Annual Increase %	Mills Per KWH
Fiscal Year Ended June 30:					
1971	3,097	—	\$27,783,776	—	9.0
1972	3,189	3.0%	30,966,273	11.5%	9.7
1973	3,624	13.6	34,923,846	12.8	9.6
1974	3,967	9.5	41,525,532	18.9	10.5
1975	4,259	7.4	75,806,186	82.6	17.8
1976	4,486	5.3	80,564,225	6.3	18.0
1977	5,104	13.8	92,533,095	14.9	18.1
1978	5,562	9.0	117,744,105	27.2	21.2
1979	5,953	7.0	134,296,072	14.1	22.6
12 months ended May 31, 1980 (Unaudited)	6,223	4.2(2)	\$147,982,632	10.3(2)	23.8

(1) Million kWh.

(2) Increase over 12 months ended May 31, 1979.

Sales and revenues by customer class for the fiscal years 1975 through 1979 and the twelve months ended May 31, 1980 are set forth below:

Sales (GWH)

Class of Customers	1975		1976		1977		1978		1979		12 Months Ended May 31, 1980 (Unaudited)	
		% of Total		% of Total		% of Total		% of Total		% of Total		% of Total
Wholesale(1)	2,018	47.4	2,221	49.5	2,577	50.5	2,845	51.2	2,882	48.4	3,050	49.0
Military	292	6.9	301	6.7	303	5.9	324	5.8	317	5.3	305	4.9
Large Industrial	1,241	29.1	1,202	26.8	1,356	26.6	1,441	25.9	1,788	30.0	1,889	30.4
Residential	320	7.5	343	7.6	403	7.9	446	8.0	443	7.5	461	7.4
Commercial, Small Industrial and Other	388	9.1	419	9.4	465	9.1	506	9.1	523	8.8	518	8.3
Total	4,259	100.0	4,486	100.0	5,104	100.0	5,562	100.0	5,953	100.0	6,223	100.0

(1) Includes Central. See subcaption "Central Contracts".

Revenues

(Dollars in Thousands)

Class of Customers	1975		1976		1977		1978		1979		12 Months Ended May 31, 1980 (Unaudited)	
		% of Total		% of Total		% of Total		% of Total		% of Total		% of Total
Wholesale(1)	\$32,038	42.3	\$36,216	45.0	\$42,265	45.7	\$ 54,101	45.9	\$ 59,975	44.6	\$ 64,999	43.9
Military	4,564	6.0	4,754	5.9	5,049	5.4	6,329	5.4	6,567	4.9	6,874	4.7
Large Industrial	20,931	27.6	19,357	24.0	21,557	23.3	26,672	22.7	35,131	26.2	39,991	27.0
Residential	8,354	11.0	9,107	11.3	10,802	11.7	14,585	12.4	15,255	11.4	17,158	11.6
Commercial, Small Industrial and Other	9,919	13.1	11,130	13.8	12,860	13.9	16,057	13.6	17,368	12.9	18,960	12.8
Total	\$75,806	100.0	\$80,564	100.0	\$92,533	100.0	\$117,744	100.0	\$134,296	100.0	\$147,982	100.0

(1) Includes Central. See subcaption "Central Contracts".

Central Contracts

Existing power contracts entered into between the Authority and Central, the most recent such contract having become effective on April 29, 1971 (the "F Power Contract"), require the Authority to furnish, and Central to purchase, until October 22, 1987, Central's total power and energy requirements, less amounts which Central purchases directly from the Southeastern Power Administration ("SEPA"). In the twelve months ended May 31, 1980, sales to Central amounted to approximately 2,948 GWh. After October 22, 1987, and for the remainder of the term of the F Power Contract (June 2005), the Authority is obligated to sell and deliver to Central, and Central is obligated to purchase and receive annually from the Authority, 600 GWh.

The F Power Contract prescribes the rate schedule applicable to the power and energy sold to Central. It also provides for an adjustment in the energy rate related to the cost of fossil fuel burned by the Authority and includes a provision for adjustment of the energy rate related to increases or decreases in the taxes or sums in lieu of taxes paid by the Authority. The F Power Contract also includes provisions for rate reviews and rate changes related to costs according to a certain formula.

Pursuant to the provisions of the F Power Contract, a rate review was conducted in the Fall of 1978. As a result, effective January 1, 1979, the monthly rates applicable at each delivery point for power and energy under the F Power Contract are: (1) for demand charges \$1.875 per kW of billing demand, and (2) for the energy charge 5.65 mills per kWh for the first 100,000 kWh of billing energy and 4.33 mills per kWh for all additional kWh of billing energy. The next review will take place in the Fall of 1980 to become effective January 1, 1981. Central and the Authority have entered into an agreement calling for a surcharge of 2.30 mills per kWh of billing energy for the fiscal year ending June 30, 1981.

R. W. Beck and Associates state in the Beck Report, Appendix I, that they have projected the Authority's revenues to be derived from Central on the basis of the present contract terms. The Authority has advised Central of its intent to reconsider the fuel clause and rate provisions of the F Power Contract and to negotiate changes which would be equitable to both parties when nuclear power becomes available.

Revenues from sales to Central during the twelve months ended May 31, 1980, amounted to \$62,468,299, representing approximately 42% of revenues from firm sales, and averaged 21.2 mills per kWh.

Recent negotiations between the Authority and Central concerning the nature and extent of their future contractual arrangements have resulted in a number of proposed contracts containing the following major provisions: (1) the Authority and Central will share ownership of the generating units to be constructed at the Cross site; (2) each party will have an option to share ownership of future generating facilities to be constructed by the other; (3) the combined Authority-Central system will be dispatched by the Authority on an economic dispatch basis; and (4) all power contracts existing between the Authority and Central will be superseded and Central will pay for its supplemental power and energy requirements on the basis of a cost of service methodology similar to that used by the Authority in determining its rates to its large industrial customers. The proposed contracts have been approved by the Authority's Board of Directors and Central's Board of Trustees, but must be approved by the REA Administrator prior to their becoming effective.

In the opinion of R. W. Beck and Associates, the proposed contractual arrangement will produce revenues from Central which will be equal to or greater than revenues derived from Central under rates determined pursuant to the F Power Contract for equivalent amounts of power.

R. W. Beck and Associates' projections of future sales to Central and of revenues and expenses attributable to Central have been based on the terms of the F Power Contract.

Residential, Commercial and Small Industrial Sales

Sales to residential, commercial and small industrial customers are made pursuant to rate schedules established from time to time by the Authority. All of such rate schedules include a fuel adjustment clause. Revenues from residential, commercial and small industrial sales during the twelve months ended May 31, 1980 represented approximately 24% of revenues from firm sales and averaged 36.95 mills per kWh.

Municipal, Military and Large Industrial Contracts

Sales to municipal, military and large industrial customers are made pursuant to contracts. For large industrial customers which use in excess of 350,000 kWh per month, the Authority has a large power rate schedule and requires that such customers enter into contracts for periods of not less than five years. All contracts contain rate provisions of the demand and energy type, and include fuel adjustment clauses and other provisions generally used in large industrial power rate schedules. The average cost per kWh varies depending upon the customer's consumption and load factor.

Revenues from municipal, military and large industrial sales during the twelve months ended May 31, 1980 represented approximately 33.4% of revenues from firm sales and averaged 21.47 mills per kWh.

The Authority's municipal customers are the City of Georgetown and the Town of Bamberg.

The Authority's five largest industrial customers for the 12 months ended May 31, 1980 and their contribution to revenues from firm sales of the Authority were as follows: Georgetown Steel Corporation—\$10,604,357 (7.2%), Macalloy, Inc.—\$10,157,107 (6.9%), Amoco Chemicals Corporation—\$6,027,498 (4.1%), Santee Portland Cement Company—\$2,561,267 (1.7%), and International Paper Company—\$2,054,732 (1.4%).

Power Contract With Alumax Inc. The Authority has entered into a power contract with Alumax Inc. ("Alumax"), an integrated aluminum company, for the sale by the Authority of 301 MW of firm power on a long-term basis. The power is to be used for a two potline primary reduction plant which Alumax is constructing in the Authority's service area.

Under the contract between the Authority and Alumax, as amended, service to Alumax for the first potline (building up to 166 MW) began in June 1980, and service for the second potline (building up to 135 MW) is expected to begin in October 1980. Alumax has an option to purchase an additional 30 MW for these two potlines upon six months' notice to the Authority. The contract provides that Alumax will pay for power and energy according to the Authority's large industrial rate schedule, which is determined on a cost of service basis, except that the minimum billing provisions of the schedule will not be applicable during a build-up period of 12 months for the first potline and 8 months for the second potline. The contract also grants certain options to Alumax, subject to specified periods of notification, for the purchase of up to an additional 320 MW of power for up to two additional potlines.

Alumax has informed the Authority that as of June 30, 1980, the plant was approximately 94% complete and was slightly ahead of schedule. For additional information concerning the Alumax contract, see the Beck Report, Appendix I.

Rates

The Authority's Board of Directors is empowered and required to set rates as necessary to provide for expenses, including debt service, of the Authority.

The rates presently in effect were adopted on January 29, 1979, and became effective with May 1979 billings. Such rates are applicable to all residential, commercial, municipal pumping, street lighting and industrial customers. These rates reflect an overall increase of approximately 10.0% over the rates previously in effect.

On March 26, 1979, the Authority adopted new rate schedules applicable to municipal, residential, commercial, municipal pumping, street lighting and industrial customers to become effective with May 1981 billings. These rates, based on projections for the fiscal year ending June 30, 1982, and as compared with rates currently in effect, are estimated to produce an increase in revenues of \$22,912,000, or an increase in overall revenues of 12.7% from customers other than Central. The average percentage increase on the basic rate schedules to major customer classes is estimated to be 8.9% and 10.2% for large and small industrial customers, respectively; 7.7% for municipal customers; 26.1% for commercial customers; and 21.7% for residential customers.

The Authority is expected to adopt on August 1, 1980 new rate schedules that become effective with November 1982 billings. These rates, based on projections for the fiscal year ending June 30, 1984, and as

compared with rates to become effective in May, 1981, are estimated to produce an increase in revenues of \$41,804,000, or an increase in overall revenues of 17.6% from customers other than Central. The average percentage increase on the basic rate schedules to major customer classes is estimated to be 12.5% and 26.9% for large and small industrial customers, respectively; 16.2% for municipal customers; 27.5% for commercial customers; and 29.3% for residential customers.

The Authority is also expected to adopt on August 1, 1980 a program providing for a rate increase applicable to municipal, residential, commercial, municipal pumping, street lighting and industrial customers to become effective with July 1984 billings. Based on projections for the fiscal year ending June 30, 1985, and as compared with rates to become effective in November 1982, rates pursuant to the program would produce an increase in revenues of approximately \$30,000,000.

The Authority's rate schedules include fuel adjustment clauses which provide for increases or decreases to the basic rate schedules to cover increases or decreases in the cost of fuel to the extent such costs vary from a predetermined base cost.

The Authority's rates compare favorably with those of other utilities in South Carolina. A comparison of the Authority's rates with those of three other utilities as of June 30, 1980 is set forth below.

		Residential Electric Service			
		300 kWh	500 kWh	700 kWh	1,000 kWh
Authority(1)	Summer	\$15.21	\$22.66	\$29.76	\$40.42
	Winter	14.46	21.11	27.11	36.12
Carolina Power & Light Company(2)	Summer	17.99	25.98	33.97	45.96
	Winter	17.99	25.98	33.97	44.46
Duke Power Company(3)		16.46	24.45	32.44	44.42
South Carolina Electric & Gas Company(4)		19.38	28.30	37.21	50.59

		Commercial Service (300 Hours of kW Demand)		
		3,000 kWh	5,000 kWh	7,500 kWh
Authority(1)	Summer	\$123.66	\$201.70	\$299.25
	Winter	105.46	171.50	254.05
Carolina Power & Light Company(2)		124.79	204.80	292.83
Duke Power Company(3)		148.05	237.56	333.25
South Carolina Electric & Gas Company(4)		165.48	275.80	381.70

		Industrial Service			
		1,000 kW 500,000 kWh	2,000 kW 1,000,000 kWh	9,000 kW 5,000,000 kWh	40,000 kW 25,000,000 kWh
Authority(5)		\$12,793.00	\$23,918.00	\$109,868.00	\$527,478.00
Carolina Power & Light Company(2)		14,610.00	29,010.00	138,810.00	666,210.00
Duke Power Company(3)		13,621.71	25,651.21	119,522.21	573,192.21
South Carolina Electric & Gas Company(4)		15,600.00	30,550.00	144,900.00	695,650.00

- (1) Includes fuel adjustment credit of \$.00298/kWh.
- (2) Rates under bond effective for service rendered on and after April 14, 1980.
- (3) Rates under bond effective for service rendered on and after June 1, 1980.
- (4) Rates shown do not reflect the rates approved on June 30, 1980, to be effective on bills rendered on and after July 1, 1980. The new rates will be slightly lower than those shown.
- (5) Includes fuel adjustment credit of \$.00285/kWh.

Residential customers of the Authority paid an average of 3.70 cents per kWh during the twelve months ended March 31, 1980. This compares with the national residential average of 4.47 cents per kWh as reported by the Edison Electric Institute for the same period. The Authority's average annual use per residential customer was 12,042 kWh for the twelve months ended March 31, 1980, 38.11% more than the national average of 8,719 kWh as reported by the Edison Electric Institute for the same period.

Power Supply

The Authority's existing generating facilities consist of:

Facility	Location	Date Placed in Service	Capability	Energy Source
Jefferies Hydroelectric Generating Station	Moncks Corner	1942	128 MW(1)	Hydro
Wilson Dam Generating Station	Lake Marion	1950	2	Hydro
Jefferies Generating Station	Moncks Corner			
Nos. 1 and 2		1954	92	Oil
Nos. 3 and 4		1970	320	Coal
Grainger Generating Station(2)	Conway	1966	170	Coal
Combustion Turbines	Myrtle Beach	1962	20(3)	Oil/Gas
Combustion Turbines	Myrtle Beach	1972	40(3)	Oil
Combustion Turbine(2)	Hilton Head Island	1973	20(3)	Oil
Combustion Turbine	Hilton Head Island	1974	20(3)	Oil
Combustion Turbine	Myrtle Beach	1976	28(3)	Oil
Winyah Generating Station	Georgetown			
No. 1		1975	280	Coal
No. 2		1977	280	Coal
No. 3		1980	280	Coal
Combustion Turbine	Hilton Head Island	1979	56(3)	Oil
Total Capability			1,736 MW	

- (1) A project authorized by the U. S. Congress will require the diversion into the Santee River of a substantial part of the flows which are presently utilized by the Authority at its Jefferies Hydroelectric Generating Station and the construction and operation by the U. S. Army Corps of Engineers of an 84 MW hydroelectric project in the vicinity of St. Stephen, South Carolina (the "St. Stephen Plant"). For a discussion of the Cooper River rediversion project, which will affect operations at the Jefferies Hydroelectric Generating Station, see the Back Report, Appendix I—"Future Power Supply Operations of the Authority."
- (2) The Authority has entered into certain of the lease contracts referred to in footnote (3) of the table under "Outstanding Obligations and Equity" for the purpose of providing for the leasing from Central and the operating by the Authority of such facilities and certain transmission facilities. The Authority has an option under each such lease contract to purchase the respective facilities at any time during the term of such lease contract for a sum equal to Central's indebtedness in respect of such facilities remaining outstanding at the time of the exercise of such option. If the option is not exercised before or at the time of the expiration of such lease, control of such facilities will return to Central. The Authority plans to exercise each and every option to acquire ownership of such facilities prior to expiration of the leases.
- (3) Summer rating.

In addition, the Authority receives a firm power supply from SEPA of 105 MW, bringing its total power supply resources to 1,841 MW. In June 1977, SEPA advised the Authority that its power supply contract with the Authority will terminate effective June 30, 1981. SEPA has advised the Authority, however, that prior to the effective date of termination it intends to review its existing supply contracts with utilities, including the Authority, and that power reallocations may or may not result. Preliminary indications from SEPA are that present allocations will continue and that a new contract will be signed prior to the termination of the present contract.

In the table below the capability in MW of the Authority's existing power supply resources is classified by energy source. For information as to the projected additional capability planned to be placed in commercial operation through the fiscal year ending June 30, 1985, see caption "Capital Improvement Program—General".

Sources of Power Supply	Capability	% of Total
Hydro Generation	130 MW	7.1%
SEPA (Hydro)	105	5.7
Coal	1,330	72.2
Oil, Oil/Gas	276	15.0
Total	1,841 MW	100.0%

Transmission

The Authority's transmission system (including facilities leased from Central) consists of approximately 2,580 miles of transmission lines of 44 kV and above and 93 substations.

Interconnections

The Authority's transmission system is interconnected with other major electric utilities in the region. It is directly interconnected with South Carolina Electric and Gas Company ("SCE&G") at five locations with two additional interconnections scheduled to be completed in 1980 with the Virgil C. Summer Nuclear Station Unit No. 1 ("Summer Nuclear Station"); with Carolina Power & Light Co. ("CP&L") at five locations; and with SCE&G, Duke Power Company ("Duke"), Georgia Power Company and SEPA through a five-way interconnection at the SEPA Clark Hill hydroelectric plant on the Savannah River. Through the foregoing interconnections, the Authority's system is interconnected with the regional transmission system serving the southeastern area of the nation.

Reliability Agreement

The Authority is a party to the Virginia-Carolinas Reliability Agreement ("VACAR") which exists for the purpose of safeguarding the reliability of electric service of the parties thereto. Other parties to the VACAR agreement are SCE&G, CP&L, Duke, SEPA, Yadkin, Inc. and Virginia Electric and Power Company.

Distribution

The Authority owns distribution facilities in three districts: the Moncks Corner District serving St. Stephen, Moncks Corner and Pinopolis; the Conway District serving the City of Conway, the Town of Loris and part of the adjacent rural area; and the Myrtle Beach District serving an area along the Atlantic coast from the North Carolina border to Georgetown.

CAPITAL IMPROVEMENT PROGRAM

General

The Authority's capital improvement program for the fiscal years 1981-1985 consists of major power supply facilities to be added to the Authority's system and general improvements, including improvements to present power supply facilities, extensions of and improvements to transmission facilities, improvements to the Authority's distribution system and a new office and service complex at Moncks Corner.

The capital improvement program includes four new power supply facilities: the Authority's one-third share in the Summer Nuclear Station, Winyah No. 4 and Cross No. 2, all of which are now under construction, and Cross No. 1 for which detailed site investigations are underway and for which certain contracts have been awarded. Present forecasts of capability and load demand indicate that the Authority's existing power supply resources and reserves (assuming extension of the SEPA contract), plus the planned capability of such units available to the Authority, will be adequate to serve the Authority's needs through 1988.

The following table sets forth certain information with respect to the Authority's new power supply resources. Construction costs do not include the cost of related transmission facilities, coal fuel stockpiles, funded interest, reserves or financing costs.

<u>Power Supply Resource and Location</u>	<u>Description</u>	<u>Estimated Commercial Operation Date</u>	<u>Estimated Construction Cost Per kW</u>	<u>Estimated Construction Costs</u>
Summer Nuclear Station (near Columbia, South Carolina)	900 MW, nuclear-fueled steam-electric unit (Authority's share is one-third or 300 MW)	December 1981(1)	\$912	\$273,594,000(2)
Winyah No. 4 (Georgetown, South Carolina)	280 MW, coal-fueled steam-electric unit	May 1982	\$447	\$125,175,000
Cross No. 2 (near Cross, South Carolina)	450 MW, coal-fueled steam-electric unit	May 1984	\$857	\$385,618,000
Cross No. 1 (near Cross, South Carolina)	450 MW, coal-fueled steam-electric unit	November 1986	\$708	\$318,775,000

- (1) Assumes six months delay from commercial operation date projected by SCE&G. See Beck Report, Appendix I.
 (2) Authority's one-third share of Summer Nuclear Station costs, including nuclear fuel and other capitalized costs. See Beck Report, Appendix I.

The following table sets forth the Authority's projected capability as of November 1986 by energy source:

<u>Sources of Power Supply</u>	<u>Capability Available</u>	<u>Projected Additional Capability To Become Available Through 1986</u>	<u>Total</u>	<u>% of Total</u>
Hydro Generation	130 MW	—	130 MW	3.9%
SEPA (Hydro)	105	—	105	3.2
Coal	1,330	1,180 MW(1)	2,510	75.6
Nuclear	—	300(2)	300	9.0
Oil, Oil/Gas	276	—	276	8.3
Total	1,841 MW	1,480 MW	3,321 MW	100.0%

- (1) Includes Winyah No. 4 (280 MW) and Cross Nos. 1 and 2 (450 MW each).
 (2) Authority's one-third share of Summer Nuclear Station.

Summer Nuclear Station

The Summer Nuclear Station, now under construction, is located approximately 26 miles northwest of Columbia, South Carolina, on the east bank of the Broad River and adjacent to SCE&G's Fairfield Pumped Storage Project, which will provide the cooling water requirements for the Summer Nuclear Station. The Station will contain a Westinghouse Electric Corporation ("Westinghouse") pressurized water reactor of the light water type as its nuclear steam supply system. Steam will be supplied to a turbine generator having a net output of approximately 900 MW under expected conditions of operation.

The Authority and SCE&G have entered into a joint ownership agreement dated October 18, 1973 (the "Summer Agreement"), providing that the Authority and SCE&G shall own the Summer Nuclear Station as tenants in common with undivided interests of 33 1/3% (300 MW) for the Authority and 66 2/3% (600 MW) for SCE&G. SCE&G, as agent for itself and the Authority, is solely responsible for the design, construction, operation and maintenance of the Summer Nuclear Station and the Authority is obligated to pay its ownership share of all costs relating thereto. The award of contracts for construction in excess of \$600,000 and any change which would increase a contract price by an amount in excess of \$200,000 are subject to the approval of the Authority. The Authority also has the right of approving operating and construction budgets.

SCE&G's present construction effort calls for completion of the Summer Nuclear Station and its readiness for fuel loading in December 1980. After fuel loading, approximately six months will be required for start-up, testing, power ascension procedures, compliance with regulatory procedures and other matters before commencement of commercial operation. SCE&G's estimate of construction costs for Summer Nuclear Station is based on a June 1981 commercial operation date.

The Nuclear Regulatory Commission ("NRC") staff currently projects that an operating license (which is required prior to loading of nuclear fuel) will not be issued prior to the Spring of 1981 because of staff and licensing restraints evolving from the Three Mile Island ("TMI") accident. Accordingly, the ability of SCE&G to meet a June 1981 commercial operation date will require that the NRC greatly accelerate its licensing activities. The Authority and R. W. Beck and Associates believe it prudent to plan for a further delay of the June 1981 commercial operation date of Summer Nuclear Station (to reflect possible delays in the issuance of the operating license) in planning the power supply resources available to meet expected loads during the Summer of 1981. Accordingly, the Authority is assuming a commercial operation date of December 1, 1981 for its power supply and financial planning purposes.

The Authority's estimated capital cost of its 300 MW ownership share of the Summer Nuclear Station, based on a December 1, 1981 date for commercial operation, exclusive of funded interest, reserves and financing costs, is \$273,594,000. This amount provides for the Authority's share of the initial fuel core, working capital and contingency (including amounts related to TMI modifications) in addition to construction costs. See Beck Report, Appendix I. For additional information concerning licensing delays and other licenses and authorizations required in connection with the Summer Nuclear Station, see the caption "Regulatory Matters—Nuclear Matters".

SCE&G reports that as of June 30, 1980 the engineering of Summer Nuclear Station was approximately 96% complete and construction was approximately 95% complete.

SCE&G has not completed its financing arrangements for its share of the Summer Nuclear Station. SCE&G is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports and other information with the Securities and Exchange Commission. The Annual Report on Form 10-K for the fiscal year ended December 31, 1979 (the "Form 10-K") and the Quarterly Reports on Form 10-Q for the quarters ended March 31, 1980 and June 30, 1980 (the "Form 10-Q's") of SCE&G have been filed by SCE&G with the Securities and Exchange Commission. The Form 10-K and the Form 10-Q's may assist the reader in assessing SCE&G's ability to finance its construction program, including its ownership share of the Summer Nuclear Station and the fuel cores therefor.

The Form 10-K and other annual and quarterly reports of SCE&G (including financial information) may be inspected and copied at the public reference facilities maintained by the Commission at Room 6101, 1100 L Street N.W., Washington, D. C. and at the Commission's regional offices at 219 South Dearborn Street, Chicago, Ill.; 26 Federal Plaza, New York, N. Y.; and 10960 Wilshire Boulevard, Los Angeles, Calif., and copies of such material can be obtained from the Public Reference Section of the Commission, 500 North Capitol Street, Washington, D. C. 20549 at prescribed rates. SCE&G's Common Stock is listed on the New York Stock Exchange, where reports and other information concerning SCE&G may also be inspected. SCE&G will furnish without charge to each person to whom this Official Statement is delivered, upon written request, a copy of the Form 10-K and Form 10-Q's excluding exhibits. Requests should be addressed to: Robert W. Stedman, Controller, South Carolina Electric & Gas Company, 328 Main Street, Columbia, SC 29218. Neither the Authority nor the Underwriters make any representation as to the accuracy or completeness of such information, nor do they represent that there has been no material change in the information presented since the respective dates as of which it is given.

For information concerning the fuel supply for the Summer Nuclear Station, see caption "Fuel Supply".

Winyah Generating Station Unit No. 4

Winyah No. 4, now under construction by the Authority, will consist of a coal-fueled steam-electric unit of approximately 280 MW and associated transmission facilities. Winyah No. 4 will be located at and become an integral part of the Winyah Generating Station. The Authority has retained Burns and Roe, Inc.

as design and construction engineers for Winyah No. 4 to prepare plans and specifications, to perform related services and to manage construction of the project.

Winyah No. 4 will include a single steam-turbine generating unit having a net capability of approximately 280 MW; boiler; condenser; coal pulverizing, handling and storage equipment and facilities; related electrical and mechanical equipment and a limestone scrubber.

The construction permit for Winyah No. 4 has been received from South Carolina Department of Health and Environmental Control ("DHEC"). For information as to compliance of Winyah No. 4 with environmental laws and regulations and other permits and authorizations required for construction and operation of Winyah No. 4, see the caption "Regulatory Matters—Environmental Matters".

Site work for Winyah No. 4 was initiated in September 1978. As of June 30, 1980, the engineering of Winyah No. 4 was approximately 71% complete and construction was approximately 44% complete. Initial operation of Winyah No. 4 is scheduled for June 1981, and commercial operation is scheduled for May 1982.

The total construction costs for Winyah No. 4, exclusive of funded interest, reserves and financing costs, are estimated by Burns and Roe, Inc. to be \$125,175,000. These estimated total construction costs include the cost of pollution control equipment considered adequate, in the opinion of Burns and Roe, Inc., to meet existing pollution control codes and regulations. As of June 30, 1980, the Authority had entered into 58 contracts totaling approximately \$95,956,000, which represents approximately 77% of the estimated total direct construction costs of the unit.

In addition to the construction costs for Winyah No. 4, the capital costs of Winyah No. 4 include approximately \$9,000,000 to finance transmission facilities necessary to deliver output from the Winyah Generating Station to the Authority's existing transmission system and \$5,000,000 to increase the coal stockpile at the Station. The Authority and Burns and Roe, Inc. estimate the total capital costs of Winyah No. 4 to be \$139,175,000. The Authority is expected to reduce the authorization of Expansion Bonds to finance the capital costs of Winyah No. 4, funded interest and reserves from \$184,000,000 to \$151,000,000, of which \$100,000,000 were a part of the 1979A Bonds and \$51,000,000 were a part of the 1980A Bonds.

Cross Site—Unit 2

The Authority has begun construction of and awarded certain long-lead time contracts for Cross No. 2 which will be located on the north side of the Authority's diversion canal as it enters Lake Moultrie in Berkeley County, South Carolina. The site of Cross No. 2 as presently envisioned will ultimately be expanded to include four units with a net station capacity of approximately 1,800 MW, subject to federal and state regulatory approvals and the receipt of necessary licenses and permits. The first unit to be built at the Cross site will be designated as Unit 2 so that better construction access is available when the other units are constructed. The Authority has retained Burns and Roe, Inc. as design and construction engineers for Cross No. 2 to prepare plans and specifications, to perform related services and to manage construction of the project. The Burns and Roe Letter, describing Cross No. 2 in more detail, is attached to this Official Statement as Appendix III. Commercial operation is scheduled for May 1984, subject to timely receipt of the necessary licenses and permits and execution of an accelerated construction schedule.

The coal-fueled unit will include a boiler; turbine-generator; condenser; coal pulverizing, handling and storage equipment and facilities; an eleven mile rail spur; and related electrical and mechanical equipment and a limestone scrubber. The circulating water system will be a closed loop utilizing a mechanical draft cooling tower.

The construction permit for Cross No. 2 has been received from DHEC. For information as to compliance of Cross No. 2 with environmental laws and regulations and as to other permits and authorizations required for construction and operation of Cross No. 2, see captions "Regulatory Matters—Federal Energy Regulatory Commission and Environmental Matters".

The total construction costs for Cross No. 2, exclusive of funded interest, reserves and financing costs, are estimated by Burns and Roe, Inc. to be \$385,618,000. These estimated construction costs include the

cost of pollution control equipment considered adequate, in the opinion of Burns and Roe, Inc., to meet existing pollution control codes and regulations. As of June 30, 1980, the Authority had entered into 47 contracts totaling approximately \$234,141,000, which represents approximately 61% of the total estimated construction costs of the project. For a discussion of litigation seeking an injunction against the award of, or construction under, one of the contracts, see the caption "Pending Legal Proceedings".

In addition to the construction costs for Cross No. 2, the capital costs of Cross No. 2 include approximately \$40,200,000 to finance transmission facilities necessary to deliver output from the Unit to the Authority's existing transmission system and \$13,100,000 for the initial coal stockpile. The Authority and Burns and Roe, Inc. estimate the total capital costs of Cross No. 2 to be \$438,918,000 which will be obtained from the proceeds of the 1980B Bonds and future financings.

General Improvements

The Authority's general improvement program for fiscal years 1981-1985 consists of extensions and improvements to the Authority's existing generating facilities, transmission and distribution systems and general plant. The Authority estimates the total capital costs of the extensions and improvements, exclusive of funded interest, reserves and financing costs, to be approximately \$222,800,000. These improvements are described below.

