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# Financial Statements

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## Auditors' Opinion

August 28, 1981

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

We have made joint examinations of the balance sheets of the South Carolina Public Service Authority at June 30, 1981 and 1980, and the related statements of reinvested earnings, accumulated earnings reinvested in the business and changes in financial position for the years then ended. Our joint 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 above-mentioned financial statements examined jointly by us present fairly the financial position of the South Carolina Public Service Authority at June 30, 1981 and 1980, 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.

*J. W. Hunt & Company*

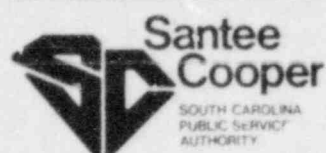
J. W. Hunt and Company  
Columbia, South Carolina

*Coopers & Lybrand*

Coopers & Lybrand  
Atlanta, Georgia

# Balance Sheets

June 30, 1981 and 1980



Assets	1981	1980
<b>Utility Plant — At Cost (Note 1):</b>		
Electric plant in service	\$ 703,271,968	\$ 675,121,568
Construction work in progress	615,301,455	369,348,556
Total	1,318,573,423	1,044,470,124
Less accumulated depreciation	132,401,145	112,541,568
Electric plant — net	1,186,172,278	931,928,556
Nuclear fuel (Note 3)	18,152,742	18,699,741
Utility plant — net	1,204,325,020	950,628,297
<b>Other Physical Property (Net of Accumulated Depreciation)</b>	<b>446,889</b>	<b>460,073</b>
<b>Unexpended Funds from Sale of Electric System Expansion Revenue Bonds (Note 2)</b>	<b>157,556,248</b>	<b>148,300,048</b>
<b>Debt Service and Other Special Funds (Note 2)</b>	<b>247,359,232</b>	<b>163,067,305</b>
<b>Current Assets:</b>		
Cash and securities:		
Held by trustee	10,736,424	8,155,645
Other	2,709,016	7,726,502
Accounts receivable	29,945,276	15,790,976
Accrued interest receivable	1,538,544	398,753
Inventories, at average cost:		
Fuel (coal and oil)	32,251,003	24,232,534
Materials and supplies	3,407,847	3,061,678
Other	599,618	450,587
Total current assets	81,187,728	59,816,675
<b>Deferred Debits:</b>		
Unamortized debt expense (Note 1)	11,634,937	3,697,726
Unamortized loss on reacquired debt (Note 1)	9,594,766	9,973,043
Other	339,226	484,016
Total deferred debits	21,568,929	14,154,785
<b>Total</b>	<b>\$1,712,444,046</b>	<b>\$1,336,427,183</b>

The accompanying notes are an integral part of the financial statements.

Liabilities	1981	1980
<b>Long-Term Debt (Note 4):</b>		
Priority obligations	\$ 70,594,343	\$ 72,072,356
Electric System Expansion Revenue Bonds	1,192,285,000	919,890,000
Electric Revenue Notes	75,000,000	--
Capitalized lease obligations	87,930,536	86,077,282
Bank credit agreement	50,000,000	50,000,000
Other	225,000	300,000
Total long-term debt	1,476,034,879	1,128,339,638
Less:		
Reacquired debt	320,000	--
Unamortized debt discount and premium — net	21,070,747	15,466,791
Long-term debt — net	1,454,644,132	1,112,872,847
<b>Accrued Interest on Long-Term Debt</b>	36,531,682	29,387,048
<b>Construction Fund Liabilities — Accounts Payable</b>	17,178,485	20,448,863
<b>Current Liabilities:</b>		
Accounts Payable	23,609,256	13,284,925
Customer deposits	2,614,965	2,417,646
Accrued sums in lieu of taxes	453,962	405,884
Other	242,126	427,079
Total current liabilities	26,920,309	16,535,534
<b>Commitments (Note 7)</b>		
<b>Deferred Credits:</b>		
Unamortized gain on reacquired debt (Note 1)	1,267,439	1,401,358
Nuclear fuel settlement (Note 3)	10,546,135	10,173,645
Total deferred credits	11,813,574	11,575,003
<b>Capital Contributions — U.S. Government Grants</b>	34,438,264	34,438,264
<b>Accumulated Earnings Reinvested in the Business</b>	130,917,600	111,169,624
Total	\$1,712,444,046	\$1,336,427,183

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## Statements of Accumulated Earnings Reinvested in the Business

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Years Ended June 30, 1981 and 1980

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	1981	1980
Accumulated earnings reinvested in the business — beginning of period	\$111,169,624	\$91,063,369
Reinvested earnings for the period	21,048,272	21,406,400
Total	132,217,896	112,469,769
Distribution to the State of South Carolina	1,300,296	1,300,145
Accumulated earnings reinvested in the business — end of period	\$130,917,600	\$111,169,624

*The accompanying notes are an integral part of the financial statements.*

# Statements of Reinvested Earnings

Years Ended June 30, 1981 and 1980

	1981	1980
<b>Operating Revenues:</b>		
Sales of electricity	\$244,851,426	\$150,428,642
Other operating revenues	1,494,725	1,364,741
Total operating revenues	246,346,151	151,793,383
<b>Operating Expenses:</b>		
Operation expense:		
Production	149,427,242	93,325,069
Purchased and interchanged power -- net	9,275,103	(2,841,115)
Transmission	1,873,222	1,369,954
Distribution	1,190,841	809,891
Customer accounts	1,590,345	1,297,428
Sales	167,585	242,216
Administrative and general	5,739,323	4,663,853
Maintenance expense	18,626,164	11,129,889
Total operation and maintenance expense	187,889,825	109,997,185
Depreciation	21,237,703	14,574,923
Sums in lieu of taxes	965,799	928,098
Total operating expenses	210,093,327	125,500,206
<b>Operating Income</b>	<b>36,252,824</b>	<b>26,293,177</b>
<b>Other Income:</b>		
Interest income:		
Other funds	8,612,182	5,576,531
Borrowed funds	22,407,053	25,576,023
Allowance for funds used during construction -- other than borrowed funds (Note 1)	83,422	44,425
Other -- net	45,326	(52,316)
Total other income	31,147,983	31,144,663
Total	67,400,807	57,437,840
<b>Interest Charges:</b>		
Interest on long-term debt	75,628,944	59,597,774
Allowance for funds used during construction -- borrowed funds (Note 1)	(30,425,506)	(24,415,117)
Other	1,149,097	848,783
Total interest charges	46,352,535	36,031,440
<b>Reinvested Earnings</b>	<b>\$ 21,048,272</b>	<b>\$ 21,406,400</b>

The accompanying notes are an integral part of the financial statements.



# Statements of Changes in Financial Position

Years Ended June 30, 1981 and 1980

	1981	1980
<b>Funds Provided By:</b>		
Operations:		
Reinvested earnings	\$ 21,048,272	\$ 21,406,400
Charges (credits) to reinvested earnings not providing or requiring funds:		
Depreciation	21,522,875	14,574,923
Allowances for funds used during construction	(30,508,928)	(24,459,542)
Amortization of debt discount and expense	926,484	621,302
Amortization of reacquired debt — net	115,108	95,493
Total from operations	13,103,811	12,238,576
Sale of bonds/notes	350,000,000	75,000,000
Capitalized lease obligations	4,000,000	--
Bank loans	--	25,000,000
Increase in accrued interest on long-term debt	7,144,634	4,153,246
Nuclear fuel settlement	372,490	10,173,645
Other	144,790	(130,990)
Total funds provided	374,765,725	126,434,477
<b>Funds Applied To:</b>		
Increase in utility plant	244,697,487	180,881,743
Retirement of long-term debt	4,158,012	3,060,453
Principal payments — capitalized lease obligations	2,146,746	1,978,740
Increase (decrease) in unexpended funds from sale of Electric System Expansion Revenue Bonds	9,256,200	(60,463,620)
Increase (decrease) in debt service and other special funds	84,291,927	(7,050,843)
Decrease (increase) in construction fund liabilities	3,270,378	(4,403,925)
Distributions to the State of South Carolina	1,300,296	1,300,145
Additions to unamortized debt discount and expense	14,467,651	2,196,698
Reacquired serial bonds	190,750	--
Total funds applied	363,779,447	117,499,391
<b>Increase in Working Capital</b>	<b>\$ 10,986,278</b>	<b>\$ 8,935,086</b>
<b>Increase (Decrease) in Working Capital by Component:</b>		
Cash and securities:		
Held by trustee	\$ 2,580,779	\$ 948,625
Other	(5,017,486)	5,264,541
Accounts receivable	14,154,300	2,655,694
Accrued interest receivable	1,139,791	(429,453)
Inventories	8,364,638	6,908,117
Other current assets	149,031	80,897
Accounts payable	(10,324,331)	(5,815,405)
Customer deposits	(197,319)	(344,780)
Accrued sums in lieu of taxes	(48,078)	(52,580)
Other current liabilities	184,953	(280,570)
Increase in working capital	\$ 10,986,278	\$ 8,935,086