The Authority plans to make extensions and improvements to its transmission and distribution system, in addition to transmission facilities included in the capital costs of new generating units under construction or planned, estimated to cost approximately \$119,000,000. Included in this amount are the cost of a 230kV Line (42 miles) from the Winyah Generating Station to Charity Switching Station, a 230kV Line (57 miles) from Carnes Crossroad to Yemassee, a 230kV Line (34 miles) from Marion to Hemingway, and the Hemingway 230/115kV Substation.

The balance of the Authority's general improvement program consists of improvements to existing generating facilities, estimated to cost \$38,700,000; improvements to the Authority's general plant, estimated to cost approximately \$41,600,000; future generating station site studies and acquisitions, estimated to cost approximately \$8,000,000; and initial construction of additional future generating units with estimated expenditures of \$15,500,000. Included in improvements to general plant is a new office and service complex, including a seven story general office building, central warehouse complex, central garage and general maintenance building, to be built on a 75-acre tract in Moncks Corner.

The Authority plans to finance the cost of its general improvement program through the proceeds of Expansion Bonds previously issued, future financings and revenues from the Authority's system.

Future Power Supply Program—Cross Site

The Authority's long range power supply program contemplates the development of three additional generating units of 450 MW each adjacent to Cross No. 2.

Present projections indicate that Cross No. 1, the second unit to be constructed at the Cross site, will be required to be placed in commercial operation in November 1986. Cross No. 1 is planned to be a duplicate of Cross No. 2. The Authority has retained Burns and Roe, Inc. as design and construction engineers of the project.

The total capital costs of Cross No. 1, including the cost of transmission facilities and initial coal stockpile but exclusive of funded interest, reserves and financing costs, are estimated to be approximately \$351,375,000. Contracts are presently awarded simultaneously with the Cross No. 2 contracts with zero cancellation charges for eighteen months to two years after the Cross No. 2 award. As of June 30, 1980, the Authority has entered into 28 contracts totaling approximately \$165,023,000, which represents approximately 52% of the total estimated construction costs of the unit.

The Authority has filed all permit applications for Cross No. 1 simultaneously with the Cross No. 2 applications. See captions entitled "Regulatory Matters—Federal Energy Regulatory Commission and Environmental Matters."

The Authority is also evaluating additional locations for selection as sites for future generating stations.

Estimated Financing Requirements for Capital Improvement Program

The following table sets forth estimated financing requirements for the Authority's capital improvement program during fiscal years 1981-1985 before giving effect to the issuance of the 1980B Bonds. As stated elsewhere in this Official Statement, the Authority has begun initial planning for generating units, and it is expected that a portion of the costs of these additional projects will be expended during the periods shown and will be financed with the proceeds of additional Expansion Bonds.

	Scheduled Commercial Operation Date	Capital Costs Incurred Through Fiscal Year 1980 (1)	Capital Costs To Be Incurred in Fiscal Year			Reserve Requirement	Net Funded Interest and Issuance Expenses	Total	Expansion Bonds Issued	Internally Generated Funds	Estimated Additional Financing Required
			1981	1982	1983-1985						
(Dollars in Million:)											
Summer Nuclear Station	12/81	\$224.0	\$ 29.1	\$ 20.5	\$ —	\$ 27.5	\$ 84.9	\$386.0	\$284.6	\$ —	\$ 101.4
Winyah No. 4	5/82	56.0	60.8	22.4	—	11.7	21.1	172.0	151.0	21.0(2)	—
Cross No. 2	5/84	30.4	78.3	142.3	187.9	51.8	118.6	609.3	—	—	609.3
Cross No. 1	11/86	—	23.1	29.2	299.1	45.6	139.0	536.0	—	—	536.0
General Improvements	—	—	83.6	35.3	88.4	2.6	16.1	226.0	—	196.0	30.0
		<u>\$310.4</u>	<u>\$274.9</u>	<u>\$249.7</u>	<u>\$575.4</u>	<u>\$139.2</u>	<u>\$379.7</u>	<u>\$1,929.3</u>	<u>\$435.6</u>	<u>\$217.0</u>	<u>\$1,276.7</u>

(1) Includes estimated expenditures for June 1980.

(2) Amount to be available from Winyah No. 3 Construction Fund.

With respect to the financing needs described above, it has been the Authority's policy to pursue an orderly process of entry into the bond market and, consequently, the amount of additional Expansion Bonds which will be issued during each subsequent fiscal year may not correspond to the budgeted capital requirements for such year.

Estimated Power Supply Resources and Requirements

The following table sets forth the Authority's projected energy requirements for the fiscal years 1981-1985.

	Fiscal Year Ending June 30				
	1981	1982	1983	1984	1985
Energy Sales					
Wholesale (1)	3,421GWh	3,679GWh	3,960GWh	4,292GWh	4,643GWh
Military and Large Industrial	4,281	4,941	5,030	5,150	5,309
Residential, Commercial, Small Industrial and Other	1,131	1,206	1,287	1,377	1,474
Total Sales	<u>8,833</u>	<u>9,826</u>	<u>10,277</u>	<u>10,819</u>	<u>11,426</u>
Losses and Wheeled for SEPA	628	666	691	718	753
Total Energy Requirements	<u>9,461GWh</u>	<u>10,492GWh</u>	<u>10,968GWh</u>	<u>11,537GWh</u>	<u>12,179GWh</u>

(1) Includes sales to Central.

The following table prepared by R. W. Beck and Associates sets forth the Authority's projected power supply resources and requirements for the calendar years 1980-1985:

	Projected Resources and Requirements—1980-1985 (MW)					
	1980	1981	1982	1983	1984	1985
Power Supply Resources:						
Generating Capability						
Existing(1)	1,736	1,736	1,736	1,736	1,736	1,736
Under Construction(2)						
Summer Nuclear Station	—	—	300(3)	300	300	300
Winyah No. 4	—	280(4)	280	280	280	280
Cross No. 2	—	—	—	—	450	450
Planned (2)						
Cross No. 1(5)	—	—	—	—	—	—
Total Generating Capability(6)	1,736	2,016	2,316	2,316	2,766	2,766
SEPA Allocation	105	105(7)	105(7)	105(7)	105(7)	105(7)
St. Stephen Hydro Plant	—	—	—	—	20(8)	40(8)
Total Power Supply Resources	1,841	2,121	2,421	2,421	2,891	2,911
Maximum Annual Demand (July-August) (9)	1,600	1,868	1,966	2,084	2,227	2,377
Less: Interruptible Demand	40	40	40	40	40	40
Net Maximum Annual Demand Responsibility	1,560	1,828	1,926	2,044	2,187	2,337
Power Supply Resources Available for Reserves	281	293	495	377	704	574
Purchased Reserves	50	50	50	50	50	50
Total Purchased Reserves and Resources Available for Reserves	331	343	545	427	754	624
Total Purchased Reserves and Resources Available for Reserves as a Percent of Net Maximum Annual Demand Responsibility Less SEPA Allotment	23%	20%	30%	22%	36%	28%

(1) See the caption "The Authority—Power Supply".

(2) Unit capabilities are shown in the first calendar year during which units under construction or planned will be available to meet the summer peak demand, which normally occurs in August.

(3) Summer Nuclear Station is presently assumed to be available for commercial operation in December 1981; however, the first calendar year during which its capability will be available at the time of the Authority's projected annual system peak demand will be 1982. The capability included for Summer Nuclear Station assumes that the NRC operating license will not restrict the output below rated capability.

(4) Winyah No. 4 is planned to commence temporarily initial operation in June 1981, during the time of the projected 1981 annual system peak demand.

(5) Cross No. 1 is presently scheduled to be available for commercial operation in November, 1986; however, the first calendar year during which its capability will be available at the time of the Authority's projected annual system peak demand will be 1987.

(6) Amounts shown assume all units will be available for service at the designated capability during the time of the annual system peak demand.

(7) Assumes SEPA power equal to that provided under the present contract will continue to be available after June 30, 1981, which includes approximately 44 MW of SEPA capacity wheeled to SEPA preference customers.

(8) The Authority plans to purchase gradually increasing portions of the capacity which will be made available as a result of the St. Stephen Plant: 20 MW in 1984, and 40 MW in 1985. See section captioned "Future Power Supply Operations of the Authority" in the Beck Report, Appendix I.

(9) Projected maximum annual demands shown include projected interruptible loads. In 1981 and thereafter the amounts shown include approximately 286 MW of demand associated with Alumax.

PROJECTED OPERATING RESULTS

R. W. Beck and Associates have made a projection of the operations of the Authority for the fiscal years, ending June 30, 1981 through 1985 based upon analyses of historical operations and trends and the Authority's adopted budget, and taking into account factors known to them and factors which can, in their opinion, reasonably be expected to occur. A summary of these projected operating results is shown in the Beck Report Appendix I, and in condensed form herein.

The major considerations and assumptions utilized by R. W. Beck and Associates in preparing their estimate of the projected revenues and expenses are summarized as follows:

1. Projected revenues from sales of electricity to customers other than Central have been based: (i) for power deliveries through April 1981, on rates presently in effect; (ii) for power deliveries during the period May 1981 through October 1982, on rates adopted by the Authority to become effective May 1981; (iii) for the period commencing with power deliveries in November 1982 through June 1984 on rates to be adopted by the Authority to become effective November 1982; and (iv) for the period commencing with power deliveries in July 1984 and continuing through the term of the projections on rates to be subsequently adopted to implement the rate program adopted by the Authority to become effective July 1984, including in each case the fuel adjustment provisions of such rates. Revenues from sales of electricity to commercial and large consumers, other than Central, reflect the terms of the Authority's contracts with such customers.
2. Revenues to be derived from sales of electricity to Central have been projected on the basis of the present terms of the F Power Contract. Revenues from Central for the fiscal year ending June 30, 1981 reflect the 2.3 mills per kWh surcharge as provided for in the most recent amendment to the F Power Contract.
3. Projections of revenues and expenses assume that Alumax will require power supply from the Authority with a build-up of loads to approximately 286 MW by November 1980 for the first and second potlines. If Alumax gives notice to proceed with additional potlines as provided in the Alumax contract, or if the operation dates of any potlines change, projected revenue and expenses could change significantly.
4. Generation by the Jefferies Hydroelectric and Wilson Dam Generating Stations has been projected to range from 628 million kWh to 529 million kWh for the fiscal years 1981-1985.
5. Purchases and wheeling of power and energy from SEPA have been projected on the basis that the Authority and SEPA will execute a new contract containing terms and conditions, including the power allocated to the Authority, which will be substantially the same as the present contract as to which SEPA has served notice of termination effective June 30, 1981. Such assumption reflects the average energy available for wheeling and direct use of the Authority's system of approximately 300 million kWh annually of which approximately 198 million kWh are wheeled for Central and municipal customers.
6. The cost of coal has been projected using as the base the Authority's budget estimate for fiscal years ending June 30, 1981, 1982 and 1983 and escalated at the rate of approximately 8.0% per year throughout the remaining portion of the projection.
7. No sales of surplus energy have been assumed to be made to SCE&G or CP&L.
8. Power costs are predicated in part on the availability of the following new generation in addition to the Authority's present generating resources: (i) 300 MW-Summer Nuclear Station in December 1981; (ii) 280 MW-Winyah No. 4 in May 1982 with temporary initial operation in June 1981; and (iii) 450 MW-Cross No. 2 in May 1984.
9. The Authority has or will obtain all licenses and permits required for all fossil generation and transmission facilities in its 1981-1985 capital improvement program on a schedule commensurate with construction needs.
10. SCE&G will obtain all licenses and permits necessary for and Summer Nuclear Station will commence commercial operation in December 1981 as presently anticipated by the Authority and R. W. Beck and Associates. Summer Nuclear Station is projected to operate at an average monthly plant factor of 60% during the first two years of operation and a 70% monthly plant factor for subsequent

years with two-month refueling periods. (A 70% monthly plant factor, with annual refueling period of two months, is equivalent to approximately a 58% annual plant factor.) The capability available from Summer Nuclear Station is predicated on the assumption that the NRC operating license will not include provisions restricting operations below rated capability.

11. Nuclear fuel costs for Summer Nuclear Station are estimated on the basis that the 82% of the initial fuel core uranium already delivered will be at costs provided in the Westinghouse contract. The remaining 18% of the initial fuel core reflects the spot market prices paid therefor. See caption entitled "Fuel Supply—Nuclear". All reload fuel uranium will be purchased on the open market at costs based on price levels of approximately \$44 per pound escalated at 5% per year.

12. The total amount of Expansion Bonds required to be issued to pay the costs of Summer Nuclear Station was estimated based upon the Authority purchasing its ownership share of the initial nuclear fuel under the terms and at the costs set forth in the Westinghouse contract, with the exception of the approximately 18% of the initial core uranium concentrates purchased by SCE&G on the spot market.

13. Operation and maintenance expenses, exclusive of fuel, have been based on the Authority's budget estimate for fiscal years ending June 30, 1981, 1982 and 1983, and increased each year thereafter to reflect increased expenses required for projected growth and escalation based on inflation rates and other conditions prevailing in the present economy.

14. Debt service requirements for the period shown have been projected utilizing the following criteria: (i) the actual debt service schedules on outstanding Priority Obligations and on the Expansion Bonds heretofore issued; (ii) the estimated debt service requirements at an annual interest rate of 8½% as provided by the Authority's financial advisor on \$150,000,000 of 1980B Bonds with interest requirements funded from Expansion Bond proceeds to August 1, 1982; (iii) the estimated debt service on the \$459,300,000 of additional Expansion Bonds authorized to be issued to pay the costs of construction of Cross No. 2 at an annual interest rate of 8½% with interest requirements funded on all Expansion Bonds authorized for Cross No. 2 to November 1, 1984; (iv) the estimated debt service requirements at an annual interest rate of 8½% on \$101,400,000 of Expansion Bonds assumed to be issued for the completion of Summer Nuclear Station with interest requirements funded from Expansion Bond proceeds to June 1, 1982 on said Expansion Bonds and Expansion Bonds heretofore issued allocable to Summer Nuclear Station; (v) the estimated debt service requirements at an annual interest rate of 8½% on \$30,000,000 of Expansion Bonds assumed to be issued in the Spring of 1981 to fund general improvements; (vi) the estimated debt service requirements at an annual interest rate of 8½% on \$536,000,000 of Expansion Bonds assumed to be issued to fund the construction of Cross No. 1 with interest requirements funded from Expansion Bond proceeds to May 1, 1987 which is beyond the period of the projection shown; and (vii) the payment of principal and interest requirements, if any, associated with short-term borrowings, utilized by the Authority for interim financing of capital improvements is assumed to be paid from the proceeds of future Expansion Bond issues.

In the table below, figures from Exhibit D, captioned "Projected Operating Results", contained in the Beck Report have been summarized.

	Fiscal Year Ending June 30(1)				
	1981	1982	1983	1984	1985
	(Dollars in Thousands)				
Operating Revenues	\$246,062	\$297,146	\$360,848	\$440,217	\$516,159
Other Income	6,025	7,697	10,535	10,556	14,371
Total	\$252,087	\$304,843	\$371,383	\$450,773	\$530,530
Operating Expense (except depreciation)	186,584	211,282	239,878	294,688	325,956
Revenues Available for Debt Service, Lease Payments and Other Purposes	\$ 65,503	\$ 93,561	\$131,505	\$156,085	\$204,574
Debt Service:					
Priority Obligations	\$ 4,319	\$ 4,322	\$ 4,319	\$ 4,473	\$ 4,337
Expansion Bonds—Issued(2)	29,674	35,225	59,777	64,401	73,841
Expansion Bonds — Authorized but Not Yet Issued and Expected to be Authorized and Issued(3)	1,396	3,578	12,227	12,227	40,719
Total Debt Service	\$ 35,389	\$ 43,125	\$ 76,323	\$ 81,101	\$118,897
Balance Available for Payment of Leases, Other Obligations, and Capital Improvements	\$ 30,114	\$ 50,436	\$ 55,182	\$ 74,984	\$ 85,677
Lease Payments and Other Obligations(4)	5,349	5,469	5,590	5,591	5,503
Balance Available for Capital Improvements and Other Purposes	\$ 24,765	\$ 44,967	\$ 49,592	\$ 69,393	\$80,174
Debt Service Coverage (Priority Obligations and Expansion Bonds)	1.85	2.17	1.72	1.92	1.72

(1) See footnotes in Exhibit D to the Beck Report, Appendix I.

(2) Includes estimated debt service at an assumed interest rate of 8½% on the 1980B Bonds in the assumed principal amount of \$150,000,000 and excludes portion of interest which has been or is to be funded.

(3) Includes estimated debt service at an assumed annual interest rate of 8½% on additional Expansion Bonds: (i) \$101,400,000 assumed to be issued for the completion of Summer Nuclear Station, (ii) \$459,300,000 assumed to be issued for the completion of Cross No. 2 and (iii) \$30,000,000 assumed to be issued for General Improvements. Debt service amounts shown exclude that portion of interest which is to be funded from bond proceeds.

(4) Does not include debt service on Bank Credit Agreement and Electric Revenue Notes, 1980; interest has already been funded and principal is expected to be paid from the proceeds of Expansion Bonds to be issued.

FUEL SUPPLY

The availability of fossil fuels (coal and oil) used by the Authority and the prices at which such fuels can be purchased by the Authority are subject to various factors which affect the availability and the price of fuels in the domestic and world markets and to actions by governmental authorities with respect to fuels, including mandatory federal allocation programs for oil and regulations with respect to mining.

During the fiscal year ended June 30, 1980, the Authority's energy supply including energy wheeled to SEPA preference customers was derived approximately 81% from coal-fueled generation, .2% from oil-fueled generation, 11.5% from the Authority's hydro facilities and 7.3% from purchases from SEPA, SCE&G and CP&L.

The following table indicates the percentages of energy to be produced by the various fossil fuels and non-fossil sources expected to be available to the Authority through the fiscal year ending June 30, 1985:

<u>Fiscal Year Ending June 30</u>	<u>Fossil</u>				
	<u>Oil</u>	<u>Coal</u>	<u>Nuclear</u>	<u>Hydro</u>	<u>Other(1)</u>
1981	1.0%	86.4%	—	6.6%	6.0%
1982 .....	.1	81.3	9.1%	6.0	3.5
1983 .....	.1	76.7	13.9	5.7	3.6
1984	2.0	77.7	12.1	4.9	3.3
1985 .....	.7	79.3	12.6	4.3	3.1

(1) SEPA hydro, assuming power equal to that provided under present contract will continue to be available in fiscal year 1982 and thereafter, and purchases from SCE&G. For information concerning a potential reduction in supply of energy from SEPA in such year, see caption "The Authority—Power Supply".

Coal

The Authority receives bituminous coal for its Grainger, Jefferies and Winyah Generating Stations from five companies under six separate contracts and from limited spot purchases.

One contract, expiring December 31, 1983, provides for delivery of 350,000 tons annually. A second contract, expiring December 31, 1989, provides for delivery of 480,000 tons annually. A third contract, expiring September 30, 1998, or upon the exhaustion of the coal reserves leased by the supplier, provides for delivery of 420,000 tons annually and grants to the Authority options to increase tonnage to be delivered to 500,000 tons annually. A fourth contract provides for delivery of 1,000,000 tons annually and expires December 31, 1999. A fifth contract, expiring January 1, 2004, provides for delivery of 100,000 tons annually beginning in 1981, gradually increasing to 1,000,000 tons annually in 1986. Under this contract, the Authority has the first right of refusal to all recoverable coal reserves on the mined properties estimated to be 34,500,000 tons. A sixth contract, expiring December 31, 2000, provides for delivery of 500,000 tons annually. The Authority may increase tonnage to be delivered under such contract by 500,000 tons annually by the end of 1980, by an additional 500,000 tons annually during 1983 and 1984, and by an additional 500,000 tons annually during 1984 and 1985. In addition, the Authority has first right of refusal to any additional tonnage above 2,000,000 tons produced annually from the mined properties which are estimated to contain over 70 million tons of recoverable coal reserves. All of such suppliers, with the exception of one, have fast loading facilities and provide for delivery of coal in unit train shipments.

As of July 3, 1980, the Authority had on hand coal sufficient to satisfy its requirements for approximately 74 days of projected operation.

The actual coal tonnages required during the fiscal year ended June 30, 1979 and the estimated tonnages required for the fiscal years ending June 30, 1980 through 1985 and amounts under contract, are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Tons Required</u>	<u>Tons Under Contract(1)</u>
1979	2,441,456	—
1980	2,411,466	—
1981	3,577,000	2,800,000
1982	3,570,000	2,950,000
1983	3,532,000	3,050,000
1984	3,744,701	2,975,000
1985	4,038,671	3,025,000

(1) Does not include additional tonnage available under contract expansion options.

Air quality requirements for emissions from the Authority's generating units limit the maximum sulfur content of coal used by the Authority. Such requirements range from a limit of 1.1% in the case of Unit 2 at the Winyah Generating Station to 2.0% in the case of Units 3 and 4 at the Jefferies Generating Station and the

Grainger Generating Station. The sulfur content of coal received under existing contracts ranges from approximately .9% to 2.0%. The Authority does not anticipate difficulty in obtaining an adequate coal supply with sulfur content within acceptable ranges to meet foreseeable needs.

Should the need arise, the Authority has the flexibility to transfer unit train deliveries between the Jefferies and Winyah Generating Stations, as well as receiving less than unit train deliveries at either of these two stations. The Authority has purchased 154 coal cars to insure their availability.

The average cost of coal purchased by the Authority during the four fiscal years ended June 30, 1979 and during the 12 months ended May 31, 1980, including the cost of rail freight, was as follows:

<u>Period</u>	<u>Average Cost per Ton</u>	<u>Average Cost per Million Btu</u>
Fiscal year ended June 30:		
1976	\$25.85	\$1.102
1977	25.99	1.124
1978	31.80	1.384
1979	34.95	1.484
12 months ended May 31, 1980	36.60	1.498

The Authority believes that as a result of the Federal Surface Mining Control and Reclamation Act of 1977 and the rules promulgated thereunder, which also affect underground mining, there will be increases in the cost of coal to the Authority which will be recovered through its fuel adjustment clause.

Nuclear

Under the Summer Agreement SCE&G acts for itself and as agent for the Authority in the construction and operation of the Summer Nuclear Station including the acquisition and management of nuclear fuel.

In order to fuel and operate a nuclear generating station, six distinct stages of the fuel cycle are involved: (1) the mining and milling of uranium ore to yield uranium concentrates, (2) the conversion of uranium concentrates to uranium hexafluoride, (3) the enrichment of the uranium hexafluoride, (4) the conversion of the uranium hexafluoride to uranium dioxide and the fabrication of fuel assemblies into which the uranium dioxide is incorporated, (5) the utilization of the nuclear fuel in the generating station reactor and (6) the reprocessing of the spent fuel including the appropriate disposition of radioactive wastes, or, alternatively, the extended storage of the spent fuel.

Uranium. The initial core for the Summer Nuclear Station, consisting of three regions of fuel, has been procured from Westinghouse and other sources and is available at the Station.

SCE&G had originally contracted with Westinghouse for eight regions of fuel for reload purposes, in addition to the three regions required for the initial core. Approximately one reload region would be required each year. In September 1975, Westinghouse notified SCE&G that "Under present and anticipated market conditions, Westinghouse finds itself unable to obtain sufficient uranium to meet . . . customer needs except at such onerous prices that performance on Westinghouse's part would be commercially impracticable". In October 1975, SCE&G commenced an action against Westinghouse seeking specific performance of the uranium supply provisions of the contract and damages for its breach. In October 1978, the United States District Court for the Eastern District of Virginia ruled that Westinghouse had breached its contract to supply uranium for the Summer Nuclear Station and recommended that SCE&G and other utilities with similar contracts attempt to negotiate a settlement of the damages with Westinghouse. SCE&G, for itself and as agent for the Authority, has entered into an agreement to settle this lawsuit. The settlement agreement has been approved by the Authority, SCE&G and Westinghouse and by order of the Court. By terms of the order approving the settlement, the Court imposed confidentiality upon the details of the settlement. The settlement generally provides for a cash payment of \$30,000,000 to the Authority and SCE&G (of which the Authority's share is \$10,000,000) and that Westinghouse will supply up to 1,600,000 pounds of uranium from 1981

through 1988 from specified sources, provide equipment and services and fuel fabrication with various discounts from the regular charges therefor during the period of 1980 through 1996, and waive its rights to price adjustments with respect to 731,000 pounds of uranium previously delivered under a prior Court-ordered allocation plan. Under the terms of the settlement agreement Westinghouse has the right to supply uranium from sources other than those specified. The Authority and SCE&G also may be entitled to certain proceeds that Westinghouse may receive as a result of an antitrust suit against 29 uranium producers. The Court has retained jurisdiction over the parties and the subject matter until there has been final compliance with all provisions of the settlement.

The original Westinghouse contract provided for the furnishing of sufficient uranium for the first eleven regions of nuclear fuel for the Summer Nuclear Station. The settlement agreement provides that deliveries of 200,000 pounds of uranium are to be made in 1981, and that the remaining 1,400,000 pounds will be delivered in regular instalments through 1988. SCE&G estimates that the total uranium requirements for the first eleven regions will be 3,700,000 pounds. SCE&G has to date acquired from Westinghouse and others 968,000 pounds (26% of the total requirement). The 1,600,000 pounds provided for in the settlement agreement represent 43% of the total requirement, leaving 1,132,000 pounds (31% of the total requirement) to be obtained through purchases in the open market. SCE&G has not purchased any uranium in the open market since 1976.

On April 23, 1980, Westinghouse notified SCE&G that the NRC had issued a show cause order which could result in the closing of the mine which is the source of most of the uranium to be supplied under the settlement agreement. On May 23, 1980, following the submission of analyses by the mine operator, the NRC terminated the show cause order, imposed certain conditions to the resumption of operations at the mine and required the mine operator to demonstrate within 90 days that control of certain pollutants and restoration of contaminated areas can be achieved by prescribed procedures. Although Westinghouse is taking steps to meet such requirements, it has indicated that it believes that the matters described above could constitute a force majeure under the terms of the settlement agreement. The force majeure provisions of the settlement agreement provide, among other things, for delays in deliveries and may permit certain payments by Westinghouse in lieu of deliveries, the details of which are covered by the Court's confidentiality order. This development could require SCE&G to make additional purchases of uranium on the open market beyond those contemplated at the time of settlement, the economic consequences of which SCE&G cannot predict with certainty.

Conversion, Enrichment, Fabrication and Reprocessing. Conversion services to be provided by Westinghouse are deemed adequate for all reload regions through 1989. Fabrication services are to be provided by Westinghouse for 12 reload regions.

SCE&G has also contracted with the United States Department of Energy ("DOE") for supplying the necessary enrichment services through the year 2002, which is adequate for operation through the year 2004. SCE&G currently has no commitments for reprocessing nuclear fuel as there are no reprocessing facilities presently operating commercially or planned in the United States. The presently known alternative to reprocessing is extended storage of the spent fuel. Facilities are being incorporated in Summer Nuclear Station for on-site storage of 13 reload regions of fuel which is expected to be adequate for approximately ten years of operation and to permit storage of the entire reactor core (3 regions) in the event complete unloading should be required for any reason. SCE&G presently has no arrangements for off-site storage of spent nuclear fuel.

REGULATORY MATTERS

Federal Energy Regulatory Commission

The Authority operates its Jefferies Hydroelectric Generating Station and certain other property under License No. 199 issued by the Federal Energy Regulatory Commission ("FERC") pursuant to the Federal Power Act. The license is scheduled to expire on March 31, 2006.

The Authority is required to obtain the approval of the FERC for the construction of its planned generating station near Cross, South Carolina as it will be necessary to draw make-up waters from the project

area of FERC Project No. 199. An application for permission to use the project waters for the Cross station has been filed with FERC and public notice of that filing has been issued. No protests or petitions to intervene have been filed in connection with that application.

Dam Safety Inspection. Under regulations of the FERC, dams forming a part of a licensed project must undergo safety inspections at five year intervals. In 1976 the engineering firm of Chas. T. Main, Inc. ("Main") was retained by the Authority to perform the required inspection.

Extensive testing performed under Main's supervision and reviewed by the FERC staff and its expert consultants reveals that the West Pinopolis Dam at Lake Moultrie would be marginally unstable under applicable design earthquake criteria and the North Santee Dam at Lake Marion would be unstable under applicable design earthquake criteria. It was determined that all dams could withstand the probable maximum flood.

Additional tests are being performed on the West Pinopolis Dam which may establish that this dam complies with FERC standards. However, because of the location of that dam with regard to heavily populated areas, the Authority is conducting studies to determine what action is necessary to increase the West Pinopolis Dam's safety with respect to seismic activity.

As the area along the Santee River below the North Santee Dam is uninhabited swamp and flood plain, a break in that dam would result in little property damage and probably no loss of life.

Main has advised the Authority preliminary cost estimates to repair or rebuild the North Santee Dam are approximately \$120,000,000. This information has been furnished to FERC. Main has also furnished the Authority with flood maps showing the extent and time delay for flooding of both the Santee and Cooper Rivers. These maps have been used by the Authority to update its Emergency Action Plan.

Meetings have been held with emergency preparedness officials of the State and the counties concerned in order that they might be made aware of all information available to the Authority.

The FERC has not determined what action the Authority will be required to take with regard to either of the mentioned dams.

i Environmental Matters

Both federal and state authorities have imposed various environmental control requirements relating primarily to airborne pollution and the discharge of pollutants, including heat, into waters in the vicinity of the Authority's generating stations. Standards related to environmental suitability are subject to change, and litigation by environmental groups and others may affect the construction of facilities or their operation. The Authority endeavors to insure that its facilities comply with applicable environmental regulations and standards; however, no assurance can be given that necessary authorizations and permits will be received, or that standards as to environmental suitability will not be changed in a manner to affect adversely the Authority or its operations. The Authority cannot now estimate the precise effect of existing and potential regulations and legislation upon any of its existing and proposed facilities and operations, nor the impact of additional costs which may be incurred in effecting compliance with potential regulations and legislation.

Air Quality. Pursuant to the Federal Clean Air Act of 1970, as amended (the "Air Act"), the Environmental Protection Agency ("EPA") promulgated primary and secondary ambient air quality standards with respect to certain air pollutants including particulates, sulfur oxides and nitrogen oxides. These standards are to be achieved by the application of control strategies developed by the states and included in implementation plans filed with the EPA for approval and by the enforcement of federal new or modified source performance standards. DHEC has adopted state implementation plans generally designed to achieve the primary and secondary air quality standards, which plans have been approved by the EPA. These regulations affect the siting of new plants as well as the type of pollution controls required and provide for penalties for noncompliance after a certain date. Plants on which construction commences after the promulgation of proposed regulations must use the "best technological system of continuous emission reduction", and the use of untreated low sulfur coal as a sole means of compliance is precluded.

The EPA has promulgated regulations establishing stringent standards for particulate, sulfur dioxide and nitrogen oxide emissions for generating stations, the construction of which is commenced subsequent to August 17, 1971 or which after such date, are modified in such a way as to increase emissions of air pollutants or cause the emission of air pollutants not previously emitted. The EPA Administrator proposed revised new source performance standards in September 1978. These standards, which have a prospective effect from the date of proposal, include not only an emission limitation but also require the achievement of a percentage reduction from the emissions that would otherwise result from combustion of non-treated fuels.

The Authority has received operating permits for all of its existing generating facilities, except Winyah No. 3. The operating permit for Winyah No. 3 is contingent on demonstrating compliance with pollution control requirements. The Authority does not anticipate any difficulty in obtaining this permit. The Authority believes its facilities are operating substantially in compliance with the permits.

The EPA has published regulations (the "PSD regulations") designed to prevent "significant deterioration" of air quality in portions of a state where air quality is now better than the applicable secondary ambient standards. In June 1978, the EPA published amended PSD regulations. Revised regulations have been proposed. The Authority is unable to predict the effect which the PSD regulations will have upon its operations.

The Authority has received construction permits for Winyah No. 4 and Cross Nos. 1 and 2, subject to certain conditions. The Authority does not anticipate any difficulties in meeting the conditions of the permits.

Water Quality. The Federal Water Pollution Control Act, as amended (the "Water Act") prohibits the discharge of pollutants, including heat, from point sources into waters of the United States, except as authorized in permits of no longer than five years duration issued under the National Pollutant Discharge Elimination System ("NPDES permits"). The Water Act provides for reduction of pollution discharges in various stages and categories. The Water Act also requires that cooling water intake structures reflect the "best technology available for minimizing adverse environmental impact". The EPA has promulgated regulations with respect to such matters, some of which are being contested in the courts.

DHEC has issued NPDES permits, expiring in 1981, for all of the Authority's existing generating facilities, except Winyah No. 3. It is expected that the Authority will be required to comply with more stringent requirements in order to obtain renewals of such permits as additional provisions of the Water Act become applicable. The Authority has applied to DHEC to modify the existing NPDES permit for Winyah Nos. 1 and 2 to include Winyah Nos. 3 and 4. The Authority has applied for a NPDES permit for Cross Nos. 1 and 2. The Authority does not anticipate any difficulties in obtaining such permits.

In November 1975, the EPA promulgated regulations requiring each state or regional planning agency within each state to develop and implement water quality management plans for all waters of the state, which plans are to give effect to, among other things, a state-wide "anti-degradation" policy.

In June 1979, the EPA issued revised regulations governing the permit program under the Water Act. Proceedings seeking review of certain aspects of these regulations have been instituted by the electric utilities and other industries. Although it is not possible to predict the outcome of these proceedings, should the contested regulations ultimately be sustained in their present form, they could result in substantial additional costs for the Authority in obtaining and implementing water discharge permits, although the exact nature and the amount of such costs cannot be accurately predicted. The EPA has also proposed new sampling requirements for water discharge permit renewals by adding over one hundred pollutants to existing testing requirements. While some sampling requirements may be reduced upon final promulgation, it is expected that significant additions to the Authority's sampling and testing effort will be necessary. The Authority cannot predict how or whether this additional sampling will affect its water discharge permits.

Nuclear Matters

The Summer Nuclear Station is subject to regulation by the NRC, a successor to the Atomic Energy Commission ("AEC"). The construction permit for the Summer Nuclear Station was issued by the AEC in 1973. In December 1976, an application for an operating license for the Summer Nuclear Station was filed with the NRC. In February 1978, the NRC granted the petition of a party living near the site of the Summer Nuclear Station to intervene in the licensing proceeding.

In December 1978, Central petitioned the NRC to make a finding of significant change in the activities of the Authority and SCE&G, the licensees, and to refer the matter to the Attorney General of the United States for an antitrust review and his advice as to any conditions relating to the antitrust laws that should be placed in the operating license for the Summer Nuclear Station. The petition as amended alleges that the licensees agreed to restrict competition between themselves in the sale of electric power, that Central is almost entirely dependent upon the Authority for bulk power supply, and that the Authority's dual rates to Central unfairly restrict Central's constituent members from competing with the Authority for large power loads. The Authority and SCE&G have opposed such petition. While the ultimate relief sought by Central in its petition is not clear, the NRC has no direct jurisdiction over the Authority's rates, and Central's petition states that "Central notes that it is dependent on the Authority for almost all of its power supply and would suffer serious injury if there were to be any delay in granting an operating license for said Summer unit." The Authority and SCE&G do not believe, even if the petition were granted, that any such antitrust review would result in delay in issuance of the operating license. In March 1979, the staff of the NRC filed a response to Central's amended petition concluding that the NRC should deny such petition. In June 1980, the NRC requested the Department of Justice to provide its views whether a hearing would be required and also invited the parties to provide it and the Department of Justice with information concerning their negotiations. See caption "The Authority—Central Contracts".

The NRC has issued a rule, effective September 4, 1979, which is being contested by certain intervenors in court proceedings, relating to the environmental impact of fuel processing and waste disposal. This rule would provide for a generic proceeding to consider evidence "regarding the likelihood that nuclear waste can be safely disposed of and when that, or some other off-site storage solution, can be accomplished." No prediction can be made as to whether these matters will delay the issuance of an operating license for the Summer Nuclear Station.

SCE&G and the Authority are required to obtain liability insurance and a United States Government indemnity agreement for the Summer Nuclear Station prior to the time the NRC operating license is issued to insure against their maximum liability under the Price Anderson Act (currently \$560,000,000) for any public claims arising from a nuclear incident. Commencing August 1, 1977, the United States Government's indemnity responsibilities began to be phased out and replaced by a mandatory industry-wide program of self-insurance, under which each licensee of a nuclear power plant became obligated, in the event of a nuclear incident involving any commercial nuclear facility in the country, to pay a deferred premium of up to \$5,000,000 per incident, up to a maximum of \$10,000,000 per year in the event of more than one incident. The \$560,000,000 limitation will increase as assessments available under the self-insurance program exceed that amount, due to an increase in the number of units subject to such assessments. After the Summer Nuclear Station becomes subject to the deferred premium system, the Authority will be liable for one-third of each deferred premium assessed with respect to the Station.

In March 1979, an accident occurred at TMI located near Harrisburg, Pennsylvania resulting in a shutdown of Unit 2, the release of radiation to the environment, and damage to the core of the nuclear reactor. Investigations of the accident were undertaken by various governmental and regulatory commissions and recovery operations are in progress. As a result of this accident, the NRC suspended the issuance of operating licenses for new nuclear power plants pending the completion of certain studies. Commencing in February 1980, the NRC has granted restricted operating licenses for new nuclear plants. It is not clear how rapidly full power operating licenses will be issued by the NRC, and neither SCE&G nor the Authority can predict when the operating license for the Summer Nuclear Station will be received.

Changes evolving from the TMI accident have been and are being made to the Summer Nuclear Station on a priority basis to meet new regulatory requirements. Additional changes may be required, but neither the Authority nor SCE&G can predict the extent of such changes or the magnitude of the costs thereof. Neither the Authority nor SCE&G can predict the ultimate effect of the TMI accident and subsequent developments in legislation and regulation upon the future operations of the Summer Nuclear Station.

Department of Energy—Rate Making and Fuel Use

The Public Utility Regulatory Policies Act of 1978 requires, among other things, that each electric utility having annual retail sales in excess of 500 million kWh, including the Authority, determine, after a

public hearing held prior to November 9, 1981, whether adoption of various retail rate design standards (such as time of day, seasonal and interruptible rates, rates based on cost of service, the prohibition of certain declining block rates and various load management techniques) will conserve energy supplied by such utility, promote efficient use of such utility's resources and provide equitable rates to such utility's retail customers. The Act provides that the Secretary of the DOE, any affected electric utility, or any affected retail customer of such utility may intervene in any ratemaking or similar proceeding in order to initiate and participate in the consideration of such standards. The Authority has retained Main as consultants to advise it concerning steps necessary to comply with the foregoing requirements.

In addition, the Act requires such electric utilities to determine, after public hearings held prior to November 9, 1981, whether to adopt certain retail practice standards (concerning automatic adjustment clauses, master metering, information to consumers, advertising and termination of electric service). The Authority has held the required hearings concerning the retail practice standards and its Board of Directors has completed the required determinations.

The Powerplant and Industrial Fuel Use Act of 1978 places restrictions, among other things, on the use of petroleum and natural gas as a fuel in certain electric powerplants. With respect to certain existing powerplants, which are fueled by oil, including Units 1 and 2 of the Jefferies Generating Station and the Authority's existing combustion turbines, the Economic Regulatory Administration ("ERA") of the DOE may prohibit the use of oil as a primary energy source if the ERA finds that such powerplant has or had the technical capability to use coal or an alternate fuel as a primary energy source or could have such capability without substantial physical modification or substantial reduction in its rated capacity, and that it is financially feasible to use coal or an alternate fuel. The Authority normally generates less than two percent of its power supply from oil.

CERTAIN PROVISIONS OF THE INDENTURE AND RESOLUTION

The following statements are summaries of certain provisions of the Indenture and Resolution and are subject to the detailed provisions thereof. See also caption "Security for Expansion Bonds—Pledge of Revenues, Reserve Account Requirement and Rate Covenant". Terms used under this caption which are defined in the Indenture and Resolution are used herein as so defined.

Funds and Accounts

Revenue Fund: The Revenue Fund shall be held in trust and administered by the Indenture Trustee so long as any of the Priority Obligations are outstanding and thereafter shall be held in trust and administered by the Authority. The Authority covenants and agrees in the Indenture that it will pay into the Revenue Fund, as promptly as practicable after receipt thereof, all of the revenues of the System.

Order of Payments from Revenue Fund: Under the Indenture moneys shall be disbursed by the Indenture Trustee from the Revenue Fund to other funds and accounts of the Authority, created by the Indenture, or permitted by the Indenture and created by the Resolution, in the following order:

1. *Operating Fund:* To pay monthly to the Authority for its Operating Fund an amount sufficient to cover operating and maintenance costs for 30 days. However, no moneys shall be so paid for Lease Payments.
2. *Interest Fund:* To pay monthly to the Interest Fund a proportionate amount of the next due interest payment on the Priority Obligations.
3. *Bond Fund:* To pay monthly to the Bond Fund a proportionate amount of the next due payment for the principal and sinking fund installments on the Priority Obligations.
4. *Debt Service Reserve Fund:* To pay to the Debt Service Reserve Fund for the Priority Obligations amounts sufficient to maintain that Fund at the required level equal to debt service on the Priority Obligations for the next 24 months.
5. *Expansion Bond Fund:* To pay monthly to the Expansion Bond Fund Trustee, proportionate amounts of the next due interest, principal and sinking fund installments on the Expansion Bonds, for

deposit appropriately in the *Interest Account*, *Principal Account*, and *Bond Retirement Account*. In the event that a deficiency should occur in the *Reserve Account*, payments into such account to restore such deficiency over a period of 60 months would be required. See caption "Security for Expansion Bonds—Reserve Account Requirement".

6. *Lease Fund*: To pay monthly to the Authority for deposit in the Lease Fund a proportionate amount of the next due Lease Payments.

7. *Contingency Fund*: Whenever a deficiency occurs in the Contingency Fund, whereby there is in such fund less than the required amount of \$1,152,000, payments into such fund are required to be made to restore such deficiency over a period of 60 months.

8. *Capital Improvement Fund*: To pay into the Capital Improvement Fund amounts approved by the Authority. Under the Indenture no minimum amount is required to be so paid. Under the Resolution an annual *Minimum Capital Improvement Requirement* is established. The requirement is an amount which, together with the amounts deposited in the Capital Improvement Fund in the two immediately preceding fiscal years, is at least equal to 8% of the gross revenues (Operating Revenues and Other Income) derived from the ownership and operation of the Authority's System in the three immediately preceding fiscal years; provided that, after the 1973 Bonds and 1974 Bonds are no longer outstanding, the requirement is an amount which, together with the amounts deposited in the Capital Improvement Fund in the two immediately preceding fiscal years, is at least equal to 12% of the gross revenues (Operating Revenues and Other Income) of the Authority after deducting therefrom "fuel" expense (including "nuclear fuel expense") and the energy related component of "purchased power" expense, determined in accordance with the Uniform System of Accounts prescribed for Public Utilities and Licensees of the Federal Power Commission in effect on January 1, 1977, derived from the ownership and operation of the Authority's System in the three immediately preceding fiscal years.

9. *Special Reserve Fund*: The Indenture provides that on January 15 and July 15 of each year, after meeting all the requirements of the funds and accounts previously mentioned, any moneys remaining in the Revenue Fund, accumulated prior to the preceding January 1 and July 1, shall be divided by the Indenture Trustee into two parts. One half shall be paid by the Indenture Trustee to the Treasurer of the State of South Carolina for the general funds of the State, and the remainder shall be paid into the Special Reserve Fund, and become available for any lawful purpose of the Authority, as the Authority may determine.

Effect of the Resolution

Under the Resolution, after all Priority Obligations have been retired, or provision has been made therefor, the Expansion Bonds will become gross revenue bonds. Moneys shall then be disbursed by the Authority from the Revenue Fund in the following order:

1. *Expansion Bond Fund*: To pay monthly to the Expansion Bond Fund Trustee, proportionate amounts of the next due interest, principal and sinking fund installments on the Expansion Bonds, for deposit appropriately in the *Interest Account*, *Principal Account* and *Bond Retirement Account*. In the event that a deficiency should occur in the *Reserve Account*, payments into such account to restore such deficiency over a period of 60 months would be required.

2. *Lease Fund*: To pay monthly to the Lease Fund a proportionate amount of the next due Lease Payments.

3. *Operating Expenses*: To pay expenses of operation and maintenance.

4. *Capital Improvement Fund*: To pay during each fiscal year into the Capital Improvement Fund amounts at least equal to the Minimum Capital Improvement Requirement.

Any moneys remaining in the Revenue Fund after making the foregoing payments would then be available for any lawful purpose of the Authority, including the making of payments to the State of South Carolina.

Investment of Funds

Funds established by the Indenture, other than the Operating Fund, the Interest Fund and the Bond Fund, may be invested, but only in securities constituting direct obligations of, or unconditionally guaranteed as to principal and interest by, the United States of America. Income received from the investment of such moneys is to be deposited by the Indenture Trustee in the Revenue Fund.

The Resolution defines "Government Obligations" as direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America and "Investment Securities" as (1) Government Obligations, (2) obligations of any agency or corporation which is or may hereafter be created by an Act of the Congress of the United States as an agency or instrumentality thereof, (3) Public Housing Bonds or Project Notes fully secured by contracts with the United States of America and (4) obligations to the payment of the principal of and interest on which the full faith and credit of the State of South Carolina is pledged.

Moneys in the Construction Fund may be invested in Investment Securities and in certificates of deposit issued by any bank, trust company or national banking association in South Carolina which has capital stock and surplus of at least \$4,000,000 or in any other State which has capital stock and surplus of at least \$50,000,000.

Moneys in the Interest Account, Principal Account and Bond Retirement Account in the Expansion Bond Fund and in the Lease Fund may be invested in Government Obligations. Amounts in the Interest Account representing funded interest on the 1979A, 1980A and 1980B Bonds may be invested in Investment Securities. Moneys in the Reserve Account in the Expansion Bond Fund may be invested in Investment Securities.

After all Priority Obligations have been retired, or provision has been made therefor, moneys in the Revenue Fund and in the Capital Improvement Fund may be invested in Government Obligations and Investment Securities, respectively.

Investments of any fund or account shall mature at the times required to provide moneys to make the payments required to be made from said fund or account, except that investments of the Reserve Account in the Expansion Bond Fund must mature within seven years from the date of making the investment.

Additional Expansion Bonds

1. Additional Expansion Bonds may be issued under the Resolution and their terms shall be established by a Series Resolution.

2. If such additional Expansion Bonds are being issued to acquire or construct a Power Plant, the amount to be authorized shall be not less than the amount of the estimated cost of the Power Plant, including capitalized interest, Reserve Account provision and expenses of issuance after deducting estimated investment earnings and any amount being provided for by moneys other than bond proceeds. Such authorized amount may be issued at one time or from time to time.

3. However, in case of issuance from time to time, debt service computations (involved in determining compliance with the earnings test provision of the Resolution respecting additional Expansion Bonds) shall relate to the total authorized amount, with equal annual combined principal and interest payments, computed at the average interest rate on the Expansion Bonds then being issued, beginning the second July 1 following the then estimated date of commercial operation of the Power Plant and continuing until the final maturity date of such Expansion Bonds theretofore issued or then being issued. Also, in case of issuance from time to time, after the first of such authorized Expansion Bonds have been issued in compliance with the earnings test provision of the Resolution, second and subsequent installments of the authorized Expansion Bonds may be issued provided that the Construction Engineer shall file with the Expansion Bond Fund Trustee a certificate that in his opinion the costs of construction of the Power Plant have not increased so as to require an increase in the amount of Expansion Bonds authorized for the Power Plant. If the costs of construction have increased, the Authority must increase the amount of the authorized issue accordingly and must again comply with the earnings test provision of the Resolution.

4. If the Authority proposes to issue Expansion Bonds for a second project while a Power Plant partially financed is still under construction, the Construction Engineer for such Power Plant shall certify that the costs of construction of such Power Plant have not increased. If such costs have increased, the amount of Expansion Bonds authorized for such Power Plant shall be increased accordingly unless the investment of the proceeds of the Expansion Bonds or Revenues of the Authority will be available to meet such deficiency, and the Authority must, in complying with the earnings test provision of the Resolution, reflect such increased amount of Expansion Bonds.

5. Additional Expansion Bonds may be issued provided that (a) there is no default in any of the provisions of the Indenture or Resolution; (b) the amount in the Reserve Account in the Expansion Bond Fund is, or will be upon issuance of such Expansion Bonds, equal to the Reserve Account Requirement; and (c) except in the case of the second or subsequent installments of authorized Expansion Bonds as set forth above, a certificate of the Consulting Engineer is filed with the Expansion Bond Fund Trustee evidencing compliance with the earnings test provision of the Resolution. Such earnings test provision is contained in Article II (Section 2.6) of the Resolution and is briefly summarized below.

6. Net Revenues (being the Operating Revenues and Other Income less expenses of operation and maintenance, except Lease Payments and depreciation) in each succeeding fiscal year to and including (a) the fiscal year which is the third succeeding fiscal year after the date of sale of the additional Expansion Bonds or (b) the fiscal year which is the first fiscal year after the date, or estimated date, of commercial operation of any Power Plant to pay the costs of construction of which additional Expansion Bonds have been or are then being issued or are then authorized to be issued, whichever is later, shall be at least equal to the sum of (i) the amount required in such fiscal year to provide for the payment of the principal of and interest on the Priority Obligations, the Expansion Bonds then outstanding, and the additional Expansion Bonds then being issued; (ii) the amount estimated to be required in such fiscal year to provide for the payment of the principal of and interest on additional Expansion Bonds which have been authorized but not yet issued; (iii) the amount required in such fiscal year for payment into the Lease Fund; and (iv) an amount equal to 8% of the gross revenues (Operating Revenue and Other Income) in such fiscal year. In computing interest requirements, amounts funded or authorized to be funded shall be omitted.

7. Net Revenues for each fiscal year covered by the earnings test shall be Net Revenues for the Base Period adjusted by the Consulting Engineer as provided in the Resolution and summarized below. The Base Period shall be twelve consecutive months out of the preceding eighteen months.

8. The Consulting Engineer shall adjust the Net Revenues for the Base Period by any or all of the following conditions and requirements as may be appropriate to the circumstances:

(a) Acquisition of operating electric utility properties;

(b) Changes in rates including any which are to go into effect not less than 12 months prior to (i) the estimated Date of Commercial Operation of the new Power Plant or (ii) the date to which interest on the additional Expansion Bonds then being issued is capitalized, whichever occurs earlier;

(c) New or amended power sales contracts with customers;

(d) Investment income on increased amounts to be held in the Reserve Account in the Expansion Bond Fund by reason of the issuance of additional Expansion Bonds;

(e) Increases or decreases in power production expenses in case water conditions during the Base Period resulted in output of the Authority's hydroelectric generating facilities being more or less than the average of the preceding twenty years;

(f) Estimated revisions of salary and wage rates and fuel, equipment and supply prices and rate escalation provisions of power sales contracts;

(g) Power sales contracts with other electric utilities for the sale by the Authority of surplus power and energy and power purchases from other electric utilities to supplement the Authority's generating capability; and

(b) Increases in sales to customers at rates of increase determined after a study of the rates of increase for the preceding ten fiscal years and other factors which the Consulting Engineer may deem pertinent and increases in cost associated with the increase in sales and the installation of additional facilities.

Amendments of the Resolution Effectuated by Supplemental Resolutions

By a supplemental resolution, adopted February 16, 1977, the Authority has amended the foregoing provisions of the Resolution respecting additional Expansion Bonds, to take effect at such time as the 1973 Bonds and the 1974 Bonds are no longer outstanding, so that subclause (iv) of clause (b) of paragraph 6 shall read:

"(iv) an amount equal to 12% of the gross revenues (Operating Revenues and Other Income) after deducting therefrom 'fuel' expense (including 'nuclear fuel expense') and the energy related component of 'purchased power' expense determined in accordance with the Uniform System of Accounts prescribed for Public Utilities and Licensees of the Federal Power Commission in effect on January 1, 1977, in such fiscal years."

By a supplemental resolution, adopted August 31, 1977, the Authority has amended the foregoing provisions of the Resolution respecting additional Expansion Bonds, to take effect at such time as the 1973 Bonds, the 1974 Bonds and the 1977 Refunding Bonds are no longer outstanding, so that clause (b) of paragraph 8 shall read:

"(b) Changes in the rates of the Authority which have been adopted by the Authority and are then in effect or will be in effect in a fiscal year to which his certificate pertains."

Separate System

Under the Resolution, after the Priority Obligations have been retired, the Authority may create a separate utility system for the purpose of financing facilities for the generation of electric power and energy or for the transmission thereof at voltages of 230 kV or more, by the issuance of bonds or other evidences of indebtedness, other than Expansion Bonds, which shall be payable solely from the revenues or other income derived from the ownership and operation of such separate utility system. In the event that the Authority should purchase, for use in the System, power and energy produced or transmitted by such separate utility system, payments therefor would be payable only after required payments have been made to the Expansion Bond Fund and the Lease Fund.

Junior Lien Obligations

Nothing in the Resolution shall prevent the Authority from issuing bonds, notes, bond anticipation notes, warrants, certificates or other evidences of indebtedness the payment of which shall be made from the proceeds of Expansion Bonds or other indebtedness of the Authority or from revenues, and if payable from revenues shall be made junior and subordinate to the payment of the Expansion Bonds. The Authority may create special funds to provide for the payment of such obligations, payments to which shall be made after payments to the Expansion Bond Fund, and may, at the Authority's option, be made prior to or after payments into the Lease Fund.

Engineering Reports and Audits

The Indenture requires that, no less frequently than once in each period of three years the Authority and the Indenture Trustee shall each appoint an Independent Engineer who together shall select a third Independent Engineer the three to constitute a "Board of Engineers", who shall review the books and records of the Authority, inspect the properties and report its findings and recommendations. Under the Resolution, after the Priority Obligations have been retired, the Consulting Engineer will perform such function.

The Resolution requires that, whenever the Authority has determined to issue additional Expansion Bonds in connection with the acquisition and construction of a Power Plant, it shall engage a Construction Engineer,

with experience in the design and construction of power plants and estimating the cost thereof, to design and supervise construction and to prepare the cost estimates and quarterly progress reports required by the Resolution. For the Summer Nuclear Station, Gilbert Associates, Inc. is performing the design services, Daniel Construction Company is providing construction services and SCE&G is providing overall management and preparing the cost estimates. Burns & Roe, Inc. has been appointed Construction Engineer for Winyah No. 4 and Cross Nos. 1 and 2. The Resolution also requires the Authority to employ a Consulting Engineer, with experience in analyzing the operation of electric utility systems, forecasting loads and revenues, preparing rate analyses and preparing feasibility reports respecting the financing of electric systems, to prepare any certificate which is required by the Resolution in connection with additional Expansion Bonds, sales of property or any other matters.

The Resolution requires quarterly financial reports and an annual full audit and report to be made by a certified or chartered Accountant. The Resolution also requires, during the period of construction of any Power Plant, a quarterly progress report. Any such report shall be furnished to any Bondholder who has furnished his name and address for such purpose.

Insurance

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

Sale, Lease or Other Disposition of Properties

The Authority may sell, lease or otherwise dispose of the System if simultaneously therewith provision is made for the retirement of all outstanding Priority Obligations and Expansion Bonds. The Authority may sell, lease or otherwise dispose of any part of the System if the Consulting Engineer shall certify to the Authority that, after taking into consideration the use by the Authority of the proceeds of such sale, lease or other disposition, the estimated Revenues to be derived from the remaining properties of the System will be sufficient to enable the Authority to comply with all the covenants and conditions of the Resolution. The Authority may sell, lease or otherwise dispose of surplus lands, crops, timber, stumpage, buildings and any portion of the works, plant and facilities which shall become unserviceable, inadequate, obsolete, worn out or unfit to be used in the operation of the System or no longer necessary, material to or useful for such operation.

Events of Default and Remedies under the Resolution

So long as any Priority Obligations are outstanding, the rights and remedies upon an Event of Default provided by the Resolution may only be exercised by the holders of the Expansion Bonds and the Bond Fund Trustee to the extent that the exercise of such right or remedy will not impair the rights of the holders of the Priority Obligations. Events of Default under the Indenture and the remedies of the holders of the Priority Obligations and the Indenture Trustee are summarized below under the subcaption "Events of Default and Remedies under the Indenture". An Event of Default under the Resolution may occur which is not an Event of Default under the Indenture and *vice versa*.

Under the Resolution, the happening of one or more of the following events constitutes an Event of Default: (i) default in the performance of any obligation with respect to payments into the Revenue Fund; (ii) default in the payment of the principal of or default for 30 days in the payment of interest or sinking fund installments on any Expansion Bonds; (iii) default for 90 days in the observance and performance of any other of the covenants, conditions and agreements of the Authority in the Resolution; (iv) the sale or conveyance of any properties constituting part of the System except as permitted by the Resolution or the failure to use its best efforts to maintain, the voluntary forfeiture or the lapsing or termination by neglect or default of, any license, franchise, permit or other privilege necessary or desirable in the operation of the System; and (v) certain events in connection with the bankruptcy, insolvency or reorganization of the Authority.

In case an Event of Default has occurred which has not been cured, the Bond Fund Trustee is required to exercise such of the rights and powers vested in it by the Resolution and use the same degree of care and

skill in the exercise thereof as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

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

After the occurrence of an Event of Default and prior to the curing of such Event of Default, the Bond Fund Trustee may, to the extent permitted by law, but only if the Priority Obligations are no longer outstanding, take possession and control of the System and operate and maintain the same, prescribe rates for capability or power sold or supplied through the facilities of the System, collect the gross revenues resulting from such operation and perform all of the agreements and covenants contained in any contract which the Authority is then obligated to perform. Such gross revenues, subject to the rights of the holders of the Priority Obligations, shall be applied first to the payment of the reasonable expenses and liabilities of the Bond Fund Trustee and thereafter to the payment of operating expenses and principal of and interest on the Expansion Bonds. After all sums then due in respect of the Expansion Bonds have been paid, and after all Events of Default have been cured or secured, to the satisfaction of the Bond Fund Trustee, the Bond Fund Trustee is required to relinquish possession and control of the System to the Authority. At any such time the Bond Fund Trustee shall be entitled to the appointment of a receiver of the business and property of the System, of the moneys, securities and funds of the Authority pledged under the Resolution, and of the Revenues, and of the income therefrom, with all such powers as the court or courts making such appointment shall confer.

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

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

Events of Default and Remedies Under the Indenture

Under the Indenture, the happening of one or more of the following events shall constitute an Event of Default: (i) default in the payment of the principal of any Priority Obligation when the amount shall become due and payable whether by the terms thereof, by call for redemption or by declaration; (ii) default in the payment of any installment of interest on any Priority Obligation when the same shall become due and payable, and such default shall continue for 30 days; (iii) default for 60 days in the payment or setting aside of any amounts required to be paid to or set aside in, or in the performance of any other obligation contained in the Indenture in respect of the Revenue Fund, the Interest Fund, the Bond Fund, the Debt Service Reserve Fund, the Contingency Fund, the Capital Improvement Fund or the Special Reserve Fund which is required by the terms of the Indenture to be made; (iv) any improper payments by the Authority out of any of the funds mentioned in (iii) above, unless reimbursed or corrected within 30 days after written notice of such default from the Trustee, which notice shall be given upon the request of the holders of not less than 10% of the outstanding Priority Obligations; (v) the sale, transfer, assignment or conveyance of the System or any portion thereof, necessary or desirable in the use and operation thereof, otherwise than as permitted by the Indenture or the allowance of any of its franchises, easements, or other rights, necessary in the operation of such properties to lapse or to be forfeited; (vi) the lapse of forfeiture of any license, permit or franchise

of the Authority necessary in the operation of such properties; (vii) certain events in connection with the bankruptcy, insolvency or reorganization of the Authority; and (viii) default by the Authority in the observance of any other covenant, condition or agreement of the Authority under the Indenture continuing for a period of 60 days after written notice of such default to the Authority from the Trustee, which notice shall be given upon request of the holders of not less than 5% of the Priority Obligations.

The remedies available to the Indenture Trustee and the holders of the Priority Obligations under the Indenture include remedies substantially identical to the remedies of the Bond Fund Trustee and the holders of the Expansion Bonds summarized herein under the subcaption "Events of Default and Remedies under the Resolution", except that the Indenture only provides for the appointment of a receiver and does not provide for the Indenture Trustee to take possession of the System.

Modifications of the Resolution

Modifications of the Resolution and of the rights and duties of the Authority and the holders of Expansion Bonds may be made with the consent of the Authority and written consent of the holders of not less than 66 $\frac{2}{3}$ % in principal amount of the Expansion Bonds at the time outstanding; provided that no modification shall be made which will (i) permit the creation of a lien on the Revenues pledged under the Resolution superior or prior to or on a parity with the lien of such Bonds (except to the extent provided in respect to the issuance of additional Expansion Bonds or Priority Obligations to refund outstanding Priority Obligations) or which will give any preference to any such Bonds over any other such Bonds or (ii) extend the fixed maturity date for the payment of any Expansion Bond, or reduce the principal amount of or interest rate on any such Bond or reduce any premium payable upon redemption or advance the date upon which any Expansion Bond may first be called for redemption; or (iii) reduce the percentage of Expansion Bonds the holders of which are required to consent to any amendment to the Resolution; or (iv) give any Expansion Bond or Bonds any preference over any other Expansion Bond or Bonds or reduce the payments required to be made to the Expansion Bond Fund, without the consent of the holders of all the Expansion Bonds affected thereby.