The accompanying notes are an integral part of the financial statements.

# Notes to Financial Statements

June 30, 1981

## 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 3.25% and 3.11% for 1981 and 1980, respectively.

Effective January 1, 1980, depreciation rates were revised to conform to a depreciation study which increased depreciation expense by approximately \$1,168,000 for the year ended June 30, 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. Fuel costs are reflected in operating expenses as consumed.

E — Pension Costs — Employees of the Authority are covered by a State Pension Plan administered by the South Carolina State Retirement System which provides for employee and Authority contributions. Contribution rates are fixed by State statutes. The Authority's contributions to the State Pension Plan were \$1,417,837, and \$1,053,000 for the years ended June 30, 1981 and 1980, respectively. Data concerning accrued benefits and pension fund assets relating to Authority employees are not available.

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.

Construction projects are substantially financed by identifiable borrowings, and AFUDC on specific construction projects is calculated using the effective interest rates of the respective borrowings. AFUDC for other funds utilized was calculated based on the Authority's average rate of return for the last three years.

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, 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.

## 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 33-1/3% and 66-2/3%, 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 June 30, 1981 and 1980, construction work in progress included approximately



\$300,691,000 and \$245,086,000, respectively, representing the Authority's investment, including AFUDC, in the Summer Plant. Nuclear fuel represents the Authority's investment in the initial core of three regions and a portion of Region Four that will be used for the first reload.

The supplier under the original uranium supply contract breached the contract in 1975 due to uranium market conditions. SCE&G initiated action seeking specific performance of the contract provisions, and a final settlement was reached and approved by all parties in April, 1980. By terms of the order approving the settlement, the court imposed confidentiality upon the details of the settlement. The Authority has received

approximately \$10,000,000 in cash as partial settlement of the lawsuit. Additionally, the agreement provides for delivery of some uranium, long-term deliveries of equipment and services (including fuel fabrication) at a discount, and the prospect of additional cash payments pending the outcome of litigation between the supplier and a group of uranium producers.

Amounts received have been included in deferred credits and will be applied as a reduction of uranium fuel costs once the plant begins operation consistent with SCE&G's treatment pursuant to an order from the South Carolina Public Service Commission.