Defeasance

The obligations of the Authority under the Resolution shall be fully discharged and satisfied as to any Expansion Bond and such Expansion Bond shall no longer be deemed to be outstanding thereunder when payment of the principal of and the applicable redemption premium, if any, on such Bond plus interest to the due date thereof (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with the Bond Fund Trustee or the Paying Agents therefor in trust solely for such payment (i) moneys sufficient to make such payments or (ii) Permitted Investments (as hereinafter defined) maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and, except for the purposes of such payment, such Expansion Bond shall no longer be secured by or entitled to the benefits of the Resolution; provided that, with respect to Expansion Bonds which by their terms may be redeemed or otherwise prepaid prior to the stated maturities thereof but are not then redeemable, no deposit under (b) above shall constitute such discharge and satisfaction unless such Expansion Bond shall have been irrevocably called or designated for redemption on the first date such Expansion Bond may be redeemed in accordance with the provisions thereof and notice of such redemption shall have been given or irrevocable provision shall have been made for the giving of such notice. Permitted Investments are defined in the Resolution as (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, (ii) Public Housing Bonds or Project Notes fully secured by contracts with the United States of America and (iii) obligations to the payment of the principal of and interest on which the full faith and credit of the State of South Carolina is pledged.

PAYMENTS TO STATE AND LOCAL GOVERNMENTS

Payments in lieu of taxes to the State of South Carolina and local governments in each of the last five fiscal years have been:

1975	\$1,168,063
1976	1,394,477
1977	2,531,775
1978	1,853,982
1979	1,926,696

See item 9 under caption "Certain Provisions of the Indenture and Resolution—Funds and Accounts".

PENDING LEGAL PROCEEDINGS

No litigation is now pending, or, to the knowledge of the Authority, threatened, questioning the corporate existence of the Authority or the right of its officers to their respective offices or the right of the Authority to fix rates and other charges for the sale of electric energy, or questioning the right of the Authority to issue the 1980B Bonds.

Except as noted below, there are no other actions, suits or governmental proceedings pending, or to the knowledge of the Authority, threatened, before any court, administrative agency, arbitrator or governmental body which will, if determined adversely to the Authority, have a material adverse effect on its financial condition or its ability to transact its business.

An action was commenced in June 1980 against the Authority by Republic Contracting Corporation, ("Republic"), a disappointed bidder on a \$13,000,000 construction contract for the plant area foundations for Cross No. 2. Republic requested in its petition that the Court issue a temporary injunction restraining the Authority from proceeding any further with the award of, or construction under, the contract in question and an order declaring the contract awarded to Harbert Construction Company (the low bidder) null and void and directing the Authority to award the contract to Republic. On June 25, 1980, the trial court denied the grant of a temporary injunction. On June 27, 1980, Republic filed a Notice of Intent to Appeal from the June 25, 1980 order. The temporary relief requested was denied by the South Carolina Supreme Court.

TAX EXEMPTION

In the opinion of Bond Counsel, interest on the 1980B Bonds is exempt from present Federal income taxes under existing laws and regulations, and the 1980B Bonds and interest thereon are exempt from present South Carolina property and income taxes.

APPROVAL OF LEGAL PROCEEDINGS

Wood & Dawson, New York, New York, and McNair Glenn Konduros Corley Singletary Porter & Dibble, Columbia, South Carolina, Bond Counsel to the Authority, will render opinions with respect to the validity of the 1980B Bonds. A copy of such opinions will be printed on the 1980B Bonds and will be in substantially the form set forth in Appendix IV. Certain legal matters will be passed upon on behalf of the Underwriters by Simpson Thacher & Bartlett, New York, New York.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Corporation have given the 1980B Bonds ratings of " " and " ", respectively. Such ratings reflect only the respective views of such organizations and an explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating agencies, if in the judgment of either or both, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the 1980B Bonds.

UNDERWRITING

The 1980B Bonds are being purchased by the Underwriters for whom Lehman Brothers Kuhn Loeb Incorporated, Blyth Eastman Paine Webber Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Smith Barney, Harris Upham & Co. Incorporated and The Robinson-Humphrey Company, Inc., are acting as representatives. The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the 1980B Bonds at an aggregate discount of \$ _____ from the initial offering prices set forth on the cover page of this Official Statement, plus accrued interest, if any. The Contract of Purchase provides that the Underwriters will purchase all 1980B Bonds if any are purchased. The initial offering prices may be changed, from time to time, by the Underwriters.

The Underwriters may offer and sell the 1980B Bonds to certain Dealers (including dealers depositing 1980B Bonds into investment trusts) and others at prices lower than the prices stated on the cover page hereof.

MISCELLANEOUS

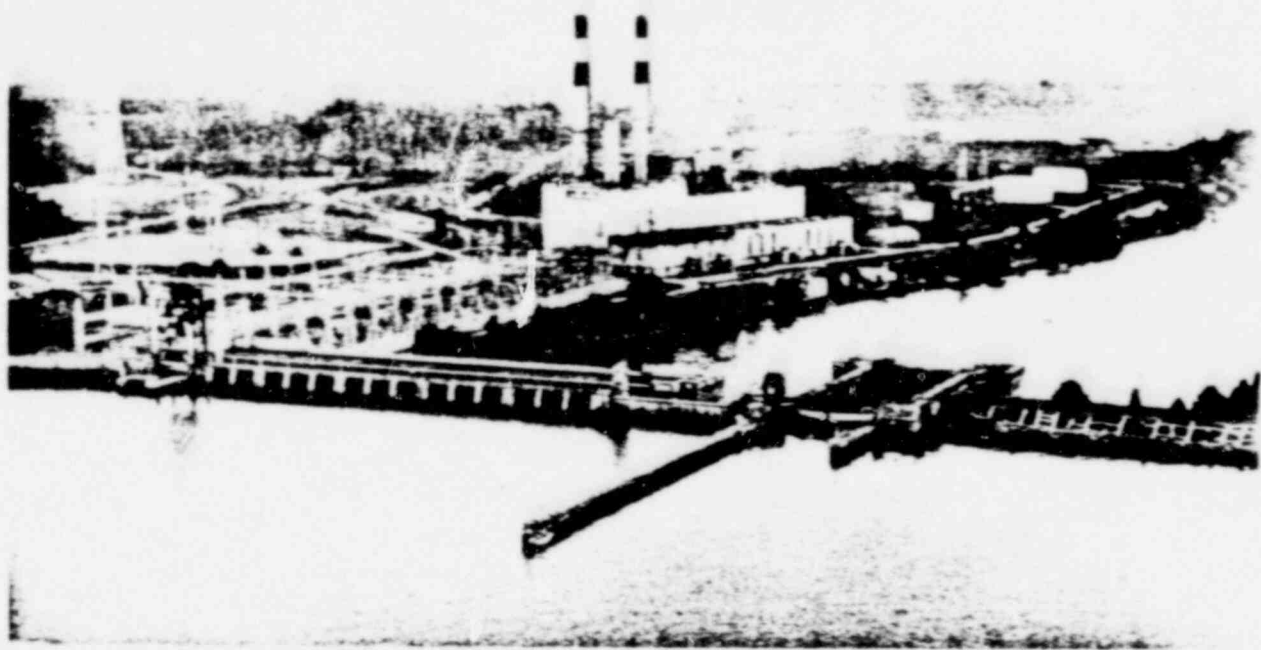
All of the foregoing summaries of the Act, Indenture, Resolution, Contract Obligation, Lease Contracts, F Power Contract, Summer Agreement, Beck Report and Burns and Roe Letter are made subject to all of the provisions of such documents and such summaries do not purport to be complete statements of such provisions. Reference is hereby made to such documents for further information in connection therewith. The Beck Report, audited financial statements and the Burns and Roe Letter are attached as Appendices I, II and III, respectively, to this Official Statement. A copy of each of such documents may be examined at the main office of the Authority in Moncks Corner, South Carolina, at the office of McNair Glenn Konduros Corley Singletary Porter & Dibble, Bond Counsel, in Columbia, South Carolina, and at the office of Wood & Dawson, Bond Counsel, in New York, New York.

The agreements of the Authority with holders of the 1980B Bonds are fully set forth in the Resolution and the Tenth Supplemental Bond Resolution. This Official Statement is not to be construed as a contract with the purchasers of the 1980B Bonds. Any statements herein involving matters of opinion or estimates, whether or not expressly so stated, are intended merely as such and not as representations of fact. This Official Statement has been approved by the Board of Directors of the Authority.

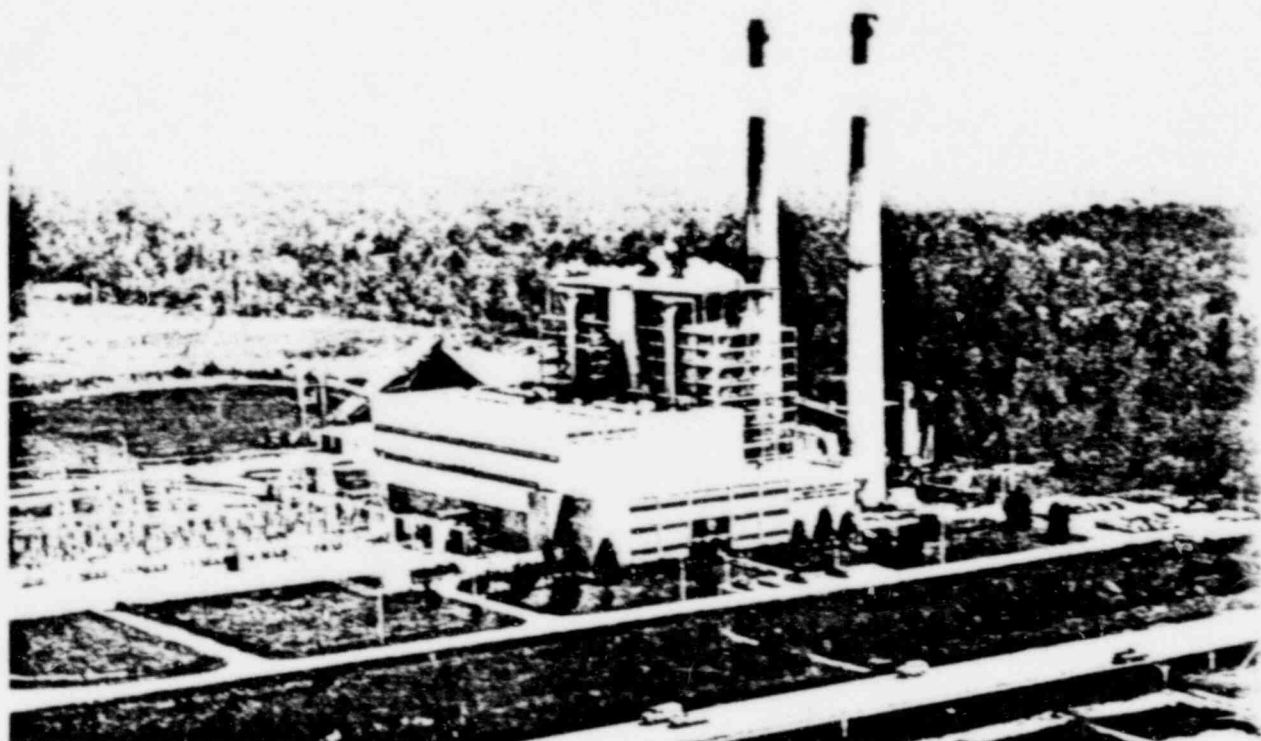
SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By

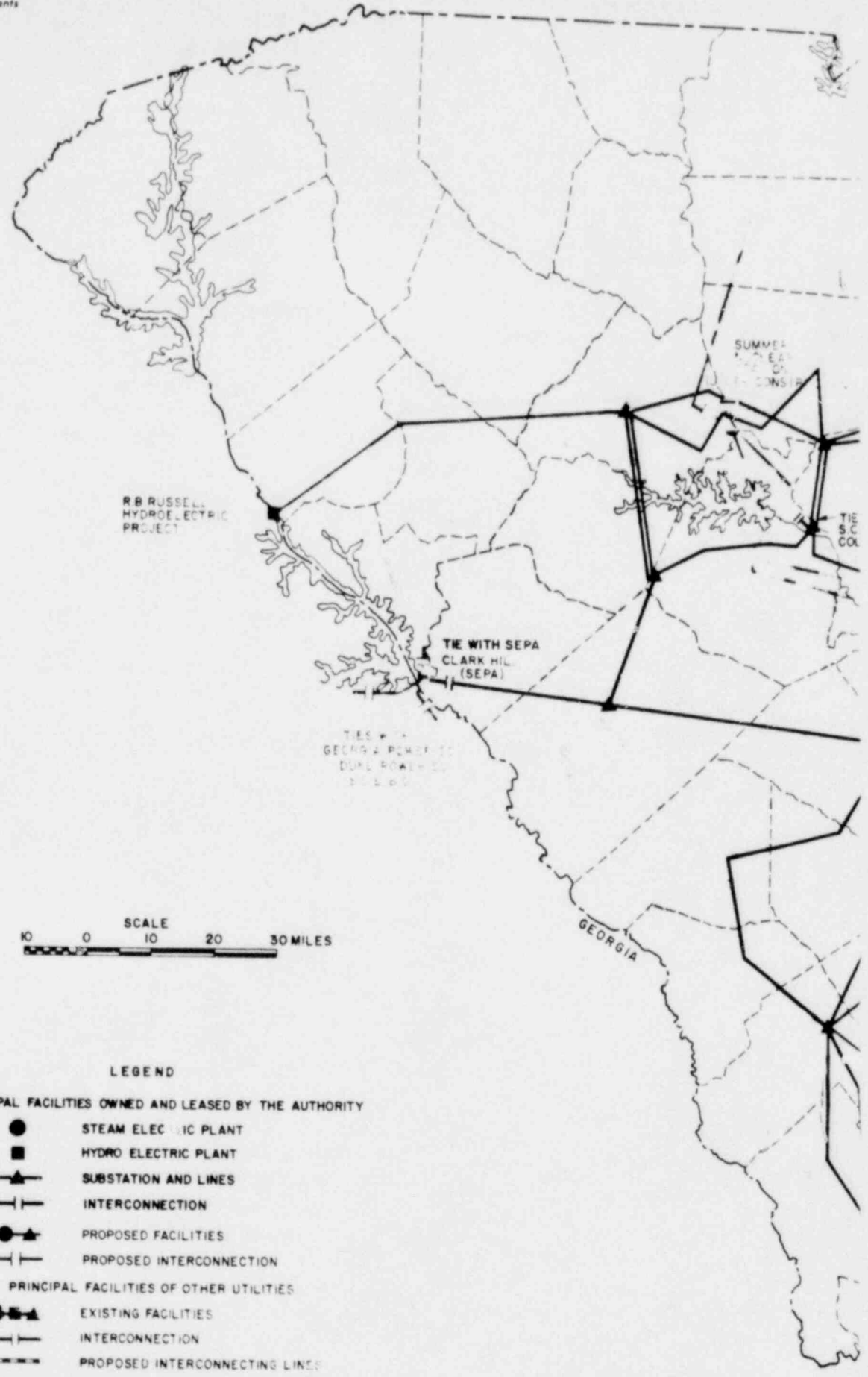
William C. Mescher
President and Chief Executive Officer



JEFFERIES HYDROELECTRIC PLANT AND JEFFERIES GENERATION STATION located near Moncks Corner, South Carolina, have a combined capacity of 543 MW.

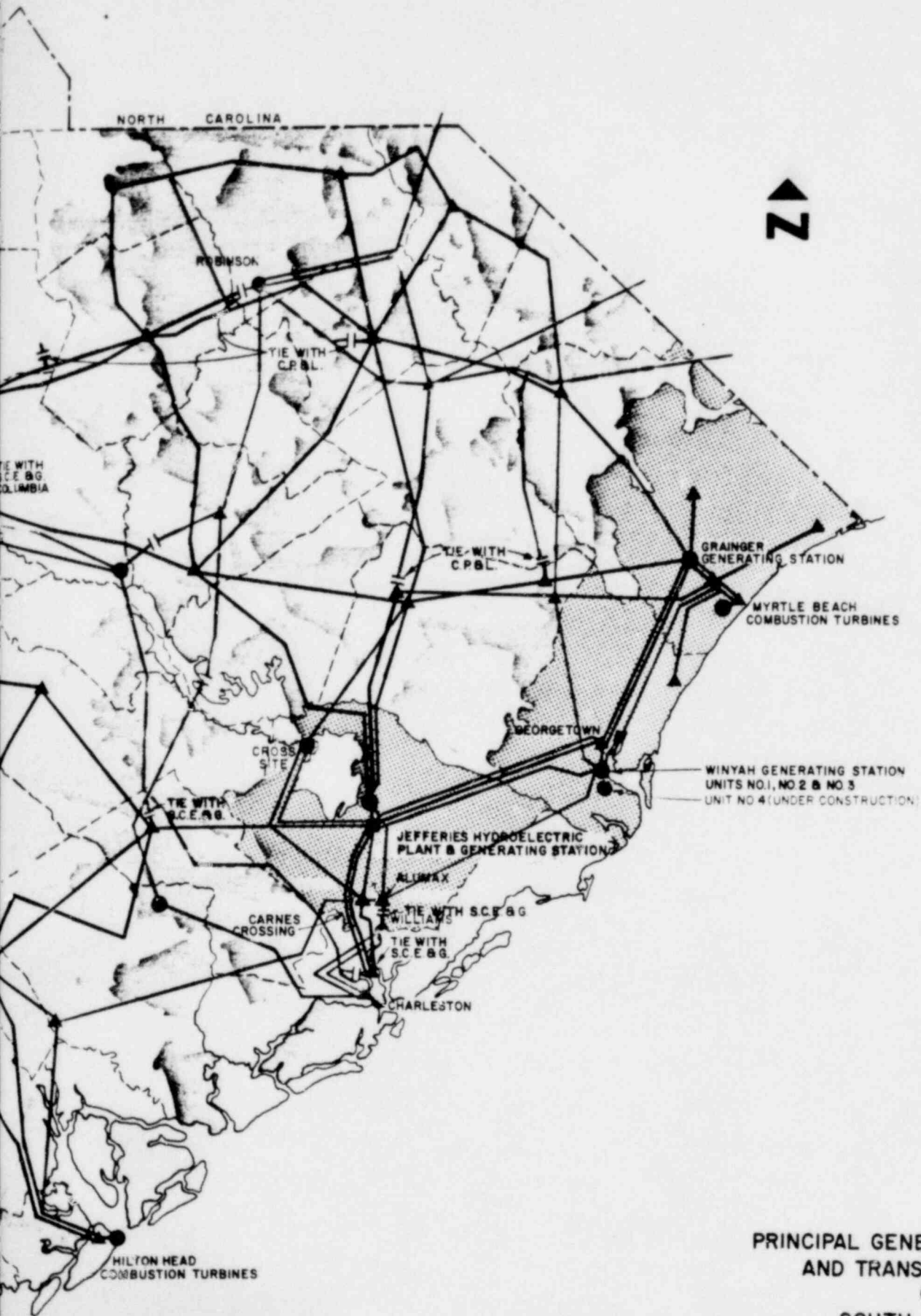


GRAINGER GENERATING STATION at Conway, South Carolina, with a capacity of 170 MW, is leased and operated by the Authority.

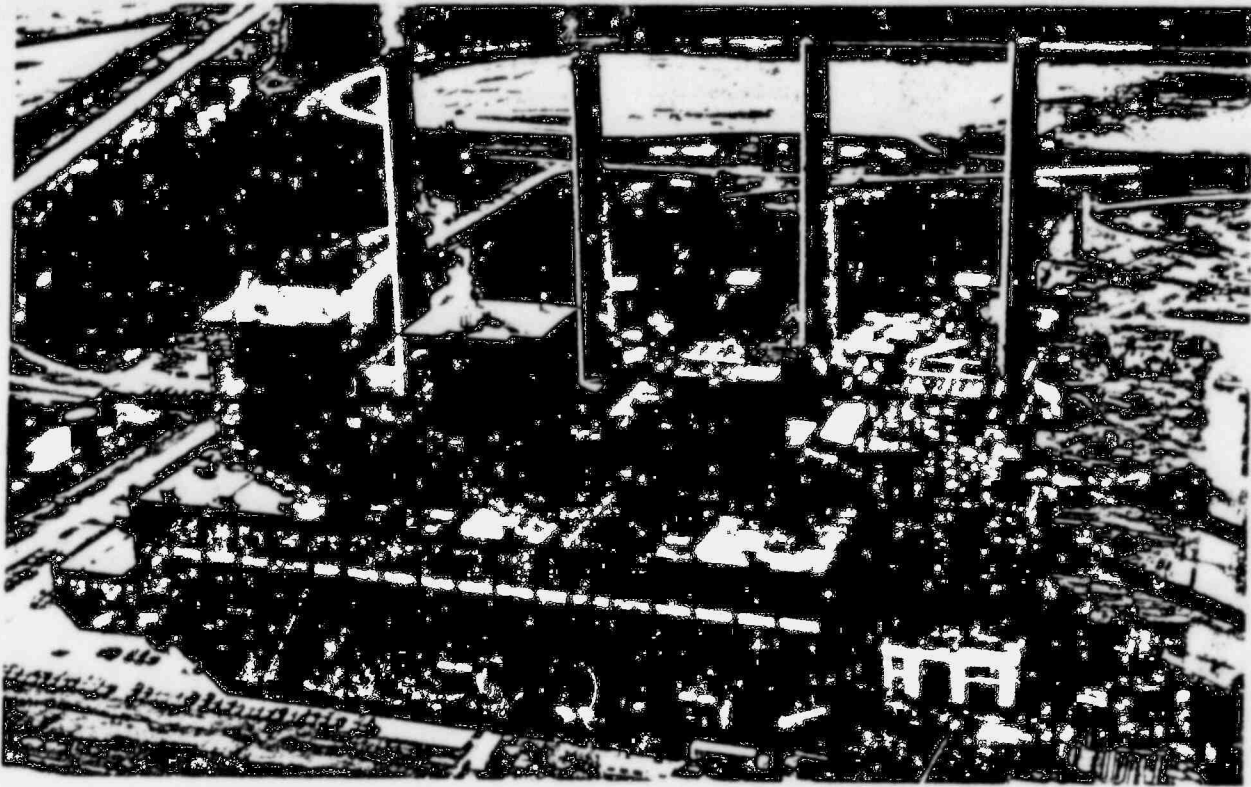


LEGEND

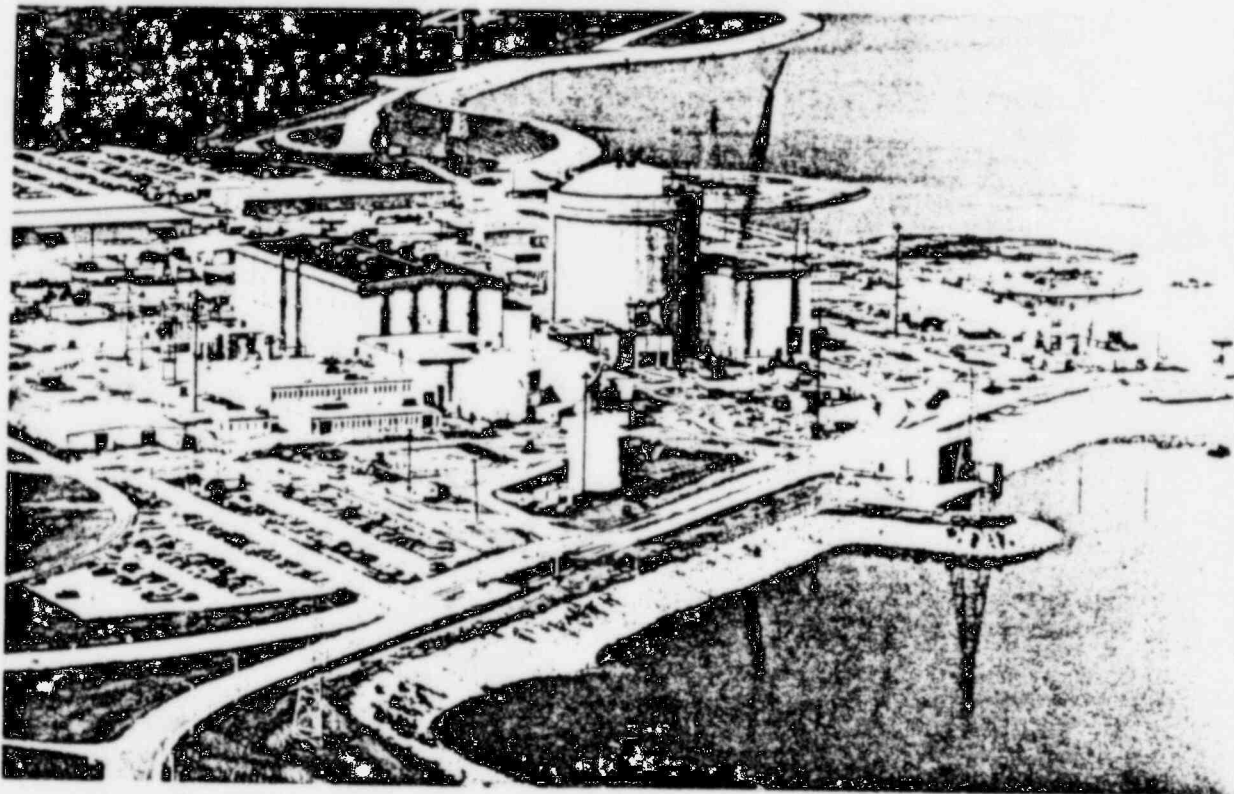
- PRINCIPAL FACILITIES OWNED AND LEASED BY THE AUTHORITY**
- STEAM ELECTRIC PLANT
 - HYDRO ELECTRIC PLANT
 - ▲— SUBSTATION AND LINES
 - |— INTERCONNECTION
 - ▲— PROPOSED FACILITIES
 - |— PROPOSED INTERCONNECTION
- PRINCIPAL FACILITIES OF OTHER UTILITIES**
- ▲— EXISTING FACILITIES
 - |— INTERCONNECTION
 - - - PROPOSED INTERCONNECTING LINES
 - ▨ AREAS SERVED BY CENTRAL'S ELECTRIC COOPERATIVES
 - ▨ AREA ASSIGNED TO THE AUTHORITY



PRINCIPAL GENERATING STATIONS
AND TRANSMISSION LINES
OF
SOUTH CAROLINA
PUBLIC SERVICE AUTHORITY



WINYAH GENERATING STATION at Georgetown, South Carolina. Units No. 1, No. 2 and No. 3, each with a capacity of 280 MW, placed in operation March 1975, July 1977 and May 1980, respectively. Unit No. 4, with a capacity of 280 MW, under construction with commercial operation scheduled for May 1982.



SUMMER NUCLEAR STATION located near Columbia, South Carolina, with a capacity of 900 MW is scheduled for commercial operation in 1981. The Authority's ownership share is 300 MW.

R. W. BECK AND ASSOCIATES

ENGINEERS AND CONSULTANTS

PLANNING
DESIGN
RATES
ENVIRONMENTAL
ECONOMICS
MANAGEMENT

1510 EAST COLONIAL DRIVE
POST OFFICE BOX 6817
ORLANDO, FLORIDA 32853
305-896-4911

GENERAL OFFICE
SEATTLE, WASHINGTON
206-622-5000

July 25, 1980

South Carolina Public Service Authority
223 North Live Oak Drive
Moncks Corner, South Carolina 29461

Gentlemen:

Subject: Consulting Engineer's Report on
Financing and Capital Improvement Program

Presented herein is a summary of our analyses, investigations, and studies concerning the financing and capital improvement program of the South Carolina Public Service Authority (the "Authority") to accompany its Official Statement regarding the issuance of \$150,000,000 Electric System Expansion Revenue Bonds, 1980 Series B (the "1980B Bonds") to fund a portion of the costs of construction of a 450 MW coal-fueled steam-electric generating unit to be constructed at a new site near the community of Cross in Berkeley County, South Carolina, certain transmission facilities required to interconnect the generating unit to the Authority's high-voltage transmission system, and to provide an initial coal-fuel stockpile for the unit (collectively, "Cross No. 2"). A detailed description of the unit which is to be constructed by the Authority with commercial operation scheduled in May 1984, is set forth in the section captioned "Cross Generating Station Unit No. 2".

On August 1, 1980, the Authority is expected to authorize the issuance of \$609,300,000 of Electric System Expansion Revenue Bonds ("Bonds"), to finance the costs of construction of Cross No. 2. The 1980B Bonds are the first issue of such authorized Bonds. The remaining \$459,300,000 of Bonds expected to be authorized for Cross No. 2 are planned to be issued subsequently in two or more series as may be required to meet cash flow needs during construction.

Concurrently, the Authority is expected to increase to \$363,000,000 the authorized amount of Bonds to be issued to pay the estimated costs of acquisition and construction of its ownership interest in the Virgil C. Summer Nuclear Station Unit No. 1 (the "Summer Nuclear Station") of which \$284,600,000 of such Bonds have been issued. Such Bonds are not being issued at this time. The 1980B Bonds and the additional Bonds for Cross No. 2 and for Summer Nuclear Station which are to be authorized but not now being issued are considered authorized Bonds for purposes of this report. Reference is made to the Preliminary Official Statement of the Authority dated July 25, 1980 (the "Official Statement") for a description of the Bond Resolution, as amended and supplemented (the "Resolution").

CAPITAL IMPROVEMENT PROGRAM

The Authority's capital improvement program for the fiscal years 1981-1985 consists of new power supply facilities and general improvements, including improvements to present power supply facilities, extensions and improvements to transmission facilities, improvements to the Authority's distribution system and general plant and a new office and service complex at Moncks Corner, South Carolina. The major power supply and transmission facilities included in the Authority's capital improvement program are shown on the centerfold map. The Authority's capital improvement program for the fiscal years 1981-1985 and the expected sources of funds therefor are summarized in the following paragraphs.

Cross Generating Station Unit No. 2

In order to meet projected load growth through the 1980's, the Authority has acquired land for and initiated construction of a major new generating station near the community of Cross in Berkeley County, South Carolina. For planning purposes, the new station is being referred to as the Cross Generating Station, Cross No. 2, which will be the first unit at the Cross Generating Station, will consist of a coal-fueled steam-electric unit of approximately 450 MW net capability and associated transmission facilities. The Cross Generating Station is presently being planned, subject to federal and state regulatory approval and the granting of necessary licenses and permits, to accommodate four 450 MW units. In order to facilitate construction access when subsequent units are to be constructed, the first unit at the site has been designated as Cross No. 2 and the second unit will be designated as Cross Generating Station Unit No. 1 ("Cross No. 1").

The Authority has retained Burns and Roe, Inc. as design and construction engineers for Cross No. 2 and Cross No. 1 to prepare plans and specifications, to perform related services and to manage construction of the project. A detailed description of Cross No. 2, exclusive of certain facilities which are being handled by the Authority and the allowance for increasing the coal-fuel stockpile, as prepared by Burns and Roe, Inc. appears in Appendix III of the Official Statement. A construction permit setting forth required performance conditions has been issued by the South Carolina Department of Health and Environment Control ("DHEC"). The Authority and Burns and Roe, Inc. have indicated that other required permits and licenses have been or are expected to be obtained on a schedule commensurate with construction and operation needs. Commercial operation of Cross No. 2 is now scheduled for May 1984. At the time of issuance of the 1980A Bonds, the commercial operation date of Cross No. 2 had been scheduled for November 1983. The latter commercial operation date as now scheduled will allow the Authority to more closely match its power supply resources with projected power supply requirements.

The total construction costs for Cross No. 2 unit are estimated by Burns and Roe, Inc. to be \$385,618,000. As of June 30, 1980, the Authority had entered into 47 contracts totaling approximately \$234,141,000 which represents approximately 61% of the total estimated construction costs of the unit. Engineering was approximately 42% complete.

In addition to the estimated construction costs of Cross No. 2, amounts to fund certain 230-kV transmission facilities necessary to deliver the power and energy from the generating station to the Authority's existing transmission system and an amount to establish an initial coal-fuel stockpile at the Cross Generating Station are included as a part of the planned project capital costs. The Authority has estimated the cost of such transmission facilities, as presently planned, to be \$40,200,000 and the allowance for initial fuel stockpile to be \$13,100,000. The resulting total estimated capital cost of Cross No. 2, exclusive of funded interest, reserves and financing costs, is \$438,918,000.

The estimated total capital costs of Cross No. 2, as prepared by Burns and Roe, Inc. and the Authority, excluding funded interest, reserves and financing expenses, are summarized in the following table:

SUMMARY OF ESTIMATED CAPITAL COSTS CROSS NO. 2

(000)

Generating Station:	
Land and Land Rights	\$ —
Structures and Improvements	73,144
Boiler Plant Equipment	157,838
Turbine Generator Unit	57,704
Accessory Electrical Equipment	18,444
Miscellaneous Power Plant Equipment	2,701
Station Equipment	4,206
Total Direct Construction Cost	314,037
Engineering Design and Construction Manager	24,131
Owner's Cost	35,450
Contingency	12,000
Total Construction Cost Generating Station	385,618
Transmission Facilities	40,200
Coal Fuel Stockpile	13,100
Total Capital Costs—Cross No. 2	<u>\$438,918</u>

Winyah Generating Station Unit No. 4

The Authority is now constructing a fourth and final unit at its Winyah Generating Station which is located approximately three miles southwest of the City of Georgetown, South Carolina ("Winyah No. 4"). Winyah No. 4, which consists of a coal-fueled steam-electric unit of approximately 280 MW net capability and associated transmission facilities, will be essentially a duplicate of Winyah Generating Station Unit No. 3 ("Winyah No. 3") located at the same site. The Winyah Generating Station presently consists of Winyah Generating Station Unit No. 1 ("Winyah No. 1") which was placed in commercial operation on March 26, 1975; Winyah Generating Station Unit No. 2 ("Winyah No. 2") which was placed in commercial operation on July 1, 1977; and Winyah No. 3 which was placed in commercial operation on May 31, 1980.

The Authority has retained Burns and Roe, Inc. as design and construction engineers for Winyah No. 4 to prepare plans and specifications, to perform related services, and to manage construction of the project. A construction permit setting forth required performance conditions has been issued by DHEC. The Authority and Burns and Roe, Inc. have indicated that other required permits and licenses have been or are expected to be obtained on a schedule commensurate with construction and operation needs. Commercial operation of Winyah No. 4 is now scheduled for May 1, 1982. However, to meet the Authority's projected summer peak demand in 1981, the Authority has accelerated portions of the Winyah No. 4 construction activities to provide for initial operation in June 1981. Following the summer peak demand period, the Authority plans to remove Winyah No. 4 from service to complete final construction of the unit.

The total construction costs for the Winyah No. 4 unit are estimated by Burns and Roe, Inc. to be \$125,175,000. This estimated total construction cost includes the cost of pollution control equipment considered adequate, in the opinion of Burns and Roe, Inc., to meet existing State of South Carolina pollution control codes and regulations. As of June 30, 1980, the Authority had entered into 58 contracts totaling approximately \$95,956,000 which represent approximately 77% of the estimated total direct construction costs of the unit; engineering was approximately 71% complete; and overall construction was approximately 44% complete.

In addition to the construction cost of the Winyah No. 4 unit, the total capital costs of Winyah No. 4 include an amount to fund certain transmission facilities necessary to deliver the output from the generating station to the Authority's existing transmission system and an amount to increase the coal-fuel stockpile at the Winyah Generating Station. Such transmission facilities will include a 230-kV transmission line and terminal facility from the Winyah Generating Station to the Authority's Hemingway Substation. Construction of such facilities has commenced, with completion planned in early 1982. The Authority has estimated the costs of the transmission facilities to be \$9,000,000 and the coal-fuel stockpile to be \$5,000,000, resulting in a total capital cost of Winyah No. 4, exclusive of funded interest, reserves and financing costs, of \$139,175,000 which is \$21,000,000 less than the \$160,175,000 estimated at the time of issuance of the initial Bonds for the project.

The Authority has authorized the issuance of \$184,000,000 of Bonds to finance the costs of construction of Winyah No. 4, of which \$151,000,000 have been issued. To pay the remaining costs of construction of Winyah No. 4, the Authority now plans to utilize funds previously set aside to pay the costs of construction of Winyah No. 3 and which will not be required for such purpose together with other funds which the Authority anticipates will be available. The remaining \$33,000,000 of Bonds authorized for Winyah No. 4 are not expected to be issued, and the Authority is expected to reduce the amount of authorized Bonds to \$151,000,000.

Summer Nuclear Station

The Authority and South Carolina Electric & Gas Company ("SCE&G") have entered into a joint ownership agreement dated October 18, 1973, providing the Authority and SCE&G, which own the Summer Nuclear Station as tenants in common, with undivided interests of 33 $\frac{1}{3}$ % for the Authority and 66 $\frac{2}{3}$ % for SCE&G. Pursuant to this agreement, SCE&G acts for itself and as agent for the Authority in the construction and operation of the Summer Nuclear Station, including fuel acquisition and management.

The Summer Nuclear Station is now under construction at a site approximately 26 miles northwest of the City of Columbia, South Carolina, on the east bank of the Broad River and adjacent to SCE&G's Fairfield Pumped Storage Hydroelectric Station. The Summer Nuclear Station will be capable of producing a net output

of approximately 900 MW under expected operating conditions. The construction permit for the project was issued by the Atomic Energy Commission, the predecessor agency to the Nuclear Regulatory Commission (the "NRC"), on March 21, 1973.

SCE&G reports that as of June 30, 1980, the engineering of Summer Nuclear Station was approximately 96% complete and construction was approximately 95% complete.

SCE&G submitted its application for an operating license to the NRC on December 10, 1976, and it was accepted by the NRC for docketing on February 24, 1977. In January 1980, SCE&G revised the construction schedule to reflect the present status of project construction and to incorporate known changes in regulatory requirements which have evolved as a consequence of the Three Mile Island accident. SCE&G's present construction schedule calls for completion of Summer Nuclear Station and its readiness for fuel loading in December 1980. However, SCE&G may not load fuel prior to the issuance of an operating license, and the NRC staff has projected that an operating license will not be issued prior to the spring of 1981. After fuel loading, approximately six months are required for start-up, testing, power ascension procedures, compliance with regulatory procedures and other matters before commencement of commercial operations. SCE&G's current estimates of construction costs for Summer Nuclear Station are based on a June 1981 commercial operation date.

The ability of SCE&G to meet the June 1981 commercial operation date will, in our opinion, require that the NRC diligently pursue licensing activities as well as a major emphasis by SCE&G on future construction efforts and a fully integrated testing and start-up program. In our opinion, it will be prudent at this time to allow for a further delay in the commercial operation date of Summer Nuclear Station (to reflect, in part, possible additional delays in the issuance of the operating license) in planning the power supply resources available to meet expected loads during the summer of 1981. We believe that it is reasonable at this time to assume a commercial operation date of December 1, 1981, for power supply and financial planning purposes.

In our projection of the Authority's power supply resources set forth hereinafter, we have assumed that the NRC will license the Summer Nuclear Station to operate at its full rated capability. The most recent operating licenses issued by the NRC have contained restrictions limiting the operating level of the unit. At this time we have no way of knowing whether or not restrictions may be incorporated in the operating license for Summer Nuclear Station if and when issued by the NRC.

The estimated construction costs, which have been furnished by SCE&G, based on a commercial operation date of June 1981, excluding nuclear fuel, contingencies and interest or other carrying charges, but including an allowance for escalation to the June 1, 1981 commercial operation date, are estimated to be \$682,630,000. The Authority's ownership share of such total estimated construction cost is \$227,543,000. In addition to the foregoing estimated construction costs of the project, the Authority is obligated to pay SCE&G an amount representing the Authority's obligation for costs assignable by SCE&G to Summer Nuclear Station for cooling water supplied from the upper reservoir of SCE&G's Fairfield Pumped Storage Project. SCE&G has recently retained United Engineers and Constructors, Inc. to prepare estimates of such costs. At this time and for purposes of estimating the Authority's share of the construction costs of Summer Nuclear Station, we have included \$3,000,000 as a part of the capital costs to be provided from bond proceeds for such purpose. In addition, we have included as a part of the Authority's total capital costs of the Summer Nuclear Station, \$15,500,000 for estimated cost of the Authority's share of the initial nuclear fuel core based on the estimated cost of uranium concentrates discussed hereinafter in the section captioned "Fuel Supply," \$351,000 for the Authority's direct costs not otherwise included in SCE&G's construction cost estimates and \$10,200,000 as the Authority's share of working capital, including a working fund for nuclear fuel replacement. The foregoing estimated amounts are exclusive of allowances for contingencies.

In our opinion, it is prudent at this time to include a substantial allowance for contingencies in planning the financing for the Authority's ownership share of Summer Nuclear Station to provide for the possible delay in commercial operation, as hereinbefore discussed, and a reasonable amount of unforeseen construction costs. We believe that an allowance for contingencies of \$17,000,000 is reasonable at this time. This contingency provides for a possible further six-month delay in commercial operation plus approximately \$5,000,000 for additional changes and modifications which may result from further regulatory changes evolving from the Three Mile Island accident. The resulting estimated capital costs of the Authority's ownership share of Summer Nuclear Station, including the foregoing amount for contingencies, but excluding funded interest, reserves and financing expenses, are \$273,594,000.

The Authority has heretofore issued \$284,600,000 of Bonds to pay the costs of acquisition and construction of its ownership share of Summer Nuclear Station and, concurrently with the authorization of the 1980B Bonds, is expected to increase to \$363,000,000 the authorized amount of additional Bonds for such purpose. The total amount of Bonds issued and to be authorized is estimated to be sufficient to pay the costs of construction based on a commercial operation date of June 1, 1981 as presently projected by SCE&G, including the funding of interest requirements to that date. For purposes of planning the financing requirements for Summer Nuclear Station, the Authority and we have assumed a commercial operation date of December 1, 1981, with interest requirements funded to June 1, 1982. Based on such assumption, the total amount of Bonds which will be required to be issued to pay the costs of Summer Nuclear Station is estimated to be \$386,000,000. The remaining \$101,400,000 of Bonds are presently contemplated to be issued subsequent to the assumed commercial operation date. Our projections of operating results assume such amount and an issuance date in early 1982.

Winyah Generation Station Unit No. 3

All major construction work on Winyah No. 3 has been completed and the unit was placed in commercial operation on May 31, 1980. Final clean-up work, including minor site work and painting, remains to be completed. An amount of \$17,285,000, including approximately \$4,600,000 in contract retentions, has been included in the Authority's 1981-1985 capital improvement program for final completion of Winyah No. 3. It is now estimated that the total construction cost of Winyah No. 3 including certain transmission facilities and increasing the coal fuel stockpile will be \$144,390,000 which is approximately \$10,840,000 below the construction costs estimated by Burns and Roe, Inc. and the Authority at the time of authorization of the 1978 Bonds.

Cross Generating Station Unit No. 1

The Authority is proceeding with initial work on a second 450 MW unit at the Cross Generating Station in order to meet projected load growth through the mid-1980's. The unit, designated Cross No. 1, will be located adjacent to and be essentially a duplicate of Cross No. 2. The Authority has recently rescheduled the commercial operation date of Cross No. 1 to November 1986 to permit the Authority to more closely match its existing and planned power supply resources and projected power supply requirements. The currently scheduled commercial operation date reflects a delay of 18 months from the prior schedule; however, the Authority is proceeding with certain of the work which could allow an acceleration of the construction schedule should it be determined desirable to do so.

The total estimated construction costs for Cross No. 1 are estimated by Burns and Roe, Inc. to be \$318,775,000. As of June 30, 1980, the Authority had entered into 28 contracts totaling approximately \$165,023,000 which represents approximately 52% of the estimated construction costs. The contracts heretofore entered into were predicated on a May 1985 commercial operation date and included certain cancellation provisions pursuant to which the Authority could cancel the contracts without incurring cancellation charges for certain defined periods after the contracts were entered into. The Authority reports that it is presently attempting to renegotiate the contracts to reflect the now planned commercial operation date.

In addition to the estimated construction costs of Cross No. 1, amounts to fund certain transmission facilities necessary to deliver the power and energy from the generating station to the Authority's existing transmission system and an amount to increase the coal-fuel stockpile at the Cross Generating Station are included as a part of the project capital costs. The Authority has estimated the cost of such transmission facilities, as presently planned, to be \$17,300,000 and the allowance for increasing the fuel stockpile at the Cross Generating Station to be \$15,300,000. The resulting total estimated capital cost of Cross No. 1, exclusive of funded interest, reserves and financing costs is \$351,375,000.

The Authority has not heretofore authorized Bonds for Cross No. 1. Based on the present construction schedule and cost estimates, the Authority estimates that it will be necessary to issue approximately \$536,000,000 of Bonds for Cross No. 1.

General Improvements

The proposed general improvements for fiscal years ending 1981-1985 include extensions and improvements to the Authority's transmission and distribution systems, general plant, and existing generating facilities.

The costs of transmission and distribution system improvements, which include both the construction of new facilities and the upgrading of existing facilities planned for construction during the fiscal years ending 1981-1985 as estimated by the Authority, are (i) transmission and distribution substations—\$34,000,000; (ii) transmission and distribution equipment, improvements, betterments and customer facilities—\$25,400,000; and (iii) transmission and distribution lines—\$59,600,000.

Other general system improvements planned for fiscal years 1981-1985 and the estimated cost thereof include (i) improvements to existing generating facilities required to maintain and improve availability and efficiency including costs associated with Winyah No. 3—\$38,700,000; (ii) improvements to general plant—\$41,600,000; (iii) future generating station site studies and acquisitions—\$8,000,000; and (iv) initial construction of additional future generating units—\$15,500,000. This latter amount represents anticipated costs associated with future generating units, other than Cross No. 1, scheduled to be completed subsequent to fiscal year ending 1985. The majority of such expenditures is expected to be incurred during the later portion of the Authority's capital improvements program.

The improvements to general plant include \$12,700,000 for the completion of a new headquarters facility which as presently planned includes a seven-story office building, transportation service center, energy control center, warehouse complex, other maintenance facilities and certain equipment. The Authority has acquired approximately 75 acres of property in Moncks Corner, South Carolina for the new facility, has entered into a contract with the County of Berkeley, South Carolina for the sale of the existing facility, and is proceeding with construction of the new facility which is expected to be completed in the Fall of 1981. The amount included in the capital improvement program for this facility is net after sale of the existing facility.

Estimated Costs and Expected Sources of Funds—1981-1985 Capital Improvement Program

The estimated capital costs, exclusive of funded interest, reserves and financing costs, of the Authority's capital improvement program for fiscal years 1981-1985, together with the expected sources of funds to pay such estimated costs, are summarized in Exhibit A.

EXPECTED DISPOSITION OF 1980B BONDS AND ESTIMATED FINANCING REQUIREMENTS CROSS NO. 2

Based on the estimates of direct construction and other costs of Cross No. 2 as set forth hereinbefore and upon a commercial operation date of May 1, 1984, the expected disposition of the proceeds from the sale of the 1980B Bonds and the Bonds authorized but not yet issued to pay the costs of construction of Cross No. 2 is shown in the following table:

Financing Requirements for Cross No. 2 (000)

	1980B Bonds (1)	Authorized but Unissued Bonds (2)	Total Authorized Bonds
Capital Costs	\$118,982	\$319,936	\$438,918
Less: Amounts from Investment Income(3)	10,232	34,428	44,660
Paid from Bond Proceeds	\$108,750	\$285,508	\$394,258
Reserve Account	12,750	39,041	51,791
Funded Interest	25,500(4)	125,565(5)	151,065
Bond Discount(6)	3,000	9,186	12,186
Principal Amount of Bonds	<u>\$150,000</u>	<u>\$459,300</u>	<u>\$609,300</u>

- (1) Based on estimated annual interest rate of 8½%, as provided by the Authority's Financial Advisor.
- (2) Assumes issuance of additional authorized Bonds for completion of Cross No. 2 as follows: \$150,000,000 in July 1981; \$150,000,000 in April 1982; and \$159,300,000 in April 1983. Interest requirements are assumed at an estimated annual rate of 8½%, as provided by the Authority's Financial Advisor, funded from Bond proceeds to November 1, 1984.
- (3) Investment earnings calculated on available funds during the construction period, based on cash flow expenditures provided by Burns and Roe, Inc. and the Authority, at an average annual rate of 8½% as provided by the Authority's Financial Advisor.
- (4) Interest requirements on the 1980B Bonds at an estimated annual rate of 8½% funded to August 1, 1982 from the proceeds of 1980B Bonds.
- (5) Interest requirements on authorized but not yet issued Bonds and the 1980B Bonds to November 1, 1984, at an estimated annual rate of 8½% funded from Bond proceeds.
- (6) Estimated at 2.0%.

BUSINESS OF THE AUTHORITY

The Authority was created in 1934 by an Act of the General Assembly of the State of South Carolina to construct and acquire flood control, navigation and reclamation works on the Cooper River, the Santee River and the Congaree River and to produce, distribute and sell electric power. The Authority initiated its electric power operations in 1942 upon completion of construction of the Santee Cooper Hydroelectric Project.

During the twelve months ended May 31, 1980, the Authority sold 6,223 million kilowatt-hours of electric energy and received total operating revenues of \$149,368,923 (unaudited), as shown on Exhibit C. At May 31, 1980, the Authority's net electric plant in service (electric plant in service less accumulated depreciation) as reported by the Authority was \$370,766,274 (unaudited). During the ten-fiscal year period 1970 through 1979, the Authority invested \$41,114,742 in additions and improvements to its utility plant from operating revenues.

The Authority sells electric energy at wholesale to public authorities and other utilities and at retail to industrial, commercial and residential customers.

Electric System Properties

The Authority owns electric generation, transmission and distribution facilities and leases certain generation and transmission facilities under contract with Central Electric Power Cooperative, Inc. ("Central") which are operated collectively by the Authority as a fully integrated electric system. The Authority's generating capability in service totals 1,736 MW comprising 130 MW of hydroelectric, 1,422 MW of steam electric, and 184 MW of combustion turbine capability. In addition, the Authority purchases 105 MW of firm capacity from the Southeastern Power Administration ("SEPA"), which amount includes approximately 44 MW associated with wheeling SEPA energy to preference customers and 61 MW purchased by the Authority, and 50 MW of purchased reserves. Transmission and distribution facilities include approximately 2,580 miles of 230 kV, 115 kV, 69 kV and 44 kV overhead transmission lines, 93 substations, distribution system properties, offices and other buildings, equipment and related facilities.

Rates

In the opinion of the Authority's general counsel, the Authority is empowered and required under the Act to fix, establish and collect rates, tolls and other charges which shall be at least sufficient to provide for the payments of all costs and expenses of ownership and operation and maintenance of the properties and facilities of the Authority and to conform to the requirements of its Resolution and Indenture. We have relied upon such opinion in developing our projections.

The Indenture and Resolution, under which the Authority's outstanding priority obligations and Bonds were issued and the 1980B Bonds will be issued, require that the rates and charges shall be at least adequate to produce revenues sufficient for the payment of all obligations of the Authority, including payments into all funds established under the Indenture and Resolution, and that the Authority will, from time to time and as often as necessary, revise the rates and charges to provide the required revenues.

The Authority has maintained rates for electric service which have been sufficient to provide for all operation and maintenance costs and expenses, debt service, lease payments, repairs, renewals to and replacements of its electric system and for substantial additions thereto. At the same time, the Authority's charges for electric service compare favorably with those of other major suppliers in the State of South Carolina as shown on Exhibit B.

The rates presently in effect applicable to residential, commercial, municipal street lighting and industrial customers were adopted on March 21, 1978 and became effective on power deliveries after May 1, 1979. These rates were subsequently reviewed in light of the Authority's then most recent capital and operating budgets and modified accordingly by the Authority's Board of Directors on January 29, 1979. The rates are applicable to residential, commercial, municipal street lighting and industrial customers.

Rate Increase—May 1981.

On March 26, 1979, the Authority's Board of Directors adopted new rates to become effective for power deliveries commencing May 1, 1981. The new rates, based on projections for the fiscal year ending June 30,

1982, and as compared with rates presently in effect, are estimated to produce an increase in revenues from customers other than Central of approximately 12.7%. The average percentage increase in the basic rate schedules to major customer classes is estimated to be approximately 8.9% and 10.2% for large (350,000 kWh or more per month) and small industrial customers, respectively, 7.7% for municipal customers, 26.1% for commercial customers and 21.7% for residential customers. The Authority plans to review the new rates prior to their effective date and make adjustments, if any, required to reflect the most recent capital and operating budgets.

Rate Increase—November 1982.

On August 1, 1980, the Authority's Board of Directors is expected to adopt new rates to become effective for power deliveries commencing November 1, 1982. The new rates have been based on projected costs for the fiscal year ending June 30, 1985, which is the first complete fiscal year after the commercial operation date of Cross No. 2. The new rates reflect the implementation, with appropriate adjustment to reflect revised costs, of the rate program adopted by the Authority's Board of Directors in March 1979. The average percentage increase in the basic rates to major customer classes based on projections for the fiscal year ending June 30, 1984, as compared with rates to be in effect, is estimated to be approximately 12.5% and 26.9% for large (350,000 kWh or more per month) and small industrial customers, respectively, 16.2% for municipal customers, 27.5% for commercial customers and 29.3% for residential customers. The overall increase in revenues for customers other than Central is estimated to be approximately 17.6%, or approximately \$41,804,000 in 1984, over rates as now adopted to become effective May 1, 1981.

Consistent with its prior practice, the Authority has adopted a program providing for an increase in rates to customers other than Central which it estimates will be required. On August 1, 1980, the Authority's Board of Directors is expected to adopt a resolution providing for an increase in rates to become effective for power deliveries commencing not later than July 1, 1984 which, when compared with rates scheduled then to be in effect, will produce an increase in revenues from customers other than Central of approximately 9.7%, or approximately \$30,000,000. Such rate program and revenues therefrom have been included in our projections of operating results.

The adopted rates of the Authority have been based on future costs and reflect, in general, certain of the ratemaking standards established by the Public Utility Regulatory Policies Act. Under the provisions of contracts with certain industrial customers, the Authority is required to review its rates not less than 120 days prior to the effective date thereof and to adjust the rates to reflect then current data.

Existing contracts entered into between the Authority and Central, the most recent contract having become effective April 29, 1971, as amended (the "F Power Contract"), provide among other things that the Authority will furnish and Central will purchase, until October 22, 1987, all of Central's power and energy requirements. After October 22, 1987, and for the remainder of the F Power Contract (June 2005), the Authority is obligated to sell and deliver to Central, and Central is obligated to purchase and receive annually from the Authority, 600 million kWh. The F Power Contract includes provisions for periodic rate review and rate changes related to costs pursuant to a formula. As the result of the most recent rate review which became effective January 1, 1979, the monthly charge applicable to power and energy delivered to each point of delivery is \$1.875 per kilowatt of billing demand and 5.65 mills per kWh for the first 100,000 kWh of billing energy and 4.33 mills per kWh for all additional billing energy. The energy charges are adjusted monthly for increased cost of fuel and purchased energy pursuant to the terms of the F Power Contract. The next such rate review will become effective January 1, 1981.

In March 1980, the Authority's Board of Directors and Central's Board of Trustees executed an amendment to the F Power Contract which has been approved by the Administrator of REA. The amendment provides for a surcharge in addition to the rates and charges determined in accordance with the terms of the F Power Contract of 2.3 mills per kWh to be applied to all energy sold to Central for the period July 1, 1980 through June 30, 1981. The revenue to be derived from the application of the surcharge during the fiscal year ending June 30, 1981 is estimated to be approximately \$7.6 million.

Upon completion of Summer Nuclear Station, a substantial amount of energy produced by the Authority will be from nuclear fuel, the cost of which is projected to be less than the cost of fossil (coal and oil) fuel.

The Authority has previously advised Central that it intends to reconsider the fuel adjustment clause in its contract with Central when nuclear power generation is commenced by the Authority and that concurrent therewith, changes will be negotiated in the rate and fuel clause provisions of the contract which will be fair and equitable to both parties.

The Authority and Central have carried out extensive negotiations concerning a new contract pursuant to which the Authority's rates to Central would be determined on the basis of a cost-of-service methodology substantially similar to the methodology utilized by the Authority in determining its rates to its other large customers. In our opinion, rates so determined applicable to Central would produce revenues from Central which will be greater than revenues derived from Central under rates determined pursuant to the F Power Contract for equivalent amounts of power. The proposed contract contains provisions whereby Central will have the right to own a portion of future generating facilities to be constructed to serve the combined loads of the Authority and Central. The proposed contract has been approved by the Authority's Board of Directors and Central's Board of Trustees but must be approved by the REA Administrator prior to its becoming effective. Because it is not possible at this time to determine whether the REA Administrator will approve the contract or if changes may be required, our projections as they relate to the Cross Generating Station and future sales to Central and the attendant revenues and expenses attributable to Central have been based on the terms of the existing F Power Contract including the amendment thereto as discussed in the preceding paragraph.

In our projection of operating revenues for the Authority for the period fiscal years 1981-1985, we have utilized the rates, and revenues resulting therefrom, which are to become effective as hereinabove discussed.

Power Contract with Alumax, Inc.

On September 23, 1977, the Authority and Alumax Inc., an integrated aluminum company, entered into a contract for power supply to a major primary reduction plant to be constructed in the Authority's service area. This contract has been subsequently assigned to Alumax of South Carolina, Inc. ("Alumax") but Alumax Inc. guarantees performance under the terms of the assignment. (See subsection captioned "Power Contract with Alumax Inc." in the Official Statement.)

Under the provisions of the power supply contract, as amended, the Authority agrees to make available and Alumax agrees to purchase (i) 166 MW for the first potline commencing April 1, 1980, (ii) 80 MW for the first half of the second potline commencing October 1, 1980, and (iii) 55 MW for the second half of the second potline commencing December 1, 1980. In addition, the Authority agrees to make available, upon 6 months' notice, 30 MW of additional power for the second potline.

The contract also contains provisions pursuant to which the Authority agrees to provide power supply to third and fourth potlines as follows: for a third potline—150 to 160 MW upon at least 42 months' notice from Alumax, for a fourth potline—150 to 160 MW upon at least 42 months' notice from Alumax to be given not prior to 8 months after notice is given for the third potline. Alternatively, the Authority agrees to provide 300 to 320 MW for third and fourth potlines upon Alumax giving at least 50 months' notice.

The contract also provides that during an initial operating period of up to 12 months for the first potline and 8 months for the second, third and fourth potlines Alumax is required to pay for power and energy only as actually furnished and used. Thereafter Alumax is required to pay the demand charge in accordance with the applicable rate schedule for the amount of power specified in the notice. The rate for service to Alumax is to be at the Authority's large industrial power rate schedule as revised from time to time by the Authority. Under the contract Alumax has certain rights of review of the Authority's rates applicable to it. Similar review rights are also extended to Macalloy Inc., another large industrial customer of the Authority.

Alumax commenced initial site work in June 1978 and is proceeding with construction of the plant. Initial operation of the first potline commenced in June 1980 with build up to full operation scheduled in August. The initial operation of the first half of the second potline is scheduled in October 1980 and the second half of the second potline in November 1980. Alumax reports construction work is proceeding to meet the foregoing schedule. The contract permits a demand of 301 MW; however, Alumax has advised the Authority that the demand is expected to be approximately 286 MW.

Power Requirements and Supply

The Authority provides retail electric service for residential, commercial and other customers in Berkeley, Georgetown and Horry Counties, which includes the Myrtle Beach area, and to certain industries, public authorities, two municipalities and Central (which supplies 15 cooperative electric utilities) throughout its transmission area which encompasses, in whole or in part, the eastern two-thirds of the State of South Carolina.

During the fiscal years ended June 30, 1971 through 1980, the Authority's total system energy requirements increased at an average annual rate of approximately 6.7% per year. During the period 1974 through 1976, the average rate of increase was less, reflecting the general effects of the energy crisis resulting from the oil embargo, conservation, and a cutback by one large industrial customer. The Authority's historical system power and energy requirements for the fiscal year 1971-1980 period are as follows:

Historical System Power and Energy Requirements

Uses of Energy—Million kWh

Fiscal Year Ended June 30	Peak Demand (MW)	Sales			SEPA Wheeling (1)	Non- Territorial Trans- actions(2)	System Losses	Total System Energy Requirements
		For Resale	To Ultimate Customers	Total				
1971	622	1,355	1,742	3,097	33(3)	631	227	3,988
1972	630	1,307	1,882	3,189	198	530	198	4,115
1973	736	1,576	2,048	3,624	198	680	257	4,759
1974	871	1,795	2,172	3,967	198	257	255	4,677
1975	911	2,018	2,241	4,259	198	46	232	4,735
1976	943	2,221	2,265	4,486	198	26	265	4,975
1977	1,089	2,577	2,527	5,104	198	53	310	5,665
1978	1,231	2,844	2,718	5,562	198	319	313	6,392
1979	1,241	2,882	3,071	5,953	198	50	307	6,508
1980	1,352	3,099	3,199	6,298	198	322	331	7,149

(1) Does not include losses associated with the wheeling of SEPA energy to preference customers.