#### Note 4 - Long-Term Debt Outstanding:

Priority Obligations:	June 30,	
	1981	1980
Electric Revenue Bonds, Series of 1950, bearing interest at 2.70% and due 1981 to 1993	\$ 10,635,000	\$ 10,880,000
Electric Revenue Bonds, Series of 1967, bearing interest at 4% and 4.10% and due 1981 and 2006	53,575,000	50,725,000
Electric Revenue Bonds, Refunding Series of 1973, bearing interest from 5% to 5.4% and due 1981 to 1989	7,925,000	8,605,000
Contract Obligations, payable 1981 to 1985	1,459,343	1,862,356
Total Priority Obligations	70,594,343	72,072,356
Electric System Expansion Revenue Bonds:		
Expansion Bonds, 1973 Series, bearing interest from 5% to 5¾% and due 1981 to 1993 and 2013	99,175,000	100,000,000
Expansion Bonds, 1974 Series, bearing interest from 6% to 6¾% and due 1981 to 1999 and 2014	108,900,000	109,000,000
Expansion Bonds, 1977 Refunding Series, bearing interest from 4% to 6% and due 1981 to 1997 and 2002 and 2016	209,275,000	210,890,000
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 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 1981 to 2003 and 2009 and 2019	109,935,000	110,000,000
Expansion Bonds, 1980 Series A, bearing interest from 8½% to 10-1/8% and due 1981 to 1995 and 2002 and 2010	75,000,000	75,000,000
Expansion Bonds, 1981 Series A, bearing interest from 7½% to 10¼% and due 1985 to 1997 and 2002 and 2020	75,000,000	--
Expansion Bonds, 1981 Series B, bearing interest from 9¼% to 12% and due 1995 to 2000 and 2013 and 2020 and 2021	200,000,000	--
Total Expansion Bonds	1,192,285,000	919,890,000

**Note 4 — Long-Term Debt Outstanding: (continued)**

Electric Revenue Notes:	1981	1980
Electric Revenue Notes, 1980, bearing interest at 5½% due December 1, 1983	50,000,000	--
Electric Revenue Notes, 1981, bearing interest at 7¼% and due June 1, 1984	25,000,000	--
Total Electric Revenue Notes	75,000,000	--
Bank Credit Agreement	50,000,000	50,000,000
Capitalized Subordinated Lease Contracts, payable 1981 to 2015	87,930,536	86,077,282
Other	225,000	300,000
Total long-term debt	\$1,476,034,879	\$1,128,339,638

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

The Electric System Expansion Revenue Bonds, 1971 and 1976 Series, were advanced 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 June 30, 1981, totaled \$233,345,000. 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 electric revenue notes, priority obligations, and expansion bonds during the years ending June 30, 1982 through 1986 are as follows:

	Electric Revenue Notes	Priority Obligation & Expansion Bonds	Total
June 30, 1982	\$ --	\$ 5,976,891	\$ 5,976,891
June 30, 1983	--	6,719,728	6,719,728
June 30, 1984	75,000,000	8,216,017	83,216,017
June 30, 1985	--	9,479,051	9,479,051
June 30, 1986	--	10,500,000	10,500,000
Total	\$75,000,000	\$40,891,687	\$115,891,687

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.

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**Note 5 – Bank Credit Agreement:**

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The Authority has a credit agreement with several banks which expires in 1982. The participating banks agreed to loan 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 (10% at June 30, 1981). The proceeds from such borrowing must be used solely for plant construction.

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**Note 6 – Long-Term Lease Commitments:**

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The Authority has lease contracts with Central Electric Power Cooperative, Inc., covering a steam electric generating plant, transmission facilities, and various other facilities. The lease terms range from fourteen to thirty-four 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 agreement 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. The Authority plans to exercise each and every option to acquire ownership of such facilities prior to expiration of the leases. 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 December 1982, at which time power supply and transmission services will be provided to Central in accordance with the Power System Coordination and Integration Agreement dated January 19, 1981. Revenues received from Central

approximated \$87,529,000 and \$63,419,000 for the years ended June 30, 1981 and 1980, respectively.

Future minimum lease payments on Central leases at June 30, 1981, were:

Years ending June 30:	Amount
1982	\$ 5,338,173
1983	5,472,325
1984	5,492,975
1985	5,506,538
1986	5,506,540
Thereafter	113,805,792
Total minimum lease payments	141,122,343
Less, amounts representing interest	53,191,807
Balance at June 30, 1981	\$ 87,930,536

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Leases, other than Central leases, are not material.

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**Note 7 – Commitments:**

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The Authority's Construction Budget, as adjusted for known changes, provides for expenditures (principally consisting of generating facilities — Summer Plant, Cross #2, Cross #1 and other construction) of approximately \$297,334,000 during the fiscal year ending June 30, 1982, and \$555,559,000 during later years.

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**Note 8 – Major Customer:**

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Sales to Alumax of South Carolina, Inc., a major industrial customer of the Authority, were \$50,840,814 for the year ended June 30, 1981.