(2) Includes net interchange with SCE&G and CP&L, and inadvertent energy, if any.

(3) The Authority commenced on May 1, 1971, the wheeling of SEPA energy to preference customers.

The Authority's existing power supply resources consist of hydroelectric, steam electric and combustion turbine power plants together with power purchased from SEPA with supplemental amounts of power purchased from time to time from SCE&G and Carolina Power & Light Company ("CP&L"). The existing power supply resources, net capability of each and year of initial installation of the generating units are shown below:

Power Supply Resources

	<u>Year First Operated</u>	<u>Capability (MW)</u>
Generation:		
Jefferies Hydroelectric Generating Station	1942	130(1)
Jefferies Generating Station:		
Nos. 1 and 2	1954	92(2)
Nos. 3 and 4	1970	320(2)
Grainger Generating Station(3)	1966	170(2)
Winyah No. 1	1975	280(2)
Winyah No. 2	1977	280(2)
Winyah No. 3	1980	280(2)
Combustion Turbines	1962	20(4)
Combustion Turbines	1972	40(4)
Combustion Turbine(3)	1973	20(4)
Combustion Turbine	1974	20(4)
Combustion Turbine	1976	28(4)
Combustion Turbine	1979	56(4)
Total Generation		1,736
Received from SEPA(5)		105
Total Power Supply		<u>1,841</u>

(1) Includes 2 MW from Wilson Dam Generating Station.

(2) Net capability available for peak load or short term operation; net continuous capability may be less.

(3) Leased from Central.

(4) Summer rating.

(5) Includes approximately 44 MW associated with the wheeling of SEPA energy to preference customers and excludes 50 MW of reserve capacity purchased by the Authority from SEPA.

Fuel Supply

During the twelve months ended June 30, 1980, the Authority's total system energy supply, including SEPA energy wheeled to preference customers, was derived approximately 81.0% from coal-fueled generation, 0.2% from oil-fueled generation, 11.5% from the Authority's hydroelectric facilities and 7.3% from purchases from SEPA, SCE&G and CP&L. By fiscal year 1983, the first full fiscal year following completion of Summer Nuclear Station, this distribution of energy sources, including the wheeling of SEPA energy to preference customers, is expected to be approximately 76.7% from coal-fueled generation, 13.9% from nuclear-fueled generation, 5.7% from hydroelectric facilities, 3.6% from SEPA and other purchases, and 0.1% from oil-fueled generation.

The Authority uses coal for fuel at three generating stations—Winyah, Jefferies (Units 3 and 4) and Grainger Generating Stations. Deliveries to Winyah and Jefferies Generating Stations are by unit train shipment under long-term contracts with five mining companies. The major part of the Authority's coal requirements are being purchased under five long-term contracts which expire December 31, 1983, December 31, 1989, September 30, 1998, December 31, 1999 and December 31, 2000. The Authority has entered into an additional long-term contract providing for the delivery of coal beginning in 1981 and expiring in 2004. Limited "spot" purchases are utilized when favorable prices can be obtained and to meet requirements not satisfied by long-term contracts. Prices under the various coal contracts are subject to up or down adjustments based on production costs and prevailing market conditions. (See caption "Fuel Supply—Coal" in the Official Statement).

The air quality requirements for emissions from the Authority's generating plants limit the maximum sulfur content of coal used at the individual coal-fueled stations and, in the case of the Winyah Generating Station, at the individual units. Following is the maximum sulfur content of coal allowable under the present specifications utilized by the Authority for coal purchases to assure compliance with existing sulfur emission codes and regulations.

<u>Station or Unit</u>	<u>Maximum Sulfur Content (1)</u>
Jefferies 3 and 4	2.0%
Grainger	2.0
Winyah No. 1	1.3
Winyah No. 2	1.1(2)
Winyah Nos. 3 and 4	1.5(2)(3)

(1) Based on coal having a heat content of 11,500 Btu per pound.

(2) With SO₂ scrubber in service.

(3) Estimated by the Authority.

The sulfur content of coal received under existing contracts ranges from about 0.9% to 2.0%. The Authority has informed us that it anticipates no difficulty in obtaining adequate coal with sulfur content within acceptable ranges to meet foreseeable needs.

The average cost of coal purchased by the Authority during the fiscal years ended June 30, 1978, 1979 and the twelve months ended May 31, 1980, including the cost of rail freight, was as follows:

<u>Fiscal Year Ended June 30</u>	<u>Average Cost per Ton</u>	<u>Average Cost per Million Btu</u>
1978	\$31.80	\$1.384
1979	34.95	1.484
<u>Twelve Months Ended May 31,</u>		
1980	36.60	1.498

At the present time, SCE&G, acting for itself and as an agent for the Authority, has contracts with Westinghouse Electric Corporation ("Westinghouse") consistent with the provisions of the fuel settlement for the supply of 1,600,000 pounds of uranium concentrates, conversion services to 1989, and fabrication services for 12 reload regions. The 1,600,000 pounds of uranium represents approximately 43% of the 3,700,000 pounds estimated by SCE&G to be required for the first eleven regions of nuclear fuel for the Summer Nuclear Station. SCE&G has to date acquired from Westinghouse and others approximately 968,000 pounds, leaving the remaining 1,132,000 pounds to be obtained through purchases in the open market. SCE&G has also contracted with the Department of Energy to supply the necessary enrichment services through the year 2002, which is adequate for operation through the year 2004. Facilities are being incorporated in Summer Nuclear Station for on-site storage of thirteen reload regions of spent nuclear fuel which are expected to be adequate for approximately ten years of operation. SCE&G presently has no provisions for off-site storage of spent nuclear fuel.

For a discussion of litigation related to the nuclear fuel contract with Westinghouse and the status of settlement thereof, see caption "Fuel Supply—Nuclear" in the Official Statement. Our projections do not reflect any benefits which the Authority and SCE&G may derive as a result of settlement of the dispute except to the extent that such settlement may relate to the initial core as stated in the following paragraph.

Our projections of operating results of the Authority are based on the assumption that the cost of approximately 82% of the initial core uranium concentrate fuel requirements for Summer Nuclear Station previously supplied by Westinghouse will be the Westinghouse contract price as estimated by SCE&G. The remaining approximately 18% of the initial core uranium concentrate fuel requirements is included at the spot market prices paid therefor. Additionally, it has been assumed that SCE&G will purchase uranium concentrates for reload nuclear fuel assemblies on the open market at costs based on price levels of approximately \$44 per pound escalated at 5% per year.

Based on the information made available to us concerning the settlement of the Westinghouse dispute, we are of the opinion that the cost of nuclear fuel to the Authority and SCE&G under the settlement will be less than those assumed in our projections.

FUTURE POWER SUPPLY OPERATIONS OF THE AUTHORITY

Estimates of the energy requirements of the Authority's system for the period 1981 through 1985 have been prepared based upon a detailed analysis of customers and sales by class of service and the prospective sales to the several classes of customers prepared by the Authority and Ebasco Business Consulting Company. These projections include the requirements of Alumax as hereinbefore discussed.

Following is a summary of the projected energy requirements of the Authority for the period 1981 to 1985:

Fiscal Year Ended June 30	Projected System Energy Requirements					Total System Energy Require- ments
	Uses of Energy—Million kWh					
	For Resale	To Ultimate Customers	Total	SEPA Wheeling (1)	System Losses	
1980(2)	3,421(3)	3,199	6,620	198	331	7,149
1981	3,421	5,412(4)	8,833	198	430	9,461
1982	3,679	6,147(5)	9,826	198	468	10,492
1983	3,960	6,317(5)	10,277	198	493	10,968
1984	4,292	6,527(5)	10,819	198	520	11,537
1985	4,643	6,783(5)	11,426	198	555	12,179

- (1) Does not include losses associated with the wheeling of SEPA energy to preference customers which are provided by SEPA.
- (2) Actual.
- (3) Includes 322 million kWh net interchange with SCE&G and CP&L, and inadvertent energy, if any.
- (4) Projected amounts of demand and energy sales to ultimate customers include 145 MW and approximately 1,933 million kWh of attendant energy attributable to Alumax.
- (5) Projected amounts of demand and energy sales to ultimate customers include 286 MW and approximately 2,455 million kWh of energy attributable to Alumax.

As indicated by the foregoing tabulation, the total system energy requirements of the Authority, including assumed annual energy sales to Alumax, can be expected to increase by approximately 28.7% in the five-year period 1981 through 1985. Such increase, excluding assumed direct sales to Alumax, is estimated to be approximately 29.2%. This compares with an increase of approximately 43.7% in the five-year period 1976 through 1980.

Power supply to meet projected requirements through fiscal year 1985 will consist of the Authority's existing generation and firm purchases aggregating 1,841 MW, the 300 MW from the Summer Nuclear Station, the 280 MW from Winyah No. 4 and the 450 MW from Cross No. 2. The 450 MW Cross No. 1 unit is now planned for commercial operation in November 1986. In addition, the Authority may construct two additional units at the Cross Generating Station which, as now being planned, will contain four units having a combined capacity of approximately 1,800 MW. The Authority is also in the process of evaluating additional potential sites for future generating stations.

As hereinbefore discussed, the Authority and Central have reached agreement on a new contract providing for possible joint ownership of future power supply resources. The agreement is subject to the approval of the Administrator of REA before it can become effective. We do not know at this time what action the Administrator of REA may take, or if changes may be required in the agreement as now constituted, or when an agreement may become effective. Accordingly, we cannot determine at this time what effect, if any, such a new contract and possible joint ownership of future power supply facilities will have on the Authority's future power supply facilities and projected requirements and the attendant revenues and expenses attributable to Central. In our projection of future power requirements we have assumed that Central will continue to purchase all of its power supply requirements from the Authority pursuant to the terms of the F Power Contract (see also section captioned "Central Contract" in Official Statement).

The Authority presently receives approximately 105 MW of firm capacity and associated energy of approximately 300 million kWh annually from SEPA. Approximately 44 MW and 198 million kWh are

received for wheeling to SEPA preference customers. The balance (approximately 61 MW and 102 million kWh) is purchased by the Authority for its own use.

On June 29, 1977, SEPA gave notice to the Authority that its contract will terminate effective June 30, 1981. In its notice of termination, SEPA advised the Authority that it ". . . has initiated the development of a new power allocation policy which is to be embodied in contracts as soon as possible after development, . . .". On October 16, 1979, SEPA announced in the Federal Register that it has developed a proposed power marketing policy for its Georgia-Alabama System of Projects which SEPA intends to implement as existing contracts expire. The proposed policy is anticipated by SEPA to be implemented through negotiated contracts for terms not to exceed ten years and addresses the following major areas: (i) market areas, (ii) allocations of power, (iii) energy from pumped water, (iv) utilization of utility systems, (v) wholesale rates, (vi) resale rates and (vii) conservation measures.

Pursuant to the proposed policy, the existing preference customers within the marketing area will be entitled to retain their present allocations of energy and new preference customers located within the selected utility areas will be entitled to share equitably with existing preference customers in new power.

The proposed policy indicates that wholesale rate schedules shall be drawn so as to recover all costs associated with producing and transmitting the power in accordance with then current repayment criteria and that production costs will be determined on a system basis. The proposed policy also contemplates that each customer purchasing SEPA power shall agree to finance and take reasonable measures to encourage the conservation of energy by ultimate consumers.

In our projections of power and energy supply and operating results of the Authority, we have assumed that the Authority will continue to purchase the amounts of SEPA power provided for by the present contract.

The reserves and standbys for the Authority's generating plants have been provided from the Authority's generating capability in excess of its power requirements and through interconnections with others. The Authority presently purchases 50 MW of reserve capacity from SEPA under long-term contract. The Authority utilizes a planned reserve criterion of 20% of the projected peak demand less firm purchases for power supply planning purposes.

The Authority has interchange agreements with SCE&G and CP&L which provide for certain reserve arrangements and power sales between the parties.

The Virginia-Carolinas Reliability ("VACAR") Agreement which the Authority executed on March 26, 1961, and which has been executed by SCE&G, CP&L, Duke Power Company, SEPA, Yadkin, Inc., and Virginia Electric and Power Company, provides a basis which reasonably supports the assumption that provisions for limited term power purchases and sales among VACAR members will continue to be available in the area. In addition, the Authority is a member of the Southeastern Electric Reliability Council, an organization of all major utilities in the southeastern United States whose purpose, among others, is to study and coordinate the activities of its members with regard to reliability and continuity of power supply.

The Cooper River Rediversion Project (the "Project") was authorized by the Rivers and Harbors Act of 1968 to permanently reduce shoaling in the Charleston, South Carolina harbor. The Project, currently scheduled for completion in December 1983, under the direction of the United States Army Corps of Engineers (the "Corps"), includes the construction of a canal to divert waters into the Santee River which would have otherwise flowed into the Cooper River and an 84 MW hydroelectric plant on the diversion canal near St. Stephen, South Carolina (the "St. Stephen Hydro Plant").

The reduced water flow in the Cooper River will limit the output of the Jefferies Hydroelectric Generating Station to approximately 44 MW at its present capacity factor. The output of the 84 MW St. Stephen Hydro Plant, which will be made available to the Authority, will result in a total capacity available from the two plants being equal to the present capacity available from the Jefferies Hydroelectric Generating Station when operated at approximately the same capacity factor that exists today. Additional capacity of up to 84 MW will be available to the Authority when the plants are operated at a lower capacity factor. Energy generated from the combined operation of the two plants is expected to be less than that currently being generated at the Jefferies Hydroelectric Generating Station.

A contract executed by the Corps and the Authority provides for compensation to the Authority for the project's adverse effects such as the reduction in energy generated, the loss of future capability at the Jefferies Hydroelectric Generating Station, and the addition of cooling equipment required at the Jefferies Steam Plant due to the reduced water flow. The contract also provides for compensation to the United States Government for the Project's benefits such as increased generating capacity. Under the terms of the contract, the Authority is not required in the initial year to accept full capacity available as a result of the Project, but it must accept at least 20 MW. The assumptions utilized herein regarding the conditions resulting from the Project are outlined in the "Projected Operating Results" section of this report.

Recent studies undertaken by the Authority indicate certain of the dams at the Authority's hydroelectric facility would probably not be adequate to meet the applicable design earthquake criteria. The Authority, in cooperation with the Federal Energy Regulatory Commission, is continuing to study the matter and it is not possible at this time to determine what remedial measures, if any, may be required or what, if any, costs may be incurred in connection therewith (see section captioned "Regulatory Matters" in the Official Statement). Our projections assume continued operation of the Authority's hydroelectric plants under present conditions including arrangements relating to the St. Stephen Hydro Plant.

The tabulation on the following page summarizes the projected loads and resources of the Authority for the calendar years 1980 through 1985. Data in this table are presented on a calendar year basis rather than a fiscal year basis because the Authority's peak system demand occurs in the summer months and the Authority plans its power supply resources on that basis. The loads set forth therein assume that Central will continue to purchase its entire power supply requirements from the Authority in excess of amounts Central purchases from SEPA. See subsection captioned "Central Contracts" in Official Statement concerning discussions with Central regarding future power supply.

Projected Power Supply Resources and Loads
(Amounts in MW, unless otherwise noted)

	Calendar Year					
	1980	1981	1982	1983	1984	1985
Power Supply Resources:						
Generating Capability:						
Existing (1)	1,736	1,736	1,736	1,736	1,736	1,736
Under Construction (2)						
Summer Nuclear Station	—	—	300(3)	300	300	300
Winyah No. 4	—	280(4)	280	280	280	280
Cross No. 2	—	—	—	—	450	450
Planned (2)						
Cross No. 1 (5)	—	—	—	—	—	—
Total Generating Capability (6)	1,736	2,016	2,316	2,316	2,766	2,766
SEPA Allocation	105	105(7)	105(7)	105(7)	105(7)	105(7)
St. Stephen Hydro Plant	—	—	—	—	20(8)	40(8)
Total Power Supply Resources	1,841	2,121	2,421	2,421	2,891	2,911
Maximum Annual Demand (July-August) (9)	1,600	1,868	1,966	2,084	2,227	2,377
Less: Interruptible Demand	40	40	40	40	40	40
Net Maximum Annual Demand Responsibility	1,560	1,828	1,926	2,044	2,187	2,337
Power Supply Resources Available for Reserves	281	293	495	377	704	574
Purchased Reserves	50	50	50	50	50	50
Total Purchased Reserves and Resources Available for Reserves	331	343	545	427	754	624
Total Purchased Reserves and Resources Available for Reserves as a Percent of Net Maximum Annual Demand Responsibility Less SEPA Allocation	23%	20%	30%	22%	36%	27%

- (1) See tabulation in section captioned "Power Requirements and Supply."
- (2) Unit capabilities are shown in the first calendar year during which units under construction or planned will be available to meet the summer peak demand, which normally occurs in August.
- (3) Summer Nuclear Station is presently assumed to be available for commercial operation in December 1981; however, the first calendar year during which its capability will be available at the time of the Authority's projected annual system peak demand will be 1982. The capability included for Summer Nuclear Station assumes that the NRC operating license will not restrict the output below full rated capability.
- (4) Winyah No. 4 is planned to commence initial operation temporarily in June 1981, during the time of the projected 1981 annual system peak demand.
- (5) Cross No. 1 is presently scheduled to be available for commercial operation in November 1986; however, the first calendar year during which its capability will be available at the time of the Authority's projected annual system peak demand will be 1987.
- (6) Amounts shown assume all units will be available for service at the designated capability during the time of the annual system peak demand.
- (7) Assumes SEPA power equal to that provided under the present contract will continue to be available after June 30, 1981, which includes approximately 44 MW of SEPA capacity wheeled to SEPA preference customers.
- (8) The Authority plans to purchase gradually increasing portions of the capacity which will be made available as a result of the St. Stephen Hydro Plant: 20 MW in 1984, and 40 MW in 1985. See section captioned "Future Power Supply Operations of the Authority."
- (9) Projected maximum annual demands shown include projected interruptible loads. In 1981 and thereafter the amounts shown include approximately 286 MW of demand associated with Alumax.

PROJECTED OPERATING RESULTS

We have prepared estimates and projections of the operations of the Authority for the period covering the fiscal years ending June 30, 1981 through 1985 based upon our analyses of the Authority's retail and wholesale operations and the loads and resources of the Authority as hereinbefore discussed. Our projections of operating results for the Authority are presented in Exhibit D to this Report. Our projections are based on the following principal considerations and assumptions:

1. Projected revenues from sales of electricity to customers other than Central have been based:
 - (i) for power deliveries through April 1981, on rates presently in effect; (ii) for power deliveries during the period May 1981 through October 1982, on rates adopted by the Authority to become effective May 1981; (iii) for the period commencing with power deliveries in November 1982 through June 1984 on rates to be adopted by the Authority to become effective November 1982; and (iv) for the period commencing with power deliveries in July 1984 and continuing through the term of the projections on rates to be subsequently adopted to implement the rate program adopted by the Authority to become effective July 1984, including in each case the fuel adjustment provisions of such rates. Revenues from

sales of electricity to commercial and large consumers, other than Central, reflect the terms of the Authority's contracts with such customers.

2. Revenues to be derived from sales of electricity to Central have been projected on the basis of the present terms of the F Power Contract, as amended, including adjustments computed in accordance with the contract. Revenues from Central for the fiscal year ending June 30, 1981 reflect the 2.3 mills per kWh surcharge as provided for in the most recent amendment to the F Power Contract.

3. Projections of revenues and power supply expenses assume that Alumax will require and utilize power supply from the Authority with a build-up of loads to approximately 286 MW by November 1980 for the first and second potlines. These dates are based on the latest advice to the Authority from Alumax and reflect construction progress at the Alumax plant. If Alumax gives notice to proceed with additional potlines as provided in the Alumax contract, as amended, or if the operation dates of any or all potlines change from those stated above, the projected revenue and expenses could change significantly.

4. Generation by the Jefferies Hydroelectric and Wilson Dam Generating Stations has been projected for the fiscal years ending 1981 through 1983 at 628 million kWh annually. Completion of the Cooper River Rediversion Project and subsequent commercial operation of the St. Stephen Hydro Plant, currently scheduled to begin in December 1983, are expected to reduce the output of the Jefferies Hydroelectric and Wilson Dam Generating Stations to approximately 129 million kWh annually. Generation from the St. Stephen Hydro Plant, which will be made available to the Authority, is projected to provide an additional 400 million kWh annually resulting in a combined output of 529 million kWh annually or net reduction in hydroelectric generation of approximately 99 million kWh annually. In our projection we have assumed that the aggregate amount of energy which the Authority will obtain from the Jefferies Hydroelectric and Wilson Dam Generating Stations and the St. Stephen Hydro Plant will be 568 million kWh in the fiscal year ending June 30, 1984 and 529 million kWh in the fiscal year ending June 30, 1985. Generating capacity provided by the Jefferies Hydroelectric and Wilson Dam Generating Stations has been projected at 130 MW through fiscal year 1985. In addition, the Authority currently plans to purchase 20 MW of the capacity provided by St. Stephen Hydro Plant in fiscal year 1984 and 40 MW in fiscal year 1985. The estimated contractual costs associated with the anticipated benefits and adverse effects of the Project have been netted and included as a purchased power expense. It is not possible at this time to estimate what costs, if any, or other measures, if any, may be required in connection with the dams of the Authority's hydroelectric facilities. Our projections assume continued operation at the Authority's hydroelectric facilities including arrangements relating to the St. Stephen Hydro Project.

5. Purchases and wheeling of power and energy from SEPA have been projected for the period shown on the basis that the Authority and SEPA will execute a new contract containing terms and conditions, including the power allocated to the Authority, which will be substantially the same as the present contract as to which SEPA has served notice of termination effective June 30, 1981. Such assumption reflects the average energy available for wheeling and direct use of the Authority's system of approximately 300 million kWh annually of which approximately 198 million kWh are wheeled for Central and municipal customers. The costs of purchases of power and energy from SEPA reflect the wholesale power rate schedules applicable to the Authority which became effective for the billing month beginning October 1, 1979.

6. The cost of coal has been projected using as the base the Authority's budget estimate for fiscal years ending June 30, 1981, 1982 and 1983 and escalated at the rate of approximately 8.0% per year throughout the remaining portion of the projection.

7. Upon advice of the Authority, we have assumed that no sales of surplus energy would be made to SCE&G or CP&L.

8. Power costs used herein are predicated in part on the availability of the following new generation resources in addition to the Authority's present resources: (i) 300 MW—Summer Nuclear Station in December 1981; (ii) 280 MW—Winyah No. 4 in May 1982 with temporary initial operation in June 1981; and (iii) 450 MW—Cross No. 2 in May 1984. The Summer Nuclear Station is projected to operate at an average monthly plant factor of approximately 60% during the first two years of operation and a 70% monthly plant factor for subsequent years with two-month refueling periods annually. (A 70%

monthly plant factor with annual refueling period of two months is equivalent to approximately 58% annual plant factor.)

9. The Authority has or will obtain all licenses and permits required for all fossil fueled generation and transmission facilities included in its 1981-1985 capital improvement program on a schedule commensurate with construction needs, and SCE&G has or will obtain all licenses and permits required for Summer Nuclear Station on a schedule to permit commercial operation of the station no later than December 1, 1981. The capability available from Summer Nuclear Station is predicated on the assumption that the NRC operating license will not include provisions restricting operations below full rated capability.

10. Nuclear fuel costs for Summer Nuclear Station are estimated on the basis that the 82% of the initial fuel core uranium already delivered will be at the costs provided in the Westinghouse contract and the remaining 18% of the initial fuel core uranium at the spot market price paid therefor. All reload fuel uranium will be purchased on the open market at costs based on price levels of approximately \$44 per pound escalated at 5% per year. Our projections do not reflect any credits or other benefits which may result from the settlement with Westinghouse except as stated above.

11. The total amount of Bonds required to be issued to pay the costs of Summer Nuclear Station was estimated based upon construction costs as presently estimated by SCE&G and reflect an amount of \$17,000,000 for contingencies for the Authority's one-third ownership share as hereinbefore discussed and the Authority's purchasing its ownership share of the initial nuclear fuel under the terms and at the costs set forth in the Westinghouse contract, with the exception of the approximately 18% of the initial core uranium concentrates purchased by SCE&G on the spot market. Based on such costs and on an assumed commercial operation date of December 1, 1981 as heretofore discussed, we have estimated that the total amount of Bonds which will be required to be issued to pay the costs of construction of the Summer Nuclear Station including the funding of interest requirements to June 1, 1982 is \$386,000,000 of which \$284,600,000 of Bonds have been heretofore issued. We have assumed that the Authority will authorize and issue the remaining amount of such Bonds following commercial operation of Summer Nuclear Station (assumed to be December 1, 1981) with interim financing provided by outstanding short-term borrowings.

12. Operation and maintenance expenses, exclusive of fuel, have been based on the Authority's budget estimate for fiscal years ending June 30, 1981, 1982 and 1983 and increased each year thereafter to reflect increased expenses required for projected growth and escalation based on inflation rates and other conditions prevailing in the present economy.

13. Payments in lieu of taxes reflect present levels of such payments and are projected to increase approximately in proportion to increases in sales to certain classes of customers.

14. Revenues which are expected from rentals of land owned by the Authority, wheeling of SEPA power for the account of the cooperatives and municipalities, and miscellaneous revenues including sales of timber harvested from Authority-owned lands have been projected at approximately current levels.

15. Investment income has been forecasted utilizing as a base the Authority's budget estimate for fiscal years ending June 30, 1981, 1982 and 1983 with adjustments calculated on the basis of applying an 8½% annual investment earnings rate to expected increases in the level of funds available for investment in accordance with the Resolution.

16. Debt service requirements for the period shown have been projected utilizing the following criteria: (i) the actual debt service schedules on outstanding priority obligations and on the Bonds heretofore issued; (ii) the estimated debt service requirements at an annual interest rate of 8½% as provided by the Authority's Financial Advisor on \$150,000,000 of 1980B Bonds with interest requirements funded from bond proceeds to August 1, 1982; (iii) the estimated debt service on the \$459,300,000 of additional Bonds authorized to be issued to pay the costs of construction of Cross No. 2 at an annual interest rate of 8½% with interest requirements funded on all Bonds authorized for Cross No. 2 to November 1, 1984; (iv) the estimated debt service requirements at an annual interest rate of 8½% on \$101,400,000 of Bonds which have been assumed to be authorized but not yet issued for the

completion of Summer Nuclear Station with interest requirements funded from Bond proceeds to June 1, 1982 on said Bonds and Bonds heretofore issued allocable to Summer Nuclear Station; (v) the estimated debt service requirements at an annual interest rate of 8½% on \$30,000,000 of Bonds assumed to be issued in the spring of 1981 to fund general improvements; (vi) the estimated debt service requirements at an annual interest rate of 8½% on \$536,000,000 of Bonds assumed to be issued to fund the construction of Cross No. 1 with interest requirements funded from Bond proceeds to May 1, 1987 which is beyond the period of the projection shown; and (vii) the payment of principal and interest requirements associated with short-term borrowings utilized by the Authority for interim financing of capital improvements is assumed to be paid from the proceeds of future Bond issues.

Escalation rates other than for fuel have been based upon current inflation rates and other conditions prevailing in the present economy and, in our opinion, are reasonable for the purposes of the projections set forth herein. However, we can give no assurance that such rates will not be exceeded. Due to uncertainties caused by variable factors including labor disputes and other factors which influence the cost of all energy sources, we can give no assurance as to the reasonableness of the rate of escalation used herein with respect to fuel and construction costs. Since at the present time it is not possible to predict what additional costs or delays, if any, may be experienced as a result of the Three Mile Island accident, we can give no assurance as to the estimates used herein with respect to the Summer Nuclear Station.

OPINION

Based upon our studies, investigations and analyses as summarized herein and the considerations and assumptions as set forth above, we are of the opinion that:

1. The Authority's proposal to construct and operate Winyah No. 4 having a net generating capability of approximately 280 MW with commercial operation scheduled in May 1982, the Authority's ownership of a one-third interest (equal to approximately 300 MW) in the Summer Nuclear Station with commercial operation assumed in December 1981 and Cross No. 2 having a net capability of approximately 450 MW with commercial operation scheduled for May 1984, all of which have heretofore been authorized by the Authority, together with the Authority's existing power supply resources are necessary in order to produce additional power supply needed to meet the projected power requirements of the Authority for the period shown including the power supply requirements which will result from or be attributable to Alumax in accordance with the terms of the Alumax contract.

2. The construction, operation and ownership by the Authority of Cross No. 2 as presently being designed by Burns and Roe, Inc. are economically feasible.

3. The net operating revenues of the Authority, after giving effect to the rate increases adopted by the Authority to become effective beginning May 1981 and November 1982, will be adequate to meet all estimated debt service on all priority obligations and authorized Bonds, including \$78,400,000 of Bonds to be authorized but not yet issued to pay the costs of construction of Summer Nuclear Station, and lease payment requirements for the periods shown and to make payments into the Capital Improvement Fund established pursuant to the Resolution, in amounts at least equal to the minimum requirement therefor, to provide for needed renewals, replacements and additions to the Authority's facilities.

The additional revenues to be derived from such rates are estimated to be adequate to meet the additional debt service requirements on Bonds not now authorized but estimated to be required for the completion of the Summer Nuclear Station based on an assumed commercial operation date of December 1, 1981.

4. The Consulting Engineer's Certificates required under the Authority's Resolution to issue the 1980B Bonds can be furnished.

We have reviewed the Official Statement to which this Consulting Engineer's Report is appended and, in our opinion, the data presented therein which is taken from our report is accurately represented.

Respectfully submitted,

R. W. BECK AND ASSOCIATES

APPENDIX I
Exhibit A

CAPITAL IMPROVEMENT PROGRAM(1)
Fiscal Years 1981-1985
(\$000)

Estimated Capital Costs(2):		
Cross No. 2(3)	\$	408,500
Completion of Winyah No. 4(3)		83,200
Completion of Summer Nuclear Station—Authority's Share(3)		49,600
Cross No. 1		351,400
Future Generating Units		15,500
General System Improvements		
Generation System Improvements	\$	38,700
Transmission and Distribution System Improvements(4)		119,000
General Plant Improvements(5)		41,600
Future Site Studies and Acquisitions		8,000
Total General System Improvements		207,300
Total Estimated Cost of Capital Improvement Program		<u>\$1,115,500</u>
Expected Sources of Funds:		
Proceeds of Bonds:		
Cross No. 2		
1980B Bonds	\$	108,800
Future Bonds		285,500
Winyah No. 4		
1980A Bonds		31,700
1979A Bonds		68,700
Summer Nuclear Station (Authority's Share)		
1973 Bonds, 1976 Bonds and 1977 Bonds(6)		179,900
Future Bonds(7)		57,300
Additional Bonds Expected to be Authorized but not yet Issued		
Cross No. 1 Bonds(8)		295,700
General Improvements Bonds(9)		26,900
Total Proceeds of Bonds		1,054,500
Investment Earnings(10)		218,600
Revenues(11)		152,800
Total Expected Sources of Funds		<u>\$1,425,900</u>
Less: Amounts Expended at June 30, 1980(12)		310,400
Total Funds		<u>\$1,115,500</u>

- (1) All amounts rounded to the nearest \$100,000. The capital improvement program excludes approximately \$4,000,000 of facilities to be constructed and funded from REA loans to Central. Under the existing lease agreements, the facilities are to be leased and operated by the Authority.
- (2) The estimated capital costs shown are exclusive of funded interest, reserves and financing costs.
- (3) Balance of estimated construction costs remaining as of July 1, 1980.
- (4) Amount shown includes the following costs for transmission and distribution system improvements: (i) substations \$34,000,000; (ii) equipment, betterments and customer facilities \$25,400,000; and (iii) lines \$59,600,000.
- (5) Amount shown includes a net amount of \$12,700,000 for the completion of a new office facility.
- (6) The 1976 Bonds were defeased on March 10, 1977, through the issuance of the 1977 Refunding Series Bonds.
- (7) Amount shown assumes the issuance in June 1982 of \$101,400,000 of Bonds assumed to be authorized but not yet issued to pay the costs of construction to complete the Authority's ownership share of Summer Nuclear Station.
- (8) Amount shown assumes the authorization and issuance of an aggregate of \$536,000,000 principal amount of Bonds to fund the construction of Cross No. 1 with the initial series of said Bonds assumed to be issued in mid-1981.
- (9) Amount shown assumes the authorization of General Improvement Bonds in the principal amount of \$30,000,000 to be issued in 1981.
- (10) Amount shown includes accrued interest resulting from the difference in the date of the bonds and the date of closing, actual investment earnings to May 31, 1980 on funds which are retained in the various construction and improvement funds and estimated future investment earnings on the: (i) Winyah No. 4 Construction Fund, (ii) Winyah No. 3 Construction Fund, (iii) Winyah No. 2 Construction Fund, (iv) Summer Nuclear Station Construction Fund, (v) Cross No. 2 Construction Fund, planned Cross No. 1 Construction Fund, and (vi) General Improvements Fund.
- (11) Amount shown includes anticipated payments into the Capital Improvements Fund from revenues.
- (12) Amount shown includes actual expenditures through May 31, 1980 and estimated expenditures for the month of June 1980, for construction, exclusive of funded interest, reserves, and financing costs, rounded as follows: (i) Winyah No. 4—\$56,000,000, (ii) Summer Nuclear Station (Authority's Share)—\$224,000,000, and (iii) Cross No. 2—\$30,400,000.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY
Comparison of Typical Monthly Bills
(As of June, 1980)

Residential Electric Service					
	Rate Schedule	300 kWh	500 kWh	700 kWh	1,000 kWh
Authority(1)	(S) RS-79R	\$15.21	\$22.66	\$29.76	\$40.42
	(W) RS-79R	14.46	21.11	27.11	36.12
Carolina Power & Light Company(2)	(S) RES-18	17.99	25.98	33.97	45.96
	(W) RES-18	17.99	25.98	33.97	44.46
Duke Power Company(2)	R	16.46	24.45	32.44	44.42
South Carolina Electric & Gas Company(3)	8	19.38	28.30	37.21	50.59

Commercial Service (300 Hours of kW Demand)				
	Rate Schedule	3,000 kWh	5,000 kWh	7,500 kWh
Authority(1)	(S) GS-79R	\$123.66	\$201.70	\$299.25
	(W) GS-79R	105.46	171.50	254.05
Carolina Power & Light Company(2)	SGS-18	124.79	204.80	292.83
Duke Power Company(2)	G	148.05	237.56	335.25
South Carolina Electric & Gas Company(3)	9	165.48	275.80	381.70

Industrial Service					
	Rate Schedule	1,000 kW 500,000 kWh	2,000 kW 1,000,000 kWh	9,000 kW 5,000,000 kWh	40,000 kW 25,000,000 kWh
Authority(4)	L-79R	\$12,793.00	\$23,918.00	\$109,868.00	\$527,418.00
Carolina Power & Light Company(2)	LGS-18	14,610.00	29,010.00	138,810.00	666,210.00
Duke Power Company(2)	I	13,621.71	25,651.21	119,522.21	573,192.21
South Carolina Electric & Gas Company(3)	23	15,600.00	30,550.00	144,900.00	695,650.00

Summer rate schedule designated (S); Winter rate schedule designated (W).

(1) Includes fuel adjustment credit of \$0.00298/kWh.

(2) Rates in effect are applicable in the State of South Carolina and are under bond subject to refund.

(3) Rates in effect are applicable in the State of South Carolina and are under bond subject to refund. The South Carolina Public Service Commission has recently approved rates to become effective in July 1980 which, among other things, should reduce slightly the charges shown for residential service.

(4) Includes fuel adjustment credit of \$0.00285/kWh.

APPENDIX I
Exhibit C

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

Summary of Historical Operating Results
Fiscal Year Ended June 30(1)

	1975	1976	1977	1978	1979	Twelve Months Ended May 31, 1980 (Unaudited)
Total System Requirements:						
Demand—MW	911	943	1,089	1,231	1,241	1,352
Energy Supply—MWh (2)	4,736,277	4,975,457	5,666,005	6,391,880	6,508,421	7,070,140
Less:						
Non-Territorial Sales (2)	46,520	25,710	53,654	318,773	50,104	299,892
Wheeling Deliveries (3)	197,865	198,407	197,865	197,865	197,865	198,407
Net System Energy Supply	4,491,892	4,751,340	5,414,486	5,875,242	6,260,452	6,571,841
Sales—MWh						
To Ultimate Customers (4)	2,240,698	2,265,356	2,527,592	2,717,611	3,071,019	3,173,441
For Resale (5)	2,018,602	2,220,560	2,576,795	2,843,955	2,881,781	3,049,365
Total Sales	4,259,300	4,485,916	5,104,387	5,561,566	5,952,800	6,222,806
Losses—MWh	232,592	265,424	310,099	313,676	307,652	349,035
Operating Revenues:						
Sales of Electricity—						
To Ultimate Customers (4)	\$43,767,696	\$44,348,866	\$50,268,249	\$ 63,642,932	\$ 74,320,502	\$ 82,983,433
For Resale (5)	32,038,490	36,215,359	42,264,846	54,101,024	59,975,290	64,998,746
Non-Territorial Sales (2)	1,021,682	506,960	75,255	149(6)	280(6)	453(6)
Total Sales of Electricity	\$76,827,868	\$81,071,185	\$93,508,350	\$117,744,105	\$134,296,072	\$147,982,632
Other Operating Revenues:						
Land Rentals	446,964	449,548	459,311	481,393	642,866	654,600
SEPA Transmission (7)	321,272	322,420	322,264	322,107	32,887	322,699
Miscellaneous	210,111	395,808	437,068	432,572	435,601	408,992
Total Operating Revenues	\$77,806,215	\$82,238,961	\$94,726,993	\$118,980,177	\$135,397,426	\$149,368,923
Operating Expenses:						
Production—						
Hydro	\$ 816,028	\$ 873,173	\$ 1,187,721	\$ 1,398,102	\$ 1,711,304	\$ 1,893,283
Steam and Combustion Turbine (excluding fuel)	2,740,028	3,603,055	5,785,867	7,486,113	9,540,080	10,722,248
Fuel (8)	37,704,204	42,716,672	46,848,296	76,168,515	81,056,669	86,827,037
Other	83,368	162,935	165,973	227,631	372,592	428,500
Purchased Power	13,679,493	2,213,516	8,331,935	(4,748,340)(6)	2,109,654(6)	(2,134,756)
Total Power Supply Expense	\$55,023,121	\$49,569,751	\$62,319,792	\$ 80,532,021	\$ 94,790,299	\$ 97,736,312
Transmission Expense	1,241,540	1,525,484	1,922,761	2,237,102	2,591,969	2,827,169
Distribution Expense	714,509	817,709	920,531	960,885	1,125,415	1,331,543
Customer Accounts	625,503	748,615	895,972(9)	1,277,390(9)	1,271,731(9)	1,289,958(9)
Sales Expense	147,538	156,473	194,593	230,987	214,227	236,480
Administrative and General	1,659,906	1,890,723	2,562,405	2,905,443	3,935,495	4,785,904
In Lieu of Taxes (10)	404,528	550,482	734,278	658,417	381,034(11)	507,202(11)
Total Operating Expenses	\$59,816,645	\$55,259,237	\$69,550,332	\$ 88,802,245	\$104,309,170	\$108,714,568
Net Operating Revenues	\$17,989,570	\$26,979,724	\$25,176,661	\$ 30,177,932	\$ 31,388,256	\$ 40,654,355
Other Income:						
Investment Income (12)	1,864,052	2,806,586	2,806,184	3,481,324	4,782,578	5,671,569
	129,263	12,308	108,060	136,444	132,397	(29,580)

Debt Service (13):

Priority Obligations	\$ 4,317,573	\$ 4,323,527	\$ 4,317,371	\$ 4,319,365	\$ 4,319,070	\$ 4,321,310
1971 Bonds (14)	3,460,216	7,123,251	5,066,951	—	—	—
1973 Bonds	—	701,700	701,700	701,701	701,701	1,457,950
1974 Bonds	—	—	496,138	5,138,299	7,211,310	7,302,977
1977 Bonds	—	—	—	—	—	425,038
1977 Refunding Bonds	—	—	2,844,978	6,921,786	6,945,646	6,970,003
1979A Bonds	—	—	—	—	164,689	716,315
1980A Bond	—	—	—	—	—	242,980
Total Debt Service	\$ 7,777,789	\$12,148,478	\$11,427,138	\$ 17,081,151	\$ 19,342,616	\$ 21,436,573
Lease payments to Central (15)	2,105,355	2,412,599	2,983,721	3,354,339	3,876,796	4,528,078
Principal and Interest on Other Obligations (16)	147,137	1,690,690	1,363,660	1,402,401	92,351	89,609
Balance after Debt Service, Lease payments and Other Obligations	\$ 9,952,604	\$13,546,851	\$12,316,386	\$ 11,957,489	\$ 12,991,468	\$ 20,242,084
Payments to State of South Carolina	763,535	843,996	1,797,497	1,200,564	1,200,380	1,300,145
Payments to Reserve Fund	—	—	—	—	—	—
Payments into Contingency Fund	—	2,352	—	—	—	—
Balance Available for Renewals, Replacements, Capital Additions to Plant and Other Lawful Purposes	\$ 9,189,069	\$12,700,503	\$10,518,889	\$ 10,756,925	\$ 11,791,088	\$ 18,941,939
Coverage:						
On Debt Service	2.57	2.45	2.46	1.98	1.88	2.16

- (1) Prepared from financial statements and data of the Authority. Net revenues not reduced by depreciation, lease payments or interest on long-term debt, for determining revenue available for debt service and other purposes, all in accordance with the Indenture, as amended and supplemented, and the Resolution.
- (2) Amounts shown include sales to SCE&G and CP&L.
- (3) Amounts shown reflect SEPA energy wheeled by the Authority to preference customers.
- (4) Amounts shown include sales to residential, commercial, industrial, public street and highway lighting, and other public authorities—military.
- (5) Amounts shown include sales to Central, Berkeley Electric Cooperative, Inc., City of Georgetown, South Carolina, and Town of Bamberg, South Carolina.
- (6) During the fiscal year ended June 30, 1979, the Authority revised its treatment of recording revenues from non-territorial sales for resale and purchased power expense, and restated the amount of revenues from non-territorial sales for resale and purchased power expense for the fiscal year ended June 30, 1978. The revised accounting treatment of reflecting net settlements for exchange of electricity as prescribed in the Uniform System of Accounts does not affect net revenues as defined in the Resolution.
- (7) Revenues received for wheeling SEPA power to preference customers.
- (8) Amounts shown include fuel and fuel handling expense.
- (9) Amounts shown include Customer Service and Informational Expense.
- (10) Amounts shown include the following payments to counties recorded as an operating expense:

<u>Fiscal Year</u> <u>Ended</u> <u>June 30</u>	<u>Amount</u>
1975	\$256,920
1976	282,744
1977	441,737
1978	358,418

In the opinion of Bond Counsel, such amounts are available for the payment of debt service and for debt service coverage; however, such amounts are not reflected in the coverage calculations shown in this exhibit.

- (11) Amounts shown exclude payments to counties recorded as an operating expense which were paid from the Special Reserve Fund in the fiscal year ended June 30, 1979 and the twelve months ended May 31, 1980 of \$345,281 and \$348,750, respectively.
- (12) Amounts shown exclude interest earned by reason of the investment of moneys in any Construction Fund or ratable portions of the Reserve Account during a construction period, established with the proceeds of Bonds, all in accordance with the Resolution.
- (13) The amounts shown were paid from revenues and exclude amounts which were funded from Bond proceeds.
- (14) The 1971 Bonds were defeased on March 10, 1977, through the issuance of the 1977 Refunding Bonds.
- (15) Cash basis.
- (16) Amounts shown include payment of bank loans.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

Projected Operating Results
Fiscal Year Ending June 30(1)

	(Dollars in Thousands)				
	1981	1982	1983	1984	1985
Total System Requirements:					
Demand—MW(2)	1,794	1,894	2,024	2,173	2,334
Energy Supply—GWh(3)	9,461	10,492	10,968	11,537	12,179
Less:					
Non-Territorial Sales	—	—	—	—	—
Wheeling Deliveries	198	198	198	198	198
Net System Energy Supply	9,263	10,294	10,770	11,339	11,981
Sales—GWh:					
To Ultimate Customers(4)	5,412	6,147	6,317	6,527	6,783
For Resale(5)	3,421	3,679	3,960	4,292	4,643
Total Sales	8,833	9,826	10,277	10,819	11,426
Losses	430	468	493	520	555
Operating Revenues:					
Sales of Electricity(6)					
Sales to Ultimate Customers(4)	\$155,314	\$195,046	\$237,175	\$285,588	\$333,939
Sales for Resale(5)	89,177	100,305	121,809	152,696	180,206
Non-Territorial Sales	—	—	—	—	—
Total Sales of Electricity	\$244,491	\$295,351	\$358,984	\$438,284	\$514,145
Other Operating Revenue					
Land Rentals	654	677	693	705	719
SEPA Transmission(7)	322	322	322	322	322
Miscellaneous	595	796	849	906	973
Total Operating Revenues	\$246,062	\$297,146	\$360,848	\$440,217	\$516,159
Operating Expenses:					
Production—					
Hydro	\$ 2,495	\$ 2,718	\$ 2,850	\$ 3,135	\$ 3,449
Steam and Combustion Turbine (Excluding Fuel)	14,491	20,069	25,397	28,679	35,627
Fuel(3)	140,663	165,493	185,695	236,303	257,907
Other	3,199	2,753	3,064	3,371	3,707
Purchased Power	10,662	3,575(9)	4,340(9)	2,794(9)	2,832(9)
Total Power Supply Expense	\$171,510	\$194,608	\$221,346	\$274,282	\$303,522
Transmission Expense	3,807	4,159	4,603	5,063	5,570
Distribution Expense	2,007	2,225	2,494	2,743	3,018
Customer Accounts	1,650	1,875	2,093	2,302	2,533
Sales Expense	463	517	578	636	699
Administrative and General	6,679	7,340	8,158	8,974	9,871
In Lieu of Taxes(10)	468	558	606	688	743
Total Operating Expenses	\$186,584	\$211,282	\$239,878	\$294,688	\$325,956
Net Operating Revenues	\$ 59,478	\$ 85,864	\$120,970	\$145,529	\$190,203
Other Income:					
Investment Income(11)	6,019	7,703	10,552	10,553	14,363
Other Income and Deductions	6	(6)	(17)	3	8
Revenue Available for Debt Service and Other Purposes	\$ 65,503	\$ 93,561	\$131,505	\$156,085	\$204,574
Debt Service(12)					
Priority Obligations	\$ 4,319	\$ 4,322	\$ 4,319	\$ 4,473	\$ 4,337
1973 Bonds	1,567(13)	2,018(13)	6,498	6,505	6,503
1974 Bonds	8,085	8,038	8,079	8,076	8,084
1977 Refunding Bonds	7,735(13)	8,339(13)	14,390	14,394	14,393
1977 Bonds	1,020(13)	1,898(13)	6,911	6,920	6,911
1978 Bonds	8,053	11,722	12,409	12,254	12,409
1979A Bonds	725	721	5,646	8,207	8,187
1980A Bonds	2,489	2,489	5,844	8,045	8,076
1980B Bonds(14)	—	—	—	—	9,375
Total Debt Service on Authorized and Issued Bonds	\$ 33,993	\$ 39,547	\$ 64,096	\$ 68,874	\$ 78,170
Additional Bonds Authorized but not yet Issued or Expected to be Authorized and Issued:					
Cross No. 2 Completion Bonds(15)	—	—	—	—	28,492
General Improvement Bonds(16)	1,396	2,792	2,792	2,792	2,792
Summer Nuclear Station Bonds(17)	—	786	9,435	9,435	9,435
Total Estimated Debt Service on Bonds: Authorized and Issued, Expected to be Authorized and Issued	\$ 35,389	\$ 43,125	\$ 76,323	\$ 81,101	\$118,897
Lease Payments to Central(18)	5,263	5,386	5,510	5,514	5,503
Principal and Interest on Other Obligations(19)	86	83	80	77	—
Total Estimated Debt Service, Lease Payments and Other Obligation Payments	\$ 40,738	\$ 48,594	\$ 81,913	\$ 86,692	\$124,400
Balance Available for Payments to State of South Carolina, Renewals, Replacements, Additions to Plant and Other Lawful Purposes	\$ 24,765	\$ 44,967	\$ 49,592	\$ 69,393	\$ 80,174
Coverage:					
Total Debt Service on Authorized and Issued Bonds	1.93	2.37	2.05	2.27	2.62
Total Estimated Debt Service on Bonds: Authorized and Issued, and Expected to Be Authorized and Issued	1.85	2.17	1.72	1.92	1.72

- (1) Prepared from data of the Authority. Net revenues not reduced by depreciation, lease payments or interest on long-term debt, for determining revenue available for debt service and other purposes, all in accordance with the Indenture, as amended and supplemented, and the Resolution.
- (2) Projected amounts of demand reflect January-February peak. Included in the peak demands for fiscal year 1982 and thereafter are approximately 286 MW attributable to Alumax.
- (3) Projected amounts shown reflect SEPA energy wheeled by the Authority to preference customers.
- (4) Projected amounts shown include sales to residential, commercial, industrial, public street and highway lighting, and other public authorities—military.
- (5) Projected amounts shown include sales to Central; City of Georgetown, South Carolina; and Town of Bamberg, South Carolina.
- (6) Projected revenues from sales of electricity to customers, in general, other than Central, have been based on the following, including in each case the fuel adjustment provisions of such rates: (i) for power deliveries through April, 1981 on rates presently in effect; (ii) for power deliveries during the period May, 1981 through October, 1982, on rates adopted by the Authority to become effective May, 1981; (iii) for the period commencing with power deliveries in November, 1982 through June 1984 on rates to be adopted by the Authority to become effective November 1982; and (iv) for the period commencing with power deliveries in July 1984 through the term of the projection on rates to be hereafter adopted to implement the rate program adopted by the Authority to become effective in July 1984. Revenues to be derived from Central have been projected on the basis of the present contract terms including adjustments computed in accordance with the F Power Contract, and reflects in the fiscal year 1981 the effects of the 2.3 mills per kWh surcharge.
- (7) Projected amounts shown include revenues expected to be received for wheeling SEPA power to preference customers.
- (8) Projected amounts shown include estimated fuel and fuel handling expense.
- (9) Projected amounts shown assume SEPA power will continue to be purchased under contract terms and in the same amounts as provided under the existing contract between the Authority and SEPA.
- (10) Does not include certain estimated tax payments payable from the Special Reserve Fund to counties for determining projected revenues available for debt service and debt service coverage.
- (11) Excludes all interest earned by reason of the investment of moneys in any Construction Fund established with the proceeds of Bonds or ratable portions of the Reserve Account during the construction period, all in accordance with the Indenture and Resolution. Assumes existing investment income levels with adjustments for additional investment income associated with Reserve Account requirements and other deposits into the Expansion Bond Fund commencing with the commercial operation of various facilities or the date which interest has been or is expected to be funded from Bond proceeds.
- (12) Projected amounts shown are payable from revenues and exclude amounts which are funded or are expected to be funded from Bond proceeds.
- (13) Fiscal years 1981 and 1982 are adjusted to reflect additional funding of interest requirements to June 1, 1982 on Bonds heretofore issued which are allocable to Summer Nuclear Station:

Estimated Amount to Be Funded From a Portion of the
Proceeds of Additional Bonds

	Fiscal Year Ending June 30: (\$000)	
	1981	1982
1973 Bonds	\$ 3,281	\$ 4,476
1977 Refunding Bonds	4,443	6,060
1977 Bonds	3,666	5,040
Total	\$11,390	\$15,576

- (14) Estimated debt service requirements at an annual interest rate of 8½% on the 1980B Bonds with interest requirements to August 1, 1982, of \$25,500,000 funded from a portion of the proceeds of the 1980B Bonds and interest requirements from August 1, 1982, to November 1, 1984, of \$28,688,000 funded from a portion of the proceeds of future Bonds authorized but not yet issued for Cross No. 2.
- (15) Estimated debt service requirements at an annual interest rate of 8½% on the \$459,300,000 of additional Bonds authorized but not yet issued to pay the costs of construction of Cross No. 2 with interest requirements to November 1, 1984, and the estimated \$28,688,000 of interest requirements on the 1980B Bonds funded from bond proceeds.
- (16) Estimated debt service requirements on Bonds expected to be authorized and issued which are anticipated to be required for 1981-1985 capital improvement program to fund general improvements. Amounts shown reflect the expected issuance in fiscal year 1981 of \$30,000,000 of Bonds at an 8½% annual interest rate.
- (17) Estimated debt service requirements at an annual interest rate of 8½% on \$101,400,000 of Bonds which have been assumed to be authorized and issued for the completion of Summer Nuclear Station with interest requirements funded from Bond proceeds to June 1, 1982 on said Bonds and Bonds heretofore issued allocable to Summer Nuclear Station.
- (18) Amounts shown include estimated lease payments on K and L Lease Contracts.
- (19) Amounts shown include principal and interest payments on a note held by Bankers Trust of South Carolina.

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Advisory Board
South Carolina Public
Service Authority
Columbia, South Carolina

We have made a joint examination of the balance sheet of the South Carolina Public Service Authority at June 30, 1979 and the related statements of net earnings, accumulated earnings reinvested in the business and changes in financial position for the year then ended. Our joint examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned financial statements examined jointly by us present fairly the financial position of the South Carolina Public Service Authority at June 30, 1979 and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change, with which we concur, in the method of accounting for capital leases as described in Note 6 to the financial statements.

J. W. Hunt and Company

Coopers & Lybrand

Columbia, South Carolina
Atlanta, Georgia
November 20, 1979

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Advisory Board
South Carolina Public
Service Authority
Columbia, South Carolina

We have examined the balance sheet of the South Carolina Public Service Authority as of June 30, 1978, and the related statements of net earnings, accumulated earnings reinvested in the business and changes in financial position for the four years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the South Carolina Public Service Authority as of June 30, 1978, and the results of its operations and changes in financial position for the four years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for capital leases as described in Note 6 to the financial statements.

J. W. HUNT AND COMPANY

Columbia, South Carolina
November 20, 1979

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

BALANCE SHEETS

ASSETS

	May 31, 1980 (Unaudited)	June 30, 1979
UTILITY PLANT—AT COST (Note 1):		
Electric plant in service	\$ 481,831,218	\$ 476,881,954
Construction work in progress	532,107,001	363,497,952
Total	1,013,938,219	840,379,906
Less accumulated depreciation	111,064,944	98,213,047
Electric plant—net	902,873,275	742,166,859
Nuclear fuel	18,614,088	17,672,416
Utility plant—net	921,487,363	759,839,275
OTHER PHYSICAL PROPERTY (Net of accumulated depreciation)	456,282	482,733
UNEXPENDED FUNDS FROM SALE OF ELECTRIC SYSTEM EXPANSION REVENUE BONDS (Note 2)	163,645,231	208,763,668
DEBT SERVICE AND OTHER SPECIAL FUNDS (Note 2)	159,682,566	170,118,148
CURRENT ASSETS:		
Cash and securities:		
Held by Trustee	11,113,550	7,207,020
Other	2,081,169	2,461,961
Accounts receivable less allowance for uncollectible accounts	11,675,400	13,135,282
Interest receivable	4,770,358	828,206
Inventories, at average cost:		
Fuel (coal and oil)	22,988,022	17,750,329
Materials and supplies	2,622,451	2,635,766
Other	560,168	369,690
Total current assets	55,811,118	44,388,254
DEFERRED DEBITS:		
Unamortized debt expense (Note 1) ..	3,492,111	3,459,109
Unamortized loss on reacquired debt (Note 1)	10,004,814	10,354,288
Other	724,958	353,026
Total deferred debits	14,221,883	14,166,423
TOTAL	<u>\$1,315,304,443</u>	<u>\$1,197,758,501</u>

See Accompanying Notes to Financial Statements.

APPENDIX II
Exhibit A (Continued)

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY
BALANCE SHEETS

LIABILITIES

	May 31, 1980 (Unaudited)	June 30, 1979
LONG-TERM DEBT (Note 4):		
Priority Obligations	\$ 72,072,356	\$ 73,492,809
Electric System Expansion Revenue Bonds	919,890,000	846,455,000
Capitalized lease obligations	86,075,351	88,056,022
Bank Credit Agreement	50,000,000	25,000,000
Other	300,000	375,000
Total Long-Term Debt	1,128,337,707	1,033,378,831
Unamortized debt discount and premium—net	(15,507,410)	(14,130,012)
Long-Term Debt—Net	1,112,830,297	1,019,248,819
ACCRUED INTEREST ON LONG-TERM DEBT ..	23,773,963	25,233,802
CONSTRUCTION FUND LIABILITIES—		
ACCOUNTS PAYABLE	9,139,393	16,044,938
CURRENT LIABILITIES:		
Accounts payable	9,618,408	7,469,520
Customer deposits	2,383,865	2,072,866
Accrued sums in lieu of taxes	330,659	353,304
Other	120,998	146,509
Total Current Liabilities	12,453,930	10,042,199
COMMITMENTS (Note 7)		
DEFERRED CREDITS:		
Unamortized gain on reacquired debt (Note 1)	1,425,171	1,687,110
Nuclear fuel settlement (Note 3)	10,055,089	—
Total deferred credits	11,480,260	1,687,110
CAPITAL CONTRIBUTIONS—		
U. S. GOVERNMENT GRANTS	34,438,264	34,438,264
ACCUMULATED EARNINGS REINVESTED IN THE BUSINESS	111,188,336	91,063,369
Total	\$1,315,304,443	\$1,197,758,501

See Accompanying Notes to Financial Statements.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY
STATEMENTS OF NET EARNINGS

	Twelve Months Ended May 31 1980 (unaudited)	Year Ended June 30,				
		1979	1978	1977	1976	1975
OPERATING REVENUES:						
Sales of electricity	\$147,982,632	\$134,296,072	\$117,744,105	\$93,508,350	\$81,071,185	\$76,827,868
Other operating revenues	1,386,291	1,401,354	1,236,072	1,218,643	1,167,776	978,347
Total operating revenues	149,368,923	135,697,426	118,980,177	94,726,993	82,238,961	77,806,215
OPERATING EXPENSES:						
Operation expense:						
Production	91,082,750	84,529,074	79,353,325	49,285,927	44,870,111	39,378,046
Purchased and interchanged power-net	(2,134,756)	2,109,654	(4,748,340)	8,331,935	2,213,916	13,679,493
Transmission	1,370,789	1,242,108	1,131,318	878,526	739,523	682,546
Distribution	804,211	729,969	607,529	595,166	575,947	478,273
Customer Accounts	1,289,958	1,271,731	1,273,236	895,972	748,615	625,503
Sales	236,430	214,227	235,142	194,593	156,473	147,538
Administrative and general	4,441,560	3,642,924	2,655,041	2,375,039	1,738,419	1,573,574
Maintenance expense	11,116,374	10,188,449	7,636,576	6,258,896	3,665,751	2,847,144
Total operation and maintenance expenses	108,207,316	103,928,136	88,143,827	68,816,054	54,708,755	59,412,117
Depreciation	14,462,224	12,433,947	11,060,022	8,324,687	7,591,884	5,820,451
Sums in lieu of taxes	855,952	726,315	658,418	734,278	550,482	404,528
Total operating expenses	123,525,492	117,088,398	99,862,267	77,875,019	62,851,121	65,637,096
OPERATING INCOME	25,843,431	18,609,028	19,117,910	16,851,974	19,387,840	12,169,119
OTHER INCOME:						
Interest income	31,311,938	26,879,580	17,159,446	12,553,297	12,371,600	16,998,629
Allowance for funds used during construction—other than borrowed funds (Note 1)	164,021	1,084,631	457,879	—	—	—
Other—net	(29,580)	132,398	(34,021)	(35,803)	(59,291)	4,204
Total other income	31,446,379	28,096,609	17,583,304	12,517,494	12,312,309	17,002,833
Total	57,289,810	46,705,637	36,701,214	29,369,468	31,700,149	29,171,952
INTEREST CHARGES:						
Interest on long-term debt	58,999,696	49,609,758	37,870,422	30,337,448	24,672,665	23,226,112
Allowance for borrowed funds used during construction (Note 1)	(22,827,813)	(14,415,741)	(7,215,703)	(9,298,720)	(4,673,754)	(1,918,452)
Other	832,449	721,090	530,902	(18,387)	(186,391)	(274,675)
Total interest charges	37,004,332	35,915,107	31,185,621	21,020,341	19,812,520	21,032,985
NET EARNINGS	\$20,285,478	\$10,790,530	\$ 5,515,593	\$ 8,349,127	\$11,887,529	\$ 8,138,967

See Accompanying Notes to Financial Statements.

APPENDIX II
Exhibit C

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY
STATEMENTS OF ACCUMULATED EARNINGS
REINVESTED IN THE BUSINESS

Detail	Twelve Months Ended May 31, 1980 (Unaudited)	Year Ended June 30.				
		1979	1978	1977	1976	1975
Accumulated Earnings Reinvested in the Business, as Previously Reported, Beginning of Period		\$85,699,107	\$81,065,189	\$73,884,469	\$62,826,474	\$55,147,987
Cumulative Effect on Prior Years of Capital Lease Re-statement (Note 6)		(4,225,888)	(3,906,999)	(3,277,909)	(3,263,548)	(2,960,493)
As Restated	\$ 92,203,003	81,473,219	77,158,190	70,606,560	59,562,926	52,187,494
Net Earnings for the Period	20,285,478	10,790,530	5,515,593	8,349,127	11,887,629	8,138,967
Total	112,488,481	92,263,749	82,673,783	78,955,687	71,450,555	60,326,461
Distribution to the State of South Carolina	1,300,145	1,200,380	1,200,564	1,797,497	843,995	763,535
Accumulated Earnings Reinvested in the Business, End of Period	\$111,188,336	\$91,063,369	\$81,473,219	\$77,158,190	\$70,606,560	\$59,562,926

See Accompanying Notes to Financial Statements.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY
STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Twelve Months Ended May 31, 1980 (Unaudited)	Year Ended June 30,				
		1979	1978	1977	1976	1975
FUNDS PROVIDED BY:						
Operations:						
Net earnings	\$ 20,285,478	\$ 10,790,530	\$ 5,515,593	\$ 8,349,127	\$ 11,887,629	\$ 8,138,967
Charges (credits) to net earnings not providing or requiring funds:						
Depreciation	14,462,224	12,433,947	11,060,022	8,324,687	7,591,884	5,820,451
Allowances for funds used during construction	(22,991,834)	(15,500,372)	(7,673,582)	(9,298,720)	(4,673,754)	(1,918,452)
Amortization of debt discount and expense	610,928	547,539	391,786	145,149	99,148	70,854
Amortization of loss on reacquired debt—net	93,948	76,944	59,397	(227,496)	(364,911)	(382,219)
Total from operations	17,460,744	8,348,588	9,353,216	7,292,747	14,539,956	11,729,601
Sale of bonds	75,000,000	110,000,000	315,000,000	—	100,000,000	—
Capitalized lease obligations	21,467,555	21,545,286	1,363,252	2,796,513	9,193,049	8,736,088
Bank loans	50,000,000	25,000,000	—	525,000	—	5,648,949
Decrease (increase) in unexpended funds from sale of Electric System Expansion Revenue Bonds	26,772,120	8,494,371	(162,225,897)	57,401,486	(22,724,469)	59,526,767
Decrease (increase) in debt service and other special funds	11,585,866	(15,519,686)	(63,998,594)	18,301,478	(901,452)	(4,030,307)
Increase (decrease) in accrued interest on long-term debt	3,794,510	17,125,117	4,091,735	(966,615)	—	—
Increase (decrease) in construction fund liabilities	4,778,503	14,079,607	(1,050,059)	393,881	147,900	(1,205,868)
Reduction of current liabilities by bond refunding	—	—	—	2,508,852	—	—
Increase in deferred credits—nuclear fuel settlement	10,055,089	—	—	—	—	—
Other	763	26,560	131,675	39,456	(161,620)	(23,601)
Total funds provided	215,915,150	189,099,843	102,665,328	88,292,798	100,093,364	80,381,629
FUNDS APPLIED TO:						
Increase in utility plant and other physical property	204,001,323	178,829,360	83,463,538	81,203,157	88,135,041	65,287,591
Retirement of long-term debt	3,060,453	4,213,033	3,817,638	4,872,589	3,540,890	1,218,132
Principal payments—capitalized lease obligations	1,980,671	1,693,906	1,461,566	1,374,152	1,243,950	1,142,695
Distributions to the State of South Carolina	1,300,145	1,200,380	1,200,564	1,797,497	843,995	763,535
Addition to unamortized debt discount and expense	2,310,132	2,030,644	6,140,524	45,529	2,170,468	212,843
Total funds applied	212,652,724	187,967,323	96,083,830	89,292,924	95,934,344	68,624,796
INCREASE (DECREASE) IN WORKING CAPITAL	\$ 3,262,426	\$ 1,132,520	\$ 6,581,498	(\$1,000,126)	\$ 4,159,020	\$ 11,756,833
INCREASE (DECREASE) IN WORKING CAPITAL BY COMPONENT:						
Cash and securities:						
Held by trustee	\$ 949,742	\$ (104,404)	\$ 934,620	\$ 1,060,148	\$ 751,059	\$ 2,116,996
Other	318,235	(3,432,301)	2,908,542	(1,328,024)	1,498,728	1,245,202
Accounts receivable, less allowance for uncollectible accounts	(212,735)	697,223	(1,212,250)	2,871,971	2,213,587	3,084,805
Accrued interest receivable	226,076	(112,725)	467,810	(23,572)	112,228	147,750
Inventories	2,356,441	2,394,528	5,033,383	(174,197)	901,978	3,128,793
Other current assets	96,872	(24,487)	(66,120)	149,946	53,801	48,863
Accounts payable	(168,566)	2,058,904	(1,144,456)	(3,246,085)	(1,146,090)	2,432,088
Customer deposits	(339,111)	(581,629)	(280,593)	(226,131)	(257,690)	(171,176)
Accrued sums in lieu of taxes	19,443	(55,521)	(22,060)	33,172	(88,532)	(185,056)
Other current liabilities	16,029	292,932	(37,378)	(117,354)	119,951	(91,432)
Increase (decrease) in working capital	\$ 3,262,426	\$ 1,132,520	\$ 6,581,498	(\$1,000,126)	\$ 4,159,020	\$ 11,756,833

See Accompanying Notes to Financial Statements.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Information for the twelve months ended May 31, 1980 is unaudited.

Note 1—Summary of Significant Accounting Policies:

A—SYSTEM OF ACCOUNTS—The accounting records of the Authority are maintained substantially in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). See Note F below relating to calculation of allowance for funds used during construction.

B—UTILITY PLANT CAPITALIZATION AND MAINTENANCE—Additions to plant are recorded at cost, which includes material, labor, overhead and allowance for funds used during construction. The costs of current repairs and minor replacements are charged to appropriate operating expense and clearing accounts. 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.

C—DEPRECIATION—Depreciation is provided on a straight line basis over the estimated useful lives of the various classes of the plant. Annual depreciation provisions, expressed as a percent of average depreciable utility plant in service, were approximately 2.53%, 2.59%, 2.56%, 2.86%, 3.05% and 3.25% for the years ended June 30, 1975 to 1979 and May 31, 1980, respectively.

Effective January 1, 1980, depreciation rates were revised to conform to a recent depreciation study which increased depreciation expense by \$974,412 for the period ended May 31, 1980.

D—OPERATING REVENUES AND ENERGY COSTS—Revenues from sale of electric energy, including amounts resulting from application of fuel adjustment clauses, are recorded as meters are read. Costs of fuel consumed are reflected in operating expenses as incurred.

E—PENSION COSTS—Salaries paid by the Authority are subject to withholding and employer contributions in accordance with the provisions of a State Pension Plan administered by the South Carolina State Retirement System. Rates are fixed by State statutes. The contributions to the State Pension Plan were \$439,686, \$498,706, \$606,513, \$673,981, \$821,556 and \$1,017,241 for the years ended June 30, 1975 to 1979 and May 31, 1980, respectively.

F—ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION—The allowance for funds used during construction (AFUDC) reflects the cost for the period of capital devoted to plant under construction, including nuclear fuel. This cost represents interest charges on borrowed funds and a reasonable rate of return on other funds used to finance plant additions during construction periods and is capitalized in the same manner as construction labor and material costs.

Prior to fiscal year 1978, AFUDC was capitalized only on construction projects for which funds were borrowed to finance such projects and was calculated using the net interest cost of each financing (actual interest paid less interest income earned from investing unexpended proceeds). For the year ended June 30, 1978, AFUDC was calculated using the formula method prescribed by FERC and was applied to all construction projects. This change in the method of calculation increased AFUDC and net earnings for 1978 by \$946,000.

During fiscal year 1979, the Authority reevaluated the calculation method as related to the manner in which construction projects are actually financed. Since construction projects are substantially financed by specific identifiable borrowings, it was determined that AFUDC would be more reasonably calculated using a specific identification method. Accordingly for the year ended June 30, 1979, AFUDC was calculated using the effective interest rates from specific borrowings applied to the related construction projects. AFUDC for other funds utilized was calculated based on the Authority's average rate of return for the last three years. This change in the method of calculation increased AFUDC and net earnings for 1979 by approximately \$2,326,000.

G—AMORTIZATION—Unamortized debt discount, premium and expense are being amortized over the lives of the related debt issues. Unamortized gains and losses on reacquired debt are being amortized over the respective lives of the refunding debt issues.

Note 2—Unexpended Funds from sale of Expansion Bonds and Debt Service and other Special Funds:

Unexpended funds from the sale of expansion bonds, debt service funds and other special funds are held and maintained by trustees and their use restricted in accordance with applicable provisions of various trust indentures, bond resolutions, lease agreements and the Enabling Act included in the South Carolina law. Such funds consist principally of investments in government securities carried at amortized cost.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

Information for the twelve months ended May 31, 1980 is unaudited.

Note 3—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 presently under construction as tenants in common with undivided interest of 33⅓% and 66⅔%, respectively. SCE&G, as agent for itself and the Authority, is solely responsible for the design, construction, operation, maintenance and decommissioning of the Summer Plant and the Authority is obligated to pay its ownership share of all costs relating thereto. At May 31, 1980, construction work in progress included approximately \$241,650,000 representing the Authority's investment, including AFUDC, in the Summer Plant. Nuclear fuel represents the Authority's investment in fuel acquired for the plant.

The Authority received \$10,550,000 in partial settlement of a lawsuit relating to a uranium supply contract. This amount has been included in deferred credits pending resolution of the accounting treatment for the settlement.

Note 4—Long-Term Debt Outstanding:

	May 31, 1980 (Unaudited)	June 30, 1979
Priority Obligations:		
Electric Revenue Bonds, Series of 1950, bearing interest at 2.70% and due 1980 to 1993	\$ 10,880,000	\$ 11,120,000
Electric Revenue Bonds, Series of 1967, bearing interest at 4% and 4.10% and due 1980 to 1981 and 2006	50,725,000	50,865,000
Electric Revenue Bonds, Refunding Series of 1973, bearing interest from 5% to 5½% and due 1980 to 1989	8,605,000	9,250,000
Contract Obligations, payable 1980 to 1985	1,862,356	2,257,809
Total Priority Obligations	<u>72,072,356</u>	<u>73,492,809</u>
Electric System Expansion Revenue Bonds:		
Expansion Bonds, 1973 Series, bearing interest from 5% to 5¾% and due 1980 to 1993 and 2013	100,000,000	100,000,000
Expansion Bonds, 1974 Series, bearing interest from 6% to 6¾% and due 1980 to 1999 and 2014	109,000,000	109,000,000
Expansion Bonds, 1977 Refunding Series, bearing interest from 3.70% to 6% and due 1980 to 1997 and 2002 and 2016	210,890,000	212,455,000
Expansion Bonds, 1977 Series, bearing interest from 4% to 5¾% and due 1982 to 2002 and 2017	115,000,000	115,000,000
Expansion Bonds, 1978 Series, bearing interest from 4.20% to 5⅞% and due 1981 to 1998 and 2008 and 2018	200,000,000	200,000,000
Expansion Bonds, 1979 Series A, bearing interest from 5.40% to 6⅞% and due 1980 to 2003 and 2009 and 2019	110,000,000	110,000,000
Expansion Bonds, 1980 Series A, bearing interest from 8.5% to 10⅞% and due 1981 to 1995 and 2002 and 2010	75,000,000	—
Total Expansion Bonds	<u>919,890,000</u>	<u>846,455,000</u>
Capitalized Subordinated Lease Contracts, payable 1980 to 2014	86,075,351	88,056,022
Bank Credit Agreement	50,000,000	25,000,000
Other	300,000	375,000
Total Long-Term Debt	<u>\$1,128,337,707</u>	<u>\$1,033,378,831</u>

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

Information for the twelve months ended May 31, 1980 is unaudited.

On June 19, 1980, the Authority authorized the issuance of \$50,000,000 Electric Revenue Notes, 1980, bearing interest at 5½% and due December 1, 1983.

The Authority utilizes proceeds of debt issues primarily in financing its construction program.

The Electric System Expansion Revenue Bonds, 1971 and 1976 Series, were advance refunded and defeased in 1977 by issuance of 1977 Refunding Series Bonds and Special Obligation Refunding Series Bonds. The principal amount of the refunded bonds and Special Obligation Bonds remaining outstanding at May 31, 1980, totaled \$247,735,000. Such bonds will be retired as they mature from the proceeds of Government Obligations held by the Refunding Trustee.

The Authority's bond indentures provide for certain restrictions, the most significant of which are:

The Authority covenants to establish rates and charges adequate to provide revenues sufficient, among other things, to pay debt service when due on the priority obligations and expansion bonds, to make required payments when due into the lease fund and the capital improvement fund, and to pay the costs of operation and maintenance of the Authority's electric system and all necessary repairs, replacements and renewals thereof.

The Authority is presently required to pay annually into its capital improvement fund an amount which, together with the amounts deposited therein in the two preceding fiscal years, is at least equal to 8% of the Authority's gross revenues (as defined) in the three preceding fiscal years.

The Authority may issue additional parity expansion bonds if, among other things, the Authority's Consulting Engineer certifies that net revenues (as defined) in each succeeding fiscal year after the date on which such additional bonds are sold to and including the later of (a) the third succeeding full fiscal year after such date or (b) the first full fiscal year after the estimated date of commercial operation of any power plant to pay the cost of construction of which additional expansion bonds have been, are being or are then authorized to be issued, shall be at least equal to the sum of the amounts required in such fiscal year for (i) debt service on the priority obligations and the expansion bonds then outstanding, being issued, or authorized but not yet issued (ii) payments into the lease fund; and (iii) payments into the capital improvement fund.

Maturities of priority obligations and expansion bonds during the years ended June 30, 1981, through 1985, are as follows:

June 30, 1981	\$4,079,209
June 30, 1982	5,976,891
June 30, 1983	6,719,728
June 30, 1984	8,216,017
June 30, 1985	9,479,051

The contract obligations included above arose through an agreement to purchase certain transmission lines (generally known as the "A-B" System) from Central Electric Power Cooperative, Inc. Principal and interest at 2% per annum are payable in semiannual installments. See Note 6 for details concerning long-term lease obligations.

Note 5—Bank Credit Agreement:

The Authority has a credit agreement with several banks which expires in 1982. The participating banks agreed to loan to the Authority from time to time up to \$50,000,000 at a fluctuating rate per annum equal to 40% of the prime commercial rate of one of the major lending banks, plus 2% per annum (7.6% at June 1, 1980). The proceeds from such borrowing must be used solely for plant construction.

Note 6—Long-Term Lease Commitments:

The Authority has lease contracts with Central Electric Power Cooperative, Inc., covering a steam electric generation plant, transmission facilities and various other facilities. The lease terms range from fifteen to thirty-five years. Quarterly lease payments are based on a sum equal to the interest on and principal of Central's indebtedness to the Rural Electrification Administration for funds borrowed to construct the above-mentioned facilities. The Authority has an option to purchase the leased properties at any time during the period of the lease agreements for a sum equal to Central's indebtedness remaining outstanding on the property involved at the time the option is exercised or to return the properties at the termination of the lease. In addition, the

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (Continued)

Information for the twelve months ended May 31, 1980 is unaudited.

Authority and Central are parties to a power contract which provides that the Authority will provide and Central will purchase all of its energy requirements less amounts which Central purchases directly from the Southeastern Power Administration through October 1987. Revenues received from Central approximated \$29,601,000, \$34,692,000, \$40,624,000, \$52,046,000, \$57,800,000 and \$62,468,299 for the years ended June 30, 1975 to 1979 and May 31, 1980, respectively.

In June 1979, the Authority retroactively recorded all capital leases as assets and liabilities in accordance with Statement No. 13 of the Financial Accounting Standards Board—Accounting for Leases. Prior to that time, capital leases entered into before January 1, 1977, were treated as operating leases under the transitional rules of Statement No. 13.

The effect of this change was as follows:

	<u>June 30,</u> <u>1979</u>
Increase in Electric Plant in Service and Construction Work in Progress	\$100,960,291
Increase in Accumulated Depreciation	21,681,536
Increase in Capitalized Lease Obligations	88,056,022
Decrease in Reserve for Future Rental Payments	4,013,489
Decrease in Net Earnings	43,258

Financial statements of prior years have been restated and the cumulative effect at July 1, 1974, has been charged to accumulated earnings reinvested in the business. The effect of this restatement was to decrease net earnings by \$303,055, \$14,361, \$629,090 and \$318,889 for the years ended June 30, 1975 to 1978, respectively.

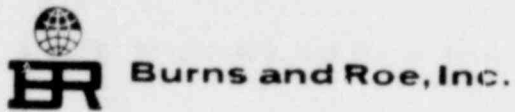
Future minimum lease payments on Central leases at May 31, 1980, were:

<u>Year Ending May 31:</u>	<u>Amount</u>
1981	\$ 5,263,884
1982	5,387,057
1983	5,508,735
1984	5,515,113
1985	5,503,340
Thereafter	119,159,119
Total minimum lease payments	146,337,248
Less, amounts representing interest	56,261,897
Present value of net minimum lease payments	90,075,351
Less, approved loans not yet advanced to Central	4,000,000
Balance at December 31, 1979	<u>\$ 86,075,351</u>

Leases, other than Central leases, are not material.

Note 7—Commitments:

The Authority's Construction Budget, as adjusted for known changes, provides for expenditures (principally consisting of generating facilities—Winyah #4, Summer Plant, Cross #2, Cross #1 and other construction) of approximately \$274,900,000 during the fiscal year ending June 30, 1981, and \$825,100,000 during later years.



P.O. Box 663 ■ 283 Route 17 South ■ Paramus, New Jersey 07652 ■ Tel. N.J. (201) 265-8710 - N.Y. (212) 594-9210

Telex 134403 ■ Cable BUROE PAPAMUS, N. J. 07652

Main Office
550 Kinderkamack Road
Oradell, New Jersey 07649
(201) 265-2000

Subject: W.O. 3446
Santee Cooper
Cross Unit 2

July 23, 1980

Mr. W. C. Mescher, President
Santee Cooper
P.O. Box 398
Moncks Corner, SC 29461

Dear Mr. Mescher:

The South Carolina Public Service Authority has retained Burns and Roe, Inc. to provide engineering, design and construction management services for the Cross Generating Station, Unit 2. The proposed plant site is located approximately 5 miles northeast of Cross in Berkeley County, South Carolina adjacent to the Diversion Canal between Lakes Marion and Moultrie. It should be noted that Unit 2 is the first unit to be constructed on this site. The decision to construct Unit 2 first is based on access and constructability reasons. The site is planned to ultimately include four (4) units.

Burns and Roe, Inc.'s responsibilities cover complete engineering and construction management services, including preparation of plans, specifications, capital cost estimates, economic analyses, environmental analyses and permitting assistance, project schedule, review of bids, expediting of vendors and contractors, managing of construction contracts, coordination of contractors, supervision and general direction of contractor work, establishing and administering security, first aid and other site programs, assistance in plant startup and test, and all related items to result in the complete and successfully operating unit.

The proposed Unit 2 being constructed by Santee Cooper will consist of a coal-fired steam generator, turbine-generator, cooling water system, and 230 KV switchyard, all complete with structures, auxiliary equipment, instrumentation, controls and other associated accessories.

This unit will have a net capability of approximately 450,000 KW.

The estimated construction cost of Unit 2, as shown on Exhibit A attached, is \$385,618,000 excluding interest during construction, bond reserve requirements and expense of financing. The estimated construction cost covers the complete coal-fired generating plant equipment and construction including the 230 KV switchyard; engineering and construction management services; Authority's expenses; and contingency and escalation.

The present site of approximately 2,660 acres is adequate for the structures, cooling water and coal handling systems for the proposed Unit 2 and the three (3) additional units planned for this site.

An extensive soil boring and geophysical probe investigation has been carried out at the locations of the Unit 2 structures. The foundation design has been completed without difficulty for many structures, and construction is proceeding. The foundations yet to be designed are not expected to be a problem.

The contracts for the steam generator and the turbine generator have been awarded to Combustion Engineering Inc. and the General Electric Company, respectively. The contracts for other major equipment such as the electrostatic precipitator, flue gas desulfurization system, coal handling system, solid waste processing system, and cooling tower have also been awarded. All of these contracts contain escalation clauses, allowance for which has been included in the capital cost estimate.

The steam generator contract covers all steam generating equipment including structural steel supports, ducts, breeching, air heaters, forced draft fans, and fuel firing equipment. Design of the fuel firing equipment provides for the firing of pulverized coal.

The flue gas desulfurization system contract includes a complete system consisting of scrubber spray tower, pumps, limestone slurry preparation equipment, and waste slurry thickeners. The system design is adequate to meet environmental regulatory emission and ambient air ground level concentration SO₂ limits.

The solid waste processing system contract consists of the necessary equipment to treat the waste slurry from the flue gas desulfurization system by blending with fly ash and a fixative to produce an environmentally acceptable land fill material.

The coal handling system has been awarded as two contracts. One contract provides a stacker-reclaimer to handle the coal onto and from the active storage pile. The other contract provides for all of the other conveying, preparation, and weighing equipment necessary to unload coal from a unit train and deliver it to the coal silos in the plant. These two contracts provide the capability to handle sufficient quantities of coal for the four units planned for this site with only minimal additional equipment required to be purchased for each future unit.

There have been a total of forty-seven (47) contracts awarded through June 30, 1980, totaling approximately \$190,692,000 for equipment and site construction work. Items of significance included in these contracts in addition to those mentioned above are feedwater heaters and pumps, feedwater pump turbine drives, structural steel, chimney, make-up water treatment systems, ash handling system, prefabricated piping, switchyard, main step-up and auxiliary transformers, plant area caissons, and plant area foundations. Many of these contracts are escalatable. The capital cost estimate allows \$234,141,000 for these awarded contracts. Included within this allowance is the escalation and additional costs associated with these contracts.

The work is divided into related work packages in a manner similar to that which was followed for construction of the Winyah Units. Firm prices for the balance of the materials to be furnished and work to be performed on the plant will be obtained where market conditions permit. The breakdown of related work packages has been determined, and the cost of each package has been extracted from the estimated construction costs for Cross Unit 2. Actual bid prices are compared with estimated amounts for each work package. Quarterly cost reports will be made to Santee Cooper reflecting actual cost experience and comparing it with estimated amounts.

The construction schedule calls for initial operation of the unit on November 1, 1983 and commercial operation of the unit on May 1, 1984. It is our opinion that by proceeding on the basis of the current milestone schedule, the construction schedule for Cross Unit 2 can be met.

The particulate, SO₂ and NO_x emission control equipment is designed to meet existing pollution codes and regulations. The electrostatic precipitator already under contract for the removal of fly ash from the flue gas is guaranteed to meet the existing pollution codes and regulations. The steam generator is guaranteed to meet current Federal NO_x emission standards. The flue gas desulfurization system is guaranteed to meet current Federal SO₂ emission standards. A closed cycle cooling water system utilizing a mechanical draft cooling tower is incorporated in the design in order to meet state and Federal thermal discharge regulations.

It is our opinion with respect to Cross Unit 2 that:

1. The present plans and designs are suitable for the site and the site is suitable for Cross Unit 2.
2. The program for construction of this unit is realistic and the completion of Unit 2 in accordance with the construction schedule is reasonably assured.

We understand that Santee Cooper will make copies of this letter available to all persons who may consider purchasing Santee Cooper Electric System Expansion Revenue Bonds, 1980 Series B. We authorize Santee Cooper to cause a copy of this letter to be appended to its Official Statement with respect to said bonds.

Very truly yours,

W. H. RICHARDOT
Manager of Projects

CONSTRUCTION COST ESTIMATE

Direct Construction Costs—Cross Generating Station—Unit 2

SUMMARY

(\$000)

<u>Account Number</u>	<u>Description</u>	<u>Total</u>
310	Land and Land Rights	-0-
311	Structures and Improvements	\$ 73,144
312	Boiler Plant Equipment	157,838
314	Turbogenerator Units	57,704
315	Accessory Electric Equipment	18,444
316	Miscellaneous Power Plant Equipment	2,701
353	Station Equipment	4,206
	PLANT DIRECT COST	314,037
	Construction and Engineering Cost	24,131
	Owner's Cost	35,450
	PLANT DIRECT AND INDIRECT COST	373,618
	Contingency	12,000
	TOTAL PROJECT COST	<u>\$385,618</u>

**FORM OF OPINIONS OF WOOD & DAWSON
AND McNAIR GLENN KONDUROS CORLEY SINGLETARY PORTER & DIBBLE**

August , 1980

Board of Directors
SOUTH CAROLINA PUBLIC SERVICE AUTHORITY
Moncks Corner, South Carolina 29461

Dear Sirs:

**SOUTH CAROLINA PUBLIC SERVICE AUTHORITY ELECTRIC SYSTEM
EXPANSION REVENUE BONDS, 1980 SERIES B, \$150,000,000**

At your request we have examined into the validity of an issue of \$150,000,000 South Carolina Public Service Authority Electric System Expansion Revenue Bonds, 1980 Series B (the "1980B Bonds"), of South Carolina Public Service Authority, South Carolina (the "Authority"). The 1980B Bonds are issuable in coupon form, registrable as to principal only, in the denomination of \$5,000 each, and in fully registered form, without coupons, in the denominations of \$5,000 or any multiple thereof. The coupon 1980B Bonds are numbered from 1 upwards, and the fully registered 1980B Bonds are numbered from R-1 upwards. The coupon 1980B Bonds are dated August 1, 1980, and the fully registered 1980B Bonds, except for fully registered 1980B Bonds initially issued, which shall be dated August 1, 1980, shall be dated so that no gain or loss of interest shall result from exchanges or transfers thereof as provided therein and in the Resolution and Supplemental Resolution hereinafter mentioned. The 1980B Bonds mature on July 1 in each of the years and in the principal amounts, and bear interest payable January 1, 1981, and semi-annually thereafter on July 1 and January 1 at the rates per annum, as follows:

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>
-------------	---------------	--------------------------	-------------	---------------	--------------------------

The 1980B Bonds maturing on and after July 1, 1991, are subject to redemption prior to maturity upon the terms and conditions set forth therein. The 1980B Bonds recite that they are issued under the authority of and in full compliance with the Constitution and statutes of the State of South Carolina, including, particularly, Act No. 887 of the Acts of the State of South Carolina for 1934, as amended (Code of Laws of South Carolina 1976, Title 58, Sections 58-31-10 through 58-31-390, inclusive), and under and pursuant to a resolution adopted by the Board of Directors of the Authority on August 31, 1971, as amended (the "Resolution"), and a resolution supplemental thereto adopted by the said Board of Directors on August 31, 1980 (the "Supplemental Resolution"), for the purpose of financing the cost of acquisition and construction of capital additions and improvements to the Authority's System (as defined in the Resolution) and for other corporate purposes of the Authority.

We have examined the Constitution and statutes of the State of South Carolina, and certified copies of proceedings of the Board of Directors of the Authority authorizing the issuance of the 1980B Bonds, including the Resolution and Supplemental Resolution, and such other records and documents as we have considered necessary or appropriate for the purposes of this opinion. We have also examined an executed coupon 1980B Bond.

In our opinion the 1980B Bonds have been authorized and issued in accordance with the Constitution and statutes of the State of South Carolina, and constitute valid and legally binding obligations of the Authority payable from and secured by a lien upon and pledge of the Revenues (as defined in the Resolution) of the System, all as set forth and provided in the Resolution, on a parity with the presently outstanding and unpaid bonds of (a) an issue of \$100,000,000 Electric System Expansion Revenue Bonds, 1973 Series, (b) an issue of \$109,000,000 Electric System Expansion Revenue Bonds, 1974 Series, (c) an issue of \$215,150,000 Electric System Expansion Revenue Bonds, 1977 Refunding Series, (d) an issue of \$115,000,000 Electric System Expansion Revenue Bonds, 1977 Series, (e) an issue of \$200,000,000 Electric System Expansion Revenue Bonds, 1978 Series, (f) an issue of \$110,000,000 Electric System Expansion Revenue Bonds, 1979 Series A, and (g) an issue of \$75,000,000 Electric System Expansion Revenue Bonds, 1980 Series A, heretofore issued pursuant to the Resolution and any bonds hereafter issued pursuant to the Resolution on a parity with said bonds and the 1980B Bonds, subject to a prior lien on said Revenues for the payment of the principal of and interest on the presently outstanding and unpaid portion of a \$9,000,000 Contract Obligation of the Authority entered into by the Authority as of January 1, 1950, the presently outstanding and unpaid bonds of (a) an issue of \$15,300,000 Electric Revenue Bonds, Series of 1950, of the Authority, dated July 1, 1950, (b) an issue of \$51,600,000 Electric Revenue Bonds, Series of 1967, of the Authority, dated January 1, 1967, and (c) an issue of \$12,050,000 Electric Revenue Bonds, Refunding Series of 1973, of the Authority, dated April 1, 1973 (said Contract Obligation and said bonds being hereinafter referred to, collectively, as the "Original Bonds"), and, so long as any of the Original Bonds are outstanding, subject also to the payments required by the Indenture, dated as of July 1, 1949, as amended and supplemented, pursuant to which the Original Bonds were issued and are secured, to be made to the Operating Fund, Interest Fund, Bond Fund and Debt Service Reserve Fund established pursuant to said Indenture.

It is to be understood that the rights of the holders of the 1980B Bonds under the 1980B Bonds and under the Resolution and Supplemental Resolution and the enforceability thereof under the same may be subject to judicial discretion, the valid exercise of the sovereign police powers of the State of South Carolina and of the constitutional powers of the United States of America and valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

It is also our opinion that the interest on the 1980B Bonds is exempt from income taxation by the United States of America under existing law and regulations, and that, under the laws of the State of South Carolina, the 1980B Bonds and the interest thereon are presently exempt from property and income taxation within said State.

Very truly yours,